

PILLAR 3
DISCLOSURE
2020

This version of Pilar III Disclosure 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.

CONTENT

1. EXECUTIVE SUMMARY	7
2. REGULATORY CONTEXT OF THE GROUP	15
2.1 - MACROECONOMIC CONTEXT	15
2.2 - THE IBERCAJA GROUP	16
2.3 - SHAREHOLDING AND FUNCTIONAL STRUCTURE	17
2.4 - 2020 IN THE GROUP IBERCAJA	18
2.5 - REGULATORY FRAMEWORK	20
2.5.1 - INTRODUCTION	20
2.5.2 - SOLVENCY	21
2.5.3 - LIQUIDITY	21
2.5.4 - SECURITISATIONS	22
2.5.5 - BANKING RESTRUCTURING AND RESOLUTION	22
2.5.6 - MODELS FOR CALCULATING REGULATORY CAPITAL	23
2.5.7 - OTHER REGULATORY INITIATIVES	25
2.5.8 - SINGLE SUPERVISORY AND RESOLUTION MECHANISM	26
3. PILAR III GENERAL ASPECTS	28
3.1 - INTRODUCTION	28
3.2 - GOVERNING BODIES	29
3.2.1 - BOARD OF DIRECTORS	30
3.2.2 - COMMISSIONS OF THE BOARD OF DIRECTORS	33
3.2.3 - PROCEDURES TO ENSURE THE SUITABILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS	40
3.2.4 - POLICY ON THE DEDICATION OF DIRECTORS	41
3.2.5 - TRAINING ACTIONS FOR THE BOARD OF DIRECTORS ON RISKS AND REGULATION	41
3.2.6 - DIVERSITY IN GOVERNING BODIES	41
3.3 - PERIMETER OF CONSOLIDATION	42
3.4 - DIFFERENCES BETWEEN THE ACCOUNTING AND REGULATORY CAPITAL CONSOLIDATION METHODS.	45
3.5 - IDENTIFICATION OF SUBSIDIARIES WITH EQUITY BELOW THE MINIMUM REQUIREMENT	49
3.6 - EXEMPTIONS FROM REQUIREMENTS	49
4. COMPUTABLE OWN RESOURCES	51
4.1 - RECONCILIATION OF REGULATORY CAPITAL AND STOCKHOLDERS' EQUITY ON THE CONSOLIDATED BALANCE SHEET	53
4.2 - EQUITY DETAILS	54

5. MINIMUM REQUIREMENTS ON OWN RESOURCES	57
5.1 - PROCEDURES APPLIED TO ASSESS THE ADEQUACY OF INTERNAL CAPITAL	57
5.2 - CAPITAL REQUIREMENTS FOR CREDIT, COUNTERPARTY AND DILUTION RISK	58
5.3 - SUPPORTING FACTOR APPLIED TO SME EXPOSURES AND CRITICAL INFRASTRUCTURE	59
5.4 - CAPITAL REQUIREMENTS FOR POSITION RISK	60
5.5 - CAPITAL REQUIREMENTS FOR FOREIGN EXCHANGE RISK	60
5.6 - CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	60
5.7 - CAPITAL REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENT (CVA)	60
6. RISKS	63
6.1 - RISK MANAGEMENT POLICIES AND OBJECTIVES	63
6.2 - CORPORATE GOVERNANCE OF RISK MANAGEMENT	64
6.2.1 - FRAMEWORK FOR ACTION AND MANAGEMENT	64
6.2.2 - GOVERNANCE STRUCTURE	65
6.2.3 - RISK MANAGEMENT, CONTROL AND MEASUREMENT STRATEGIES	66
6.2.4 - FUNCTIONS OF THE BOARD OF DIRECTORS	82
6.2.5 - FUNCTIONS OF THE INTERNAL AUDIT AND COMPLIANCE AREA	82
6.2.6 - RISK INFORMATION REPORTING	89
7. CREDIT RISK	92
7.1 - ACCOUNTING DEFINITIONS AND METHODOLOGICAL DESCRIPTIONS	92
7.2 - CREDIT RISK EXPOSURE	99
7.2.1 - CREDIT RISK EXPOSURE 2020	99
7.2.2 - GEOGRAPHICAL DISTRIBUTION OF EXPOSURES	100
7.2.3 - DISTRIBUTION OF EXPOSURES BY SECTOR	100
7.2.4 - RESIDUAL MATURITY OF EXPOSURES	101
7.2.5 - GEOGRAPHICAL AND COUNTERPART DISTRIBUTION OF IMPAIRED POSITIONS	102
7.2.6 - FORBORNE EXPOSURES	104
7.2.7 - CHANGES IN 2020 IN IMPAIRMENT LOSSES AND PROVISIONS FOR CONTINGENT LIABILITIES AND COMMITMENTS FOR CREDIT RISK	105
7.2.8 - SECURITY INTERESTS OBTAINED THROUGH TAKEOVER AND ENFORCEMENT PROCESSES	107
7.3 - INFORMATION ON THE GROUP'S COUNTERPARTY CREDIT RISK	107
7.4 - IDENTIFICATION OF EXTERNAL RATING AGENCIES	110
7.5 - EFFECT ON RISK EXPOSURES OF APPLYING RISK REDUCTION TECHNIQUES	111
7.6 - SECURITISATIONS	113
7.6.1 - GENERAL DESCRIPTION AND OBJECTIVES	113
7.6.2 - RISKS OF THE GROUP'S SECURITISATION ACTIVITY	115
7.6.3 - FUNCTIONS PERFORMED IN THE SECURITISATION PROCESSES AND DEGREE OF INVOLVEMENT	117
7.6.4 - ACCOUNTING TREATMENT OF TRANSFERS OF FINANCIAL ASSETS	119
7.6.5 - ORIGINATED SECURITISATIONS	120
7.6.6 - CALCULATION OF RISK-WEIGHTED EXPOSURE AMOUNTS FOR SECURITISATION POSITIONS	121
7.7 - RISK MITIGATION TECHNIQUES	122
7.7.1 - GENERAL INFORMATION	122
7.7.2 - QUANTITATIVE INFORMATION	124
7.8 - COVID-19	126

8. MARKET RISK	133
8.1 - DEFINITION OF MARKET RISK	133
8.2 - MARKET RISK MANAGEMENT	133
9. OPERATIONAL RISK	136
9.1 - CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	136
9.2 - OPERATIONAL RISK MANAGEMENT. OBJECTIVES AND JUSTIFICATION	137
9.3 - STRUCTURE AND ORGANIZATION OF OPERATIONAL RISK MANAGEMENT	137
9.4 - OPERATIONAL RISK CATEGORIES	138
9.5 - METHODOLOGIES FOR MEASURING OPERATIONAL RISK	138
9.6 - LOSS DATABASE	139
9.7 - SELF-ASSESSMENTS	140
9.8 - OPERATIONAL RISK INDICATORS	140
9.9 - ACTION PLANS	140
10. HOLDINGS AND EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO	142
10.1 - CLASSIFICATION, VALUATION AND ACCOUNTING CRITERIA	142
10.2 - QUANTITATIVE INFORMATION	143
11. STRUCTURAL INTEREST RATE RISK	145
11.1 - CHANGES IN INTEREST RATES	145
12. LIQUIDITY AND FINANCING RISK	148
12.1 - QUARTERLY EVOLUTION OF THE LCR IN 2020	152
12.2 - LIQUIDITY AND FINANCING PERSPECTIVE	153
13. ASSET ENCUMBRANCE	155
13.1 - GENERAL INFORMATION	155
13.2 - QUANTITATIVE INFORMATION	155
14. LEVERAGE	159
14.1 - GENERAL INFORMATION	159
14.2 - BREAKDOWN OF TOTAL EXPOSURE MEASURE	160
14.2.1 - RECONCILIATION OF THE LEVERAGE RATIO WITH THE PUBLISHED FINANCIAL STATEMENTS	162
14.3 - INFORMATION ON QUALITATIVE ASPECTS	162
14.3.1 - PROCEDURES APPLIED TO MANAGE THE RISK OF EXCESSIVE LEVERAGE	162
14.3.2 - FACTORS THAT HAVE INFLUENCED THE LEVERAGE RATIO	163

15. REMUNERATIONS	165
15.1 - BACKGROUND	165
15.2 - PURPOSE AND SCOPE OF THE REMUNERATION POLICY	166
15.3 - PRINCIPLES OF THE REMUNERATION POLICY	167
15.4 - MAIN CHARACTERISTICS OF THE REMUNERATION POLICY	167
15.5 - DECISION-MAKING PROCESS FOLLOWED TO ESTABLISH THE REMUNERATION POLICY FOR THE IDENTIFIED GROUP	168
15.6 - CHARACTERISTICS OF THE REMUNERATION SYSTEM OF THE MEMBERS OF THE GOVERNING BODIES	169
15.6.1 - REMUNERATION OF THE EXECUTIVE DIRECTOR: CHIEF EXECUTIVE OFFICER	169
15.6.2 - REMUNERATION OF DIRECTORS IN THEIR CAPACITY AS SUCH	170
15.7 - CHARACTERISTICS OF THE SENIOR MANAGEMENT REMUNERATION SYSTEM	171
15.7.1 - DETERMINATION OF OBJECTIVES	171
15.7.2 - PERFORMANCE ASSESSMENT	172
15.8 - PAYMENT WITH INSTRUMENTS AND RETENTION PERIOD	172
15.9 - DEFERRAL	172
15.10 - MALUS CLAUSES	173
15.11 - CLAW BACK CLAUSES	173
15.12 - REMUNERATION RECEIVED	174
ANNEXES	177
ANNEX I: MAIN CHARACTERISTICS OF EQUITY INSTRUMENTS	177
ANNEX II: INFORMATION ON TRANSITIONAL OWN FUNDS	179
ANNEX III: OWN FUNDS AND PHASE-IN AND FULLY-LOADED CAPITAL REQUIREMENTS	184
ANNEX IV: PHASE-IN AND FULLY-LOADED CAPITAL RATIOS	185
ANNEX V: TEMPLATE IFRS 9-FL: COMPARISON OF INSTITUTIONS' OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 OR ANALOGOUS ECLs, AND WITH AND WITHOUT THE APPLICATION OF THE TEMPORARY TREATMENT IN ACCORDANCE WITH ARTICLE 468 OF THE CRR	186
ANNEX VI: CRR MAPPING	188
INDEX OF TABLES	199
INDEX OF ILLUSTRATIONS	200



1
EXECUTIVE
SUMMARY

1. Executive Summary

The present Pillar III Disclosures comply with what is established in Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council (hereinafter CRR - Capital Requirements Regulation), on "Entity Disclosure", and with the further development of the EBA RTS/ITS guidelines and documents, under Pillar III of the Basel Committee Capital Accord.

Pillar III promotes market discipline through the development of a series of disclosure requirements that allow different agents to evaluate the Entity's risk exposure, risk assessment, management and control processes, the Group's capital adequacy and internal governance.

This report contains the information required by current regulations:

- The regulatory framework, governing bodies, perimeter for the purposes of capital requirements, information disclosure policy and risk management policies and objectives.
- The Group's computable own resources and solvency level, the characteristics of the risk profile in its different types: credit, market, operational, equity investments or capital instruments not included in the trading portfolio, structural interest rate, liquidity and securitizations.
- Leverage, unencumbered assets and remuneration policy.

The Ibercaja Banco Group (hereinafter Ibercaja or the Group) is the tenth largest Spanish banking group in terms of asset volume. Its main activity is focused on retail banking, developing all its business in Spain.

The corporate purpose is to carry out all kinds of activities, operations, acts, contracts and services inherent to the banking business in general, as well as the provision of investment and ancillary services, always in accordance with the legislation in force at any given time.

The Entity's mission is to help manage the finances of families and companies, offering a global and personalized service. To this end, it seeks to offer excellent solutions to the financial needs of its almost three million customers.

The Group obtained a net profit of €23.6 million in 2020. The outcome of the year was impacted by additional provisions of €90.1 million made to deal with the possible adverse economic effects caused by the pandemic and by expenses of €151 million booked in connection with the labor unions' collective bargaining agreement.

The most relevant aspects are presented in the following chapters, which are further developed in the report.

Consolidated Balance Sheet at December 31, 2020 (in millions of euros)

ASSETS			LIABILITIES AND NET EQUITY
Cash, balance of cash equivalent in Central Banks and other deposits	7,573		Trading book
Trading book	6	6	
Non-trading financial assets mandatorily measured at fair value through profit or loss	854	46,627	Financial liabilities at amortized cost
Financial assets designated at fair value through profit or loss	9	216	Hedge derivatives
Financial assets at fair value through other comprehensive income	7,023	38	Changes in the fair value of the hedged items in a portfolio hedging interest rate risk
Financial assets at amortized cost	39,727	7,522	Liabilities covered by insurance or reinsurance contracts
Hedging derivatives	142		Allowances
Investments in joint businesses and associates	107	393	Tax liabilities
Other assets	156	167	Other liabilities
Tangible assets	961	213	Own funds
Intangible assets	237		Other comprehensive income
Tax assets	1,345	3,161	
Non-current assets for sale	262	58	
	58,401	58,401	

Equity and solvency ratios

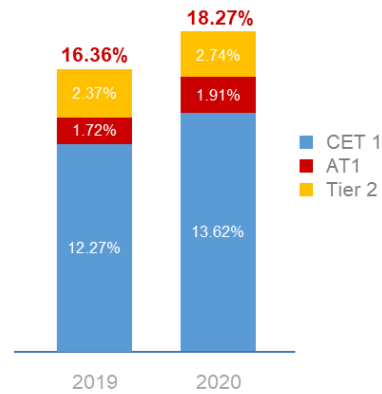
The Group's own resources are:

Computable Own Funds	
(thousands of euros)	Amount
Computable Own Funds 2020	3,334,668
Computable Own Funds 2019	3,331,114

In accordance with the current regulations within the framework of the Basel Capital Accord for determining solvency, as of December 31, 2020, the Ibercaja Banco Group complies with the minimum solvency ratios (Basel Pillar I) required by the regulations in force. Ibercaja Banco's ratios on a consolidated basis, CET1 of 13.62% and total capital of 18.27% (both phased-in), are 5.49 and 5.77 points, respectively, above the regulatory requirements established for 2021.

Based on the criteria foreseen for the end of the transitional period prior to the full implementation of Basel III, the CET1 fully loaded ratio stands at 12.59%.

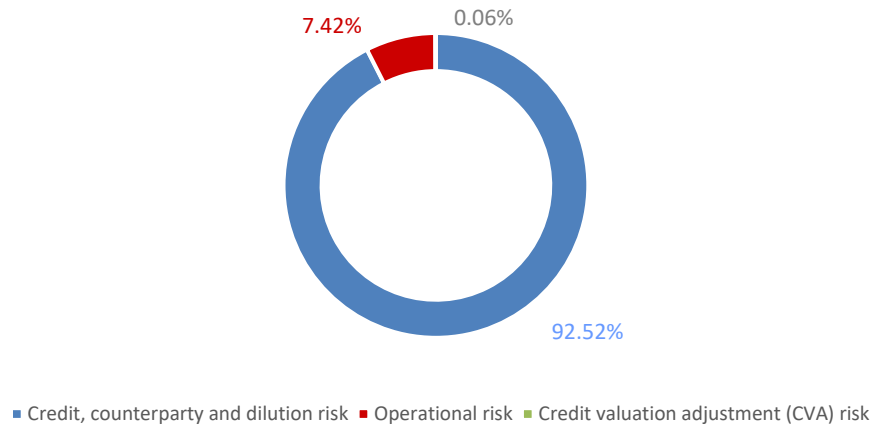
Capital Ratios	
	%
Common Equity Tier 1 ratio (CET1)	13.62%
Minimum required CET1	4.50%
Tier 1 ratio (T1)	15.53%
Minimum required T1	6.00%
Total Capital Ratio	18.27%
Minimum Required Total Capital	8.00%



Annex IV incorporates the capital ratios without applying transitional measures (fully loaded).

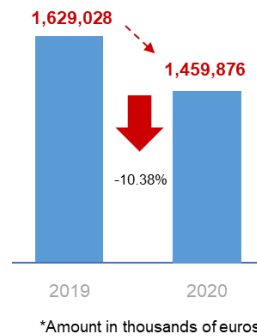
Capital requirements

During 2020, credit risk requirements accounted for 92.52% of capital requirements, while operational risk requirements accounted for 7.42%.



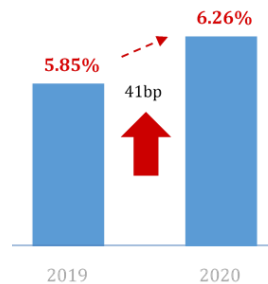
Minimum capital requirements	
(thousands of euros)	Amount
Minimum capital requirements	1,459,876
Capital requirements for credit, counterparty and dilution risk	1,350,605
Capital requirements for market risk	-
Capital requirements for operational risk	108,314
Capital requirements for credit valuation adjustment (CVA)	957
Risk-weighted assets	18,248,449

The minimum capital requirements for Pillar I risks have been reduced by 10.38% compared to 2019, reaching a figure of €1.46 billion.



Leverage Ratio

The leverage ratio has increased by 41 b.p. from 5.85% as of December 2019 to 6.26% as of December 2020.



Regulatory framework for own resources and supervision of entities

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

Pillar III information disclosure. Information of Prudential Relevance

Ibercaja Banco is the head of a group of subsidiaries, which carry out activities of different nature and constitute the Ibercaja Banco Group. Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR), the Community Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and its transposition in Bank of Spain Circular 2/2016, of February 2, on supervision and solvency, are applicable at consolidated level for the entire Group.

In accordance with part eight of chapter one of the CRR and article 85 of Law 10/2014, entities must publish, at least annually, relevant information for a proper understanding of their business profile, their exposure to different risks, the composition of their capital base and their risk management policies and objectives. This report includes the compliance with these requirements as of December 31, 2020 by the consolidable Group of Ibercaja Banco S.A. and has been published on March 26, 2021 on the website of Ibercaja Banco (<https://www.ibercaja.com/shareholders-and-investors/financial-information/information-of-prudential-relevance>).

In the event that information is not published because the Entity reserves it or because it is not material, the specific reasons for its omission must be communicated and more general information that does not affect the confidentiality of the information must be provided instead. The Entity, in compliance with this standard, does not make omissions of information due to materiality or confidentiality without being specified.

The Entity considers that the activity and risk-weighted assets (RWAs) of the business have been stable during 2020 and therefore it is not necessary to publish Pillar III information with a periodicity of more than one year. In this matter, the Entity refers to the final document on disclosure requirements "Guidelines under Part Eight of Regulation (EU) 575/2013", issued by the EBA in December 2016. These guidelines set out the best practices for entities to comply with the CRR and the Basel Committee, applicable as of December 31, 2017.

The areas responsible for the preparation of the Prudential Relevance Report and their functions are defined below:

- a) Corporate Information and Management Analysis Department: responsible for coordination, adaptation to current regulations and comparison with the Group's various information sources. The General Accounting Department collaborates in this area in order to provide quantitative and qualitative information on equity, capital requirements for different types of risk (credit, counterparty, trading portfolio, market, equity positions, etc.), credit risk mitigation, capital buffers and securitisations.
- b) General Secretariat and Control Directorate. Within the area they collaborate:
 - i. Risk Control Department: provision of information relating to RAF, leverage, unencumbered assets, structural interest rate and liquidity risk, and capital requirements for operational risk.
 - ii. Regulatory Compliance Department: provides information on Governing Bodies and on remuneration policies.
- c) Personnel Area Management: provides quantitative information on remuneration.
- d) Brand, Reputation and Sustainability Management: provides information on social, environmental and good governance risks.

In accordance with Standard 59 of Bank of Spain Circular 2/2016, the Group has commissioned an independent external party (the Auditor of the 2020 Annual Accounts - PricewaterhouseCoopers Auditores, S.L.) to verify the information in this 2020 Prudential Relevance Report and to review its compliance with current regulatory requirements.

Ibercaja Banco S.A. and its Consolidated Group have a policy for the disclosure and verification of Pillar III information approved by the Board of Directors and with a minimum annual review frequency. This policy establishes the principles governing the adequacy of Pillar III information in the Entity. Among the principles included in the policy are the frequency and content of the information to be disclosed; the consideration of information as material, significant, reserved or confidential; the verification of the information and the means of disclosure of the information. In accordance with this policy, this report has been prepared by the Corporate Information and Management Analysis Department, reviewed by the Audit and Compliance Commission and approved by the Board of Directors.

In preparing this document, the Group has considered:

- Guidelines, RTS (Regulatory Technical Standard) documents and ITS (Implementing Technical Standards) documents issued by the EBA, where part eight of the CRR is further developed in the areas of materiality policy, confidentiality and periodicity, leverage, encumbered assets, countercyclical buffer and liquidity.
- Best practices described in "On Bank's Transparency in their 2014 Pillar 3 Reports", issued by the EBA, which assesses the information disclosed by 17 European banks on different aspects of capital and risks, as well as the recommendations included by the Basel Committee in the report "Disclosure Requirements for Pillar 3 - Updated Framework", published in January 2015.
- Final document "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013", issued by the EBA in December 2016, which establishes criteria and information to be published at different frequencies. The Bank aims to continue to evolve in line with the best practices derived from this document, by gradually implementing the recommendations of the supervisors gathered here.
- Guidelines regarding uniform disclosure of information under Article 473a of Regulation (EU) No. 575/2013 as regards transitional provisions for the mitigation of the impact on own funds of the introduction of IFRS 9.
- Guidelines regarding the disclosure of information on doubtful and restructured or refinanced exposures, issued by the EBA in December 2018, as regards the content and uniform formats to be used by credit institutions to disclose information to the market on NPE, FBE and foreclosed assets.

- Guidelines amending the EBA/GL/2018/01 Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) regarding transitional arrangements for the mitigation of the impact on own funds of the introduction of IFRS 9, to ensure compliance with the Quick Fix made in the CRR in response to the COVID-19 pandemic (EBA/GL/2020/12).
- Guidelines on reporting and disclosure requirements for supervisory purposes in accordance with the Quick Fix made in the CRR in response to the COVID-19 pandemic.
- EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07) detailing the quantitative information that institutions should report on loans and advances subject to moratoria, as well as loans and advances subject to guarantee programs in response to the health crisis.

The Group's Pillar III Report is structured in 15 chapters and 6 annexes. The first chapter describes the most relevant figures, which are subsequently developed in the report. The second chapter describes the relevant events that have occurred in 2019 and have affected the Group and the regulatory environment. The third chapter describes the general aspects of the Group's Pillar III and all the information relating to the governing bodies and the scope of consolidation. Chapters 4 and 5 describe all the information relating to solvency, from qualitative to quantitative information, on the Group's capital and equity requirements. Chapters 6 through 14 describe the Group's risk function and detail by section the aspects relating to credit risk, securitisation, operational, liquidity, interest rate and leverage. Chapter 15 contains information on remuneration policies.

The annexes include information on the Main Characteristics of Equity Instruments, Transitional Own Funds, Phase in and Fully Loaded Own Funds and Capital Requirements, Phase in and Fully Loaded Capital Ratios, Template NIIF9-FL and a compliance map with the items in Part Eight of the CRR. An index of tables and an index of illustrations is provided at the end of the document.

2
**REGULATORY
CONTEXT
OF THE
GROUP**

2. Regulatory context of the Group

2.1 - Macroeconomic context

The world economy has suffered a historic contraction due to restrictive measures on mobility and non-core activities to contain the expansion of COVID-19. The IMF estimates that the global GDP decline could reach 4.3%. The recovery of the economic cycle is linked to the pace and effectiveness of the vaccination initiated in the last days of the year. In any case, it does not appear that pre-COVID-19 levels can be achieved quickly, and the recovery will be asymmetric by country and sector.

The main economies are experiencing severe declines depending on their economic structure, public aid and the effectiveness of disease control. China, the country where the pandemic began, is the exception with year-on-year growth of 2.3%, which, although the lowest in decades, exceeds the most optimistic forecasts.

GDP contraction in the Euro Zone reached 6.8%, with a marked dispersion among countries. The countries of the South are the most affected, due to their dependence on the tertiary sector, especially tourism and leisure. The second wave of contagion, starting in October, has once again depressed economic activity and dampened the prospects for recovery. This has been compounded by the delay of the Brexit agreement as a factor of uncertainty in the final stages of the year. Hopes, in addition to vaccination, are pinned on the €750 billion European Recovery Fund, framed in the 2021-2027 budget, which will be channeled through transfers and loans to governments to finance, mainly, investments related to digital and green transformation.

At its meeting on December 10, the ECB stated its intention to maintain financial conditions that allow governments to develop expansionary policies and credit to flow to the real economy. Among the measures adopted during the year were the extension of the PEPP to €1.85 trillion, with a time horizon set for March 2022, and the announcement of new liquidity support for banks through TLTROs III.

Stock markets, after the March collapse, have reacted unevenly. In Europe, the German Dax closed the year in positive territory (+3.6%), while the French CAC 40 (-7.1%), the UK FTSE 100 (-14.3%) and the Spanish Ibx 35 (-15.5%) were negative. The U.S. indices have reached record highs, due to the high weight of the technology sector, whose demand for services has been strengthened by the crisis. Gains reached 43.6% and 16.3% in the Nasdaq and S&P 500, respectively.

Public debt came under heavy pressure in the early stages of the pandemic, a trend that reversed after the central banks' commitment to support the economy. The IRR on the Spanish 10-year bond has been close to 0% and the 12-month Euribor has reached lows below -0.50%.

The fall in Spanish GDP, 11%, is sharper than that of neighboring countries. It is explained by a more severe initial lock down, due to the uncontrolled expansion of the virus, the high contribution to GDP of the sectors related to tourism and leisure, the high rate of structural unemployment, which limits consumption, and an atomized productive fabric, with low productivity and more vulnerable to shocks of this magnitude.

Domestic demand drains 9.1 p.p. from growth. Household consumption falls by 12.6% compared to 2019, investment shrinks by 12.4%, with construction particularly affected, and only the increase in public spending, 4.5%, acts as a counterbalance. In turn, the foreign sector detracts 1.9 p.p. from growth, due to the significant decline in the export of services linked to tourism.

In the labor market, after the strong destruction of employment in March and April, unemployment reached 16.1% according to the EPA for the fourth quarter. The number of unemployed stands at 3.7 million, with 800,000 workers under ERTE.

On the regulatory front, the ECB has adopted a broad package of measures to ensure that the credit institutions under its supervision provide financing to the real economy to help mitigate the economic effects of the coronavirus. These include, among others, the relaxation of solvency and liquidity requirements, the relaxation of the treatment of bad loans, backed by public guarantees or affected by moratoria granted in the context of COVID-19, and the revision of the banking regulation on capital requirements, known as Quick Fix.

2.2 - The Ibercaja Group

The origin of Ibercaja dates back to 1873, when the *Real y Excma. Sociedad Económica Aragonesa de Amigos del País* founded the *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja*, which began its journey as a credit institution on May 28, 1876. After a long process of expansion in which it achieved a solid establishment in Aragon, La Rioja and Guadalajara, in 2001 the institution acquired a national dimension by operating in all Spanish provinces.

As part of the process of restructuring the Spanish financial system, the General Assembly of the savings bank, at an extraordinary session held on July 26, 2011, approved the creation of Ibercaja Banco S.A., to which it transferred all the assets and liabilities allocated to its financial activity.

On July 25, 2013 Ibercaja Banco acquired *Banco Grupo Cajatres*. The integration process culminated in October 2014 with the merger by absorption of the acquired entity.

The *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja*, the main shareholder of Ibercaja, in compliance with the provisions of Law 26/2013 of December 27, was transformed into the *Fundación Bancaria Ibercaja*, being registered in the Register of Foundations on October 13, 2014.

The Group has been guided during the last three years by the "Plan+ 2020" Strategic Plan, whose objective has been to make Ibercaja the best financial institution in the country, in terms of being the bank with the most satisfied customers and the most commercially efficient, anticipating the needs of its stakeholders and supporting the transition to a sustainable economy. To address this challenge, three major programs were defined: customer, value and transformation drivers with the guidelines to compete successfully in an environment of rapid changes in consumer habits, technology, the economic and business context and the regulatory framework.

The Entity has exceeded its objectives for strengthening solvency and those related to asset quality, both in terms of reduction of non-performing assets and coverage rates, set in the Strategic Plan. However, the achievement of the profitability and cost of risk indicators has been affected by the outbreak of the pandemic, which has altered the macroeconomic framework, and the negative interest rate environment, far from that contemplated in the Plan+ 2020.

The new Strategic Plan, with a 2023 horizon, is already underway, and its main challenge is to improve profitability. The management objectives for the period of validity are framed within two major programs: "Customer" and "Productivity and Efficiency". The Plan will be presented in the first half of 2021.

Ibercaja is the tenth largest banking group in Spain, with a history of more than 145 years providing quality financial services and the utmost professional rigor. Its mission and vision are based on the values that have guided the Bank since its foundation and have enabled it to establish a solid and fruitful relationship with customers, employees, investors and society in general.



2.3 - Shareholding and functional structure

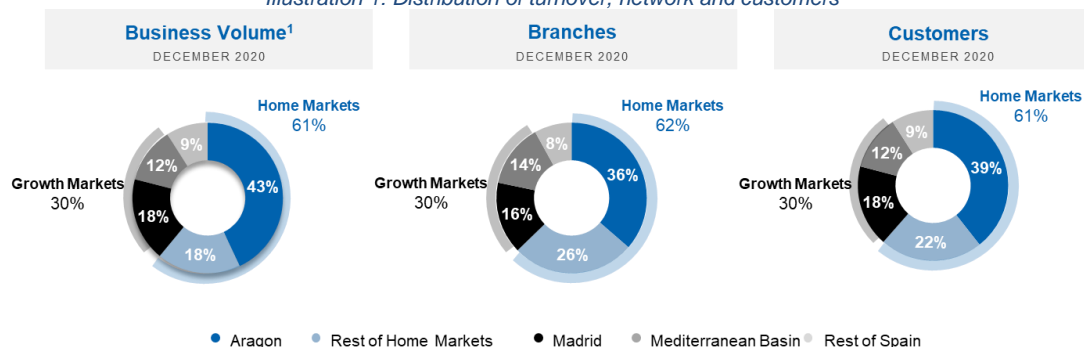
Ibercaja Banco is majority owned (88.04% of its capital) by *Fundación Bancaria Ibercaja*. As a result of the acquisition in June 2013 of *Banco Grupo Cajatres, S.A.U.*, the following are also shareholders of Ibercaja: *Fundación Caja Inmaculada* (4.73%), *Fundación Caja Badajoz* (3.90%) and *Fundación Bancaria Caja Círculo* (3.33%).

The Group, with a balance sheet of €58,401 million, is the tenth largest in terms of assets in the Spanish banking system. Its main activity is retail banking, focused on financing for families, particularly first 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 credit to individuals and small and medium-sized companies represents almost 90% of loans and advances to customers and retail deposits account for 78.4% of customer financing. At the national level, it has a market share of 2.5% in loans to households and non-financial companies, reaching 3.8% in the home purchase segment for individuals and 3.5% in customer funds.

The Entity has a leading position in its traditional area of activity (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where 61% of customers are concentrated and 61% of retail business volume is obtained. Its market share in this territory, 30% in private sector deposits and 23% in credit, reaches 42% and 32% in Aragón, respectively. It also has a significant presence in other areas of great economic importance such as Madrid and the *Arco Mediterráneo* (Catalonia and Valencia), which account for 18% and 12% of the Bank's customers and 18% and 12% of its business volume.

Distribution of business volume, network and customers by area of operation

Illustration 1: Distribution of turnover, network and customers



¹Retail business volume in normal situation: credit to customers ex-retirement acquisition of assets and doubtful assets + retail deposits + asset management and insurance

2.4 - 2020 in the Group Ibercaja

Ibercaja has achieved a high level of commercial activity, overcoming the difficult environment. It is worth highlighting the growth in key segments for the bank's business strategy, such as mutual funds and pension plans, whose market shares have escalated to record highs.

Customer funds gathering has evolved favorably. Customer deposits grew by 10.4% in the year. The increase occurred both in companies, which deposited part of their liquidity to cope with the effects of the pandemic, and in households, which increased their propensity to save out of prudence. Asset management activity, after the shock caused by the collapse of the markets in March, has regained momentum. The mutual funds managed by *Ibercaja Gestión* recorded positive net contributions of more than €1,000 million during the year, and assets under management rose by 9.1%. The market share, 5.52%, reached a historic figure for the Institution. Likewise, in pension plans, the market share, 5.91%, increased by 7 basis points. The combined market share in asset management and life insurance reached 5.0%.

Lending was aimed at protecting customers most affected by the economic effects of the pandemic. New credit operations totaled €6,424 million, 18.2% more than in 2019. Most of them, 4,273 million, aimed at companies and the self-employed through ICO lines. Meanwhile, formalizations for home purchases totaled 1,440 million.

With regard to the quality of the loan portfolio, there have been no signs of deterioration so far. Non-performing assets continued their downward trend, more marked than that of the sector (-21.7% vs. -2.7% as of November), and real estate assets on the balance sheet fell by 1.9%, although there was a certain slowdown in sales. However, the Group continuously monitors the main indicators in order to anticipate possible negative impacts.

The Group has a solid solvency position, which was reinforced during the year. The CET1 phased-in ratio, 13.62%, is 5.49 percentage points above the minimum requirements communicated by the supervisor for 2020. Likewise, the CET1 fully loaded ratio, 12.59%, exceeds the average of Spanish institutions supervised by the ECB (12.0% as of September 2020) by more than 50 basis points. On the other hand, available liquidity at year-end exceeded €14,959 million, which represents 25.6% of the balance sheet and comfortably covers debt maturities. These robust solvency and liquidity levels, the diversified business model (37% of recurring income comes from asset management and insurance) and a loan portfolio, very focused on mortgage financing for individuals, with a low relative exposure to the sectors most affected by the crisis, allow Ibercaja to face the change of economic cycle that our country is undergoing with guarantees.

Profit generation has been conditioned by the negative interest rate environment, the provision to cover the potential economic impact of the pandemic on the loan portfolio and the extraordinary expenses associated with the labor unions' collective bargaining agreement. The most relevant impact of the crisis on the Group's results is the extraordinary provision for credit risk of €90 million in anticipation of a decrease in the repayment capacity of loans, which will increase the inflow of non-performing assets. This provision, together with other extraordinary expenses aimed at improving the Bank's future profitability, resulted in a profit for the year of €24 million. Excluding the extraordinary provision for COVID-19, pre-tax profit came to 143 million, up 11.5% compared to that obtained in 2019.

The digitalization strategy has been decisive in the exceptional circumstances of the year, making it possible to serve customers without compromising the quality of service. The total number of digital customers grew by 10.0% in the year, to 842,486, thanks to the increase in users of the mobile App (+20.7%) and Ibercaja Pay (+148.4%), and 76% of transactions are already carried out through digital channels, compared to 72% at the end of 2019. In turn, 8.5% of mortgages formalized as of the second quarter and 75% of consumer credit transactions have been carried out through digital devices.

2.5 - Regulatory framework

2.5.1 - Introduction

In December 2010, the Banking Supervision Committee published a new global regulatory framework for international capital standards (Basel III) that expanded on the requirements of the previous frameworks (Basel I, Basel II and Basel 2.5) to improve the quality, consistency and transparency of the capital base and risk coverage. On June 26, 2013, the Basel III legal framework was incorporated into European legislation through Directive 2013/36 on the taking up and pursuit of the business of credit institutions (hereinafter CRD IV), which repeals Directives 2006/48 and 2006/49, and Regulation (EU) No 575/2013 on the prudential requirements for credit institutions and investment firms (hereinafter CRR).

The Basel regulatory framework is based on three pillars: Pillar I establishes the minimum capital requirement and includes the possibility of using ratings and internal models for the calculation of risk-weighted exposures. Pillar II establishes a system of supervisory review of capital adequacy based on the risk profile and internal management of capital. Pillar III refers to information disclosure and market discipline.

The CRD V was transposed into Spanish legislation by Law 10/2014 on the organisation, supervision and solvency of credit institutions and its subsequent regulatory development by Royal Decree 84/2015 and Bank of Spain Circular 2/2016, which completed its adaptation to the Spanish legal system. This Circular repeals most of Circular 3/2008 (although it remains in force for issues in which Circular 5/2008, on minimum capital and mandatory reporting by mutual guarantee societies, refers), on the determination and control of capital; as well as a section of Circular 2/2014, referring to the exercise of various regulatory options contained in the CRR.

Regulation (EU) No. 575/2013 is directly binding on the Member States of the European Union as from January 1, 2014 and repeals any lower-ranking regulations that entail additional capital requirements. This regulation includes a transitional implementation schedule that allows for a progressive adaptation to the new requirements. This calendar has been incorporated into Spanish regulations through Bank of Spain Circular 2/2014, affecting new deductions, issues and equity items that are no longer eligible under this new regulation. Regulation 2016/445/EU, published by the ECB in March 2016, amends some calendars established in Bank of Spain Circular 2/2014. The capital buffers provided for in CRD IV are also subject to a gradual implementation between 2016 and 2019.

In June 2019, the final texts of the revision of the capital framework and the resolution framework were published, incorporating the Basel standards in accordance with the European Commission's draft of the new CRR (CRR II) and the new CRD IV (CRD V) of November 23, 2016, such as the Fundamental Review of the Trading Book for market risk, the Net Stable Funding Ratio for liquidity risk or the SA-CCR for calculating the EAD for counterparty risk. Changes have also been made to the treatment of central counterparties, the MDA, Pillar II, the leverage ratio, and Pillar III, among others. The most important new feature is the implementation of the TLAC Term Sheet issued by the FSB (Financial Stability Board) in the capital framework, so that systemic institutions will have to comply with the TLAC (or MREL at European level) requirements in Pillar I, while non-systemic institutions will only have to comply with MREL in Pillar II, which the resolution authority will communicate on a case-by-case basis. These latter developments will be incorporated in the amendment of the BRRD Resolution Directive and replaced by the BRRD II.

CRR II will come into force as of June 28, 2021, excluding certain provisions whose period of entry into force extends from January 1, 2019 to June 28, 2023, highlighting the entry into force of the main changes regarding equity, capital deductions, standard and IRB credit risk and authorisations.

CRD V entered into force on June 27, 2019 and is applicable to Member States as of December 28, 2020.

2.5.2 - Solvency

The CRR and CRD IV transpose Basel III into European law. The progressive adaptation of these regulations to the European framework places the computable own funds and the capital buffer requirements above the minimum regulatory levels, and therefore regulates the capital levels and the composition of the equity that institutions must have.

In addition, in order to ensure a uniform implementation of the new regulations throughout the European Union, the European Banking Authority (EBA) is developing the more specific aspects of the CRR through the publication of more specific guidelines. To this end, the EBA has issued the final document "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013", which establishes criteria to ensure consistency and uniformity in the disclosure of information to allow greater comparability among credit institutions.

In 2020, the pandemic has prompted the Basel Committee to consider the need to prioritize capital buffers.

To this end, the Basel Committee on Banking Supervision decided in March 2020 to postpone the implementation of Basel III by one year. This will strengthen the capital of banks so that they do not have to use their resources to strengthen their solvency and so that the financing of families and households can be guaranteed due to the impact of the coronavirus. Thus, the first measures, which were to come into force on January 1, 2022, are delayed to the same date in 2023.

The same measure has been adopted by the ECB, which has encouraged banks to use their capital and liquidity buffers to lend and absorb losses and has exempted them from restoring capital buffers before the capital buffer reaches the maximum fall level.

Another measure contemplated by the ECB has been to commit to allow banks to operate below the Pillar 2 (P2G) recommendation and the combined capital buffer requirement at least until the end of 2022, and below the LCR at least until the end of 2021, without automatically triggering supervisory measures.

2.5.3 - Liquidity

The publication of the final version of the framework "Basel III: the Net Stable Funding Ratio" in October 2014, introduced a series of stable funding requirements for short-term exposures to their regular sources of funding, avoiding potential higher systemic stress. The NSFR is a minimum requirement from January 1, 2018.

In addition, the Net Stable Funding Ratio (NSFR) disclosure standards were published in June 2015. These requirements will improve the transparency of regulatory funding requirements, reinforce the Principles for the Sound Management and Supervision of Liquidity Risk, strengthen market discipline and reduce uncertainty in the markets when applying the NSFR.

Following prior consultations in 2016, the EBA published in 2017 the final proposals regarding the disclosure of the LCR Liquidity Coverage Ratio (LCR) and Asset Encumbrance, whose objective is their concretization.

The new regulatory package articulated through CRR II and CRD V implements a number of elements agreed in the Basel Committee and the FSB, including the Net Stable Funding Ratio (NSFR).

With the disruption of the pandemic in the economy, the response given by governments has been to lower both capital and liquidity requirements so that institutions could continue with the necessary funding to maintain the economy.

To this end, measures have been taken such as the possibility of operating below the LCR without automatically activating supervisory measures, as indicated by the ECB.

For its part, the ECB has allowed banks to operate below the LCR liquidity coverage ratio.

2.5.4 - Securitisations

In December 2017, a new general framework for securitisation and a specific framework for simple, transparent and standardised (STS) securitisation were published. In addition, a new capital treatment is established for securitisations that modifies the current treatment of the CRR, and a preferential capital treatment for those securitisations that meet the STS criteria. The implementation of these regulatory frameworks is mandatory as of January 1, 2019, thus affecting this year.

In May 2018, the Basel Committee published the Capital treatment *for* simple, transparent and comparable short-term securitisations (STC) and the criteria for identifying such securitisations in "*Capital treatment for short-term simple, transparent and comparable securitisations*" and "*Criteria for identifying simple, transparent and comparable short-term securitisations*".

This 2020, the Basel Committee has made public the technical amendment for the prudential treatment of securitizations of non-performing loans.

2.5.5 - Banking Restructuring and Resolution

In 2014, Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 was approved, which defines the framework for restructuring and resolution of European credit and investment services institutions, so that post-crisis measures of financial institutions in Europe are harmonized, minimizing the cost to the contributors.

In July 2016, the Commission published the Delegated Regulation 2016/1075, on restructuring and resolution plans, in accordance with BRRD, where it is detailed: the content of restructuring plans, resolution plans and group resolution plans, the minimum criteria to be assessed by the competent authority as regards restructuring plans and group restructuring plans, the conditions for group financial support, the requirements for independent valuers, the contractual recognition of depreciation and conversion powers, the procedure in relation to notification requirements and the announcement of suspension and the content of these and the operational functioning of the colleges of resolution authorities.

Over the past few years, the Basel Committee and the Financial Stability Board (FSB) have continued the steps begun previously. In 2015, the standard for requiring a minimum of sufficient loss absorption capacity to recapitalize an entity in the event of a resolution, namely Total Loss Absorbing Capacity (TLAC), was closed for entities classified as Global Systemically Important Banks (G-SIBs). In 2017, the FSB published the following:

- The Internal TLAC framework.
- Two relevant consultations whose aim is, on the one hand, to secure funding in resolution and, on the other hand, to guarantee the successful execution of a *bail-in*.
- In November 2017 it updated the list of G-SIBs for 2019.

In 2019, the FSB issued a report regarding the implementation of the TLAC in the different jurisdictions, concluding that no modifications were necessary.

During 2020 the FSB has continued to monitor the implementation of Total Loss-Absorbing Capacity (TLAC) in the various jurisdictions. It is estimated that all G-SIBs are already compliant with their 2022 TLAC requirement.

2.5.6 - Models for calculating regulatory capital

In December 2017, the review of Basel III was completed. This final Basel III framework was approved thanks to the agreement reached on the calibration of capital floors, which limit the capital savings generated by applying internal models.

This revision of the frameworks for calculating capital requirements for credit, market and operational risk aims to ensure improved simplicity, comparability and risk sensitivity, as well as to reduce the variability of risk-weighted assets not justified by the different risk profiles.

The final capital framework agreement will enter into force on January 1, 2022. However, implementation will not be complete until 2027. This process will be gradual in the case of capital floors. On the other hand, the Basel Committee announced that the implementation of the new market risk framework (FRTB) will begin on January 1, 2022 instead of 2019 as initially planned.

This final framework includes significant improvements with respect to the proposals initially put forward by the Basel Committee, to be highlighted:

Floors:

The level of capital floors has been set at 72.5% at the aggregate level for all risks, with a maximum impact limit of 25% of RWA per entity.

Credit risk:

The revision to the standardised approach for calculating credit risk capital introduces the use of external ratings on a non-mechanical basis for exposures to banks and corporates and greater risk sensitivity for certain exposures.

The review of the advanced methods for calculating credit risk capital for low-default portfolios includes the following:

- It establishes limitations in the estimation of parameters through floors at the exposure level.
- It standardizes the methodology for estimating risk parameters.
- The treatment of risk mitigation techniques is reviewed.

Credit Valuation Adjustments (CVA):

The revision of the credit valuation adjustment (CVA) includes the elimination of internal models and the standard methods are revised to align them with the revised framework for market risk.

During 2020, the Basel Committee's revisions to the Credit Risk Valuation Adjustment have been published. These replace the 2017 version and will come into effect in January 2023.

Operational risk:

In 2019, a standard approach for calculating operational risk capital was introduced, which combines size with loss indicators from past events. This new approach will replace the current AMA internal models and standard methods and will be implemented in 2022.

In August 2020, the document containing revisions to principles for good practice in operational risk management was opened for consultation. In this consultation, the Committee has chosen to address aspects such as the principles for operational risk management and the principles for operational resilience.

This document also recognizes the increased potential for significant disruptions to banking operations due to pandemics, natural disasters, destructive cyber security incidents or technological failures.

Leverage:

The final calibration of the leverage ratio has been set at 3% for all entities and, for systemic G-SIBs, an additional surcharge of 50% of the G-SIB buffer is also established.

In June, the Basel Committee published the final document on the leverage ratio treatment of derivatives cleared in Central Counterparty Clearing Houses, with the objective of maintaining linearity with the standardized approach to counterparty risk (SA-CCR).

With the postponement of the application of some provisions of CRR2 to January 2023, the requirements regarding the leverage ratio buffer are delayed, also the possibility to exclude exposures to central banks from the leverage ratio calculation has been introduced.

2.5.7 - Other regulatory initiatives

With regard to the Basel III Framework, approved in 2017, the EBA issued in 2019 two advisory reports on its implementation, including the assessment of the impact of capital requirements on European banks, with recommendations.

In October 2019, the European Commission launched a consultative document "Implementing the final Basel III reforms in the European Union", which includes additional topics to the Basel III Framework.

Also, in March 2018, the Commission published its package of measures aimed at addressing Non-performing Loans (NPLs) in Europe. In early 2019, the Commission's proposal for a regulation on minimum coverage of losses arising from doubtful exposures was adopted.

As a consequence of the pandemic caused by COVID-19, the EBA issued a statement detailing measures aimed at reducing the impact of the health crisis. This statement included measures such as the postponement of stress exercises to 2021 or clarifications regarding the recommendations made to the remuneration policy.

Of particular note was the publication of the Guidelines on legislative and non-legislative moratoria issued on April 2, 2020 (EBA/GL/2020/02) and its amendments of June 2020 (EBA/GL/2020/08). These guidelines set out a set of conditions that must be satisfied for legislative and non-legislative moratoria introduced in response to COVID-19 to be considered eligible for the specific prudential treatment developed therein. In particular, such treatment specifies that the transactions subject to them will not be automatically classified as: default, restructured/refinanced or forced restructuring.

Another of the EBA's initiatives has been the publication of draft technical standards on the favorable prudential treatment of software assets. In order for the treatment to be in the institution's favor, institutions will revise their capital requirements and will be able to deduct partially, and not totally, the amount of CET1 investment.

Lastly, the final guidelines on Loan Origination and Monitoring have been published and will apply from June 2021. Their objectives are aimed at establishing an internal control framework for loan origination and monitoring.

Regarding the measures encouraged by COVID-19, it is worth mentioning the "Quick Fix" of the CRR amending CRR I and CRR2. Some of these measures are:

- Extension of the transitional period granted before the pandemic due to the entry into force of IFRS 9 with Regulation 2017/2395.
- Implementation of a temporary prudential filter that neutralizes the impact of volatility in public debt financial markets.
- Delay in the application of the leverage ratio buffer and possibility to exclude exposures to central banks from the leverage ratio buffer.

- Earlier application date of provisions favorable to institutions, such as: the prudential treatment of loans to employees or pensioners with an indefinite-term contract, the application of the partial deduction of software assets and the support factor for SMEs and infrastructure.

2.5.8 - Single Supervisory and Resolution Mechanism

The first key element in the Banking Union is the Single Supervisory Mechanism (SSM), which assigns the role of direct banking supervisor to the European Central Bank in order to ensure that Europe's largest banks are subject to a single independent supervision with common standards.

In line with the intense supervision agenda under the framework of the Supervisory Review and Evaluation Process (SREP), the SSM has continued to make a great effort in 2020, on the one hand, to harmonize supervisory policies among countries and, on the other, to make its expectations transparent.

The second pillar of the Banking Union after the SSM is the Single Resolution Mechanism (SRM), which is responsible for preparing for the possibility of entry into resolution, i.e. bankruptcy, in order to ensure that the situation can be resolved in an orderly manner with minimal costs to contributors .

The SRM is working together with national resolution authorities in the development of MREL (Minimum Requirement of Eligible Liabilities) policies. Entities must comply with their MREL requirement after receiving the requirement from the SRM, in a transitional period not exceeding four years. Non-compliance may result in the consideration that the entity cannot be resolved.

In addition to the above, the SRM also manages the Single Resolution Fund. The period of progressive mutualization of the Single Resolution Fund will allow the transition from the National Resolution Funds, in force in several countries of the Euro zone until 2016, to the Single Resolution Fund, which will be fully implemented in 2024. The objective of financing this fund is 1% of guaranteed deposits in 2024.

In November 2020, a reform to the European Stability Mechanism (ESM) was approved, which will have more supervisory powers in future bailouts. Specifically, the ESM's powers are strengthened to give it greater supervisory powers in rescue situations.

3
PILLAR III
GENERAL
ASPECTS

3. Pilar III General Aspects

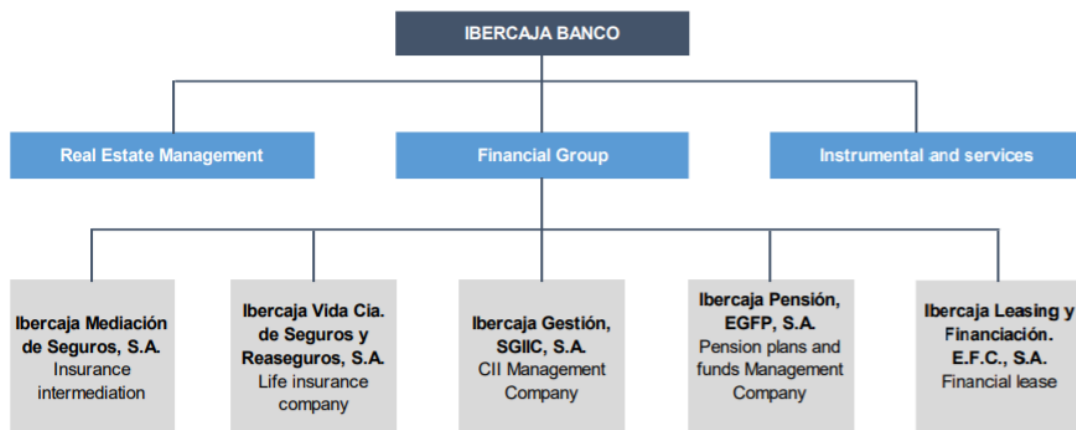
3.1 - Introduction

Ibercaja Banco, S.A. is a credit institution 88.04% owned by *Fundación Bancaria Ibercaja*, subject to the rules and regulations determined by the Spanish and European Union economic and monetary authorities.

The Bank is the head of a group of subsidiaries. The entities comprising the consolidable group carry out different types of activities. The Financial Group, formed by entities specialized in investment funds, savings and pension plans, insurance banking and leasing-renting, stands out for its importance, both from the point of view of the diversification of the offer of financial products and profitability.

The most relevant companies that make up the consolidation perimeter are:

Illustration 2: Scope of consolidation



Its mission is to help manage the finances of families and companies, offering a global and personalized service, which will facilitate them to achieve their own objectives. To this end, it seeks to offer solutions that are appropriate to the financial needs of its almost three million customers.

Its activity is supported by an infrastructure of 1,031 offices located throughout Spain.

For further details on the Bank, please consult the Ibercaja Banco website. (www.ibercaja.com).

3.2 - Governing bodies

The governing bodies of the Ibercaja Group, their composition and standards of operation are regulated by the Bylaws and the Regulations of the Board of Directors, the content of which is in accordance with Law 10/2014 of June 26, on the organisation, supervision and solvency of credit institutions and its implementing regulations, Royal Decree Law 1/2010 of July 2, which approves the revised text of the Law on Corporations and the Unified Code of Good Governance. The composition and members of the different governing bodies and the management team are detailed in the Corporate Governance Report.

A summary table of the composition of the Board of Directors and the Committees is shown below. In addition, the main governing bodies are detailed below, as well as the policies that ensure the suitability and diversity of the members of the Board of Directors, according to article 435.2 of the CRR.

Illustration 3: Governing bodies

		Board of Directors				Commissions						
		Dominical	Independent	Executive	External	Executive Commission	Audit and Compliance Commission	Appointments Commission	Remunerations Commission	Major Risks and Solvency Commission	Strategy Commission	
Chairman	D. José Luis Aguirre Loaso					C						C
Vice-chairman	D. Jesús Máximo Bueno Arrese					M	M			M		
CEO	D. Víctor Iglesias Ruiz					M						
Secretary Non-Counsellor	D. Jesús Barreiro Sanz					S	S	S	S	S	S	
Members	D ^a . Gabriela González-Bueno Lillo							M	M			
	D. Jesús Solchaga Loitegui							C	C	M	M	
	D. Vicente Cándor López					M	M			C		
	D. Jesús Tejel Giménez					M	C			M		
	D. Félix Longás Lafuente						M	M	M			M
	D. Emilio Jiménez Labrador					M	M					M
	D. Enrique Arrufat Guerra											M
	D. ^a María Pilar Segura Bas							M	M	M		

C	Chairman
M	Member
S	Secretary

3.2.1 - Board of directors

The Board of Directors has the broadest powers for the management, administration and representation of the Bank and, except in matters reserved for the competence of the General Meeting, is the highest decision-making body of the Bank. The Board has six committees: The Executive Committee, the Appointments Committee, the Remuneration Commission, the Audit and Compliance Commission, the Major Risks and Solvency Commission and the Strategy Committee.

Within the Board of Directors, only the Chief Executive Officer is a member of the Senior Management of the Entity.

Table 1: Members of the Board of Directors

Board of directors			
Position	Name	Categorization	Date of last appointment
Chairman	Mr. José Luis Aguirre Loaso	Dominical	30/08/2016
1st Vice Chairman	Mr. Jesús Máximo Bueno Arrese	Dominical	30/08/2016
CEO	Mr. Víctor Iglesias Ruiz	Executive	29/08/2019
Member	Mrs. Gabriela González-Bueno Lillo	Independent	13/11/2018
Member	Mr. Jesús Solchaga Loitegui	Independent	13/11/2018
Member	Mr. Emilio Jiménez Labrador	Dominical	29/08/2019
Member	Mr. Vicente Cándor López	Independent	09/04/2019
Member	Mr. Félix Longás Lafuente	Independent	30/08/2016
Member	Mr. Jesús Tejel Giménez	Independent	30/08/2016
Member	Mr. Enrique Arrufat Guerra	Dominical	30/08/2017
Member	Mrs. María Pilar Segura Bas	Other External	30/08/2017

In the 2020 Financial Statements, the powers of the Board of Directors in relation to risk management and control are developed.

Hereinafter the information on the knowledge and experience of the members of the Board of Directors:

	Training	Experience
Mr. José Luis Aguirre Loaso	Licensed in Economics and Law from the University of Deusto and Master in Organizational Development from IOD Leuven (Belgium).	He has been General Manager of <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja</i> , and CEO of Ibercaja Banco. He has been a member of the American Bank Marketing Association and the European Financial Management Association (EFMA), Chairman of the VISA Committee of the Euro 6000 System and has been a member of the Boards of Directors of, among others, Banco de Huesca, S.A. and EBN Banco, S.A. He has also been Chairman of Ibercaja Vida, S.A., Ibercaja Leasing, S.A. and <i>Ibercaja Gestión</i> , S.A. and Director of Banco <i>Grupo Cajatres</i> , S.A.U. until its absorption by Ibercaja Banco. Currently, member of the Board of Directors of CECA, and member of the Board of Directors of CASER.
Mr. Jesús Máximo Bueno Arrese	Professor of commerce at the Escuela Superior de Comercio de Zaragoza, certified auditor, graduate in business management from IESE (University of Navarra), and Master's degree in Applied Social Sciences (University of Zaragoza).	He has been a trustee of the Fundación Bancaria Ibercaja, Chairman of the Board of Directors of Ibercaja Vida, S.A., and a member of the Board of Directors of <i>Ibercaja Mediación Seguros</i> , S.A. He has also been a member of the Board of Directors of <i>Banco Grupo Cajatres</i> , S.A.U. until it was absorbed by Ibercaja Banco.

<p>Mr. Víctor Manuel Iglesias Ruiz</p>	<p>Licensed in Economics and Business Administration from the University of Zaragoza. Completed his training in several business banks in London.</p>	<p>Appointed Deputy General Manager in January 2010, he has been a member of its Management Committee since May 2001. Prior to his appointment as CEO, he was in charge of several strategic areas of Ibercaja Banco, including, among others, Capital Markets, Credit Investments and Business, which integrated the management of the Branch Network, Marketing and Multichannel Banking, Corporate Banking and the Financial Group. He has also represented Ibercaja in numerous investee companies: member of the Board of Directors of Heraldo de Aragón, member of the Business Strategy Committee of CASER and Chairman of the Board of Directors of <i>Ibercaja Mediación de Seguros S.A.U.</i>, among others. He is currently a member of the Board of Directors and the Risk Committee of CECABANK.</p>
<p>Mrs. Gabriela González-Bueno Lillo</p>	<p>Licensed in Economics and Business Studies from the Universidad Complutense de Madrid. Insurance Actuary, Inspector of the Insurance and Savings Inspectorate.</p>	<p>Member of the State Body of Financial Inspectors (on leave). She has been a member of the Board of the Insurance Companies Liquidation Committee (CLEA) by appointment of the Ministry of Economy and Finance, and General Manager and Member of the Board of Directors of CASER. She has been Chairman of the Audit and Compliance Commission of Ibercaja Banco, and was a Member of the Board, Chairman of the Audit and Compliance Commission and of the Appointments and Remuneration Committee of <i>Banco Grupo Cajates, S.A.U.</i>, until its absorption by Ibercaja Banco</p>
<p>Mr. Jesús Solchaga Loitegui</p>	<p>Licensed in Law from the University of Zaragoza.</p>	<p>State Attorney (1967-2010). Associate of the Civil and Commercial Court of Arbitration (CIMA) of Madrid since its creation. He has been General Counsel, Member of the Board of Directors (2002-2008), and Chairman of the Control Committee of the <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja</i> (2008-2013), freely appointed member of the Territorial Council of Aragón, member of the Advisory Council of the Government of Aragón and member of the Court for the Defence of Competition of Aragón. He has been a member of the boards of directors of the companies in the <i>Ibercaja Residencial Murillo Group, Cerro Murillo, S.A.</i> and <i>Ibercaja Mediación de Seguros, S.A.U.</i></p>
<p>Mr. Vicente Cándor López</p>	<p>Licensed and Doctor in Economic and Business Sciences from the University of Valencia.</p>	<p>He is Professor of Financial Economics and Accounting at the University of Zaragoza. Certified Public Accountant and Auditor registered in the ROAC. He has been a member of the Board of Directors (1998-2006) and Chairman of the Control Committee (2006-2008) of <i>Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja</i>, and a member of the Board of Directors of SODIAR (1998-2008), Avalia (2008-2012) and <i>Corporación de Empresas Públicas de Aragón</i> (2008-2012).</p>
<p>Mr. Jesús Tejel Giménez</p>	<p>Licensed in Economics and Business Studies from the University of Zaragoza (Spain) and Certified Public Accountant and Diploma in General Management from IESE Business School.</p>	<p>Certified Public Accountant registered in the Official Register of Auditors. Gold Medal of the Official Association of Economists of Aragón. He has been a Trustee of the ETNOR Foundation -Business Ethics- and of the Foundation for Stock Market and Financial Studies - FEBF. He was Managing Partner of the Aragón and Rioja Areas, and of the Valencian Community and Murcia of DELOITTE, S.L. until 2013. Professor of Business Management in university degrees and MBAs taught by EDEM Escuela de Empresarios.</p>
<p>Mr. Félix Santiago Longás Lafuente</p>	<p>Licensed in Industrial Psychology (specialization in Work and Organization) from the National University of Distance Education.</p>	<p>He has held senior management positions in trading companies (<i>Grupo Ágora and Grupo Hierros Alfonso</i>). He is Vice-Chairman of the Regional Confederation of Businessmen of Aragón (CEOE Aragón), Chairman of its Economics Committee, Chairman of the Association for the Progress of Management of Aragón (APD) and Director of the Economic and Social Council of Spain.</p>
<p>Mr. Emilio Jiménez Labrador</p>	<p>Diploma in Business Studies (specialising in Accounting) and licensed in Economics and Business Studies.</p>	<p>In 1984 he joined <i>Monte de Piedad y Caja General de Ahorros de Badajoz</i> (Caja Badajoz), holding various posts and positions. In the period from September 28, 2009 to December 11, 2013 he held the position of Deputy General Manager, Director of the Media Area and General Secretary and member of the Management Committee of <i>Caja Badajoz</i>. He has also held various positions in other financial and banking-insurance entities: <i>Caja Badajoz Sociedad de Agencia de Seguros del Monte de Piedad y Caja General de Ahorros de Badajoz, S.L.</i>, <i>Mastercajas, S.A.</i>, <i>Viacajas, S.A.</i> and in <i>Sociedad de Garantía Recíproca Extremeña de Avales (EXTRAVAL)</i>.</p>

Mrs. María Pilar Segura Bas Licensed in Economics and Business Studies from the University of Deusto (Bilbao).

Since 1980 she has held various positions and posts in *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR)* until the segregation of its financial activity in favor of Ibercaja Banco, in October 2011: Head of the Analytical and Budgetary Accounting Department (1987-1999), Head of the Information Systems and Management Control Department (1999-2004) and as Director of Information Systems and Management Control (from June 2004 to September 2011). Subsequently, she was appointed Deputy General Manager of the Entity (Control Management), a position she held until March 1, 2017. She has held management positions in various Ibercaja Group companies (Member of the Board of Directors of the management company *Ibercaja Gestión S.G.I.I.C., S.A.* member and Chairman of the insurance and reinsurance company *Ibercaja Vida*, Chairman of the pension fund management company *Ibercaja*; member and Chairman of the Board of Directors of *Tipo Línea S.A.*, Chairman of the companies *Servicios Financieros a Distancia IBD, S.L.* and *Ibercaja Servicios Inmobiliarios*, and member of the Board of *Ibercaja Participaciones Empresariales* and *Gestión de Inmuebles Salduvia*).

Mr. Luis Enrique Arrufat Guerra

Licensed and Doctor in Mathematics, in 1987 he completed a higher course in international finance, the PDD Management Development Programme at IESE (96/97 academic year) and the Senior Management Programme at Instituto de Empresa in 2005.

He has carried out his professional activity in *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR)*, until the segregation of its financial activity in Ibercaja Banco: Capital Markets Operator, Head of Treasury, appointed Deputy Director (May 2001), Head of Resources (from December 1997 to July 31, 2002), Deputy General Manager (June 2004), Marketing Director (July 2002 to October 2011). In January 2010 he was appointed Deputy General Manager and in October 2011 (with the segregation of CAMPZAR's financial activity in Ibercaja Banco) he became Head of the Financial Area, a position he held until February 2015, when he was appointed Deputy to the CEO.

Additionally, he has held various management positions in companies of the Ibercaja Financial Group: *Ibercaja Pensión E.G.F.P., S.A.*, *Ibercaja Gestión S.G.I.I.C., S.A.* and *Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.*; real estate investees (*Ibercaja Servicios Inmobiliarios* and *Cerro Murillo, S.A.*). Outside the Ibercaja Group, he has been Chairman of the Board of Directors of *Euro6000, S.A.*, Chairman of the Board of Directors of *Viacajas* and Member of the Board of Directors of *EBN Banco de Negocios, S.A.*, as well as member of the Boards of *Ahorro Corporación*.

Table 2: Composition of the Board of Directors

Composition	
Category	%
% Executive Directors	9.1%
% Dominical Directors	36.3%
% Independent Directors	45.5%
% Other externals	9.1%
Number of meetings (2020)	17

All appointments of members of the Board of Directors have been favorably reported by the Appointments Committee. Currently, there are no Board Members who hold directorships or executive positions in other entities that are part of the Group.

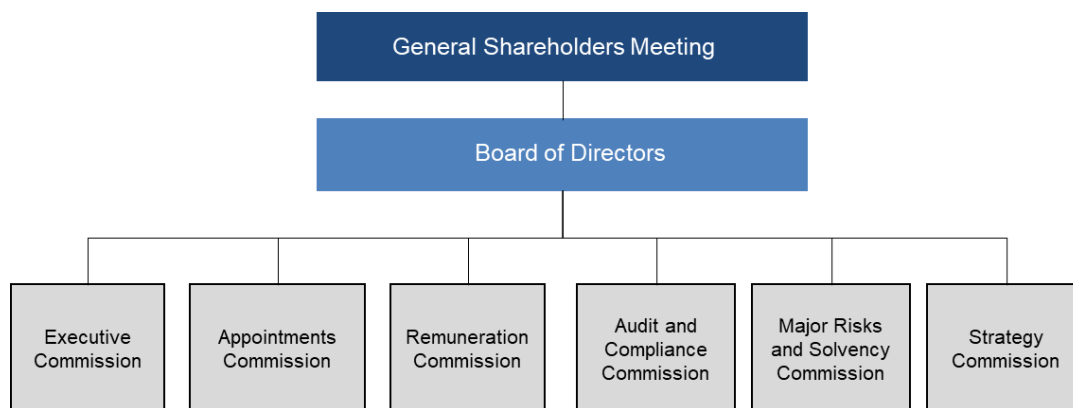
It should be noted that, due to the provisions and recommendations of the authorities due to the health crisis caused by COVID-19, the development of the meetings of the Board of Directors and its Committees, held as from March 2020, have taken place by means of telephone conference or multiple videoconference. These procedures have allowed the normal development of the sessions, also guaranteeing the simultaneity and participation in real time of all the Board Members.

Likewise, the monitoring of the impacts derived from or related to the pandemic have been the object of special consideration by the Board and its Committees (Delegate Committee, Major Risks and Solvency Commission and Audit and Compliance Commission), within the scope of their respective functions and competences.

Thus, reports on the Entity's situation with respect to COVID-19, reports from the internal control functions - issued within the scope of their respective competences by the risk control, regulatory compliance and internal audit functions - on the monitoring of COVID-19 risks (credit, liquidity, market, operational, ICT and reputational risk) have been submitted to the consideration of the governing bodies on a recurring basis throughout the year, on the degree of adaptation and adequacy of the procedures to the Royal Decrees enacted to mitigate the socio-economic effects of the pandemic (in particular, Royal Decree-Law 8/2020, of March 17, which enables, on the one hand, a legal moratoria regime for debtors of mortgage loans for the acquisition of their habitual residence, who are in a situation of economic vulnerability and, on the other hand, a line of guarantees on behalf of the State for companies and self-employed, as a liquidity guarantee measure to sustain the economic activity; Royal Decree-Law 11/2020, of March 31, extending the scope of application of RD-Law 8/2020 to loans or credits secured with real estate used for the economic activity carried out by businessmen and professionals, as well as to those used for the acquisition of housing for rental purposes, while establishing a moratoria applicable to any financing without mortgage guarantee arranged by individuals in a situation of vulnerability; and Royal Decree-Law 19/2020, of May 26, which -among other matters- articulates the legal regime applicable to the conventional moratoria -in addition to the regulatory moratoria- to which credit institutions could voluntarily adhere within the framework of a sectorial agreement).

3.2.2 - Commissions of the Board of Directors

Illustration 4: Commissions of the Board of Directors



Executive Commission

Illustration 5: Members of the Executive Commission

Position	Name	Categorization
Chairman	Mr. José Luis Aguirre Loaso	Dominical
Member	Mr. Víctor Iglesias Ruiz	Executive
Member	Mr. Jesús Máximo Bueno Arrese	Dominical
Member	Mr. Emilio Jiménez Labrador	Dominical
Member	Mr. Vicente Cándor López	Independent
Member	Mr. Jesús Tejel Giménez	Independent

Table 3: Composition of the Executive Commission

Composition	
Category	%
% Executive Directors	16.7%
% Dominical Directors	50.0%
% Independent Directors	33.3%
% Other externals	-
Number of meetings (2020)	23

In accordance with the provisions of the Bylaws and the Regulations of the Board of Directors, the Executive Commission has been delegated the following powers by the Board of Directors:

- Acknowledge of and agree on proposals for the granting, modification or novation and cancellation of risk operations which, in accordance with the provisions of the Manual of Policies and Procedures for Risk Management in Credit Investment approved by the Board of Directors, are within its competence. Likewise, it will be aware of and resolve the proposals for the acquisition of assets by the Bank in or for payment of debts that must be submitted for its consideration in accordance with the Asset Management Policies and Manuals.
- Acknowledge and agree on matters relating to personnel (disciplinary proceedings, granting of leave of absence, etc.) except those cases in which the decision corresponds to the Chief Executive Officer or to the plenary session of the Board of Directors, as these are employees who report directly to the CEO.
- Acknowledge of and agree on matters related to the Bank's assets (real estate, expense records, purchase records, etc.) and investments and divestments in investee companies, which must be submitted to its consideration in accordance with internal policies and manuals, except those that by law correspond to the General Shareholders' Meeting.
- Grant, when appropriate, the powers that are necessary or convenient for the execution of the adopted agreements.

Its resolutions are valid and binding without the need for subsequent ratification by the plenary session of the Board. However, in those cases in which, in the opinion of the Chairman, the CEO or three members of the Commission, the importance of the matter so requires, the resolutions adopted by the Commission shall be submitted to the Board for ratification.

The Commission shall be validly constituted with the attendance, present or represented, of at least half plus one of its members, and shall adopt its resolutions by a majority of the votes of the directors who are members of the Commission, present or represented at the meeting, with the Chairman having the casting vote. The resolutions adopted shall be kept in a minute book, available to all members of the Board of Directors.

In the course of its regular meetings, the Executive Commission has had access to the reports of the Chairman and the CEO, which have reported, among other issues, the main macroeconomic magnitudes and the performance of the Bank's data: balance sheet and income statement; performance of the Bank's securities portfolio; customer funds and loans to customers; market shares; liquidity management; non-performing loans and coverage ratios; business volumes; and the results of the Group's subsidiaries. It also gave its opinion on the financing operations submitted for its consideration, as it is authorized or ratified by the Bank on the basis of the amount or the status of the applicants. It also ratified the transactions approved, rejected or ratified by the Credit Risk Committee, adopted various resolutions on the divestment of investments in investees and took cognizance of the disciplinary proceedings under the terms of labour legislation and the Collective Labour Agreement.

Audit and Compliance Commission

Illustration 6: Members of the Audit and Compliance Commission

Position	Name	Categorization
Chairman	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Dominical
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Emilio Jiménez Labrador	Dominical
Member	Mr. Vicente Cándor López	Independent

Table 4: Composition of the Audit and Compliance Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	40%
% Independent Directors	60%
% Other externals	-
Number of meetings (2020)	12

The functions of the Commission are expressly gathered in the Regulations of the Board of Directors. In particular:

- Report to the General Meeting on issues raised by shareholders on matters within its competence.
- Monitor the effectiveness of internal control: the compliance function and internal audit.
- Supervise the process of preparing and presenting regulated financial information.
- Propose the appointment or re-election of the auditor.
- Establish the appropriate relations with the external auditor in order to receive information on matters relating to its independence.
- Receive annual written confirmation from the external auditor of its independence from the Entity or its Group, issuing the corresponding report.

The Commission is chaired by an independent director, who must be replaced every four years and may be re-elected after a period of one year has elapsed since he left office. The Secretary of the Board of Directors shall act as Secretary of the Commission.

It shall be validly constituted with the attendance, present or represented, of at least half plus one of its members; and it shall adopt its resolutions by a majority of the votes of the directors who are members of the commission, present or represented at the meeting, with the chairman having the casting vote. The resolutions shall be kept in a book of minutes, available to all members of the Board of Directors.

The commission shall meet as often as it is convened by agreement of the committee itself or its chairman and at least once per quarter. The commission may also request the attendance of the bank's auditor. One of its meetings will necessarily be devoted to evaluating the efficiency of and compliance with the Bank's governance standards and procedures and to preparing the information to be approved by the Board and included in the annual public documentation.

During the year, the Commission was informed of the requirements and communications received from the supervisory bodies within the scope of their competencies; it was aware of and informed of the transactions to be carried out with related parties; it was informed of the periodic reports of the regulatory compliance and internal audit functions, as well as the reports issued by the external auditor. In relation to financial information, it was aware of and supervised the process of preparing and presenting regulated financial information, reviewed the Bank's financial statements and the periodic financial information to be provided by the Board to the markets and supervisory bodies.

Appointments Commission

Illustration 7: Members of the Appointments Commission

Position	Name	Categorization
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mrs. Gabriela González-Bueno Lillo	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mrs. Maria Pilar Segura Bas	Other external

Table 5: Composition of the Appointments Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	-
% Independent Directors	75%
% Other externals	25%
Number of meetings (2020)	2

The Appointments Commission is responsible for reporting to the Board on proposals for appointments. In particular, it is responsible for:

- Assessing the suitability of advisors.
- Establishing a representation target for the under-represented sex on the Board of Directors.
- Submitting proposals to the General Meeting for the appointment, re-election or removal of independent directors.
- Reporting on proposals for the appointment and removal of senior managers and persons with key functions and the basic conditions of their contracts.
- Examining and organizing the succession of the Chairman and the Chief Executive Officer.

The Commission shall be composed of a minimum of three and a maximum of five non-executive directors, at least two of whom must be independent directors. The commission will meet as often as it is convened by agreement of the commission itself and at least once per quarter. The Chairman (who shall in any case be independent) shall have the casting vote in the event of a tie.

The resolutions will be kept in a minute book, available to all members of the Board of Directors.

During the year, the Commission reported on the proposals for the modification of the members of the Board Committees, as well as on the review of the categorization of some members of the Management Committee of the Bank.

Remuneration Commission

Illustration 8: Members of the Remuneration Commission

Position	Name	Categorization
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mrs. Gabriela González-Bueno Lillo	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mrs. Maria Pilar Segura Bas	Other external

Table 6: Composition of the Remuneration Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	-
% Independent Directors	75%
% Other externals	25%
Number of meetings (2020)	1

The Remuneration Commission is responsible for informing, advising and proposing on the remuneration of directors, general managers or similar, and persons whose professional activity has a significant impact on the Bank's risk profile.

The Remuneration Commission will be made up of a minimum of 3 and a maximum of 5 non-executive directors, at least two of whom must be independent directors (and, in any case, its Chairman).

The commission shall be validly constituted when half plus one of the directors are present or represented. The Chairman shall have the casting vote in the event of a tie. The resolutions, which shall be adopted by a majority of the committee members, shall be kept in a minute book, available to all members of the Board of Directors.

During the 2020 financial year, the Commission reported, advised and made proposals to the Board of Directors regarding the remuneration of directors, senior management and persons whose professional activity has a significant impact on the Entity's risk profile (Identified Group).

Major Risks and Solvency Commission

Illustration 9: Members of the Major Risks and Solvency Commission

Position	Name	Categorization
Chairman	Mr. Vicente Condor López	Independent
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Jesús Bueno Arrese	Dominical
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mrs. Maria Pilar Segura Bas	Other external

Table 7: Composition of the Major Risks and Solvency Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	20%
% Independent Directors	60%
% Other externals	20%
Number of meetings (2020)	13

The main function of the Commission is to advise the Board of Directors on the current and future overall risk appetite of the Bank and its Group and its strategy in this area, and to assist the Board in monitoring the implementation of that strategy by senior management and to monitor the Bank's solvency levels and propose the actions it considers appropriate for their improvement.

It will be made up of a minimum of 3 and a maximum of 5 directors, who do not perform executive functions and have the knowledge, ability and experience to understand and control the strategy and risk propensity of the entity. At least one third of the members shall be independent and in any case its Chairman. The Commission shall adopt its resolutions by a majority of the votes of the directors who are members of the Commission, the Chairman being the Chairman in the event of a tie.

During 2020, the Commission reported to the Board of Directors on the Entity's Risk Appetite Framework and Recovery Plan, the quarterly monitoring reports thereof, the annual capital and liquidity self-assessment report for 2019, as well as the quarterly monitoring and control of the management of non-performing loans and credit risk, and the proposal for new debt issues.

Strategy Commission

Illustration 10: Members of the Strategy Commission

Position	Name	Categorization
Chairman	Mr. José Luis Aguirre Loaso	Dominical
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Emilio Jiménez Labrador	Dominical
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Enrique Arrufat Guerra	Dominical

Table 8: Composition of the Strategy Commission

Composition	
Category	%
% Executive Directors	-
% Dominical Directors	60%
% Independent Directors	40%
% Other externals	-
Number of meetings (2020)	10

The main function of the Commission is to inform the Board of Directors about the Bank's strategic policy, ensuring that there is a precise organization for its implementation.

The Commission will be made up of a minimum of 3 and a maximum of 5 directors, who will be appointed taking into account the knowledge, skills and experience of the directors and the tasks of the committee. The Board of Directors will appoint its Chairman, and the Secretary will be the Secretary of the Board.

The commission shall meet as often as it is convened by agreement of the commission itself or its chairman and at least quarterly. The committee shall adopt its resolutions by a majority vote of the directors who are members of the committee, with the chairman acting as chairman in the event of a tie. The resolutions adopted appear in the corresponding book of minutes, which is available to all members of the Board of Directors.

The Commission has periodically monitored the Strategic Plan approved by the Board of Directors, as well as the quarterly monitoring of the budgetary evolution (as a specification of the mandates contained in the aforementioned Strategic Plan), reporting to the Board of Directors the conclusions obtained, as well as the progress of the new Strategic Plan.

Information on the Group's corporate governance can be accessed through the corporate website www.ibercaja.com in the Corporate Governance and General Remuneration Policy section. (<https://www.ibercaja.com/shareholders-and-investors/corporate-governance-and-remuneration-policy/corporate-documents>).

3.2.3 - Procedures to ensure the suitability of the members of the Board of Directors

The Entity has a Policy for the evaluation of the suitability and diversity of the members of the Board of Directors and the suitability of persons with key functions, approved by the Board of Directors, which is reviewed and, where appropriate, updated annually. This policy defines the criteria that the Entity will apply for the evaluation of the suitability of the members of the Board of Directors, general managers or similar, those responsible for internal control functions and other relevant positions in the development of the Entity's activity.

The Board of Directors has approved the Policy on Suitability and Diversity of the members of the Board of Directors and the evaluation of the suitability of senior officers, the main aspects of which are: the express mention of the principle of independence of criteria (independence of ideas) to be evaluated in the suitability evaluation process; the introduction of criteria for the evaluation of the capacity of dedication of time by the person to be appointed for the performance of the position for which he/she is proposed; the specification of the cases that will determine the need to carry out a collective re-evaluation of the suitability of the Board of Directors.

In the application of the aforementioned policy, the main functions of the Appointments Commission are as follows:

- Define the criteria for the composition of the Board of Directors and ensure that the procedures for selecting candidates reflect diversity of gender, experience and knowledge and are not biased by any discrimination.
- To assess the skills, knowledge and experience required in the Board of Directors, defining the precise functions and capabilities of the candidates, and to evaluate the time and dedication required for them to carry out their duties.
- To communicate to the Board of Directors the proposals for the appointment of Directors and independent Directors to be submitted to the General Meeting of Shareholders, as well as the proposals for the re-election or separation of such Directors by the General Shareholders Meeting.
- To report on the proposals for appointment and removal of senior executives proposed by the chief executive to the Board of Directors.

In assessing the suitability of the persons who are to form part of the Board of Directors, account is taken of their commercial and professional honesty, their knowledge and experience, as well as their willingness to govern the Bank well: capacity for dedication (limiting the maximum number of positions that may be held in other companies), independence and the absence of conflicts of interest. Therefore, it has been defined the maximum number of positions that directors can hold simultaneously on the governing bodies of different entities.

It must be verified, on an annual basis, that the members of the identified group do not incur in causes of incompatibility that have occurred, without prejudice to the obligation of all of them to communicate such circumstances, in the hypothetical case that they occur.

The policy for assessing suitability is available to the supervisory authorities.

3.2.4 - Policy on the dedication of Directors

This policy develops the criteria that guarantee the availability of the members of the Board of Directors for the good governance of the Entity and that they can dedicate sufficient time to the performance of their duties. These include the duty of diligence; the obligation to attend the meetings of the governing bodies of which they form part; the right to information and their obligations as directors; and the limitation on the maximum number of governing bodies of other entities of which they may form part.

3.2.5 - Training actions for the Board of Directors on risks and regulation

Based on Article 435 of the CRR regarding the knowledge and competencies of the Board of Directors, the Entity provides training sessions to the members of the Board of Directors.

During the 2020 financial year, due to the social effects of the health crisis, no face-to-face training sessions were given to Board members. However, the Board of Directors agreed to approve a proposal for an annual program (from October 2020 to October 2021) that combines virtual training by videoconference and face-to-face training, to the extent that the health situation permits at any given time.

The content of this training program revolves around Technology, Regulatory Compliance and IRB Models, all of which are of particular relevance and interest to the directors.

3.2.6 - Diversity in Governing Bodies

The Entity ensures at all times that its internal governance rules do not contain discrimination, nor that they contain implicit biases that prevent diversity (gender, age, geographical origin, etc.) in the selection of persons to be appointed as members of the governing bodies and senior management.

Although there is currently no minimum percentage defined as a target for representation of the underrepresented sex on the Board of Directors, it is expressly stated in its Regulations that the Appointments Commission is responsible for establishing a target for representation of the underrepresented sex on the Board of Directors and for establishing the manner in which this target is to be achieved.

On the other hand, a specific section was introduced in the Policy for the evaluation of suitability and diversity of directors approved by the Board of Directors at the meeting held on June 28, 2018, at the proposal of the Appointments Commission, and referred to above, called "Principles for promoting diversity of directors". Thus, it is expressly established that in the selection of candidates to form part of the Board of Directors, the following principles shall be taken into account in order to promote the diversity of its members:

- The selection process for candidates will be based on a prior analysis of the entity's needs, based on a report by the Appointments Commission.
- It shall be ensured that the number of independent directors is adequate in relation to the total number of directors, bearing in mind, in any event, the regulatory requirements regarding the composition and positions to be held by this category of directors in internal committees of the Board of Directors.

- Care shall be taken to ensure that selection criteria take account of the diversity of knowledge, training, professional experience, age and gender, and that they are not implicitly biased in such a way as to entail discrimination (in particular on grounds of sex, ethnic origin, age or disability).

The aim is to encourage a diverse and balanced composition as a whole, which, in addition to meeting the requirements in terms of knowledge and experience referred to above, will enrich analysis, debate and decision-making.

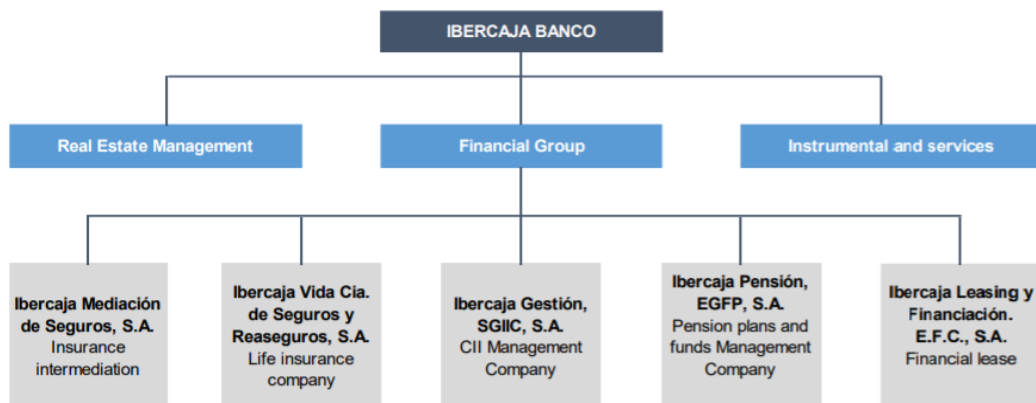
3.3 - Perimeter of Consolidation

The information contained in this report refers to the consolidable group of credit institutions whose parent entity is Ibercaja Banco S.A.

From an organizational point of view, the Bank is the head of a group of subsidiaries, among which the Financial Group, made up of companies specialized in investment funds, savings and pension plans, asset management and leasing-renting, stands out for its importance, both from the point of view of diversification of the range of banking products and profitability.

The most relevant companies that make up the consolidation perimeter are:

Illustration 11: Companies within the consolidation perimeter



The main differences in terms of the accounting principles, accounting policies and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2020 are described below, in accordance with Regulation (EU) No. 575/2013, the provisions of the third rule of Bank of Spain Circular 4/2017 of November 27 and, taking into account the International Financial Reporting Standards adopted by the European Union (IFRS-EU) applicable at year-end 2020.

Subsidiaries

"Subsidiaries" are defined as entities over which the Entity has the capacity to exercise control, which is evidenced, generally but not exclusively, by direct or indirect ownership of more than 50% of the voting rights of the investees or, even if this percentage is lower or zero, by the existence of other circumstances or agreements that give control. In accordance with current legislation, control is understood to be the power to direct the financial and operating policies of an entity in order to obtain benefits from its activities.

In the preparation of the financial statements, the subsidiaries have been consolidated following the full integration method, as defined in current regulations. Consequently, all significant balances arising from transactions between the entities consolidated by this method have been eliminated in the consolidation process.

Additionally, the participation of third parties in:

- the Group's equity is presented under "Minority Interests" in the consolidated balance sheet,
- the consolidated results for the year are presented under "Profit for the Year Attributable to Minority Interests" in the consolidated income statement.

The consolidation of the results generated by subsidiaries acquired in a fiscal year is carried out taking into account only those corresponding to the period between the date of acquisition and the end of that fiscal year. At the same time, the consolidation of the results generated by subsidiaries disposed of in a fiscal year is carried out taking into account only those corresponding to the period between the beginning of the fiscal year and the date of disposal.

Multi-group entities

"Multi-group entities" are considered to be those entities over which, although not subsidiaries, there are contractual agreements of joint control, by virtue of which decisions on relevant activities are taken unanimously by the entities sharing control and having the right to their net assets.

Holdings in multi-group entities that are in turn consolidable due to their activity are consolidated by applying the proportional integration method for the purposes of applying the solvency requirements. Interests in jointly controlled entities that are not consolidable due to their activity are valued by applying the equity method.

Associated entities

"Associated entities" are considered to be those over which the Group has the capacity to exercise significant influence, although they do not constitute a decision-making unit with the investee and are not under joint control. In general, although not exclusively, this capacity is presumed to exist when an interest (direct or indirect) equal to or greater than 20% of the voting rights of the investee is held.

In the consolidated financial statements, associated entities are accounted for using the equity method, in accordance with the applicable accounting framework.

If, as a result of losses incurred by an associate, its equity were negative, it would appear in the consolidated balance sheet with a zero value, unless there is an obligation on the part of the Group to support it financially, in which case a provision for liabilities would be recorded under "Provisions" on the liability side of the balance sheet.

Structured entities

A "structured entity" is an entity that has been designed so that voting and/or similar rights are not the decisive factor in deciding who controls it.

In those cases in which the Group participates or constitutes entities for the transfer of risks, or with the objective of allowing access to certain investments, it is determined whether control exists and, therefore, whether the entities constituted should be subject to consolidation, taking into account, mainly, the following factors:

- Analysis of the Group's influence on the Entity's activities, which is relevant to determining its performance.
- Implicit or explicit commitments to provide financial support to the entity.
- Significant exposure of the Group to the variable returns on the Entity's assets.

These entities include the so-called "asset securitisation funds" which the Group consolidates as there are contractual financial support agreements (commonly used in the securitisation market). In all the securitisations carried out by the Group, the risks transferred cannot be removed from the assets side of the balance sheet and the issues of the securitisation funds are recorded as liabilities in the Group's balance sheet.

The Group does not hold any significant interest in the companies and investment and pension funds managed by the Group itself that might constitute a potential indication of control or meet the criteria for consolidation as defined in IFRS 10 Consolidated Financial Statements. Therefore, these investment vehicles marketed to customers are not consolidated.

In accordance with the above criteria, the following is a detail of the companies comprising the group as of December 31, 2020:

- a) Subsidiaries of the consolidable Group for solvency purposes, to which the full integration method has been applied:

Table 9: Subsidiaries, full consolidation

Entity name	
Ibercaja Banco, S.A.	TDA 2 Ibercaja Fondo Titulización
Ibercaja Leasing, S.A.	TDA 3 Ibercaja Fondo Titulización
Ibercaja Gestión, S.A.	TDA 4 Ibercaja Fondo Titulización
Ibercaja Pensión, S.A.	TDA 5 Ibercaja Fondo Titulización
Ibercaja Mediación de Seguros, S.A.	TDA 6 Ibercaja Fondo Titulización
Ibercaja Cajaragón, S.A.U.	TDA 7 Ibercaja Fondo Titulización
Ibercaja Connect, S.L.	TDA ICO Ibercaja Fondo Titulización
Inmobinsa Inversiones Inmobiliarias, S.A.	Badajoz Siglo XXI, S.L.
Cerro Murillo, S.A.	CAI Inmuebles, S.A. (in liquidation)
Cerro Goya, S.A.	Residencial Murillo, S.A.
Ibercaja Gestión de Inmuebles, S.A.	

- b) Subsidiaries or multigroup companies are those which, in the preparation of the consolidated financial statements of the consolidable Group for solvency purposes, were not fully integrated and were accounted for using the equity method:

Table 10: Subsidiaries or multi-group companies, equity method

Entity name
Ibercaja Vida, S.A.

- c) There are no Multigroup companies to which the proportional consolidation method has been applied.

Hereinafter, a detail of the significant shareholdings in insurance entities owned by the consolidable Group at December 31, 2020 which, belonging to the economic group as defined in Bank of Spain Circular 4/2017, their underlying book value has not been deducted directly from equity but, for the purposes of calculating the minimum equity requirements, has been included weighted at 100% in the risk-weighted assets, in accordance with the provisions of Article 49 of Regulation (EU) No. 575/2013 and as authorized by the Executive Commission of the Bank of Spain:

Table 11: Significant holdings in insurance companies

Entity name
Ibercaja Vida S.A.

Changes in the scope of consolidation and corporate transactions

The changes in the scope of consolidation resulting from the corporate transactions carried out during 2020 are presented below:

Table 12: Changes to the perimeter

Changes to the perimeter
Companies liquidated in 2020
Montis Locare, S.L.

3.4 - Differences between the accounting and regulatory capital consolidation methods.

The following table shows the reconciliation between the Public Balance Sheet and the Balance Sheet for the purposes of credit institution solvency regulations (Prudential Balance Sheet) at December 31, 2020. This is intended to show the transition between accounting information and prudential information.

Table 13: Reconciliation of accounting and regulatory scope

(thousands of euros)	DISTRIBUTION				
	CONSOLIDABLE GROUP OF CREDIT INSTITUTIONS	INSURANCE COMPANIES	OTHER ENTITIES	ADJUSTMENTS AND DELETIONS	TOTAL PUBLIC BALANCE
Cash, balances in cash at central banks and other demand deposits	7,571,108	192,950	-	(191,449)	7,572,609
Financial assets held for trading	5,503	-	-	-	5,503
Derivatives	5,503	-	-	-	5,503
Debt securities	-	-	-	-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	1,542	852,169	-	10	853,721
Equity instruments	-	824,170	-	-	824,170
Debt securities	-	27,999	-	10	28,009
Loans and advances	1,542	-	-	-	1,542
<i>Clients</i>	1,542	-	-	-	1,542
Financial assets designated at fair value through profit or loss	-	8,602	-	-	8,602
Debt securities	-	8,602	-	-	8,602
Financial assets at fair value through other comprehensive income	488,215	6,548,508	-	(13,395)	7,023,328
Equity instruments	323,455	30,417	-	-	353,872
Debt securities	164,760	6,518,091	-	(13,395)	6,669,456
Financial assets at amortised cost	39,539,969	354,323	-	(167,467)	39,726,825
Debt securities	8,313,847	181,715	-	(21,250)	8,474,312
Loans and advances	31,226,122	172,608	-	(146,217)	31,252,513
<i>Credit institutions</i>	283,404	172,396	-	(144,149)	311,651
<i>Clients</i>	30,942,718	212	-	(2,068)	30,940,862
Derivatives - hedge accounting	142,020	-	-	-	142,020
Changes in the fair value of the hedged items in a portfolio hedging interest rate risk	-	-	-	-	-
Investments in joint ventures and associates	492,640	-	-	(386,115)	106,525
Group	386,115	-	-	(386,115)	-
Joint businesses	29,705	-	-	-	29,705
Associated	76,820	-	-	-	76,820
Assets covered by insurance or reinsurance contracts	-	429	-	-	429
Tangible assets	923,838	54,650	-	(17,521)	960,967
Tangible fixed assets	681,042	50,547	-	(17,521)	714,068
<i>For own usage</i>	605,417	50,547	-	(17,521)	638,443
<i>Leased out under an operating lease</i>	75,625	-	-	-	75,625
Real estate investments	242,796	4,103	-	-	246,899
Intangible Assets	220,146	211	-	16,869	237,226
Goodwill	128,065	-	-	16,869	144,934
Other intangible assets	92,081	211	-	-	92,292
Tax assets	1,342,912	314	-	1,910	1,345,136
Current tax assets	9,511	-	-	-	9,511
Deferred tax assets	1,333,401	314	-	1,910	1,335,625
Other assets	238,848	1,612	-	(84,934)	155,526
Insurance contracts linked to pensions	84,845	-	-	(84,845)	-
Stocks	108,102	-	-	-	108,102
Rest of other assets	45,901	1,612	-	(89)	47,424
Non-current assets and disposal groups classified as held for sale	262,373	-	-	-	262,373
Total Assets	51,229,114	8,013,768	-	(842,092)	58,400,790

(thousands of euros)					
DISTRIBUTION					
LIABILITIES	CONSOLIDABLE GROUP OF CREDIT INSTITUTIONS	INSURANCE COMPANIES	OTHER ENTITIES	ADJUSTMENTS AND DELETIONS	CONSOLIDABLE GROUP OF CREDIT INSTITUTIONS
Financial liabilities held for trading	5,630	-	-	-	5,630
Derivatives	5,630	-	-	-	5,630
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-
Financial liabilities at amortised cost	46,996,739	7,733	-	(377,092)	46,627,380
Deposits	44,793,006	-	-	(332,731)	44,460,275
Central banks	5,371,202	-	-	-	5,371,202
Credit institutions	1,207,820	-	-	-	1,207,820
Clients	38,213,984	-	-	(332,731)	37,881,253
Debt securities issued	1,369,014	-	-	(28,344)	1,340,670
Other financial liabilities	834,719	7,733	-	(16,017)	826,435
Derivatives - hedge accounting	216,202	-	-	-	216,202
Changes in the fair value of the hedged items in a portfolio hedging interest rate risk	37,593	-	-	-	37,593
Liabilities covered by insurance or reinsurance contracts	-	7,606,649	-	(84,782)	7,521,867
Provisions	393,100	-	-	-	393,100
Pensions and other post-employment defined benefit obligations	119,125	-	-	-	119,125
Other long-term employee benefits	122	-	-	-	122
Procedural issues and pending tax litigation	7,780	-	-	-	7,780
Commitments and guarantees granted	19,477	-	-	-	19,477
Remaining provisions	246,596	-	-	-	246,596
Tax liabilities	149,028	19,134	-	(836)	167,326
Current tax liabilities	161	4	-	-	165
Deferred tax liabilities	148,867	19,130	-	(836)	167,161
Other liabilities	212,410	3,020	-	(2,158)	213,272
Liabilities included in disposal groups of items that have been classified as held for sale	-	-	-	-	-
Total Liabilities	48,010,702	7,636,536	-	(464,868)	55,182,370

(thousands of euros)					
DISTRIBUTION					
EQUITY	CONSOLIDABLE GROUP OF CREDIT INSTITUTIONS	INSURANCE COMPANIES	OTHER ENTITIES	ADJUSTMENTS AND DELETIONS	CONSOLIDABLE GROUP OF CREDIT INSTITUTIONS
Equity	3,160,622	338,497	-	(338,489)	3,160,630
Capital	214,428	135,065	-	(135,065)	214,428
<i>Issued capital</i>	214,428	135,065	-	(135,065)	214,428
<i>Non-called up required capital</i>	-	-	-	-	-
Share premium	-	-	-	-	-
Issued equity instruments other than equity	350,000	-	-	-	350,000
<i>Equity component of compound financial instruments</i>	-	-	-	-	-
<i>Other equity instruments issued</i>	350,000	-	-	-	350,000
Other equity items	-	-	-	-	-
Accumulated earnings	630,251	197,783	-	(225,371)	602,663
Revaluation reserves	3,297	-	-	-	3,297
Other reserves	1,939,044	-	-	27,596	1,966,640
<i>Reserve or accumulated losses on investments in joint ventures and associates</i>	(61,199)	-	-	27,596	(33,603)
<i>Others</i>	2,000,243	-	-	-	2,000,243
(Own shares)	-	-	-	-	-
Profit attributable to the owners of the parent entity	23,602	57,449	-	(57,449)	23,602
(Interim Dividends)	-	(51,800)	-	51,800	-
Other accumulated overall result	57,790	38,735	-	(38,735)	57,790
Items that will not be reclassified to profit and loss	7,548	2,584	-	-	10,132
<i>Actuarial gains/losses on defined benefit pension plans</i>	(23,741)	-	-	-	(23,741)
<i>Non-current assets and disposal groups classified as held for sale</i>	-	-	-	-	-
<i>Share in other recognised income and expense of investments in joint ventures and associates</i>	-	-	-	-	-
<i>Changes in fair value of equity instruments measured at fair value through other comprehensive income</i>	31,289	2,584	-	-	33,873
<i>Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income</i>	-	-	-	-	-
<i>Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)</i>	-	-	-	-	-
<i>Changes in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)</i>	-	-	-	-	-
<i>Changes in the fair value of financial liabilities at fair value through profit and loss attributable to changes in credit risk</i>	-	-	-	-	-
Items that can be reclassified in results	50,242	36,151	-	(38,735)	47,658
<i>Coverage of net investments in foreign businesses (effective portion)</i>	-	-	-	-	-
<i>Currency Conversion</i>	-	-	-	-	-
<i>Hedge derivatives. Cash flow hedge reserve (effective portion)</i>	8,551	-	-	-	8,551
<i>Changes in fair value of debt instruments measured at fair value through other comprehensive income</i>	3,002	36,151	-	(62)	39,091
<i>Hedging instruments (undesignated items)</i>	-	-	-	-	-
<i>Non-current assets and disposal groups classified as held for sale</i>	-	-	-	-	-
<i>Share of other income and expenses recognised in investments in joint ventures and associates</i>	38,689	-	-	(38,673)	16
Minority interests	-	-	-	-	-
Other accumulated overall result	-	-	-	-	-
Other items	-	-	-	-	-
Total Net Assets	3,218,412	377,232	-	(377,224)	3,218,420
Total Equity and Liabilities	51,229,114	8,013,768	-	(842,092)	58,400,790

3.5 - Identification of subsidiaries with equity below the minimum requirement

As of December 31, 2020, all subsidiaries, which are subject to individual minimum equity requirements and are not included in the Group, complied with the requirements established by the regulations.

The subsidiaries included in the consolidable group (Ibercaja Gestión and Ibercaja Pensión) also comply with the minimum equity requirements applicable to them under their specific regulations.

Table 14: Own Resources Ibercaja Gestión

Own Resources Ibercaja Gestión	
(thousands of euros)	2020 Data
Own Resources	13,168
Minimum Requirements Own Resources RRPP	10,390
Surplus	2,778

Table 15: Own Resources Ibercaja Pensión

Own Resources Ibercaja Pensión	
(thousands of euros)	2020 Data
Own Resources	20,411
Minimum Requirements Own Resources RRPP	10,834
Surplus	9,577

There are no legal or practical impediments to the transfer of equity or the repayment of liabilities between subsidiaries and their parent entity.

3.6 - Exemptions from requirements

As laid down in Article 7 of Regulation (EU) No 575/2013, the competent authorities may exempt any subsidiary of an institution as well as the parent institution from complying on an individual and, where appropriate, sub-consolidated basis with the minimum capital requirement for credit and dilution risk, for counterparty risk, for position and liquidation risk of the trading book, for foreign exchange risk and for gold position risk, and for operational risk; as well as internal corporate governance requirements, and limits on the concentration of major risks, when both the subsidiary and the parent entity are subject to authorisation and supervision by the Bank of Spain and are included in consolidated supervision.

Since there are no material, practical or legal impediments to the immediate transfer of equity or to the repayment of liabilities between the Group's subsidiaries and the Bank, and there is no indication that such impediments might exist in the future, the parent entity and Ibercaja Leasing SA requested the aforementioned exemption.

Ibercaja Leasing SA, as a 100%-owned subsidiary credit institution, has been exempted, by agreement of the Executive Committee of the Bank of Spain dated July 30, 2010, from individual compliance with the obligations regarding capital requirements and limits on major risks and corporate governance. Ibercaja Banco S.A. also has the exemption granted by the European Central Bank.

EL BANCO

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4

COMPUTABLE

OWN

RESOURCES

4. Computable Own Resources

The different levels of capital that make up the Entity's own funds, as well as the items that comprise them, are set out in Title I of Part Two of Regulation (EU) No. 575/2013 of the European Parliament and of the Council. Bank of Spain Circulars 2/2014 and 2/2016 complete the adaptation of the Spanish legal system to Directive 2013/36 EU and Regulation (EU) No. 575/2013 and specify the progressive implementation schedules to be used when computing certain items.

A distinction is made between 3 categories within the Group's computable equity:

- 1) **Common Equity Tier I instruments**, as defined in Part Two, Title I, Chapter 2 of Regulation (EU) No. 575/2013 (CRR), are characterized as own resources components that can be used immediately and without restriction to cover risks or losses as soon as they occur, their amount being recorded free of any foreseeable tax at the time they are calculated. These elements show a stability and permanence over time, a priori, superior to additional Tier 1 capital instruments. As indicated in chapter 4.2 below, the Group's Common Equity Tier 1 instruments at December 31, 2020 consist of:

- Equity.
- Retained earnings and other reserves, including revaluation reserves.
- The net profit for 2020 that the Bank plans to allocate to reserves.
- Valuation adjustments of financial assets at fair value with changes in other comprehensive income.

The following items are deducted:

- Valuation adjustments due to prudent valuation requirements.
- Intangible assets and goodwill recognized on the Group's balance sheet. This item takes into account the Quick Fix of the CRR bringing forward the date of application of the RTS on the prudential treatment of software asset.
- Deferred tax assets that are dependent on future income and do not receive the alternative treatment provided for in the applicable regulations for those arising from temporary differences, after applying the schedule provided for in CBE 2/2014 and EU 2016/445.

2) **Additional Tier 1 capital instruments**, defined in Part Two, Title I, Chapter 3 of Regulation (EU) No. 575/2013. These own funds are characterized by having, a priori, a higher volatility or lower degree of permanence than the elements considered as ordinary tier 1 capital instruments. As broken down in chapter 4.2 below, at December 31, 2020, the Group's additional tier 1 capital instruments are composed of:

- Preferred shares.

3) **Tier 2 capital instruments**, defined in Part Two, Title I, Chapter 4 of Regulation (EU) No. 575/2013. As broken down in chapter 4.2 below, at December 31, 2020 the Group's tier 2 capital instruments are composed of:

- Subordinated debt.

Supervisory Review and Evaluation Process (SREP) and Capital Buffers

The ECB has communicated the final results of the Supervisory Review and Evaluation Process (SREP) that sets the individual capital needs of each bank for 2021 based on business model, capital, liquidity and funding risk, governance and internal control. Ibercaja must maintain a Common Equity Tier 1 (CET1) phased-in ratio of 8.125% and a total capital ratio of 12.50%. This total capital requirement includes the minimum Pillar 1 requirement (4.5% CET1 and 8% total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

As of December 31, 2020, Ibercaja Banco's ratios on a consolidated basis, CET1 of 13.62% and total capital of 18.27%, were 5.49 and 5.77 points, respectively, above the regulatory requirements established for 2021.

In accordance with the Bank of Spain, Ibercaja does not have a countercyclical buffer requirement for 2020.

The following table shows the requirements in detail:

Table 16: Solvency requirements

Solvency requirements	
% over APRs	2020
Min. CET1	4.50%
Min. Tier I	6.00%
Min. solvency ratio	8.00%
Capital Conservation Buffer	2.50%
Min. Pilar II CET1	1.125%
Min. Pilar II Total Capital	2.00%
Min. CET1 + Conservation Buffer + Pilar II (CET1)	8.125%
Min. Solvency Coef. + Conservation Buffer + Pilar II (CT)	12.50%

4.1 - Reconciliation of regulatory capital and stockholders' equity on the consolidated balance sheet

There are differences between regulatory consolidation and accounting consolidation, specifically between the information used in the calculation of computable own funds and the own funds in the published financial statements.

The reconciliation between regulatory own funds and accounting own funds according to the method set out in Annex I of Implementing Regulation 1423/2013 is presented below:

Table 17: Reconciliation of Equity with Financial Statements

Full reconciliation of equity items to the audited financial statements		
(thousands of euros)	2020	2019
Subscribed capital	214,428	214,428
Issued equity instruments other than equity	350,000	350,000
Accumulated earnings	602,663	545,893
Revaluation reserves	3,297	3,305
Other reserves	1,966,640	1,941,402
Profit attributable to the parent entity	23,602	83,989
Equity on the public balance sheet	3,160,630	3,139,017
Other accumulated overall result	57,790	102,080
Minority interests	-	-
Equity on the public balance sheet	3,218,420	3,241,097
Intangible Assets	(245,635)	(221,292)
Adjustment for prudent amortization of intangible assets	25,369	-
Deferred tax assets	(263,693)	(249,936)
Transitional adjustment first application IFRS9	114,002	89,423
of which due to modifications introduced by Quick Fix	40,359	-
Dividend distribution proposal	(3,849)	(17,500)
Deduction of securitisations	-	-
Equity instruments non-computable as CET1	(350,000)	(350,000)
Convertible contingent liabilities	-	-
Differences in equity and for prudential purposes	(9,946)	6,522
Total Common Equity Tier 1 (CET1)	2,484,668	2,498,314
Equity instruments computable as AT1	350,000	350,000
Other transitional adjustments to the additional Tier 1 capital	-	-
Total Additional Tier 1 Capital (AT1)	350,000	350,000
Total Tier 1 Capital (T1)	2,834,668	2,848,314
Subordinated financing and others	500,000	482,800
Total Tier 2 Capital (T2)	500,000	482,800
Total computable Own Funds	3,334,668	3,331,114

4.2 - Equity details

The detail as of December 31, 2020 and 2019 of the consolidable Group's eligible capital, indicating each of its components and deductions, and broken down into Common Equity Tier 1 instruments, additional Tier 1 capital instruments and Tier 2 capital instruments, is presented below:

Table 18: Computable Own Funds

Computable Own Funds		
(thousands of euros)	Amount 2020	Amount 2019
TOTAL COMPUTABLE OWN FUNDS	3,334,668	3,331,114
Tier 1 Capital (T1)	2,834,668	2,848,314
Common Equity Tier 1 (CET1)	2,484,668	2,498,314
Disbursed capital instruments	214,428	214,428
Retained earnings and other reserves	2,569,298	2,487,289
Eligible results	19,753	66,489
Revaluation reserves	3,297	3,305
Minority interests	-	-
Accumulated other comprehensive income	57,789	119,497
Accumulated other comprehensive income not computable	(9,940)	(10,889)
Transitional adjustment first application IFRS9	114,002	89,423
of which due to modifications introduced by Quick Fix	40,359	-
Deductions from Common Equity Tier 1 instruments (CET 1)	(483,959)	(471,228)
Securizations	-	-
Intangible assets	(245,635)	(221,292)
Adjustment for prudent amortization of intangible assets	25,369	-
Deferred tax assets dependent on future returns	(263,693)	(249,936)
Additional Tier 1 Capital (AT1)	350,000	350,000
Equity instruments computable as AT1	350,000	350,000
Deductions from additional tier 1 equity instruments (AT1)	-	-
Tier 2 Capital (T2)	500,000	482,800
Subordinated financing and subordinated loans and others	500,000	482,800

In compliance with the Implementing Regulation 1423/2013 it is included in Annex II: Information on transitional own funds.

Changes in Own Funds during the year 2020

On January 8, 2020, Ibercaja Banco, S.A. agreed to carry out a cash repurchase offer addressed to all the holders of the subordinated debenture issue called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". Upon completion of this offer, Ibercaja accepted the purchase of Notes for a nominal amount of €281,900 thousand, the settlement of which took place on January 23, 2020. Subsequently, Ibercaja met the selling interest of other investors who had not participated in the public offering, repurchasing an additional €77,700 thousand during the first half of this year.

Finally, on July 28, 2020, as anticipated in its "Other relevant information" statement to the CNMV dated June 3, 2020, the Group, once the necessary authorizations had been obtained, proceeded to early repay the remaining amount (€140,400 thousand) of its issue of Subordinated Notes called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". Each outstanding security has been paid its nominal amount of €100 thousand plus accrued and unpaid interest up to the aforementioned date (excluded), in accordance with the terms and conditions of the issue prospectus.

On January 16, 2020, Ibercaja Banco, S.A. fixed the economic terms of an issue of subordinated debt for a nominal amount of €500 million and maturing on July 23, 2030. The issue price of the Subordinated Debt was 100% and they will accrue a fixed annual coupon of 2.75% until July 23, 2025, date on which Ibercaja has the option to carry out an early redemption. After this date, a fixed interest rate equal to the applicable 5-year Mid-Swap Rate plus a margin of 2.882% will be accrued. The disbursement and closing of this issue took place on January 23, 2020.

The new bonds qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of June 26, 2013 on prudential requirements for credit institutions and investment firms.

These issues have the character of subordinated and, for the purposes of priority of claims, rank after all common creditors.

Subordinated bond issues are authorized by the competent regulator for classification as eligible capital.



5
MINIMUM
REQUIREMENTS
ON OWN
RESOURCES

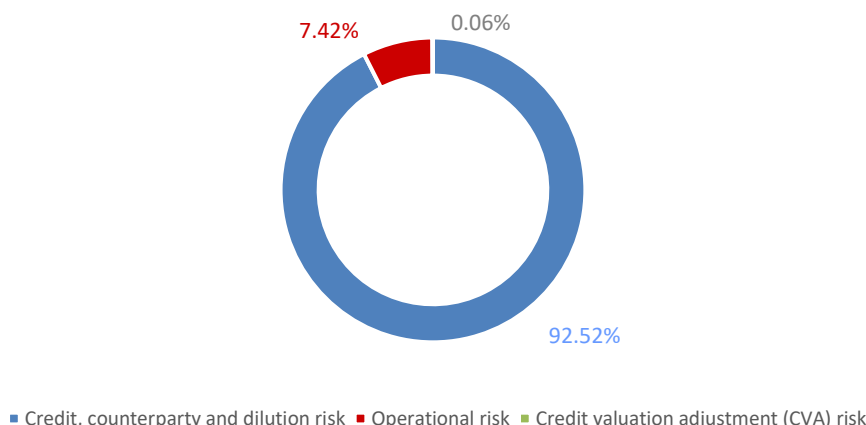
5. Minimum requirements on own resources

The following table shows the capital requirements at December 31, 2020 and 2019, in accordance with Part Three of Regulation (EU) No. 575/2013 for each of the risk typologies, calculated as 8% of risk-weighted assets.

Table 19: Minimum capital requirements

Own Resources Requirements		
(thousands of euros)	2020	2019
Credit, Counterparty and Dilution Risk	1,350,605	1,517,287
Market Risk	-	46
Operational Risk	108,314	110,077
CVA Risk	957	1,618
Total Pillar 1 requirements	1,459,876	1,629,028

Illustration 12: Minimum capital requirements



5.1 - Procedures applied to assess the adequacy of internal capital

Basel's Pillar II aims to guarantee the appropriate relationship between the Group's risk profile and the own resources it actually holds.

To this end, the Group carries out a recurring capital self-assessment process, in which it:

- Applies a series of risk identification and measurement procedures.
- Determines the capital required to cover it. In addition to the minimum requirements, it maintains a level in line with the risks inherent in its activity, the economic environment in which it operates, the management and control it carries out of these risks, the governance and internal audit systems it has in place and its strategic business plan.
- Plans the capital in the medium term.
- Sets the capital target.

In order to plan the Group's future capital needs, projections have been made of capital sources and consumption derived from the evolution of the activity and the expected results with a three-year time horizon. The Group also estimates the projected capital levels under adverse scenarios.

The capital self-assessment process is carried out in accordance with the ECB Guidelines on the internal capital adequacy assessment process (ICAAP).

The Bank's Board of Directors approves the "Declaration of Capital Adequacy" which is submitted to the supervisor. The self-assessment report is the basis for dialogue with the supervisor on the Bank's risk profile, capital adequacy, and medium-term plans.

5.2 - Capital requirements for credit, counterparty and dilution risk

The minimum capital requirements of the consolidable Group for credit risk at December 31, 2020, calculated as 8% of the risk-weighted exposures for each of the categories to which the standard method has been applied, are shown below:

Table 20: Capital requirements for credit risk

Capital requirements for credit risk		
(thousands of euros)	2020	2019
Central governments or central banks	85,738	80,119
Regional administrations and local authorities	-	-
Public sector entities and other non-profit public institutions	2,324	333
Multilateral Development Banks	-	-
International Organizations	-	-
Institutions	7,586	12,488
Corporates	236,416	296,044
Retail customers	233,240	285,996
Exposures secured by real estate	528,782	532,128
Exposures in default	42,115	66,124
High-risk exposures	29,621	43,281
Covered bonds	863	854
Exposures to institutions and companies with short-term credit ratings	-	-
Exposure to collective investment institutions (CIIs)	1,593	2,616
Equity exposures	61,485	85,002
Other exposures	120,626	112,302
Contribution to the default guarantee fund of a CCP	214	-
Securitisation positions	-	-
Total capital requirements for credit risk*	1,350,605	1,517,287

(*) The items included in each of these categories are in accordance with Regulation (EU) No 575/2013.

The aforementioned requirements for credit risk include those corresponding to counterparty risk for the following amount:

Table 21: Capital requirements for counterparty risk

Capital requirements for counterparty risk		
(thousands of euros)	2020	2019
Market-to-Market Method	1,763	5,950
Original risk method	-	-
Standard method	-	-
Internal models method	-	-
Total capital requirements	1,763	5,950

As indicated in the table, the counterparty risk requirements have been calculated by the mark-to-market method, which is determined by the result of adding the replacement cost of all contracts with positive value and the amount of the potential future credit risk of each instrument or transaction, calculated in accordance with the provisions of Article 274 of Regulation (EU) No. 575/2013.

5.3 - Supporting factor applied to SME exposures and critical infrastructure

Law 14/2013 of September 27, 2013, on support for entrepreneurs, in its fourteenth additional provision establishes a "supporting factor" applicable to credit risk-weighted exposures of small and medium-sized companies. For the application of such factor, the provisions of Article 501.2 of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms shall be taken into account. During 2020 the Quick Fix of the CRR came into force which brought forward the date of application of Regulation 2019/876 (CRR2) by modifying the criteria for applying a support factor between 0.7619 and 0.85 to risk-weighted exposures.

The above credit risk requirements include the reduction applied to exposures to small and medium-sized companies:

Table 22: SME exposures subject to supporting factor

SME exposures subject to supporting factor		
(thousands of euros)	2020	2019
Requirements for exposures applying the supporting factor	266,404	204,950
Requirements for exposures without applying the supporting factor	339,424	268,999
Total supporting factor adjustment of capital requirements	(73,020)	(64,049)

The Entity does not use the 0.75 support factor for exposures to entities that manage or finance physical structures or facilities, systems and networks that provide or support essential public services.

5.4 - Capital requirements for position risk

As of December 31, 2020, there are no capital requirements for position risk for the Group, as shown in the following table:

Table 23: Capital requirements for position risk

Capital requirements for position risk		
(thousands of euros)	2020	2019
Positions in debt instruments	-	-
Equity positions	-	46
Total capital requirements	-	46

5.5 - Capital requirements for foreign exchange risk

In accordance with the provisions of Article 351 of Regulation (EU) No. 575/2013, the Group's capital requirements as of December 31, 2020 for foreign exchange risk and gold position are zero, since the sum of the overall net positions in foreign currencies, gold and instrumental currencies, regardless of their sign, does not exceed 2% of total eligible capital.

5.6 - Capital requirements for operational risk

As of December 31, 2020, the operational risk requirements for the Group are as follows:

Table 24: Capital requirements for operational risk

Capital requirements for operational risk		
(thousands of euros)	2020	2019
Basic indicator method	-	-
Standard method	108,314	110,077
Alternative standard method	-	-
Advanced methods	-	-
Total capital requirements	108,314	110,077

The Group has calculated the requirements under the Standardized Approach, upon meeting the requirements indicated in Article 320 of Regulation (EU) No. 575/2013, as a simple average of the last three years of the aggregation, for each year, of the maximum value between zero and the sum of the relevant revenues of each of the business lines referred to in Table 2 of paragraph 4 of Article 317 of Regulation (EU) No. 575/2013 multiplied by their corresponding weighting coefficients provided for in that table: Retail Brokerage, Retail Banking and Asset Management at 12%; Commercial Banking and Agency Services at 15%; Corporate Finance, Trading and Sales and Payment and Settlement at 18%.

5.7 - Capital requirements for credit valuation adjustment (CVA)

In accordance with Part Three, Title VI of Regulation (EU) No. 575/2013 "credit valuation adjustment" means an adjustment to the mid-market valuation of the counterparty transaction portfolio. Such adjustment reflects the current market value of the counterparty credit risk towards the Entity.

At December 31, 2020, the credit valuation adjustment risk requirements for the Group are as follows:

Table 25: Capital requirements for credit valuation adjustment (CVA)

Capital requirements for credit valuation adjustment (CVA)		
(thousands of euros)	2020	2019
Advanced method	-	-
Standard method	957	1,618
Based on the original exposure method	-	-
Total equity requirements	957	1,618

The requirements have been calculated by the standard method in accordance with Article 384 of Regulation (EU) No 575/2013.



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6

RISKS

6. Risks

6.1 - Risk management policies and objectives

The Ibercaja Group's risk management is based on the strategic principles detailed below:

- Maintenance of a medium-low risk profile.
- Compliance with regulatory requirements at all times, as well as with the capital and liquidity objectives established in the capital and liquidity self-assessment processes.
- Maintenance of appropriate levels of risk-adjusted returns to ensure that performance targets are met.
- Avoid the concentration of risks in any of their manifestations (individual, economic groups, sectorial...).
- Avoid the materialization of operational, regulatory compliance, legal or reputational risks through active and constant management of the same.
- Good risk governance with the effective involvement of senior management and the Board of Directors
- Fostering a risk culture and facilitating a better understanding by the Entity of the level and nature of risks to which it is exposed
- Maintain and promote the confidence of customers, investors, employees, suppliers and other agents.

The Group's risk management is organized through the Risk Appetite Framework (hereinafter RAF). The main objective of the Ibercaja Group's RAF is to establish a set of principles, procedures, controls and systems through which the Entity's risk appetite is defined, communicated and monitored.

Risk appetite is considered to be the level or profile of risk that the Ibercaja Group is willing to assume and maintain, both in terms of its type and amount, as well as its level of tolerance, and must be oriented towards the achievement of the objectives of the strategic plan, in accordance with the lines of action established therein.

The objective in the management of the different risks is the achievement of a risk profile within the desired risk appetite level, defined on the basis of the established limits, carrying out those management measures considered most appropriate to achieve it.

6.2 - Corporate governance of risk management

6.2.1 - Framework for action and management

The Board of Directors ensures that the risk management systems are in line with the Entity's risk appetite and strategy.

Likewise, the Risk Appetite Framework includes a statement of limits, tolerance and risk appetite, as well as the roles and responsibilities of the different governance and management bodies that supervise its implementation and monitor it.

The risk profile defined by the Board of Directors is characterized by:

- Being aligned with the strategic plan and capital planning.
- Being integrated into the Bank's risk culture, with the involvement of all levels of responsibility.
- Being flexible, capable of adapting to changes in business and market conditions, and therefore be subject to periodic review, at least annually.
- Being linked to information management systems.

The RAF takes a global view of the consolidated Group and considers all the risks that affect the development of the Group's activity and the achievement of its business objectives as described.

The Ibercaja Group's Risk Appetite Framework is based on strategic, corporate governance and risk management principles that together constitute the Group's Risk Appetite Statement. The risks considered are as follows: business and profitability risk, credit risk, concentration risk, operational risk (which includes the sub-categories of reputational risk, legal risk and ICT risk), interest rate risk, market risk, liquidity and financing risk and insurance business risk.

In addition, the Ibercaja Group has risk management policy and procedure manuals that are reviewed and approved by the Board of Directors on an annual basis.

The Risk Appetite Framework is consistent with the capital and liquidity planning of Basel's Pillar II, the objective of which is to ensure the appropriate relationship between the risk profile of the Entity and the equity it effectively maintains. The Entity carries out a recurring process of self-assessment of capital and liquidity through the identification, measurement and aggregation of risks, determines the capital and liquidity necessary to cover them, plans the capital and liquidity in the medium term and establishes the capital and liquidity target that allows it to maintain an adequate buffer over the minimum legal requirements and supervisory guidelines.

The entry into force of the Single Supervisory Mechanism (SSM) in November 2014 entailed the adaptation of the European financial sector's risk policies and procedures, as well as its control environment. The "Supervisory Review and Evaluation Process" (SREP) is set up as the procedure for the ongoing assessment of institutions by the SSM.

The internal Pillar II capital and liquidity adequacy assessment processes (also called ICAAP & ILAAP) together with the stress tests carried out by the European Banking Authority (EBA) and the ECB are a key part of the SREP process.

In addition, the Ibercaja Group has a Recovery Plan prepared in accordance with the Bank Recovery and Resolution Directive (Directive 2014/59, BRRD), as well as the guidelines and recommendations of the EBA, which lays the foundations for the process of restoring the Group's financial strength and viability, should a severe stress situation occur.

These management frameworks (RAF, ICAAP & ILAAP and Recovery Plan) are consistent with each other, are integrated into the existing risk management processes, and are reviewed and approved by the Bank's Board of Directors on an annual basis.

The Risk Management System operates in an integral, continuous manner, consolidating such management by business area, geographic areas and subsidiaries at the corporate level.

6.2.2 - Governance structure

The Entity has a robust organizational structure that ensures effective risk management and control. The governing bodies are structured as follows:

- The Board of Directors is the body responsible for establishing and supervising the information and risk control systems, for approving the Risk Appetite Framework, as well as the policies, manuals and procedures relating to risk management.
- The Major Risks and Solvency Commission, whose powers include proposing the establishment of limits by type of risk and business, reporting on the Group's Risk Appetite Framework in a manner consistent with the Entity's other policies and strategic frameworks, assessing risk management in the Group, reviewing risk control systems and proposing measures to mitigate the impact of the risks identified.
- The Strategy Commission is mainly responsible for informing the Board of Directors about the Entity's strategic policy, ensuring that there is a precise organization for its implementation.
- The Audit and Compliance Commission, whose powers include the supervision of the effectiveness of internal control, internal audit and risk management systems, periodically reviewing them so that the main risks are properly identified, managed and disclosed.

In addition, the following Executive Committees have been set up with the participation of the Bank's Senior Management:

- The Global Risk Committee is responsible for defining and monitoring the Group's strategies and risk policies. The Committee's functions and responsibilities include: periodically report to the Major Risks and Solvency Commission on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the necessary action plans to remedy excesses or failures to comply; to submit the RAF proposal, the internal capital and liquidity adequacy assessment reports (ICAAP & ILAAP) and the Recovery Plan to the Major Risks and Solvency Commission for evaluation and analysis of their consistency with the Group's risk management policy and strategic plan; to evaluate and approve the action plans on situations of alert or excess, prior to their submission to the Major Risks and Solvency Commission; and to ensure that the Group has the appropriate procedures and means for identifying, measuring, following up and monitoring the risk profile.
- Among the functions of the Audit Committee is to be aware of the annual Operational Plan of the Internal Audit function that is presented to the Audit and Compliance Commission, to be informed periodically of the results of the internal audit reports and to promote the implementation of the improvement recommendations proposed to mitigate the weaknesses observed.

The organisational structure provides the Entity with a global governance and risk management structure, proportional to the complexity of the Ibercaja Group's business, with three lines of defence:

- First line of defence: Configured by the Group's business and support units, which are the risk takers.
- Second line of defence: Organizationally located in the General Secretariat-Directorate of Control as the holder of the second line, it acts independently of the business units. It is made up of the Risk Control functions, which follow up and report on risks and review the application of management policies and control procedures by the first line, and the Regulatory Compliance function, which is responsible for reviewing that operations are being carried out in accordance with applicable legislation, regulations and internal policies.
- Third line of defence: Internal Audit, as an independent function that provides an assessment and proposals for improvement of risk management and control processes.

6.2.3 - Risk management, control and measurement strategies

The main policies and strategies for the most relevant risks, as described in Note 3 to the Consolidated Financial Statements, are presented below.

Credit risk

It is defined as the possibility of incurring losses arising from the failure of borrowers to meet their payment obligations, as well as losses in value due to the deterioration of their credit quality.

- *Strategies and policies for credit risk management*

Credit risk management is aimed at facilitating the growth of lending in a sustained and balanced manner, guaranteeing at all times the financial and equity soundness of the Entity, with the objective of optimizing the return/risk ratio within the tolerance levels set by the Board of Directors on the basis of the defined management principles and action policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, documented in the "Credit Risk Management Framework", "Irregular Assets Management Framework" and "Risk Models Management Framework" as well as the various policy manuals developed on the basis thereof. These manuals include, among others, the criteria for action in the main business segments and the maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorizing risks that exceed the competence of the operating circuit.

In the current context of the health pandemic, the Entity, through the various support measures (public and private) implemented as a result of the COVID-19 crisis, has offered its customers solutions in line with their financial situation while implementing the guidelines issued by the regulator regarding the treatment and accounting recognition of this aid. (Note 11.6.1 of the Consolidated Financial Statements)

The Entity has carried out exercises to identify the borrowers affected by this crisis, in order to evaluate their payment capacity, and the Entity has carried out different actions on these customers and exposures identified as having a higher risk profile, both for risk management and for their accounting recognition.

The impact of the COVID-19 crisis, the support measures granted and their characteristics, as well as the macroeconomic forecasts have been considered in the projection of the financial statements for the coming years, with special attention to the foreseeable evolution of the inflows and outflows of non-performing loans, accounting provisioning and solvency.

- *Credit risk granting, monitoring and recovery policies*

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

- a) In the area of **credit risk granting**, the following policies are established:

- Risk classifications for groups of borrowers, through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.
- Criteria for the admission of new operations and limits to the powers of concession according to the customer segment to be financed.
- Methodology of analysis of operations according to their typology and belonging to the different segments.
- Internal credit rating models integrated into the decision systems for the different areas of the retail business.
- Necessary requirements to provide legal certainty to each operation.

- Risk mitigation techniques.
- Pricing policies according to the credit quality of the customers.

The credit risk management structure presents a decentralized operation granting scheme, which is based on a formally established delegation of powers set forth in the risk manuals.

The Bank has established in its "Manual of Admission Policies" risk granting policies in accordance with Law 2/2011, of March 4, on Sustainable Economy, Order EHA/2899/2011, of October 28, on transparency and protection of banking services customers and Bank of Spain Circular 5/2012, of June 27, on transparency of banking services and responsibility in the granting of loans and credits.

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

With regard to transparency and protection of banking services customers, the Group carries out the following actions:

- The current rates (interest rates, commissions and expenses) applied to the different financial products are displayed in the branches.
- The Bank of Spain is informed quarterly of the current rates.
- The rates applied to the different products are available on the Bank's website (<http://contransparencia.ibercaja.es>).
- The customer is given a document with the contractual conditions prior to signing. Subsequently, a copy of the contract is given to the customer.
- Annually, in January, the customer receives a personal communication detailing the interest, commissions and expenses applied during the previous year to the different products contracted.

Internal Audit, as part of the controls carried out at the offices, is in charge of ensuring compliance with the established policies and procedures.

b) Risk monitoring

In the area of credit risk monitoring, the main objective is to identify in advance possible deteriorations in the risk quality of the borrowers, in order to adopt corrective measures and minimize the negative impact that would result from the entry into default of the exposure, or its classification in Stage 2.

The credit risk monitoring function is carried out on the basis of the individualized monitoring of customers whose exposure or risk profile requires greater attention, and on the basis of the analysis of the evolution of different portfolios (Individuals, Productive Activities, Developers, etc.).

Part of the credit risk monitoring carried out in the Entity, including the classification and estimation of coverage of exposures, is based on the provisions of Annex IX Analysis and Coverage of Credit Risk, of Bank of Spain Circular 4/2017 of November 27. This regulation establishes that entities must have policies for the evaluation, monitoring and control of credit risk that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, not only at the time they are granted, but also during its life. Within the scope of this Circular, the Entity considers as individually significant borrowers those with which the exposure exceeds €3 million.

The fundamental principles, procedures and tools on which the monitoring function relies to carry out its work effectively are set out in the Entity's Credit Risk Monitoring Policy.

c) Recoveries

Comprehensive risk management is completed with recovery policies aimed at avoiding or minimizing possible losses through specific recovery circuits depending on the amount and type of transaction and with the intervention of different internal and external managers to adapt the necessary actions to each situation.

Country risk

It is defined as the possibility of incurring losses arising from a country's failure to meet its payment obligations on a global basis due to circumstances other than normal commercial risk. It comprises sovereign risk, transfer risk and the remaining risks arising from international financial activity.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2017, based on their rating, economic evolution, political situation, regulatory and institutional framework, payment capacity and experience.

In relation to sovereign risk, the Entity has established maximum limits for public debt issued by European Union States and other States also based on their rating.

Operational risk

It is defined as the risk of loss resulting from an inadequacy or failure of internal processes, personnel and systems, or from external events, thus contemplating risk subcategories such as behavioral risk, ICT risk or model risk, among others.

○ *Strategies and policies for operational risk management*

The Board of Directors approves the strategies, policies and limits for managing this risk, following a report from the Major Risks and Solvency Commission, as documented in the "Operational Risk Management Framework".

The Group currently has a model for managing and evaluating this risk, which basically covers the following points:

- General aspects: definition of operational risk, risk categorization and assessment.
- Methodologies applied for the identification, evaluation and measurement of operational risks.

- Scope of application of the methodologies and personnel involved in the management of this risk.
- Indicators, limits and tolerance thresholds.
- Generation of stress scenarios.
- Management support models (management, control and mitigation of operational risk): information derived from the above methodologies and implementation of measures aimed at mitigating this risk.

The scope of application of the operational risk management and assessment model extends to the business and support units of Ibercaja Banco, as well as to the Group's companies.

Its application and effective use in each of the units and subsidiaries is carried out in a decentralized manner. For its part, the Market, Operational and Reputational Risk Control Unit coordinates risk measurement together with the subsidiary units and companies, and carries out risk monitoring, analysis and communication.

○ *Management, control and measurement procedures*

The Group, in application of the model adopted for operational risk management, uses a combination of the following methodologies, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and existing controls in processes and activities, together with the collection and analysis of risk indicators. During fiscal year 2020, 585 operational risks have been reviewed and self-assessed, concluding from this process, a low risk profile.
- Quantitative methodology, based on the identification and analysis of actual losses incurred in the Group, which are recorded in the database established for this purpose.

The quantification of the actual losses recorded in the loss database in 2020 shows that the total annual amount of losses (net of direct and insurance recoveries) for operational risk events is €19,469 thousand corresponding to 9,341 events, of which 420 events for €5,964 thousand derive from losses related to floor clauses (return of interest for €5,040 thousand and legal costs for €924 thousand). If the provisions associated with these losses due to floor clauses, as well as other provisions associated with various extraordinary losses, are deducted, the total net annual amount of losses is €6,936 thousand.

Excluding the aforementioned extraordinary impact due to floor clauses, the actual operating losses are reduced in relation to the capital requirements, consistent with the overall result of the aforementioned qualitative assessment.

The advances in the operational risk management and control processes resulting from the established policies, allow the Entity to calculate, from December 2010, the capital consumption for Operational Risk under the Standard Approach, in accordance with the provisions of Regulation (EU) No. 575/2013.

Interest rate risk

Interest rate risk is defined as the current or future risk to the Entity's capital or earnings resulting from adverse fluctuations in interest rates affecting its investment portfolio positions.

The sources of interest rate risk are gap, base and optionality risk. In particular, gap risk arises from the different timing structure of interest rate-sensitive balance sheet instruments, which arises from differences in the timing of their repricing or maturity; base risk arises from the different reference index used for repricing interest rate-sensitive asset and liability instruments; and optionality risk arises from implicit or explicit options, which arise when either the Entity or the customer has the option to alter future cash flows if it is beneficial to them.

- *Strategies and policies for interest rate risk management*

The objective of interest rate risk management is to contribute to maintaining current and future profitability at appropriate levels, while preserving the Entity's economic value.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, documented in the "Manual of Policies and Procedures for the Management of Interest Rate Risk".

- *Measurement and control procedures*

The Group manages the risk exposure deriving from its portfolio transactions, both at the time they are contracted and during subsequent monitoring, and incorporates into its analysis horizon the expected evolution of the business and expectations regarding interest rates, as well as management and hedging proposals, simulating different behavior scenarios.

The tools available to the Entity make it possible to measure the effects of interest rate variations on net interest income and economic value, to simulate scenarios based on the hypotheses of interest rate and commercial activity evolution and to estimate the potential impact on capital and results derived from abnormal market fluctuations so that their results are considered in the establishment and review of risk policies and limits as well as in the planning and decision-making process.

In relation to optionality risk, there are behavioral models that establish the essential assumptions on the sensitivity and duration of demand savings transactions, since their maturity date is not contractually established, as well as on early loan repayments, early cancellation of time deposits, and duration of non-performing assets, all based on historical experience for different scenarios.

Likewise, the effect that interest rate variations have on the financial margin and economic value is controlled through the establishment of exposure limits. The limits allow interest rate risk exposure to be kept within levels consistent with approved policies.

Liquidity risk

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

- *Strategies and policies for liquidity risk management*

The management and control of liquidity risk is governed by the principles of financial autonomy and balance sheet equilibrium, ensuring business continuity and the availability of sufficient liquid resources to meet the payment commitments associated with the cancellation of liabilities on their respective due dates without compromising the capacity to respond to strategic market opportunities.

The Board of Directors establishes the strategies, policies and limits for managing this risk, following a report from the Major Risks and Solvency Commission, documented in the "Manual of Policies and Procedures for the Management of Liquidity Risk".

The strategies for raising funds in the retail segments and the use of alternative sources of short, medium and long-term liquidity provide the Group with the necessary resources to meet the solvent credit demand arising from commercial activity and to maintain cash positions within the management parameters established in the Risk Appetite Framework and the Liquidity Manual.

- *Management, control and measurement procedures*

The measurement of liquidity risk considers the estimated cash flows of assets and liabilities, as well as the guarantees or additional instruments available to ensure alternative sources of liquidity that may be required.

It also incorporates the expected evolution of the business and expectations regarding interest rates, as well as management and hedging proposals, simulating different behavior scenarios. These procedures and analysis techniques are reviewed as often as necessary to ensure their correct functioning.

Short-, medium- and long-term forecasts are made to ascertain financing needs and compliance with limits, which take into account the most recent macroeconomic trends, due to their impact on the evolution of the different assets and liabilities on the balance sheet, as well as on contingent liabilities and derivative products. Similarly, liquidity risk is controlled through the establishment of tolerance thresholds compatible with the approved policies.

In addition, the Entity is prepared to face possible crises, both internal and in the markets in which it operates, with action plans that guarantee sufficient liquidity at the lowest possible cost.

- *Liquidity risk hedging and reduction policies and strategies for monitoring their effectiveness*

The Entity has liquidity risk mitigation measures that are generally used in management. Thus, the Global Risk Committee has at its disposal the adoption of measures in the retail area (strengthening the attraction of stable liabilities, slowing down the pace of investments, transfer of off-balance sheet resources [funds, insurance, plans...], self-financing of commercial activity, etc.) or in the wholesale area (recourse to the wholesale market, diversification of maturities of wholesale financing, diversification of issues and financial instruments, etc.).

With regard to action plans, the Global Risk Committee, after analyzing all available information, shall be responsible for taking corrective measures, if necessary, including their escalation to the Governing Bodies, in the event of stress situations.

- *Statements approved by the management body concerning liquidity risk*
 - a) Regarding the adequacy of the liquidity risk management systems established in relation to the Entity's profile and strategy.

The Risk Appetite Framework is consistent with the internal liquidity adequacy assessment process (ILAAP) that ensures the appropriate relationship between the funding profile and the Group's liquid asset holdings.

To this end, the Group has developed a self-assessment methodology, based primarily on the metrics and thresholds defined and approved in its RAF to determine inherent and residual liquidity risk. In addition, the control environment is evaluated in accordance with the SREP methodology, assessing the areas of governance, risk appetite and the internal risk management and control framework. As a result of the above, the liquidity risk profile of the Ibercaja Group is at a low level as of December 2020, with ample availability of liquid assets. Thus, the relationship between the Group's funding profile and the availability of liquid assets is adequate.

The Entity carries out a recurring internal liquidity assessment process (ILAAP) to ensure an adequate relationship between its liquidity and funding risk profile and its available liquid assets. The "Liquidity Adequacy Statement" is approved annually by the Board of Directors.

- b) Statement on the general profile of the liquidity risk of the Entity associated with the business strategy.

Ibercaja Banco has traditionally been characterized by adopting a prudent liquidity risk management policy, based on a clear vocation to finance the growth of the lending activity with retail resources, with limited recourse to the wholesale markets. This circumstance has allowed the Group to maintain a comfortable liquidity position and a reduced dependence on wholesale financing.

A buffer of unencumbered high-quality liquid assets is available as insurance against liquidity stress scenarios.

This buffer consists of a core of high-quality liquid assets, government debt or similar instruments, designated to protect the Group against the most severe stress scenarios as evidenced by the level of the LCR ratio at December 31, 2020, which stands at 468%, well above the minimum requirements set at 100%.

The size of the liquid asset buffer is set in line with the risk tolerance level set by Ibercaja in the RAF.

Along the same lines, the "Available liquidity over assets" ratio reached 25.62% at December 31, 2020.

For lower intensity but longer duration scenarios, a portfolio of unencumbered eligible assets is available, which can be converted into cash without incurring excessive losses or discounts.

Long-term obligations are also met through a variety of stable funding instruments, as shown by the net stable funding ratio (NSFR) of 151% as of December 31, 2020, well above the minimum requirement of 100%.

Based on the liquidity situation analyzed in the previous chapters and the assessment of inherent and residual risk, the Ibercaja Group does not consider it necessary to have additional liquidity buffers.

See other ratios and key figures supporting the liquidity risk profile in chapter 12 of this report.

Exposure to other risks

Exposure to Market and Counterparty Risk

- *Strategies and policies for market and counterparty risk management*
 - a) Market risk

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

The Entity manages market risk in an attempt to obtain an adequate financial return in relation to the level of risk assumed, taking into account certain levels of global exposure, exposure by type of segmentation (portfolios, instruments, ratings), portfolio structure and return/risk objectives. In its management and control, sensitivity analyses and stress scenario simulations are applied to estimate its impact on results and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, as documented in the "Capital Markets Management Policy Manual".

For the management of market risk, there are policies for the identification, measurement, monitoring, control and mitigation, as well as transaction policies regarding trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approval of new products, relations with intermediaries and delegation of functions.

- b) Counterparty risk

It is defined as the possibility of non-payment by counterparties in financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, as documented in Ibercaja Banco's "Risk Lines Manual".

For the management of counterparty risk, the Entity has policies for identification, measurement, monitoring, control and mitigation. In addition, the Ibercaja Banco "Risk Lines Manual" establishes the criteria, methods and procedures for the granting of risk lines, the proposal of limits, the process of formalization and documentation of the transactions, as well as the procedures for monitoring and controlling the risks for financial entities, public administrations with a rating and listed and/or rated companies with a rating, with the exception of promoter entities.

The risk lines are basically established on the basis of the ratings assigned by the credit rating agencies, the reports issued by such agencies and the expert analysis of their financial statements.

For the granting of transactions related to counterparty risk to the aforementioned entities, the Capital and Balance Sheet Management Unit and the Governing Bodies are responsible for managing the assumption of risk, in accordance with the limits established for the credit lines.

The Entity uses specialized tools for the management, control and measurement of counterparty risk in order to consider the risk consumption of each product and gather under the same application the risk calculation at Group level.

- *Management, control and measurement procedures*
 - a) Market risk

The portfolios exposed to Market Risk are characterized by their high liquidity and the absence of materiality in the trading activity, which means that the Market Risk assumed by the trading activity is insignificant overall.

The Entity monitors the evolution of the expected loss of the management portfolio given a confidence level of 99% and a time horizon (1 day or 10 days) as a result of variations in the risk factors that determine the price of financial assets through the VaR (value at risk) indicator.

VaR is calculated using different methodologies:

- The parametric VaR assumes normality of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a confidence level of 99% and a time horizon (1 day or 10 days).
- The diversified parametric VaR takes into account the diversification offered by the correlations of risk factors (interest rates, exchange rates, share prices, etc.). It is the standard measure.
- The non-diversified parametric VaR assumes no diversification between these factors (correlations equal to 1 or -1 as the case may be) and is useful in periods of stress or changes in risk factor correlations.
- The Historical VaR Simulation uses the relative changes made in the last year in the risk factors to generate the scenarios in which the potential loss of the portfolio is assessed given a 99% confidence level and a time horizon.

- The VaR Shortfall measures, given a VaR calculated at 99% and with a time horizon of 1 day, the expected loss in the 1% of the worst results beyond the VaR. It provides a measure of losses in the event of a VaR breakout.
- In any case, the impact in absolute terms of VaR is relativized on equity.

Thus, at December 31, 2020, VaR measurement shows the following values:

(thousands of euros)	Diversified Parametric VaR	Parametric VaR vs. Own Resources	Non-diversified Parametric VaR	Non-diversified Parametric VaR vs. Own Resources	VaR Historical Simulation	VaR Historical Simulation vs. Own Resources	VaR Shortfall	VaR Shortfall vs. Own Resources
Confidence level: 99%								
Temp. horizon: 1 day	(5,422)	0.16%	(9,831)	0.29%	(4,411)	0.13%	(5,430)	0.16%
Temp. horizon: 10 days	(17,147)	0.51%	(31,089)	0.93%	-	-	-	-

The calculation of VaR at December 31, 2019 showed the following values:

(thousands of euros)	Diversified Parametric VaR	Parametric VaR vs. Own Resources	Non-diversified Parametric VaR	Non-diversified Parametric VaR vs. Own Resources	VaR Historical Simulation	VaR Historical Simulation vs. Own Resources	VaR Shortfall	VaR Shortfall vs. Own Resources
Confidence level: 99%								
Temp. horizon: 1 day	(29,832)	0.90%	(51,035)	1.53%	(71,550)	2.15%	(85,077)	2.55%
Temp. horizon: 10 days	(94,337)	2.83%	(161,387)	4.84%	-	-	-	-

In addition, and complementing the VaR analysis, stress tests have been performed to analyze the impact of different risk factor scenarios on the value of the portfolio being measured.

b) Counterparty risk

The limits authorized by the Board of Directors are established by investment volume weighted by the credit quality of the borrower, the term of the investment and the type of instrument.

In addition, the legal limits on concentration and large exposures are observed in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the risks consumed are always within the established limits. They incorporate controls on variations in ratings and, in general, on the creditworthiness of borrowers.

Counterparty risk mitigation techniques include netting contracts, guarantee contracts, portfolio reduction in the event of adverse credit events, reduction of risk lines in the event of rating downgrades or negative news about a company, and timely monitoring of the companies' financial information.

With those entities with which a risk compensation and guarantee contribution agreement is agreed, in accordance with the requirements of the Bank of Spain, the risk may be computed by the resulting net position.

Exchange Rate Risk Exposure

It is defined as the possibility of incurring losses arising from adverse fluctuations in the exchange rates of the currencies in which the Entity's assets, liabilities and off-balance sheet transactions are denominated.

The Entity does not hold significant speculative foreign currency positions. The Entity does not hold significant open positions in foreign currencies of a non-speculative nature.

The Entity's policy is to limit this type of risk, generally mitigating it when it arises by arranging symmetrical asset or liability transactions or through financial derivatives that allow it to be hedged.

Exposure to Reputational Risk

Reputational risk is defined as the unfavorable impact that an event may have on the corporate reputation of the entities that are part of the Group. It is associated with a negative perception by stakeholders (customers, employees, society in general, regulators, shareholders, suppliers, counterparties, investors, market analysts...) that affects the Group's ability to maintain existing business relationships or establish new ones.

The management of this risk aims to protect one of the main intangible assets such as corporate reputation, avoiding the occurrence of events that could have a negative effect on it.

Reputational risk is closely related to other risks due to the amplifying effect it can have on them. In most cases, reputational risk arises from the materialization of other risks that may affect any of the Group's entities, especially regulatory risk or the risk of non-compliance with regulations (imposition of sanctions, especially in the event that they are publicly disclosed). For this reason, it has implemented policies and procedures aimed at ensuring compliance with the applicable regulations, whether internal or external.

In addition, and as a key control function, in order to mitigate the risk of experiencing possible negative impacts derived from regulatory non-compliance, the Entity and various financial entities of the Group have a regulatory compliance verification function, with supervisory powers in particularly relevant areas such as anti-money laundering and the financing of terrorism, investor protection in the marketing of financial instruments and provision of investment services (MIFID), the rules of conduct in the Securities Market, the regulations on reporting suspicious transactions of market abuse, etc.

The Group therefore attaches the utmost importance to corporate reputation management as a method for preventing, avoiding and/or managing possible reputational risks, and for its positive impact on the generation of value. Reputation metrics are developed, with recurring periodic measurements, to monitor the perception of the Entity by the general public, customers and employees, as well as the evolution of the Group in Social Networks. The results are the basis for identifying strengths, areas for improvement, possible reputational risk areas and preparing action plans to improve reputation.

During 2020, the measurement of the Entity's reputational risk has continued, identifying strengths and areas for improvement and continuing with action plans to improve reputation involving the main areas of the Entity.

ESG Risks

In recent years, there has been an unprecedented institutional, social and business mobilization to respond to the great challenges of sustainability: social, environmental and good governance (ESG).

Ibercaja's challenge is to ensure that its business objectives drive sustainable development, preserving natural resources and promoting a fairer and more inclusive society. To this end, it is making progress in integrating ESG aspects (environmental, social and good governance) into its strategy and decision-making.

On December 11, the Board of Directors approved the Sustainability Policy, as a manifestation of its firm will to contribute to the development of a more sustainable economy and financial activity, aligned with the principles, guidelines and regulations in force on the matter. This policy demonstrates and formalizes the Ibercaja Group's commitment to sustainable development and the creation of value through its activity. It also establishes the global framework of action for the Group in the area of sustainability, containing the commitments voluntarily assumed by Ibercaja with its stakeholders to promote sustainable, inclusive and environmentally friendly growth, with a long-term vision.

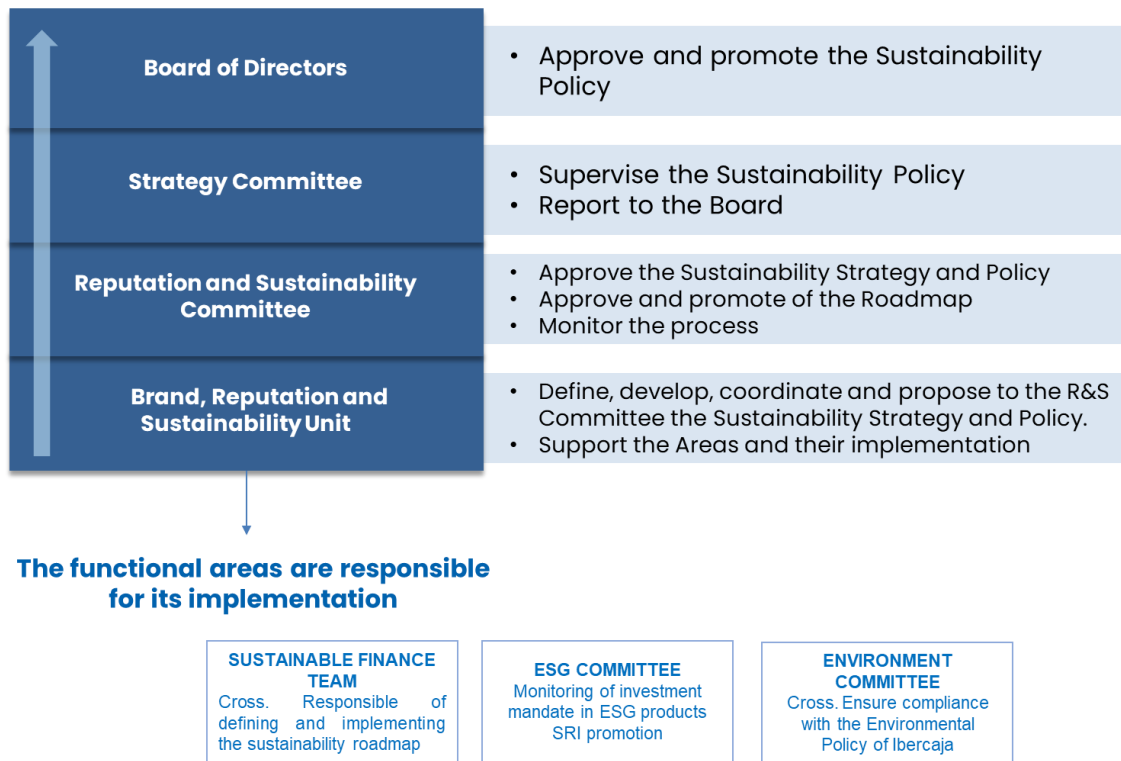
The Policy establishes the Bank's commitments to its main stakeholders and to the environment. Thus, Ibercaja is committed to:

- Analyze the impact of climate change, detecting needs that the transition to a decarbonized economy may present, in order to respond with business solutions that support environmental sustainability.
- Analyze climate and environmental risks, their impact on customers and on its financial activity, for their gradual integration in compliance with regulatory requirements.
- Communicate progress in environmental sustainability in a transparent manner, raising awareness internally and externally to foster a sense of environmental responsibility.
- To assume and endorse the main national and international commitments that help protect the environment and fight against climate change, working on their implementation.

In defining the Sustainability Policy, the recommendations of the TCFD (Task Force for Climate Related Financial Disclosures) and the Principles of Responsible Banking, signed by Ibercaja Banco in 2019, were taken as a guide to respond to the challenges of their implementation.

Additionally, the Board of Directors has reviewed and approved elements necessary to advance in the sustainable and responsible planning of the Entity: in 2018 it approved the Code of Ethics, which contains the seven ethical principles that govern the actions of the Ibercaja Group; it also agreed and approved the Corporate Purpose, which focuses on a shared inspiring goal: "To help people build the story of their lives, because it will be our story."

Sustainability governance is based on the work of the functional areas, coordinated by the Brand, Reputation and Sustainability Department and the Reputation and Sustainability Committee, which is responsible for this area, in accordance with the following scheme:



Ibercaja's commitment to sustainability has been reinforced by the Bank's adherence to the United Nations Principles for Responsible Banking, as a framework for a financial system that acts as a lever for sustainable development. The Entity is also a member of UNEP-FI, the United Nations Environment Program Finance Initiative, which aims to mobilize private sector financing for sustainable development, promoting a financial sector that generates positive impacts for people and the planet.

Ibercaja has also joined other initiatives that reflect its commitment to sustainability. Ibercaja's objective with these adhesions is that they serve as a lever to continue improving its impact on the environment and its contribution to society.

In response to its commitment to align its commercial strategy with the Principles of Responsible Banking, in 2020 the Bank began an analysis of the impacts that climate risks, both physical and transitional, could have in Spain, focusing this analysis on its main areas of operation and on those economic sectors in which it has a greater presence. The study has been carried out by economic sectors (focusing on agriculture, industry and services), analyzing their exposure to climate change risks (physical and transitional), with the objectives of:

- Identify sectors potentially most affected by climate change.
- Identify new needs for adaptation to climate change
- Identify potential risks
- Identify related business opportunities

To assess risk exposure, the Entity is also working on the analysis of the geographical distribution of its collateralized investments, using reports provided by ESPON (European Spatial Planning Observation Network). In the analysis of the impact of physical risk in different sectors, the importance of the sector in the economy has been considered, through its contribution to GDP, as well as its participation in the structure of Ibercaja's risk portfolio.

A first mapping of the corporate credit portfolio has also been carried out, according to the branches of activity potentially most affected by transitional climate risk (according to a study published by the Bank of Spain). The focus is on transition risks, as they could influence the credit quality of those exposures potentially most affected:

- most polluting sectors
- exposed to technological changes
- exposed to changes in consumer preferences

Identified risks and opportunities.

Ibercaja considers climate and environmental risks as risk factors in the risk categories currently managed by the Entity. In accordance with the indications of the TCFD (Task Force for Climate Related Financial Disclosures), they are defined and categorized as follows:

- Transition risks: financial losses that the Entity may suffer directly or indirectly from the process of adjusting to political, legal, technological and market changes arising from the transition to a low-carbon economy. Categories:
 - Political and legal risks
 - Technological risk
 - Market risk
 - Reputational risk
- Physical risks: financial impact of a changing climate, caused by extreme weather events and gradual changes in the weather. Categories:
 - Acute risks
 - Chronic risks

Ibercaja has worked on the identification of these risks with the objectives of:

- Advance in the understanding of the characteristics and particularities of climatic and environmental risks.
- Identify the main climate risks affecting the Ibercaja Group and how they translate into current risk categories.
- Advance in the establishment and consolidation of the management model for these risks based on three lines of defense in the Entity. To this end, work is being carried out in coordination with the front lines of the main prudential risks, based on a qualitative methodology developed with a top-down approach, to identify the main climate risk events and transmission channels that may result in the risk categories currently managed. The Entity has a first inventory of identified risks, pending consensus, which will serve as a basis for their prioritization and subsequent integration into management.

Additionally, the opportunities that have been identified, derived from the impact analysis, are:

- Financing of projects for the installation of new renewable energy production plants.
- Financing of environmental practices that promote the decarbonization of the agricultural sector.
- Financing of waste treatment projects, hydrogen technology, sustainable mobility, sustainable building, sustainable management of water treatment, etc.
- Participation in “Just Transition” Strategies in those areas of our territory affected by coal-related business closures.
- Financing of projects aimed at families and companies that promote renewable self-consumption, the use of ECO vehicles, the energy rehabilitation of homes and the use of low-consumption household appliances.

For further information, please refer to the Management Report of Ibercaja Banco S.A. and Subsidiaries.

Exposure to significant financial risks arising from the pandemic.

In the area of financial risks, it is worth highlighting the continuity of the current scenario of low interest rates, which negatively affects commercial margins and profitability, although the capacity of the Entity to generate value in the medium and long term is high.

During 2020, the Entity has implemented all those measures to support the financing of its customers in the context of the health crisis caused by the COVID-19 pandemic established by the economic authorities and at the sector level (moratoria and financing lines with ICO guarantee). A future deterioration in the quality of the Entity's credit investments as a consequence of the transfer of the aforementioned crisis to a high percentage of economic sectors cannot be ruled out. In this sense, the Entity has carried out an important reinforcement of the credit risk monitoring and control activities and has anticipated this possible impact by setting up provisions during 2020 in order to mitigate a sudden deterioration in the following years.

6.2.4 - Functions of the Board of Directors

The Board of Directors is the body responsible for ensuring a robust risk culture, establishing the strategic lines of risk management and control, and approving the policies, manuals and procedures related to risk management. Among its competencies in relation to risk management and control are the following:

- Establish and approve the Ibercaja Group's Risk Appetite Framework (RAF) following a report from the Major Risks and Solvency Commission and review it at least annually or whenever necessary depending on the circumstances.
- Evaluate and supervise the risk profile and its adequacy to the established framework and the Group's strategy and approve the capital and liquidity self-assessment reports (ICAAP & ILAAP).
- Approve and periodically review the strategies and policies for the assumption, management, supervision and reduction of the risks to which the Group is or may be exposed, including those presented by the macroeconomic situation in which it operates in relation to the phase of the economic cycle.
- Actively participate in the management of the material risks contemplated in the solvency regulations and ensure that the organization has adequate resources for such management.
- Ensure that the necessary action plans and corrective measures are established for the management of excess limits.
- To establish and supervise the Group's risk information and control systems, subject to a report from the Major Risks and Solvency Commission.
- To ensure that all aspects of capital planning are integrated into management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Funding Plan.

6.2.5 - Functions of the Internal Audit and Compliance Area

Internal Audit Department

Within the framework of the Ibercaja Group, the scope of the internal audit is total, thus influencing the parent company and its dependent subsidiaries, so that no activity, information system or internal control system may be excluded from its scope of action.

The general functions of the Internal Audit area in the area of risks are as follows:

- To propose, through the Audit and Compliance Commission, for approval by the Board of Directors, the Internal Audit Charter of the Ibercaja Group, which will establish the position of the Internal Audit Function in the organization, its responsibilities, the way in which these are to be developed; and the procedure for reporting the results of its verifications to the Board of Directors and Senior Management.

- To plan, coordinate and develop the Strategic Plan and the Annual Operating Plan of the Internal Audit Department.
- To propose to the Audit and Compliance Commission the Strategic Plan and the Annual Operating Plan of the Internal Audit Department, and to report periodically on the degree of monitoring.
- To ensure the quality of the methodologies, actions and reports of the Internal Audit functions.
- To permanently evaluate the adequacy and proper functioning of the governance framework, internal control information systems and risk management systems inherent to the activities of the Entity or its Group, proposing, with a preventive approach, recommendations for their improvement.
- To inform the Chief Executive Officer, Senior Management and the Internal Audit Committee of the main conclusions and recommendations resulting from the internal audits carried out, as well as the degree of implementation of these recommendations.
- To report periodically to the Board of Directors, through its Audit and Compliance Commission, on the results of the verification work carried out by Internal Audit and the degree of implementation of the recommendations.
- To participate in the dialogue with the regulatory or supervisory bodies, within the scope of its functions, and to coordinate with them the scope and content of the Internal Audit reports required by the aforementioned bodies

Specifically, the Internal Audit area has the following specific functions:

- Functions related to technical and quality supervision:
 - Coordinate the preparation and monitoring of the Strategic Plan and the Annual Operating Plan of the Internal Audit Department.
 - Coordinate the preparation of documentation for the Internal Audit Committee and the Entity's Governing Bodies in relation to the internal audit function.
 - Prepare the information requirements of the Supervisory Bodies in relation to the internal audit function.
 - Coordinate and/or execute the work determined from time to time by the Internal Audit Department, particularly those involving a transversal scope.
 - To keep the Internal Audit Statute, procedures and "normative" knowledge on internal audit matters up to date.

- Functions related to the protection of technological and information assets:
 - To ensure the correct administration and control of the technological and informational assets assigned to the Area or dependent Units and of the data deposited or managed in such applications, databases or other tools.
- Functions related to the ownership and quality of the data within the scope of the functions of the area:
 - Collaborate in the correct functional description of the data, files or reports assigned to the Area or dependent Units, defining rules that allow him/her to perform an effective control of their quality level and to establish tolerance and error thresholds.
 - Perform the correct data entry according to the established procedures, identifying improvements that minimize the operational risk.
 - Analyze data quality errors, registering incidents in the corporate database if they are not and define remediation and improvement plans to achieve the required quality levels. Collaborate in the supervision and/or execution of those remediation plans determined in the Data Governance framework.
- Functions related to information demand:
 - Control the informational demand of the Area or Dependent Units, prioritizing the attention according to the contribution of value for the Entity and the available budgetary framework, documenting in a complete way the required needs and certifying the result of the requests of the Area or Dependent Units.
- Functions related to operational risk:
 - Manage the Operational Risk implicit in the Area's functions, identifying and assessing the possible operational risks associated with them, promoting continuous improvement systems and complying with the Operational Risk Management Framework.

Regulatory Compliance Area

The functions performed in the Regulatory Compliance Unit in relation to risk control and review, in general:

- Perform the internal control competencies attributed to the regulatory compliance function in the regulations of credit institutions and entities that provide investment services.
- Ensure compliance with regulations on matters within its competence, which may affect the development of the activity of Ibercaja, and non-compliance with which may cause risks of sanction by regulators and reputational risks for the Entity.
- Ensure the correct application of the procedures established in the regulations on transparency and customer protection (both for banking products and in the field of investment services) -customer compliance-.

- Collaborate in the development of contents, ensure the correct diffusion and updating of the minimum mandatory contents that must be disclosed to the public through the Entity's corporate website, especially in relation to corporate governance and information for investors.
- Ensure the proper application of the procedures related to the Customer Care Service in accordance with the provisions of Order ECO/734/2004, of March 11, on customer care departments and services and the customer ombudsman of financial institutions, and Order ECC/2502/2012, of November 16, which regulates the procedure for submitting complaints to the complaints services of the Bank of Spain, the National Securities Market Commission and the Directorate General of Insurance and Pension Funds.
- Carry out, in collaboration with the Customer Service Department, the Legal Department and the Marketing and Digital Strategy Department and the Branch Network Department, a systematic evaluation of complaints in order to identify and correct their origin and mitigate possible associated risks.
- Ensure that the development and updating of the Entity's Policies and Manuals are in line with current regulations, the guidelines and agreements adopted by the Entity's governing bodies, as well as the consistency and absence of inconsistencies between them.
- To verify, in coordination with the various competent Departments and Units, the correct identification and compliance with their legal obligations within the scope of their respective competencies, supervising the effective application of the procedures and controls established for such purpose, particularly in matters of prevention of money laundering, tax matters, protection of personal data, protection of consumers and users, and the provision of services in the area of the securities market.
- Coordinate the implementation and monitoring of the Entity's criminal risk prevention model, as well as the application by the Departments and Units involved of high-level and specific controls in the Entity's different areas of activity.

Specifically, the Regulatory Compliance area has the following specific functions:

- Functions referring to Information and Office Services:
 - Prepare, in coordination with the Regulations Unit, the instructions and guidelines referring to matters within its competence, proposing their publication and ensuring their permanent updating.
 - Collaborate with the Internal Consultation System for the efficient resolution of user queries regarding matters within its competence.
- Functions related to Training:
 - Collaborate with the Personnel Area Management and with the Legal Department in the preparation and definition of contents of training programs for directors and employees in the field of regulatory compliance in the securities market environments, prevention of money laundering and financing of terrorism.
- Functions related to Management:
 - Prepare and periodically supervise the effective implementation of the Regulatory Compliance Program approved by the Entity's governing bodies.
 - Submit to senior management and the governing bodies, through the General Secretary, the corresponding periodic reports within the scope of its competencies, as well as the periodic reports on the degree of monitoring of the Regulatory Compliance Program, assisting them in the establishment of improvement or updating plans when appropriate.
 - Act as interlocutor, within the scope of its competencies, with supervisory bodies (Bank of Spain, European Central Bank, SEPBLAC, CNMV), including the control of the coordination of responses to requirements and the review of compliance with recommendations.

In relation to the control of the rules of conduct in the securities market, the Regulatory Compliance Unit has the following functions:

Regarding the Internal Code of Conduct:

- Carry out the controls provided for in the Internal Code of Conduct (ICC) in the area of the Securities Markets, in particular:
 - Periodically inform the Audit and Compliance Commission about the compliance with the ICC.
 - Keep the register of persons subject to the ICC updated.
 - Resolve possible conflicts of interest.
 - Maintain records related to insider information.
 - Control the regime of personal transactions of the persons subject to the ICC, in accordance with the provisions of the same, the Securities Market Law and its implementing regulations.

- Carry out the control of the obligatory information for the subject persons and other controls foreseen in the ICC.

Referring to the Prevention of Market Abuse:

- Implement procedures related to the detection, analysis and reporting of suspicious market abuse transactions.
- Carry out the controls provided for in the Manual on "Detection, Analysis and Reporting of Suspected Market Abuse Transactions", in particular those related to:
 - Reception and registration of the operations detected, both in a centralised and decentralised manner, with some indication of possible market abuse.
 - Expert analysis of the transactions detected in order to determine if they are suspicious transactions of Market Abuse.
 - Reporting, if applicable, of transactions suspected of market abuse to the CNMV.
- Ensure that the procedures for reporting transactions to the CNMV (transaction reporting) are properly applied.

Concerning the protection of the investor (*customer compliance*) in the provision of investment services:

- Verify, at least, compliance with:
 - Procedures for managing conflicts of interest and related transactions to prevent them from harming clients in accordance with the Securities Market Law and its implementing regulations.
 - Procedures for safeguarding financial instruments and funds entrusted by clients in the field of the provision of investment services.
 - Procedures for the approval and design of new products and services.
 - Procedures related to compliance with the rules of conduct for the protection of customers and potential customers. Among others, those related to the following areas:
 - Marketing of investment products and services, including the control of policies and procedures related to:
 - ✓ Classification of customers.
 - ✓ Cataloguing of financial instruments.
 - ✓ Convenience assessment.
 - ✓ Evaluation of the suitability of clients in the field of advice and portfolio management.
 - ✓ Pre and post contractual information to clients.
 - Regime of tariffs and contract documents.

- Procedures for processing and best execution of orders.
- Mandatory record-keeping procedures on financial instruments and investment services required by current regulations.

Related to the field of anti-money laundering and financing of terrorism:

- Ensure adequate compliance with the obligations of the Bank and its Group companies subject to legislation for the anti-money laundering and the financing of terrorism (AML&FT), in their capacity as obligated parties, particularly those relating to:
 - Identification, knowledge, acceptance and classification of customers.
 - Analysis and reporting of suspicious transactions.
 - Declaration of movements of means of payment.
- Particularly:
 - Keep the AML&FT Manual duly updated in accordance with the legislation in force and update the procedures to the same.
 - Periodically update the self-assessment report on the risk of money laundering and financing of terrorism, in order to include new risk scenarios and to design and implement the controls to be developed for their mitigation.
 - Verify and control the application by the Branch Network of customer due diligence measures, according to their level of money laundering risk.
 - Carry out continuous control and monitoring of the relationship with clients according to their level of AML&FT risk, in order to update this level.
 - Analyse and manage the alerts originated by the prevention tools.
 - Prepare structured Special Examination Reports of operations with possible indications of money laundering and prepare and send, if necessary, the communication to the SEPBLAC.
 - Proceed to the freezing of funds of persons designated in terrorist lists and their communication to the Secretariat of the Commission for Anti-Money Laundering.
 - Collaborate in the performance of inspections that may be carried out by the supervisory bodies (Bank of Spain or SEPBLAC) related to the prevention of money laundering.
 - Collaborate in carrying out the obligatory review by the external expert, as well as with the supervisory actions that the internal audit function may carry out.
 - Prepare periodic information to the AML&FT Committee and Senior Management on activities developed in the field of AML&FT.

Relating to the scope of control of regulatory monitoring:

- Study and monitor regulatory standards (in particular the EBA Guidelines or any other body or authority with competence in banking matters) and supervisory standards and criteria in the area of internal governance of the institution, transparency and rules of conduct in the provision of banking and investment services to customers, as well as risk management and control.
- Analyse the impact that the aforementioned regulations and criteria may have on the entity's internal policies and manuals, sending the necessary reports to the units involved for their consideration.
- Ensure that the Regulatory Programmes Unit, which reports to the Directorate of Organisation, together with the various Area Directorates and competent Units, undertake the projects and actions required to adapt to the new provisions in force in the aforementioned areas, based on the impact map and the corresponding GAP analysis that these Directorates have carried out.
- Periodically inform the Regulation and Supervision Committee of the follow-up of the projects of adaptation to the new regulatory provisions that are most relevant for the Entity in the area of its competencies.
- Promote knowledge of changes in regulatory and supervisory standards in the aforementioned areas among the units involved, participating, where appropriate, in training tasks in coordination with the Personnel Area and the Regulations Unit.
- Participate, in coordination with the Personnel Area, in training programmes for employees who are to perform functions related to the regulatory and supervisory environment, promoting and preparing, where appropriate, the contents of such training.

6.2.6 - Risk Information Reporting

The Ibercaja Group has determined, for each of the significant risks identified in the Risk Appetite Framework, a list of metrics that reflect and manage the Group's risk profile and business model.

A distinction can be made between quantitative metrics and qualitative metrics. Quantitative metrics will be identified for those risks that can be measured or quantified, while other risks, such as regulatory compliance, for example, will be monitored using qualitative criteria.

The metrics are also divided into:

- First-level metrics: High-level indicators with thresholds, monitored periodically by the Global Risk Committee, the Major Risks and Solvency Commission and the Board of Directors.
- Operational or second level limits: Risk management and control limits required to ensure compliance with the risk appetite defined by the Group. The operating limits are developed in the corresponding risk management policies and procedures manuals. The monitoring of these limits is carried out by the Global Risk Committee and is submitted to higher bodies in those cases where it is deemed necessary.

Additionally, a set of scorecards, limits and alerts have been established for monitoring and reporting to Senior Management and Governing Bodies. In relation to the Risk Appetite Framework, Recovery Plan and ICAAP on a quarterly basis, and in relation to each of the risks (credit, liquidity, market, operational, etc.) on a monthly basis, monitoring reports are submitted to the Global Risk Committee, which are subsequently submitted to the Major Risks and Solvency Commission and the Board of Directors.

In this way, each Area Manager is aware of the current situation of the relevant risks and channels this information to the corresponding units and risk takers, thus facilitating the integration of the Risk Appetite Framework into the Entity's risk culture.

7

CREDIT RISK

7. Credit risk

7.1 - Accounting definitions and methodological descriptions

Credit risk management is one of the Group's priorities, aimed at facilitating the growth of lending in a sustained and balanced manner, guaranteeing at all times financial and equity solidity, with the objective of optimizing the risk-return ratio within the tolerance levels set by the Board of Directors on the basis of the management principles and action policies defined.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Major Risks and Solvency Commission, documented in the "Credit Risk Management Framework", "Irregular Assets Management Framework" and "Risk Models Management Framework" as well as the various policy manuals developed on the basis thereof. These manuals include, among others, the criteria for action in the main business segments and the maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorizing risks that exceed the competence of the operating circuit.

The monitoring and accounting treatment of credit risk carried out in the Entity is based on the provisions of IFRS 9 and Annex IX of Bank of Spain Circular 4/2017 of November 27.

Definition of the classification categories

Credit exposures are classified, based on credit risk, into:

- Normal risk (stage 1): a transaction shall be understood to be in this stage when there has been no significant increase in risk since its initial recognition. If applicable, the allowance for losses (or provision) will reflect the expected credit losses resulting from possible defaults during the 12 months following the reporting date.
- Normal risk under special surveillance (stage 2): in the event that a significant increase in risk has occurred since the date on which it was initially recognized, without impairment having materialized, the transaction will fall within this stage. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to defaults over the residual life of the financial instrument.

- Doubtful risk (stage 3): a transaction will be classified within this stage when it shows effective signs of impairment as a result of one or more events that have already occurred and that will materialize in a loss. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to credit risk over the expected residual life of the financial instrument. Its classification may occur:
 - Due to the holder's default: transactions with an overdue amount of principal, interest or contractually agreed expenses, generally more than 90 days old, unless they should be classified as defaulted. This category also includes guarantees granted when the guaranteed party has defaulted on the guaranteed transaction. Also included are the amounts of all the transactions of a holder when the transactions with amounts overdue in general, as indicated above, of more than 90 days old, are greater than 20% of the amounts pending collection.
 - For reasons other than the holder's delinquency: transactions in which, without meeting the circumstances to classify them as write-offs or doubtful due to delinquency, there are reasonable doubts as to their full repayment under the contractually agreed terms; as well as off-balance sheet exposures not classified as doubtful due to delinquency whose payment by the Group is probable and their recovery doubtful.

To determine the existence of reasonable doubt as to the total repayment of these transactions, the Entity performs an analysis of indicators in transactions that do not present amounts overdue more than 90 days, which may or may not automatically classify the transaction as stage 3.

- Write-off risk: transactions for which, after an individualized analysis, it is considered that there is no reasonable expectation of recovering all or part of them, due to a notorious or unrecoverable deterioration of the solvency of the transaction or of the holder. The Entity considers in any case that there is no reasonable expectation of recovery for the following cases:
 - The risks of customers who are declared in insolvency proceedings for which it is recorded that the liquidation phase has been declared or is about to be declared, unless they have effective collateral covering at least 10% of the gross carrying amount of the transaction.
 - Doubtful risks for reasons of default with an age of more than four years or before reaching this age, when the amount not covered by effective guarantees has been maintained with a credit risk coverage of 100% for more than two years, except for those balances that have effective collateral covering at least 10% of the gross book value of the transaction.

In the above situations, the Group removes from the balance sheet any amount recorded together with its provision, without prejudice to any actions that may be taken to attempt to collect it until the rights to receive it have been definitively extinguished, whether due to expiration of the statute of limitations, forgiveness or other causes.

Refinancing and restructuring

The credit risk management policies and procedures applied by the Group guarantee a detailed monitoring of borrowers, highlighting the need to make provisions when there is evidence of deterioration in their solvency. Therefore, the Group establishes the required loan loss provisions for those transactions in which the borrower's situation so requires before formalizing the restructuring/refinancing transactions.

For refinanced transactions, the algorithm establishes their initial classification based on their characteristics, mainly the existence of financial difficulties in the borrower and the existence of certain clauses such as extended grace periods; subsequently, the algorithm modifies the initial classification based on the cure periods established.

The refinancing, restructuring, renewal and renegotiation policies established by the Group are detailed in Note 3.5.5.2 to the Consolidated Financial Statements.

Determination of hedges

Once the accounting classification of the borrower and consequently of its operations has been determined, the hedges for credit risk losses are calculated. These hedges can be obtained by individual or collective analysis.

The criteria for the selection of portfolios for the development of internal models in the collective evaluation of impairment, have followed the principles of significance and complexity, and offer results adequate to the reality of the operations in the current economic environment.

The Group applies the criteria described below for the calculation of credit risk loss hedges:

The amount of the hedges for impairment losses is calculated based on whether or not there has been a significant increase in credit risk since the initial recognition of the transaction, and whether or not an event of default has occurred. Thus, coverage for impairment losses on transactions is equal to:

- The expected credit losses in twelve months, when the risk of the occurrence of an event of default on the transaction has not increased significantly since initial recognition (stage 1).
- Expected credit losses over the life of the transaction, if the risk of the occurrence of an event of default on the transaction has increased significantly since its initial recognition (stage 2).
- Expected credit losses over the life of the transaction, when an event of default has occurred in the transaction (stage 3).

The Group incorporates forward-looking information in the calculation of the expected loss, for which it uses scenario projection models.

The application of different scenarios to reflect the effect of the non-linearity of losses leads to the estimation of the necessary hedges for different scenarios, including those that are unlikely but plausible. Specifically, 3 macroeconomic scenarios have been considered, a central scenario, an adverse scenario and a favorable scenario, which have been defined at Group level, with probabilities of occurrence of 70%, 20% and 10% respectively, taking into account the current uncertainty about the evolution of the pandemic and the moment of normalization of a large part of the economy. The projections of these scenarios are based on 3-year time horizons, with the variables considered being the evolution of GDP, the unemployment rate and housing prices, among others.

The Group has also estimated prepayment rates for different products and segments based on observed historical data. These prepayment rates are applied in the determination of the expected loss of the exposures classified in Stage 1 and Stage 2.

On the other hand, a coverage percentage of 0% is applied to transactions identified as having no appreciable risk (basically those carried out with central banks, public administrations and companies and financial entities, all of them belonging to the European Union or to certain countries considered to be risk-free) (based on the historical analysis of these transactions and the backtesting analyses performed), except in the case of transactions classified as doubtful, in which an individualized estimate of the impairment is made. In the estimation process, the amount required to hedge the credit risk attributable to the holder on the one hand and the country risk on the other is calculated. When there are simultaneous reasons for hedging the holder's credit risk and country risk, the strictest hedging criteria are applied.

The Group considers as exposure metrics for hedging the current balances drawn down and the estimate of the amounts expected to be disbursed in the event of default on off-balance sheet exposures by applying a Credit Conversion Factor (CCF).

For transactions classified as doubtful, an estimate is made of the expected losses, understood as the difference between the current exposure amount and the estimated future cash flows.

Subsequently, these cash flows are discounted at the current effective interest rate of the financial asset (if its contractual rate is fixed) or at the effective contractual interest rate at the discount date (when this is variable).

The following sections describe the Group's different methodologies:

Individualized estimates of hedges

In order to estimate the provisions for credit risk due to insolvency of a financial instrument, the Group makes an individualized estimate of the expected credit losses of those financial instruments that are considered significant and with sufficient information to make such calculation.

On this point, it should be noted that the Entity estimates collectively the positions classified in stage 1 of individually significant borrowers, since based on its historical experience and the hedge monitoring analyses performed, the individualized estimate of the hedges of these borrowers would be considerably lower than that calculated by the collective estimate.

The Group has developed a methodology for estimating these hedges, calculating the difference between the carrying amount of the asset and the present value of future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Likewise, the calculation of the present value of the estimated future cash flows of a collateralized financial asset shall reflect the cash flows that could result from the enforcement of the collateral, less the costs of obtaining and selling the collateral, regardless of whether the enforcement of the collateral is probable or not, through the application of a haircut on the collateral.

The following methods are established for the calculation of the recoverable value of assets evaluated at an individual level:

- Generation of cash flows from the borrower's own activity (Going Concern): this will be applied to borrowers for whom it is estimated that they will be able to generate future cash flows from the development of their own business that will allow repayment of part or all of the debt contracted. Additionally, it is possible that such cash flows may be complemented with potential sales of non-essential assets for the generation of the aforementioned cash flows.
- Foreclosure of guarantees (Gone Concern): will be applied for those borrowers who do not have the capacity to generate cash flows with the development of their own business, and the only way to recover the investment is the foreclosure and subsequent liquidation of their assets.
- Mixed approach: individual analysis of the borrower in which the two previous approaches are combined, executing secondary guarantees (non-essential).

The Group incorporates the application of macroeconomic scenarios in its methodology for calculating provisions for individually significant borrowers, through the incorporation of an add-on calculated from the Group's internal models.

Collective estimation of hedges

The Group estimates expected credit losses collectively in those cases in which they are not estimated on an individual basis.

The criteria for the selection of portfolios for the development of internal models have followed the principles of significance, complexity and offer results appropriate to the reality of the operations in the current economic environment.

The Group has carried out a prior study of the transactions subject to collective hedge calculation. As a result of this study, the Group has selected the following portfolios for the development of internal methodologies:

- Home purchase,
- Credit cards, and
- Corporates.

The following portfolios are excluded from using internal models:

- Consumer,
- Self-employed,
- Large Companies, and
- Developers.

For the excluded portfolios, apart from the borrowers that are subject to individualized analysis, the Group performs the collective calculation of coverage based on the models prepared at sector level by the Bank of Spain on the basis of experience and the information it has on the Spanish banking sector, as well as forecasts on future conditions. In any case, these models are periodically tested retrospectively to ensure the reasonableness of the provision.

When calculating the collective impairment loss, the Group, in accordance with the provisions of IFRS 9 and taking into consideration Bank of Spain Circular 4/2017, mainly takes into consideration the following aspects:

- The impairment estimation process takes into account all credit exposures, except those without appreciable risk and not doubtful, for which impairment estimation methods are used based on data and statistical models that aggregate the average behavior of entities in the banking sector in Spain. The Group recognizes an impairment loss equal to the best estimate by internal models available, taking into account all relevant information available on the conditions existing at the end of the period over which it is calculated. The Group has identified the following transactions with no appreciable risk for the estimation of credit risk coverage:
 - Transactions with central banks.
 - Transactions with Public Administrations of European Union countries, including those derived from reverse repurchase loans of securities representing public debt.
 - Transactions with Central Governments of countries classified in Group 1 for country-risk purposes.
 - Transactions in the name of deposit hedge funds and resolution funds, provided that their credit quality is comparable to those of the European Union.
 - Transactions in the name of credit institutions and financial credit establishments of European Union countries and, in general, of countries classified in Group 1 for country-risk purposes.
 - Transactions with Spanish mutual guarantee companies and with public bodies or companies of other countries classified in Group 1 for country-risk purposes whose main activity is the underwriting or guaranteeing of credit.
 - Transactions with non-financial companies that are considered to be in the public sector.
 - Advances on pensions and payrolls corresponding to the following month, provided that the paying entity is a public administration and that they are domiciled in the entity.
 - Advances other than loans.

- In order to make a collective assessment of impairment, financial assets are grouped according to the similarity of their credit risk characteristics (such as type of product, purpose of financing, trade identifier, collateral, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and makes it possible to obtain a more accurate calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturities. The segmentation takes into account the historical experience of losses observed for a homogeneous group of assets (segment), once conditioned to the current economic situation, which is representative of the unreported incurred losses that will occur in that segment. This segmentation discriminates risk, is aligned with management and is used in the Group's internal models with various uses contrasted by the internal control units and the supervisor. Finally, it is subject to recurrent back-testing and frequent updating and revision of estimates to incorporate all available information.

The Group has developed internal models for the collective calculation of impairment losses in which the aggregate amount of a credit risk loss is determined based on the following parameters:

- Probability of Default (PD): probability that impairment of an asset (corresponding to a borrower or homogeneous set of borrowers) will occur over a certain time horizon (appropriate to the period of identification/emergence of impairment).
- Probability of recovery: percentage of recovery on the asset, in the event that the impairment event occurs (determined by the previous parameter, probability of impairment).
- Collateral discount: percentage of loss in value of collateral.
- Exposure at the time of default: risk exposure that the Group will have at the time of the impairment of the borrower (from which the aforementioned probability of impairment is determined).

Based on the descriptions set out in Note 2.3. of the Consolidated Financial Statements for 2020, the following accounting criteria are considered within the Group:

- A financial asset or other exposure involving credit risk is considered to be impaired and its carrying amount is written down when there is objective evidence that events have occurred that give rise to:
 - In the case of debt instruments (loans and advances, and debt securities), a negative impact on future cash flows that were estimated at the time the transaction was entered into.
 - In the case of other exposures involving credit risk, other than debt instruments, a negative impact on the future cash flows that would be expected in the event of drawdown of the loan commitment and the cash flows expected to be received if the commitment is drawn down, or in the case of financial guarantees granted, on the payments that the Entity expects to make.

- Impairment losses for the period on debt instruments are recognized as an expense under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification" in the consolidated income statement. For debt instruments classified as financial assets at amortized cost, such impairment losses are recognized against an allowance account that reduces the carrying amount of the asset, while for debt instruments classified at fair value through other comprehensive income, impairment losses are recognized against "accumulated other comprehensive income".
- Hedges for impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses for the period for these exposures are recorded as an expense in the consolidated income statement.
- Subsequent reversals of previously recognized impairment loss hedges are recorded immediately as income in the consolidated income statement for the period.

Further information on accounting descriptions and methodologies can be found in the aforementioned note to the Consolidated Financial Statements for 2020 ([Periodic Information - Corporate Website | Ibercaja Banco](#)).

7.2 - Credit risk exposure

7.2.1 - Credit risk exposure 2020

The following table shows the value of the Group's credit risk exposure at December 31, 2020, net of value adjustments and provisions, as well as the average amount for that year, broken down by risk category:

Table 26: Exposure by risk category

Exposure by risk category		
(thousands of euros)	Average exposure 2020	Exposure December 2020
Central governments or central banks	12,102,480	14,380,151
Regional administrations and local authorities	1,046,441	992,934
Public sector entities and other non-profit public institutions	649,816	700,478
Multilateral Development Banks	767	1,026
International Organizations	-	-
Institutions	359,726	364,846
Corporates	6,787,625	6,778,804
Retail customers	7,108,854	7,105,850
Exposures secured by real estate	18,927,905	18,943,579
Exposures in default	656,559	542,007
High-risk exposure	338,690	295,527
Covered bonds	31,718	21,584
Exposures to institutions and companies with short-term credit ratings	-	-
Exposure to collective investment institutions (CIIs)	19,535	19,917
Equity exposures	770,425	764,591
Other exposures	1,896,753	1,882,776
Securitisation positions	-	-
Total	50,697,294	52,794,070

7.2.2 - Geographical distribution of exposures

The value of the Group's credit risk exposure at December 31, 2020, net of value adjustments and provisions, broken down by geographical area, is detailed below:

Table 27: Exposure by large geographical area

Exposure by large geographical area		
(thousands of euros)	Exposure Value 2020	Exposure Value 2019
Spain	51,681,078	48,617,072
Other countries European Union	1,014,558	1,225,384
Rest of Europe	34,040	35,453
United States	45,993	55,111
Rest of the world	18,401	18,710
Total geographical areas	52,794,070	49,951,730

7.2.3 - Distribution of exposures by sector

The value of the Group's credit risk exposure as of December 31, 2020, net of value adjustments and provisions, distributed by economic sector, is shown below:

Table 28: Exposure by economic sector

Exposure by economic sector		
(thousands of euros)	Exposure Value 2020	Exposure Value 2019
Agriculture, farming and fishing	1,090,519	1,201,015
Extractive industries	29,372	89,729
Manufacturing Industries	1,983,943	1,830,500
Energy, water and gas production and distribution	184,374	293,786
Construction	1,230,736	1,216,860
Commerce and repairs	2,696,118	2,573,055
Hospitality Industries	580,962	580,017
Transport, storage and communications	827,338	888,095
Financial Intermediation	3,058,129	3,510,464
Real estate activities and business services	4,065,619	4,508,809
Other services	891,713	946,931
General Governments	7,333,080	6,601,730
Central banks, credit institutions, intermediation and other financial services	7,318,510	589,860
Other activities	4,212,073	7,550,453
Individuals with no economic activity	17,291,584	17,570,426
Total	52,794,070	49,951,730

7.2.4 - Residual maturity of exposures

The following table shows the distribution, by residual maturity, of the value of the credit risk exposure as of December 31, 2020, net of value adjustments and provisions:

Table 29: Exposure by risk category and maturity

Exposure by risk category and maturity					
(thousands of euros)	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Sum
Central governments or central banks	-	7,390,658	2,445,999	4,543,494	14,380,151
Regional administrations and local authorities	31,621	200,550	449,479	311,284	992,934
Public sector entities and other non-profit public institutions	271	358,175	195,478	146,554	700,478
Multilateral Development Banks	-	-	-	1,026	1,026
International Organizations	-	-	-	-	-
Institutions	269,396	37,265	40,169	18,016	364,846
Corporates	2,130,654	758,917	1,662,717	2,226,516	6,778,804
Retail customers	601,941	1,071,822	3,091,520	2,340,567	7,105,850
Exposures secured by real estate	2,755	30,700	690,984	18,219,140	18,943,579
Exposures in default	46,330	5,835	51,815	438,027	542,007
High-risk exposures	11,212	14,842	41,170	228,303	295,527
Covered bonds	-	-	21,584	-	21,584
Exposures to institutions and companies with short-term credit ratings	-	-	-	-	-
Exposure to collective investment institutions (CIIs)	-	-	-	19,917	19,917
Equity exposures	-	-	-	764,591	764,591
Other exposures	-	1,695,913	186,863	-	1,882,776
Securitisation positions	-	-	-	-	-
Total categories	3,094,180	11,564,677	8,877,778	29,257,435	52,794,070

7.2.5 - Geographical and counterpart distribution of impaired positions

The following table details the gross carrying amount as of December 31, 2020 of performing and non-performing exposures and related accumulated impairment, provisions, accumulated changes in fair value due to credit risk, accumulated partial defaults and collateral and financial guarantees received, in accordance with the scope of prudential consolidation pursuant to Part One, Title II, Chapter 2 of Regulation (EU) No. 575/2013.

Table 30: Performing and non-performing exposures and related provisions

Performing and non-performing exposures and related provisions															
(thousands of euros)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On Non-performing exposures
		Of which: in stage 1	Of which: in stage 2		Of which: in stage 2	Of which: in stage 3		Of which: in stage 1	Of which: in stage 2		Of which: in stage 2	Of which: in stage 3			
Loans and advances	30,861,930	29,179,076	1,681,312	1,010,696	-	1,010,696	(184,332)	(52,000)	(132,332)	(460,615)	-	(460,615)	-	20,852,077	486,881
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	733,610	732,795	815	1,246	-	1,246	(2)	(2)	-	(819)	-	(819)	-	46,441	396
<i>Credit institutions</i>	283,402	283,402	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	1,824,070	1,824,067	3	34	-	34	(22)	(22)	-	(22)	-	(22)	-	2,904	-
<i>Non-financial corporations</i>	6,534,739	5,810,343	722,854	400,639	-	400,639	(94,514)	(28,873)	(65,642)	(252,294)	-	(252,294)	-	1,829,258	100,134
<i>Of which: SMEs</i>	5,012,528	4,377,967	633,017	377,062	-	377,062	(80,496)	(23,141)	(57,354)	(234,991)	-	(234,991)	-	1,772,875	99,334
<i>Households</i>	21,486,109	20,528,469	957,640	608,777	-	608,777	(89,794)	(23,103)	(66,690)	(207,480)	-	(207,480)	-	18,973,474	386,351
Debt securities	8,479,082	8,439,877	-	-	-	-	(474)	(474)	-	-	-	-	-	-	-
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	6,674,624	6,635,419	-	-	-	-	(20)	(20)	-	-	-	-	-	-	-
<i>Credit institutions</i>	62,053	62,053	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	1,674,916	1,674,916	-	-	-	-	(99)	(99)	-	-	-	-	-	-	-
<i>Non-financial corporations</i>	67,489	67,489	-	-	-	-	(355)	(355)	-	-	-	-	-	-	-
Off-balance sheet exposures	4,134,588	4,059,343	75,246	42,497	-	42,497	(7,140)	(5,667)	(1,473)	(12,336)	-	(12,336)	-	824,424	2,814
<i>Central banks</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>General governments</i>	274,189	274,189	-	-	-	-	-	-	-	-	-	-	-	3,360	-
<i>Credit institutions</i>	126,957	126,957	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	4,166	4,165	1	-	-	-	(3)	(3)	-	-	-	-	-	23	-
<i>Non-financial corporations</i>	2,623,709	2,554,295	69,415	39,424	-	39,424	(6,392)	(5,096)	(1,296)	(11,566)	-	(11,566)	-	726,092	2,458
<i>Households</i>	1,105,567	1,099,737	5,830	3,073	-	3,073	(745)	(568)	(177)	(770)	-	(770)	-	94,949	356
Total	43,475,600	41,678,296	1,756,558	1,053,193	-	1,053,193	(77,666)	(46,807)	(130,859)	(448,279)	-	(448,279)	-	21,676,501	489,695

Impaired exposures by geographic area

The following table shows the value of impaired exposures as of December 31, 2020, broken down by significant geographical areas, together with the amount of impairment losses and provisions for contingent liabilities and commitments recorded on the impaired exposures:

Table 31: Impaired exposures by large geographical area

Impaired exposures by large geographical area			
(thousands of euros)	Impaired exposures	Impaired exposure losses and provision for contingent liabilities and commitments	Provisions for the year for impaired exposures and contingent liabilities and commitments
Spain	1,050,962	472,086	208,622
Other EU countries	3,077	1,084	89
Rest of Europe	702	240	54
United States	38	18	4
Rest of the world	478	264	264
Total geographical areas	1,055,257	473,692	209,033

Impaired exposures by economic sector

The following table shows the value of impaired exposures as of December 31, 2020, distributed by economic sector, together with the amount of impairment losses and provisions for contingent liabilities and commitments recorded on impaired exposures:

Table 32: Impaired exposures by economic sector

Impaired exposures by economic sector			
(thousands of euros)	Impaired exposures	Impaired exposure losses and provision for contingent liabilities and commitments	Provisions for the year for impaired exposures and contingent liabilities and commitments
Agriculture, farming and fishing	26,301	12,907	4,871
Extractive industries	1,986	667	(115)
Manufacturing Industries	57,911	35,444	11,240
Production and distribution of energy, water and gas	809	339	(10)
Construction	79,358	33,518	8,871
Trade and repairs	112,793	67,826	27,404
Hospitality Industries	51,627	21,240	5,456
Transport, storage and communications	33,569	19,423	6,793
Financial Intermediation	5,149	3,066	2,034
Real estate activities and business services	206,152	90,920	18,325
Other services	40,016	24,940	9,045
General governments	531	282	172
Central banks, credit institutions, intermediation and other financial services	12	9	2
Individuals with no economic activity and other activities	439,043	163,111	114,945
Total	1,055,257	473,692	209,033

7.2.6 - Forborne Exposures

The gross carrying amount of restructured or refinanced exposures and related accumulated impairment, provisions, accumulated changes in fair value due to credit risk, and collateral and financial guarantees received, in accordance with the scope of prudential consolidation under Part One, Title II, Chapter 2 of Regulation (EU) No. 575/2013, is presented below as of December 31, 2020.

Table 33: Credit quality of forborne exposures

Credit quality of forborne exposures								
(thousands of euros)	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on nonperforming exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	239,631	496,931	496,931	494,690	(19,019)	(88,750)	446,940	270,845
<i>Central banks</i>	-	-	-	-	-	-	-	-
<i>General governments</i>	815	1,069	1,069	1,069	-	(673)	396	396
<i>Credit institutions</i>	-	-	-	-	-	-	-	-
<i>Other financial corporations</i>	3	17	17	17	-	(14)	-	-
<i>Non-financial corporations</i>	68,945	187,570	187,570	185,329	(8,046)	(102,925)	95,965	60,765
<i>Households</i>	169,868	308,275	308,275	308,275	(10,973)	(85,138)	350,579	209,683
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	1,439	1,208	1,208	1,208	66	155	873	367
Total	241,070	498,139	498,139	495,898	(18,953)	(188,595)	447,813	271,212

7.2.7 - Changes in 2020 in impairment losses and provisions for contingent liabilities and commitments for credit risk

The changes that have occurred during the 2020 financial year in the impairment losses due to credit risk recorded by the Group and in the provisions for contingent risks and commitments are in accordance with the provisions of Annex IX of Bank of Spain Circular 4/2017, both in the type of losses and provisions constituted and in the methodology applied for their calculation.

The detail of the movements in fiscal year 2020 is shown below:

Table 34: Impairment adjustments

Impairment adjustments		
(thousands of euros)	Losses from impairment of assets	Provisions for contingent liabilities and commitments
Balances at January 1, 2020	645,269	22,515
Allocations charged to results	541,803	17,098
Recovery credited to results	(318,149)	(20,225)
Amounts applied in the year	(198,823)	-
Effect of foreign exchange differences	-	-
Variations produced by business combinations	-	-
Changes in the scope of consolidation	-	-
Transfers	-	-
Other movements	(22,437)	89
Balances at December 31, 2020	647,663	19,477

In 2020 the Group recorded €5,831 thousand as income in the consolidated income statement for the recovery of failed assets.

The gross carrying amount of doubtful and non-doubtful exposures as at December 31, 2020 is presented below in accordance with the scope of prudential consolidation as provided for in Chapter 2 of Title II of Part 1 of Regulation (EU) No 575/2013:

Table 35: Credit quality of performing and non-performing exposures by past due days

Cali Credit quality of performing and non-performing exposures by past due days

	Gross book amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
(thousands of euros)												
Loans and advances	30,861,930	30,701,064	160,866	1,010,696	160,581	40,812	95,056	165,065	269,950	134,426	144,806	1,010,696
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	733,610	733,610	-	1,246	-	-	31	147	-	-	1,069	1,246
Credit institutions	283,402	283,402	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,824,070	1,824,070	-	34	-	17	-	17	-	-	-	34
Non-financial corporations	6,534,739	6,512,096	22,643	400,639	66,916	11,013	44,050	92,487	105,413	26,088	54,671	400,639
Of which: SMEs	5,012,528	4,991,029	21,499	377,062	62,193	10,349	33,088	88,842	102,584	26,088	53,917	377,062
Households	21,486,109	21,347,886	138,223	608,777	93,665	29,782	50,975	72,414	164,537	108,338	89,066	608,777
Debt securities	8,479,082	8,479,082	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	6,674,624	6,674,624	-	-	-	-	-	-	-	-	-	-
Credit institutions	62,053	62,053	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,674,916	1,674,916	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	67,489	67,489	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	4,134,588			42,497								42,497
Central banks	-			-								-
General governments	274,189			-								-
Credit institutions	126,957			-								-
Other financial corporations	4,166			-								-
Non-financial corporations	2,623,709			39,424								39,424
Households	1,105,567			3,073								3,073
Total	43,475,600	39,180,146	160,866	1,053,193	160,581	40,812	95,056	165,065	269,950	134,426	144,806	1,053,193

7.2.8 - Security interests obtained through takeover and enforcement processes

In addition, information is presented on the instruments cancelled in exchange for the security right obtained by taking possession, and on the value of the security right obtained by taking possession at December 31, 2020:

Table 36: Collateral obtained by taking possession and execution processes
Collateral obtained by taking possession and execution processes

(thousands of euros)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-
Other than PP&E	463,452	211,338
<i>Residential immovable property</i>	419,521	195,696
<i>Commercial immovable property</i>	31,237	8,888
<i>Movable property (auto, shipping, etc.)</i>	-	-
<i>Equity and debt instruments</i>	-	-
<i>Other</i>	12,694	6,754
Total	463,452	211,338

7.3 - Information on the Group's counterparty credit risk

Counterparty credit risk is defined as the credit risk incurred by the Group in derivative transactions, repurchase agreements, securities or commodities lending transactions, deferred settlement transactions and collateral financing transactions.

The Group has established procedures to place limits on exposures to credit and counterparty risk, including deposit, fixed income, derivative, credit and listed equity transactions.

The limits are established based on the ratings assigned by the credit rating agencies. However, for the most significant borrowers, as well as for those counterparties that are not rated, the financial statements (indebtedness, solvency, profitability, etc.) are analyzed to establish the risk lines, as well as reports prepared by third parties. These limits are approved by the Bank's Board of Directors.

The consumption of the risk line for derivative financial instruments is calculated on the basis of the market value plus a potential future credit risk, which is obtained by multiplying the notional value of each instrument by certain percentages according to its residual maturity, being deducted from the same line as that existing for interbank deposits, fixed income issued by bank counterparties or any other risk operation.

In relation to derivative transactions, the Entity applies various counterparty risk mitigation techniques. On the one hand, and for all those derivatives that in application of EMIR regulations are susceptible to centralized settlement in a central clearing house, the Entity has the means for these transactions to be made with a central entity, which through its internal risk and collateral management ensures an effective reduction of counterparty risk for all entities that settle transactions with it. On the other hand, and for non-centrally settled transactions, the Entity has signed netting and collateral agreements with all its financial counterparties that allow counterparty risk management. It is worth mentioning that the agreements signed are in line with the recommendations of the regulators as regards best practices in terms of daily valuation, no establishment of thresholds, exchange of cash and not securities, etc.

With respect to repo, simultaneous or securities lending operations, the situation is analogous. On the one hand, the Entity has access to central clearing houses that ensure a decrease in counterparty risk and, on the other hand, for bilateral transactions it applies counterparty risk reduction mechanisms with the signing of netting and collateral agreements (GMRA, EMA, GMSLA).

In all its netting and collateral agreements, the collateral accepted for the exchange is only cash.

Likewise, the Entity complies with the requirements of transparency and reporting to information repositories for derivatives transactions as well as repo, simultaneous and securities lending transactions established in the EMIR and SFTR Regulations, respectively.

In any case, as regards credit risk reduction techniques, the Entity does not make use of offsetting items, in accordance with IAS 32.

These actions are described in the Financial Markets Management Policies and Procedures Manual. In addition, the Manual describes the procedure for calculating the CVA and DVA at the accounting level, which reflect the provision to be made for a deterioration in the credit quality of counterparties in transactions that generate counterparty risk.

As of today, the Group does not have contractual agreements dependent on the rating level, so that a downgrade of the credit rating would not imply a direct impact on the increase of the collateral. Additionally, the Risk Control Department is analyzing the impact on the Central Bank policies for the portion corresponding to the lowering of the price of the retained bonds, which is a loss of the available amount of the policy that would not imply the additional contribution of guarantees. However, the Entity has control mechanisms in place to control fluctuations in Sovereign Risk and its credit quality.

With respect to the adverse correlation risk (wrong-way risk), two types can be defined:

- General adverse correlation risk: Arises when the probability of counterparty default is positively correlated with general market risk factors.

- Specific adverse correlation risk: arises when the future exposure to a specific counterparty is reliably correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty (or, in other words, inversely related to the credit quality of the counterparty). An entity is considered to be exposed to specific adverse correlation risk if the future exposure to a specific counterparty can be expected to be high when the probability of default of the counterparty is also high.

Exposure to this type of risk is not material in the Entity. The Entity takes it into account in specific transactions and does not accept the exchange of collateral with another entity in which the assets received are also issued by the counterparty.

The following table details the Group's credit exposure to counterparty risk for transactions subject to counterparty risk at December 31, 2020, estimated as the amount of the Group's credit exposure for these financial instruments, net of the effect of the corresponding contractual netting agreements and guarantees received from the counterparties to the transactions:

Table 37: Counterparty risk for transactions subject to counterparty risk

Counterparty risk for transactions subject to counterparty risk		
(thousands of euros)	Amount 2020	Amount 2019
Positive fair value of contracts	607,083	1,418,333
Minus: Effect of Settlement Agreements	300,412	288,708
Credit exposure after netting	306,671	1,129,625
Minus: Effect of collateral received	-	187,637
Credit exposure in derivatives after clearing and guarantees	306,671	941,988

Information on the calculation method

The following table shows the amount of the Group's consolidable exposure to credit risk by counterparty at December 31, 2020, broken down according to the method applied to calculate the minimum capital requirements associated with this risk:

Table 38: Counterparty risk - calculation method

Method applied		
(thousands of euros)	Amount 2020	Amount 2019
Mark-to-Market Method	306,671	941,988
Original risk method	-	-
Standard method	-	-
Internal models method	-	-
TOTAL ORIGINAL EXPOSURE	306,671	941,988

The value of the exposure has been calculated, using the mark-to-market valuation method, in accordance with the provisions of Part Three, Title II, Chapter 6 of Regulation (EU) No 575/2013 (CRR). By applying this method, the value of the exposure is determined by the result of the sum of the replacement cost of all contracts with a positive value (determined by attributing a market price to the contracts and transactions) and the amount of the potential future credit risk of each instrument or transaction, calculated in accordance with the provisions of Article 274 of Regulation (EU) No 575/2013 (CRR) and taking into account the particularities contained in that article. The ranges contained in Table 1 of point 2 of that Article have been applied in the calculation of the amount of potential risk.

7.4 - Identification of external rating agencies

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

Table 39: External rating agencies

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

There is currently no process for transferring the credit ratings of issues and issuers to comparable assets that are not included in the trading portfolio.

7.5 - Effect on risk exposures of applying risk reduction techniques

The application of risk mitigation techniques based on the use of pledge and personal guarantees has, at December 31, 2020, the following effect on exposures net of value adjustments:

Table 40: Exposure net of value adjustments

Exposure net of value adjustments		
(thousands of euros)	Amount 2020	Amount 2019
Exposure net of corrections and provisions	52,794,070	49,951,730
Fully adjusted exposure value	52,776,998	49,743,439
Effect of applying reduction techniques (*)	17,072	208,291

(*) Does not include exposures with Central Counterparties, as it has a compensation mechanism with the constitution of deposits in guarantees that are demanded daily, nor the guarantees received in the contractual compensation agreements.

The following table provides a breakdown by category of exposure and by credit quality levels (measured by the percentage applied for the purposes of calculating the risk-weighted exposure value) that are affected by the application of mitigation techniques:

Table 41: Exposure categories and quality levels

Breakdown by exposure categories and credit quality levels (thousands of euros)						
Risk Category	Measurement	0%	20%	75%	100%	Total
Central governments or central banks	Net exposure	13,579,740	-	-	-	13,579,740
	Adjusted value	16,622,543	-	-	-	16,622,543
Regional governments and local authorities	Net exposure	992,934	-	-	-	992,934
	Adjusted value	997,911	-	-	-	997,911
Public sector entities and other non-profit public institutions	Net exposure	-	4,619	-	-	4,619
	Adjusted value	-	4,415	-	-	4,415
Multilateral Development Banks	Net exposure	1,026	-	-	-	1,026
	Adjusted value	10,590	-	-	-	10,590
International Organizations	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Institutions	Net exposure	-	238,423	-	-	238,423
	Adjusted value	-	356,354	-	-	356,354
Corporates	Net exposure	-	-	-	6,488,426	6,488,426
	Adjusted value	-	-	-	4,404,213	4,404,213
Retail customers	Net exposure	-	-	7,105,850	-	7,105,850
	Adjusted value	-	-	6,001,990	-	6,001,990
Exposures secured by real estate	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Exposures in default	Net exposure	-	-	-	502,396	502,396
	Adjusted value	-	-	-	498,326	498,326
High-risk exposures	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Covered bonds	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit rating	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Exposure to collective investment institutions (CIIs)	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Equity exposures	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Other exposures	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
Securitisation positions	Net exposure	-	-	-	-	-
	Adjusted value	-	-	-	-	-
TOTAL	Net exposure	14,573,700	243,042	7,105,850	6,990,822	28,913,414
	Adjusted value	17,631,044	360,769	6,001,990	4,902,539	28,896,342
FULL REDUCTION EFFECT		(3,057,344)	(117,727)	1,103,860	2,088,283	17,072

7.6 - Securitisations

7.6.1 - General description and objectives

Securitisations are defined below from the regulatory perspective, in accordance with Regulation (EU) No. 575/2013:

Securitisation: a financial transaction or mechanism whereby the credit risk associated with an exposure or set of exposures is divided into tranches and which has the following two characteristics:

- The payments of the transaction or facility depend on the performance of the securitised exposure or pool of exposures.
- The subordination of the tranches determines the distribution of losses during the period of validity of the operation or mechanism.

Traditional securitisation: securitisation that involves the economic transfer of the securitised exposures to a special purpose securitisation vehicle that issues securities. The transaction may be conducted through the sale by the originator of the ownership of the securitised exposures or through sub-participation, which for these purposes shall include the underwriting of mortgage-backed securities, mortgage transfer certificates and similar securities by the special purpose vehicle. The securities issued by the vehicle do not represent payment obligations of the originator.

Synthetic securitisation: securitisation in which the transfer of risk is carried out through the use of credit derivatives or guarantees, and the securitised exposures remain the exposures of the originator.

Securitisation position: exposure to a securitisation. For this purpose, providers of credit protection with respect of positions in a particular securitisation shall be deemed to hold positions in that securitisation.

Tranche: a contractually established segment of credit risk associated with an exposure or set of exposures, such that a position in the segment involves a risk of credit loss that is greater or less than a position of the same amount in each of the other segments, without taking into account the credit protection offered by third parties directly to the holders of the positions in the segment in question or in the other segments. For these purposes, any securitisation position is either part of a tranche or constitutes a tranche in itself. The following can thus be defined:

- First loss tranche: the most subordinate tranche of a securitisation which is the first tranche to bear the losses incurred in relation to the securitised exposures and therefore provides protection to the second loss tranche and, where appropriate, to the higher-ranking tranches.

- Intermediate risk tranche: this is the tranche, other than a first loss tranche, that has a lower priority in payments than the position with the highest priority in payments of the securitisation and a lower priority than any securitisation position in the same to which a credit quality level 1 is assigned, when it is a securitisation treated under the standard approach.
- Senior tranche: this is any tranche other than a first loss or intermediate risk tranche. Within the senior tranche, the 'maximum preference tranche' means the tranche that ranks first in the order of priority of the securitisation payments, without taking into account, for these purposes, the amounts due under interest rate or currency derivatives contracts, brokerage or other similar payments.

The assessment of these characteristics for the purpose of determining whether or not a securitisation transaction exists is made on the basis of both the legal form and the economic substance of the transaction.

The Group carries out both asset and liability (covered bonds) securitisation transactions, which enable it to obtain liquidity by mobilising part of its loan portfolio, homogenising heterogeneous assets in its portfolio in order to manage them more efficiently with third parties or the market.

Securitisation transactions in which the institution acts as originator are configured as an ideal instrument for the following purposes:

- Credit risk management of the securitized portfolio (risk transfer).
- Management of the Entity's own resources.
- Financing in the institutional market for retail credit activity.
- Obtaining collateral for use as security for the ECB's monetary policy operations.

Therefore, asset securitisation is not a business in itself. The origination of the loans is not intended for their subsequent and systematic distribution or assignment to a securitisation fund.

Furthermore, the quality of the portfolio to be securitised is analysed in detail in terms of LTV, seasoning, geographical diversification, granularity, etc. The portfolio to be securitised is compared with the standard portfolio of the institution in order to maintain on the balance sheet a portfolio of at least the same quality as the securitised portfolio.

7.6.2 - Risks of the Group's securitisation activity

Securitisation activity means better liquidity and risk management. However, there are risks associated with the securitisation activity that are mainly assumed by the originator and/or the investing entities:

- **Credit risk:** risk that the borrower will not meet the contractual obligations assumed in a timely manner, such that the underlying asset that is supporting the originated securitization positions will deteriorate. This is the main risk that is transmitted to investors through the securities issued in the securitisation. The Entity carries out continuous monitoring of the published data on the underlying's default, the originator's credit quality and ratings.
- **Prepayment risk:** risk arising from the total or partial early amortisation of the securitisation's underlying assets, which means that the actual maturity of the securitisation positions is shorter than the contractual maturity of the underlying assets. The assumptions on the early amortisation rates of the underlying assets should be taken into account in monitoring this risk.
- **Base Risk:** occurs when interest rates, or the terms of the securitized assets do not match those of the securitization positions. This risk can be covered by an interest rate swap.
- **Liquidity risk:** liquidity risk is reduced by the securitisation process, which is based on the transformation of illiquid assets into debt securities traded in organised financial markets, so that, from the originator's point of view, liquidity risk is mitigated. Although, in some securitisations, from the investor's point of view, there is no certainty that the bonds will actually be traded in the market with the minimum frequency or volume that will allow positions to be undone at any given time.

Generally, the Group hedges a portion of the credit risk associated with the issues made by the asset securitization funds in which it acts as originator, by acquiring certain subordinated tranches of such issues ("First loss tranches") issued by the securitization funds. However, there is no implicit commitment to support the securitization transactions carried out by the Group.

The Entity's investment policy in securitization transactions is sporadically directed towards:

- a) Bonds issued by securitisation funds whose assets are composed of mortgage bonds from other entities (multiseller bonds). In practice, the bonds are equivalent to mortgage bonds in which the securitisation fund is used as a vehicle to issue homogeneous securities guaranteed by bonds from various entities. In this case, the issues invested in must be of good credit quality and must present a high degree of diversification and quality of the entities issuing the underlying mortgage bonds (in addition to the rating and solvency of the entities, it is important to know, among other factors, their mortgage delinquency and the level of over-collateralisation of the bonds issued to date).

- b) Bonds issued by securitisation funds whose assets are composed of various assets, generally mortgage loans. In this case, the issues invested in must be of high credit quality and an analysis of the risk parameters of the securitised portfolio must be carried out beforehand (average LTV, weight of high LTV, seasoning, geographical diversification, etc.) and the credit enhancements that the tranches to be invested may benefit from.

Pursuant to Article 5 of Regulation (EU) No 2017/2042, the Entity shall conduct a due diligence process in relation to the identity of the originator or original lender and in relation to the assessment of the risks involved in the investment prior to holding a securitization position. In addition, for those securitization positions that are held, procedures shall be established commensurate with the risk profile of the securitization position in order to monitor on an ongoing basis the identity of the originator or original lender and the risks involved in the investment, recording:

- The risk characteristics of each securitization position.
- The risk characteristics of the exposures underlying the securitization position.
- The reputation and loss history in prior securitizations of the originators or sponsors with respect to the relevant categories of exposures underlying the securitization position.
- The originators' or sponsors' declarations and disclosures regarding due diligence on the securitized exposures and, if applicable, the quality of collateral supporting the securitized exposures.
- Where applicable, the methodologies and concepts underlying the valuation of collateral supporting the securitized exposures and the policies adopted by the originator or sponsor with a view to ensuring the independence of the valuer, and all structural features of the securitization that may have a material impact on the performance of the securitization position.
- All structural features of the securitization that may have a material impact on the evolution of the Entity's securitization position, such as contractual seniority and related triggers, credit and liquidity enhancements, market value triggers and transaction-specific default definitions.

In accordance with Article 6 of Regulation (EU) No 2017/2042, the Entity shall know whether the originator, sponsor or original lender has explicitly disclosed that it is prepared to maintain, on an ongoing basis, a significant net economic interest, which, in any event, may not be less than 5%.

Pursuant to Article 270a of Regulation (EU) No 575/2013, in the event that the requirements set out in Chapter 2 of Regulation (EU) No 2017/2042 are not satisfied in relation to any material aspect by reason of negligence or omission of the Entity the competent authorities shall impose a proportionate additional risk weight, not less than 250% of the risk weight (capped at 1,250%), to be applied to the relevant securitization positions.

7.6.3 - Functions performed in the securitisation processes and degree of involvement

The main functions that the Group performs in the securitisation operations in which it participates are the following:

- Originator of the credit rights: in its securitisation activity, the Group may participate in various securitisation funds.
- Assignor and Administrator of the assets assigned to the Securitisation Funds: in its securitisation activity, the Entity may assign part of its loans and act as administrator of the securitised assets, managing the collection of amortisations and interest, recovery service and monitoring and recovery of impaired assets.
- The management of the securitisation funds originated by the Group is carried out by TDA, S.G.F.T., S.A. However, in the case of new securitisation transactions, the choice of management entity would be made taking into account the capabilities and experience of the potential candidates.
- Investor entity through the acquisition of securitization bonds issued by other entities: The Group may hold positions in securitization funds originated by entities outside the Group, whose underlying assets are mainly loans to companies, SMEs and mortgages.

Process of monitoring and/or tracking variations in the associated risk:

Regarding the processes applied to monitor the variations of the Credit Risk of the securitization exposures, in addition to periodically reviewing the corresponding external credit rating of the exposures, a periodic, continuous and timely monitoring shall be carried out, in proportion to the risk profile of the investments in securitization positions and of the information related to the evolution of the exposures underlying the securitization positions, being able to analyze, among other parameters and provided that they are applicable and the information is available, the type of exposures, the percentage of loans that are more than 30, 60 and 90 days past due, default rates, early repayment rates, foreclosed loans, type and occupancy of collateral, frequency distribution of credit quality measures of the various underlying exposures, sector and geographic diversification, frequency distribution of loan-to-value ratios, with bandwidths that facilitate an appropriate sensitivity analysis, or others.

Finally, the process of securitisation of the Entity's assets is described:

- Securitisation must be approved by the Entity's governing bodies.
- To this end, the General Shareholders' Meeting is periodically asked to authorise the Board of Directors to agree to the securitisation of assets for a certain amount at the time when market conditions advise so.

- With this agreement in force, the Global Risk Committee decides on the most appropriate time to carry out a securitisation and establishes ranges in which the securitisation transaction can be carried out for certain relevant parameters. Among others, the parameters it must determine are the following:
 - o Volume to be securitized.
 - o Minimum rating to be obtained by the rating agencies.
 - o Quality of the loan portfolio to be securitised (LTV, seasoning, geographical diversification, granularity, etc.).
 - o Financial costs and expenses to be assumed in the operation
 - o Degree of risk transfer that should occur in the securitisation.
 - o Impact on solvency ratios as a result of securitisation.

- The Financial Markets Department determines with the rating agencies the necessary credit improvements (reserve fund, subordination below the highest credit rating bracket, interest rate swap differential, etc.) to obtain the requested credit rating.

- Similarly, the Directorate of Financial Markets shall take into account the provisions of Chapter 2 of Regulation (EU) No 2017/2042 in relation to Ibercaja, as the originator of a securitization transaction, shall communicate to investors the level of its commitment to maintain a net economic interest in the securitization, in accordance with Article 5 of the aforementioned Regulation. In addition, as originator, it shall ensure that investors have easy access to all relevant data on the credit quality and performance of the various underlying exposures, cash flows and collateral backing a securitization exposure, as well as any information necessary to conduct thorough and documented stress tests on the cash flows and value of the collateral backing the underlying exposures.

- With the information obtained, the General Accounting Unit verifies that the degree of risk transfer and the effect on the solvency ratios obtained are within the range approved by the Global Risk Committee. If this is not the case, the Global Risk Committee must again discuss the suitability of the securitisation transaction.

- In addition, at the time of carrying out this securitisation transaction, the Managing Director requests authorisation from the Board of Directors to carry it out.

- Once the securitisation operation has been carried out, the tasks of administration, risk monitoring and recovery of the irregular investment are carried out in the same way for the securitised loans as for the rest of the Entity's credit operations. The classification of a loan or, in general, of an asset as securitised does not therefore affect the investing offices so that such operations are treated in the same way as those of the non-securitised portfolio.

- The loan portfolio to be securitized must be adequately documented in order to be approved by the external audit required by the CNMV. To this end, the documentation of all the operations in the portfolio to be securitised will be reviewed in order to previously correct any possible errors in its main characteristics (purpose of the loan, holders, date of formalisation, date of maturity, reference interest rate, spread, outstanding balance, valuation, etc.) prior to the aforementioned audit.
- All legal documentation is examined by the Legal Department. The main documents are the public deed of incorporation of the Asset Securitization Fund and the Securities Note of the securitization bond issue which will be verified by the CNMV. The entity works in coordination with the securitization manager, the rating agencies and the CNMV throughout this process.

The Group's asset securitisation procedure is supported by internal controls set out in documentation such as the Policies and Procedures Manual of Ibercaja's Capital Markets Department.

7.6.4 - Accounting treatment of transfers of financial assets

In accordance with Bank of Spain Circular 4/2017, for securitisation transactions originating before January 1, 2004, the assets associated with the securitisation are removed from the balance sheet.

For operations carried out after the mentioned date, Circular 4/2017 determines that securitisations in which the assignor assumes subordinated financing or another type of credit improvement for a part of the transferred asset are operations where the risks and benefits associated to the ownership of the financial asset are not substantially transferred, this being a necessary condition to be able to remove the securitised assets from the balance sheet.

In accordance with Bank of Spain Circular 4/2017, the accounting treatment of transfers of financial assets is conditioned by the way in which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the risks and rewards of the transferred assets are transferred substantially to third parties, the transferred financial asset is derecognised and any rights or obligations retained or created as a result of the transfer are simultaneously recognised.
- If the risks and rewards associated with the transferred financial asset are substantially retained, in the case of financial asset securitisations in which subordinated financing or other types of credit enhancement are held that substantially absorb the expected credit losses for the securitised assets, the transferred financial asset is not derecognised from the consolidated balance sheet and continues to be measured using the same criteria as those used prior to the transfer. On the contrary, they are recognized for accounting purposes, without offsetting each other:

- An associated financial liability for an amount equal to the consideration received, which is subsequently measured at amortised cost.
- Both the income from the financial asset transferred, but not derecognised, and the expenses of the new financial liability.

Accordingly, financial assets are only derecognised when the cash flows they generate have been extinguished or when substantially all the risks and rewards associated with the transferred assets have been transferred to third parties.

The securitisation transactions carried out by the Group are considered traditional securitisation transactions and no synthetic securitisation transactions have been carried out.

7.6.5 - Originated securitisations

As of December 31, 2020, the Group holds positions in securitizations in which it has participated as originator. The Group does not hold positions in re-securitisations nor does it hold securitization positions in the trading portfolio.

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

Currently, the Group has no outstanding securitization assets or securitized credit lines subject to early repayment treatment. The exposures securitized by the Group as of December 31, 2020 are shown below:

Table 42: Types of securitisation

Types of securitisation	
(thousands of de euros)	Amount 2020
Mortgage bonds	1,625,470
Mortgage loans	2,389,031
On-balance	2,389,031
Off-balance	-

The following table shows a detail of the positions held in securitisation transactions by the consolidable Group at December 31, 2020.

Table 43: Types of securitisation positions

(thousands of euros)	Types of securitisation positions	
	2020	
	Exposure amount	Subject to the standard method under part third, title III, Chapter 5 CRR
A) Positions held on securitizations in which the Group acts as originator		-
A.1) Positions held in traditional securitizations	2,225,961	-
A.1.1) Positions held in multi-transfer securitizations	-	-
A.1.2) Positions held in the rest of securitizations	2,225,961	-
B) Positions acquired in securitizations in which the Group does not act as originator	-	-
B.1) Positions held in traditional securitizations	-	-
B.1.1) Positions held in multi-transfer securitizations	-	-
B.1.2) Positions held in the rest of securitizations	-	-
B.2) Positions held in synthetic securitizations	-	-

7.6.6 - Calculation of risk-weighted exposure amounts for securitisation positions

The Group calculates its capital requirements for positions held in securitization transactions by applying the standardized approach defined in Part Three, Title II, Chapter 5, Section Three, Subsection Three of Regulation (EU) No. 575/2013 (CRR).

For own securitizations, the Group calculates regulatory capital for positions held in the securitization only in case the securitization fund meets the regulatory conditions determining effective and significant risk transfer set out in Article 244 of Regulation (EU) No. 575/2013. Otherwise, capital is calculated for the securitized exposures as if they had not been securitized.

For the securitizations below, the underlying securitized assets compute as credit risk, as there is no substantial transfer of risk, as indicated in Article 244 of Regulation (EU) No 575/2013 (CRR):

- Securitization carried out in 2005, with a year-end balance of €145,694 thousand and retained positions of €80,006 thousand.
- Securitizations carried out in 2006, with a balance at year-end of €560,554 thousand and retained positions of €349,845 thousand.
- Securitization carried out in 2007, with a balance at year-end of €321,733 thousand and retained positions of €275,535 thousand.
- Securitization carried out in 2008, with a balance at year-end of €524,248 thousand and retained positions of €501,502 thousand.
- Securitizations carried out in 2009, with a balance at year-end of €1,092,119 thousand and retained positions of €1,019,073 thousand.

As of December 31, 2020, there is no outstanding balance of assets securitized by the Group in transactions to which the regime contained in Part Three, Title II, Chapter 5 of Regulation (EU) No. 575/2013 (CRR) for the calculation of credit risk-weighted exposure amounts for the purpose of determining capital requirements applies.

7.7 - Risk Mitigation Techniques

7.7.1 - General information

Within the guarantees admitted in the standard calculation as eligible credit risk mitigation techniques provided for in Part Three, Title II, Chapter 4 of Regulation (EU) No. 575/2013 (CRR), the Group admits and manages mainly the following:

- Financial collateral: These include cash deposits; debt securities issued by public administrations, central banks, institutions or companies; listed convertible shares or bonds; investment fund shares and gold.
- Personal guarantees provided by solvent coverage providers such as: governments and central banks, regional and local governments, multilateral development banks, international organizations, public sector entities, institutions and insurance companies.
- Master netting agreements relating to capital market transactions, where collateral assignment agreements have been concluded, generally cash deposits, in order to cover the net credit risk position originated.

The Group has defined the legal requirements and criteria that must be considered for the formalization and execution of such guarantees. Each type of guarantee has its own admission, concession, formalization and control circuit that contemplates its volatility and effectiveness.

Of the aforementioned credit risk reduction techniques, the Group is including in the credit risk mitigation calculation personal guarantees, real guarantees materialized in reverse repurchase agreements and netting agreements with collateral agreements.

Credit risk management at Ibercaja is carried out dynamically. This involves, among other things, continuously assessing the degree of coverage of the guarantees provided.

In Ibercaja, the main types of security interests available are as follows, as detailed in the Admission Policy, approved by the Board of Directors:

- Mortgage guarantees

Fundamentally constituted by households in the operations that the holders correspond to Families and Individuals, with the general criterion of not exceeding 80% of the appraisal value. In the case of transactions carried out by customers in the Productive Activities segment, excluding developers, the real estate assets involved are mainly warehouses, premises and rural properties and, to a lesser extent, commercial premises. The general criterion of not exceeding 70% of the appraisal value has been established, although it will be adjusted downwards depending on the quality of the asset subject to the guarantee.

In financing to the developer segment, the guarantees are constituted by the land on which future projects will be carried out or, in the case of development of real estate projects, on the land and work in progress.

The value of the mortgage guarantees provided must be supported by an updated appraisal. The Entity has specialized appraisal agencies that provide specific support for the necessary risk coverage. In the event that the appraisal has not been carried out by these companies, this will be specifically stated in the file, with each case being studied individually.

The subrogation operations of property development loans for the acquisition of housing are not required to obtain an updated appraisal of the property. This exception is made without prejudice to the fact that, at the discretion of an expert, it is considered advisable to request a new appraisal.

- Pledging of deposits and account balances

These presuppose the existence of a certain monetary guarantee which, in the event of non-payment, allows the recovery (total or partial) of the financing operation. They therefore reduce the risk of the operation and increase its repayment capacity.

The deposits and pledged accounts are formalized in Ibercaja and their disposal is blocked while the financing operation is still alive.

The bodies that authorize the different operations are responsible for assessing the actions of unblocking or disposing of in the event of cancellations or extraordinary situations.

Additionally, Ibercaja accepts other real and personal guarantees, under an individualized study of each case, being among them:

- Pledging of investment funds and real estate

The value of these assets may be altered during the life of the risk, so the pledged funds or securities must be deposited at Ibercaja or at the Group's Management Entity, and their disposition will be blocked upon formalization of the financing transaction.

- Pledging of goods
- Assignment of credit rights (subsidies, rents, VAT, etc.) and advance payment of certifications from Public Bodies.
- Guarantors and Third-Party Guarantors (Mutual Guarantee Society, Financial Institutions, Public Bodies...). In this respect, it is worth mentioning that the Entity participates in the granting of financing managed and guaranteed by the Official Credit Institute (ICO) within the scope of its competencies, with the aim of facilitating access to financing for companies and the self-employed and thus being able to mitigate the possible negative effects on the economy derived from the COVID-19 pandemic. This financing is guaranteed by the ICO, with the guarantee percentage varying between 60% and 80% of the amount financed, depending on the type of financing and the size of the company.
- Comfort letter.

- Assignment of insurance collection rights.
- CESCE insurance in Factoring.
- Repayment insurance in single-person operations of significant amount.

The Entity has defined protocols for action, evaluation and control of the risks for each of the types of guarantees admitted. Control and monitoring exercises are carried out on a recurring basis, established for each type, such as re-evaluations, updating of amounts, values...

7.7.2 - Quantitative information

The following table details the distribution of the Group's credit risk exposure at December 31, 2020, broken down according to whether or not credit risk mitigation techniques have been applied and, where applicable, the mitigation technique applied (exposure data refers to exposures prior to the application of risk mitigation):

Table 44: Credit risk exposure by mitigation technique
Credit risk exposure by mitigation technique

(thousands of euros)	Exposure value 2020	Exposure value 2019
A) Exposures to which no credit risk mitigation technique is applied	50,247,990	47,848,524
B) Exposure to which a credit risk mitigation technique is applied	3,486,242	2,962,222
• Netting agreements for balance sheet transactions	-	-
• Master netting agreements relating to repurchase agreements, securities or commodity lending transactions or other capital market-related transactions	293,859	924,566
• Security interests	17,072	211,359
• Other security interests	-	-
• Hedges based on personal guarantees	3,175,311	1,826,297
• Credit derivative hedges	-	-

The following table shows the total value of exposures as of December 31, 2020 that are hedged through the application of collateral-based risk mitigation techniques:

Table 45: Total value of exposure covered by collateral-based risk reduction techniques

Total value of exposure covered by collateral-based risk reduction techniques						
(thousands of euros)	With eligible financial guarantees		With other eligible security interests		Total	
	2020	2019	2020	2019	2020	2019
TOTAL RISK CATEGORIES	17,072	211,359	-	-	17,072	211,359
Central governments or central banks	-	-	-	-	-	-
Regional governments and local authorities	-	-	-	-	-	-
Public sector entities and other non-profit public institutions	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-
International Organizations	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	3,696	193,114	-	-	3,696	193,114
Retail customers	13,198	17,893	-	-	13,198	17,893
Exposures secured by real estate	-	-	-	-	-	-
Exposures in default	178	352	-	-	178	352
High-risk exposures	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Exposures to institutions and companies with short-term credit ratings	-	-	-	-	-	-
Exposure to collective investment institutions (CIIs)	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-

The following table shows the value of the exposures as of December 31, 2020 hedged through the application of risk mitigation techniques consisting of the use of personal guarantees:

Table 46: Value of exposure covered by risk reduction techniques based on personal guarantees

Exposure covered by risk reduction techniques based on personal guarantees*				
(thousands of euros)	With personal guarantees		Total	
	2020	2019	2020	2019
TOTAL CATEGORÍAS DE RIESGO	3,175,311	1,826,297	3,175,311	1,826,297
Central governments or central banks	-	-	-	-
Regional governments and local authorities	-	-	-	-
Public sector entities and other non-profit public institutions	241	-	241	-
Multilateral Development Banks	-	-	-	-
International Organizations	-	-	-	-
Institutions	-	-	-	-
Corporates	2,080,515	1,717,345	2,080,515	1,717,345
Retail customers	1,090,663	106,666	1,090,663	106,666
Exposures secured by real estate	-	-	-	-
Exposures in default	3,892	2,286	3,892	2,286
High-risk exposures	-	-	-	-
Covered bonds	-	-	-	-
Exposures to institutions and companies with short-term credit ratings	-	-	-	-
Exposure to collective investment institutions (CIIs)	-	-	-	-
Equity exposures	-	-	-	-
Other exposures	-	-	-	-
Securitisation positions	-	-	-	-

(*) During 2020, the exposure covered by personal guarantees has increased by 1,390 million due to the public guarantee programs, managed by the Official Credit Institute (ICO), introduced in response to the COVID-19 crisis. This exposure includes the gross and available carrying amount of the transactions.

7.8 - COVID-19

In the current context of the health pandemic, the Entity, through the various support measures (public and private) implemented as a result of the COVID-19 crisis, has offered its customers solutions in line with their financial situation while implementing the guidelines issued by the regulator regarding the treatment and accounting recognition of this aid. The support measures offered by the Group to its customers have mainly consisted of:

- Legal moratoria in accordance with the provisions of Royal Decree-Law 8/2020, of March 17, on extraordinary urgent measures to address the economic and social impact of COVID-19 and Royal Decree-Law 11/2020, of March 31, adopting complementary urgent measures in the social and economic field to address COVID-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it.
- Sectoral moratoria in accordance with the provisions of the Sectoral agreement on the deferral of financing transactions for customers affected by the coronavirus crisis approved by the Board of the Spanish Confederation of Savings Banks (CECA), in line with the EBA/GL/2020/02 and EBA/GL/2020/15 Guidelines.

- Liquidity lines guaranteed by the State and managed by the Official Credit Institute (ICO), in accordance with the provisions of the aforementioned Royal Decree-Law 8/2020, as well as Royal Decree-Law 25/2020 and Royal Decree-Law 34/2020.

The Group has carried out exercises to identify the borrowers affected by this crisis, including an analysis of its loan portfolio taking into account the different typology and segmentation of the customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), by their characteristics (companies, individuals, self-employed...) as well as the sector to which each of the borrowers belongs (CNAE), in order to evaluate their payment capacity. On these customers and exposures identified as having a higher risk profile, the Entity has carried out different actions, both for risk management and accounting recognition of the same, taking into consideration at all times the recommendations and guidelines for the relaxation of the regulatory framework promoted by the various national and supranational supervisory bodies.

The impact of the COVID-19 crisis, the support measures granted and their characteristics, as well as the macroeconomic forecasts have been considered in the projection of the financial statements for the coming years, with special attention to the foreseeable evolution of the inflows and outflows of non-performing loans, accounting provisioning and solvency.

Additionally, in its process of recalibration of the credit risk models, the Group has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment coverage models. For this purpose, the probability of occurrence of each scenario used has been reweighted, increasing the probability of occurrence of the central scenario that the Group has estimated based on the latest macroeconomic information and which is aligned with the Bank of Spain's published projections.

For more information on the measures related to COVID-19, please refer to Note 11.6 of the Consolidated Financial Statements.

Additionally, regarding the disclosure of information by institutions, the EBA published guidelines specifying the information to be disclosed on the exposures subject to the measures applied in response to the COVID-19 crisis (EBA/GL/2020/07). The templates and supplementary explanations required by these guidelines are shown below:

Table 47: Value of exposure hedged by risk mitigation techniques based on personal guarantees

Information on loans and advances subject to legislative and non-legislative moratoria															
(thousands of euros)	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing			Non-performing				Performing			Non-performing				Inflows to non-performing exposures
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			
Loans and advances subject to moratoria	366,128	356,183	18,669	93,202	9,945	7,674	8,645	(5,707)	(4,538)	(1,311)	(3,911)	(1,170)	(1,057)	(993)	3,171
Of which: Households	330,582	322,429	18,669	76,652	8,154	6,890	6,853	(4,894)	(3,771)	(1,311)	(3,197)	(1,123)	(1,015)	(946)	1,588
of which: Collateralised by residential immovable property	308,335	300,563	17,136	73,535	7,772	6,750	6,771	(4,682)	(3,567)	(1,255)	(3,071)	(1,115)	(1,010)	(941)	1,340
of which: Non-financial corporations	35,546	33,754	-	16,550	1,792	783	1,792	(814)	(767)	-	(714)	(47)	(42)	(47)	1,583
of which: Small and Medium-sized Enterprises	34,601	32,810	-	16,483	1,792	783	1,792	(797)	(750)	-	(706)	(47)	(42)	(47)	1,583
of which: Collateralised by commercial immovable property	31,738	30,081	-	15,944	1,657	649	1,657	(688)	(660)	-	(626)	(28)	(23)	(28)	1,583

Table 48: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria										
(thousands of euros)	Number of obligors	Gross carrying amount	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria					
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances for which moratoria was offered	9,293	899,332								
Loans and advances subject to moratoria (granted)	7,559	741,421	652,459	375,292	74,854	196,044	90,000	5,230	-	
of which: Households		705,558	616,597	374,976	72,539	194,225	61,320	2,499	-	
of which: Collateralised by residential immovable property		656,313	575,258	347,977	63,895	185,930	56,444	2,066	-	
of which: Non-financial corporations		35,863	35,863	316	2,315	1,819	28,681	2,731	-	
of which: Small and Medium-sized Enterprises		34,908	34,908	307	1,679	1,511	28,681	2,731	-	
of which: Collateralised by commercial immovable property		31,800	31,800	62	1,420	987	28,546	786	-	

Table 49: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis				
(thousands of euros)	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		Of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	1,454,067	-	1,089,023	1,699
of which: Households	73,451			78
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	1,376,911	-	1,028,747	1,621
of which: Small and Medium-sized Enterprises	1,111,003			1,541
of which: Collateralised by commercial immovable property	-			-

The characteristics of the financial instruments under which the measures implemented to mitigate the impacts of COVID-19 have been implemented are as follows:

Legal moratoria

This entails the suspension of the mortgage debt for a period of three months and the consequent non-application, during the period of validity of the same, of the early maturity clause which, if applicable, was included in the loan contract with mortgage guarantee. During the term, the Bank may not demand the mortgage payment, nor of any of the items comprising it (amortization of the principal or payment of interest), either in full or as a percentage. At December 31, 2020, legal moratoria measures affecting 7,695 transactions have been formalized, and the outstanding risk of transactions with this type of moratoria in force amounts to €39,743 thousand. In accordance with IFRS 9, these measures have entailed a non-substantial modification of the contract and, therefore, the affected assets have not been derecognized, although the Group has recorded the adjustment to the carrying value of these assets as a result of the modification of the cash flows under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification - Financial assets at amortized cost" in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement was not significant.

Sectoral moratoria

This applies both to those individuals who do not have transactions with defaults of more than two payments on March 14, 2020 and who, as a result of the health crisis, have been economically affected, and to those individuals who, meeting these requirements and whose legal moratoria has expired, so request, thus linking a legal moratoria with a sector moratoria. In these moratoria, the repayment of the principal of the loan is deferred during the term of the moratoria, although the client will assume the payment of interest on the principal outstanding during the period of the moratoria. The term of the moratoria is a maximum of 12 months for loans or credits with mortgage guarantee, and a maximum of 6 months in the case of personal loans or credits. In the case of customers who are granted these moratoria after having exhausted the legal moratoria granted, the maximum term of the sectoral moratoria will be reduced by the term of the legal moratoria. At December 31, 2020, the Group had formalized sectoral moratoria measures affecting 3,645 transactions, of which 2,676 transactions have been formalized after the customer has exhausted the legal moratoria granted, with the outstanding risk of transactions with this type of moratoria in force amounting to €326,386 thousand.

ICO line Covid-19

Royal Decree-Law 8/2020 establishes that the Ministry of Economic Affairs and Digital Transformation will grant up to €100,000 million in guarantees for financing granted by credit institutions to meet their needs arising from invoice management, working capital requirements, financial or tax obligations, payment of employees' salaries or other liquidity needs that allow them to maintain their economic activity. Companies and self-employed persons have access to these guarantees, through the formalization of new financing operations or the renewal of existing ones. Until December 31, 2020, the guarantee lines that have been activated by the Government amount to the €100,000 million established in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers of March 24, April 10, May 5, May 19, 2020 and June 16, whose total amounts are destined in €67,500 million to SMEs and self-employed, €25,000 million to other companies, €4,000 million for the issuance of promissory notes, €2,500 million for SMEs and self-employed persons in the tourism sector and related activities, €500 million for self-employed persons and companies for the acquisition or financial or operating lease of road transport motor vehicles for professional use and €500 million for CERSA (*Compañía Española de Reafianzamiento, S.A.*).

Additionally, Royal Decree-Law 25/2020 establishes that the Ministry of Economic Affairs and Digital Transformation will grant up to €40,000 million in guarantees for financing granted by credit institutions to meet, mainly, the financial needs arising from the implementation of new investments.

Companies and the self-employed have access to these guarantees, through the formalization of new financing operations. Until December 31, 2020, the Government has activated two guarantee lines, some of which will be managed by the ICO, for a total of €11,300 million, approved by the Agreement of the Council of Ministers of July 28, 2020 and November 24, 2020, whose total amounts are destined in €5,000 million to SMEs and self-employed, €3,000 million to other companies, €2,550 million to guarantee financing operations to companies and self-employed individuals who are in the execution phase of a bankruptcy agreement within a bankruptcy proceeding (but who are up to date with their obligations under the agreement and can prove it by means of a judicial or administrator's report), €250 million to guarantee promissory notes issued in the MARF (*Mercado Alternativo de Renta Fija*) by companies that could not benefit from the tranche available in the first line because they are in the process of renewing their promissory note program, and €500 million to meet the investment and liquidity needs of SMEs and self-employed workers in the tourism, hospitality and related activities sectors.

The number of operations formalized by the Group for the self-employed, SMEs and other companies amounted to 17,082 with an outstanding balance of €1,454,067 thousand, and an ICO guarantee amount of €1,089,024 thousand.

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MARKET

RISK

8. Market risk

8.1 - Definition of market risk

Market risk is defined as the possibility of incurring a loss in the value of financial investments due to a change in their price. Market risk can materialize in various financial variables or risk factors such as interest rates, exchange rates, share prices, raw material prices, etc.

Among the activities exposed to market risk in the Group's management scope is Regulatory Trading, understood as the trading of cash positions and derivatives on fixed-income and/or equity instruments with the aim of obtaining short-term profits with limited risk. The Regulatory Trading Portfolio is documented in the "Financial Markets Policies and Procedures Manual".

8.2 - Market risk management

The Entity carries out different operations in the financial markets subject to market risk within a framework of action defined in the "Financial Markets Policies and Procedures Manual". The Entity documents the strategies, policies and limits in the aforementioned Manual, approved by the Board of Directors, which implies its active participation in the risk management process.

Within this framework of action, and with the objective of measuring and controlling the market risk of the Regulatory Trading Portfolio, there are a series of stipulated limits. In particular, the "Value at Risk" (VaR) of the Regulatory Trading Portfolio is analyzed. Likewise, and for a more efficient management of market risk, the portfolio is divided into two sub-portfolios, fixed income and interest rate and variable income, which are subject to their respective measurement and control of market risk through the analysis of the "Value at Risk". In addition, management procedures and operational limits have been implemented to reinforce market risk control.

As a result of the pandemic derived from COVID-19, some additional measures or reinforcement actions have been established in addition to the usual ones:

- Daily monitoring of the level of unrealized valuations of our classified equity and fixed income positions in the VRPN (assets at fair value with changes in equity) portfolio with their estimated impact on CET 1.
- Daily monitoring of market indicators to assess the situation of various assets and their evolution since the beginning of the pandemic.
- In addition, in a prudent market risk management approach, from the second quarter of 2020 onwards, trading book activity has been consciously reduced significantly to avoid the potential impact on this portfolio of a volatile and highly uncertain situation such as the one resulting from the pandemic.

- In addition to the recurrent analysis and monitoring of the private fixed income positions in the portfolio, a specific analysis has been carried out on the liquidity position of those issuers whose operating performance is more sensitive to the negative effects of the pandemic. In this sense, the focus has been placed on the available sources of liquidity and on the potential negative impact on cash generation of certain particularly adverse and stress scenarios on their operating performance, in order to determine their capacity to cover their liquidity needs in the medium term.
- Similarly, within those stocks in which positions are held, the companies that were most affected were analyzed, either because of their direct exposure to the pandemic, or because of their cyclical nature, or because they are companies with a weaker financial situation even before the pandemic. The objective of the analysis is to determine their ability to meet their financial obligations one year ahead by stressing their liquidity position, considering the expected sharp drop in cash generation resulting from the situation.

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**OPERATIONAL
RISK**

9. Operational risk

Operational Risk is defined as "the risk of loss due to the inadequacy or failure of internal procedures, people and systems, or to external events, including legal risk" in accordance with the provisions of Directive 2013/36/EU (CRD IV) and Regulation (EU) No. 575/2013 (CRR), both dated June 26, 2013.

Specifically, the CRR develops in its Title III, the capital requirements for Operational Risk and the general principles governing the use of the different methods for its calculation.

The main purpose of Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions is to adapt our legal system to the regulatory changes imposed at the international level and in its Article 39 it establishes that Regulation (EU) No. 575/2013, of June 26 constitutes solvency regulations for credit institutions.

In this context, Ibercaja has an organizational, methodological and risk management model, among which operational risk is included, which has tools, procedures and models that favor efficient management and, in particular, in the case of Operational Risk, that enable the measurement of the equity requirements by the Standardized Approach.

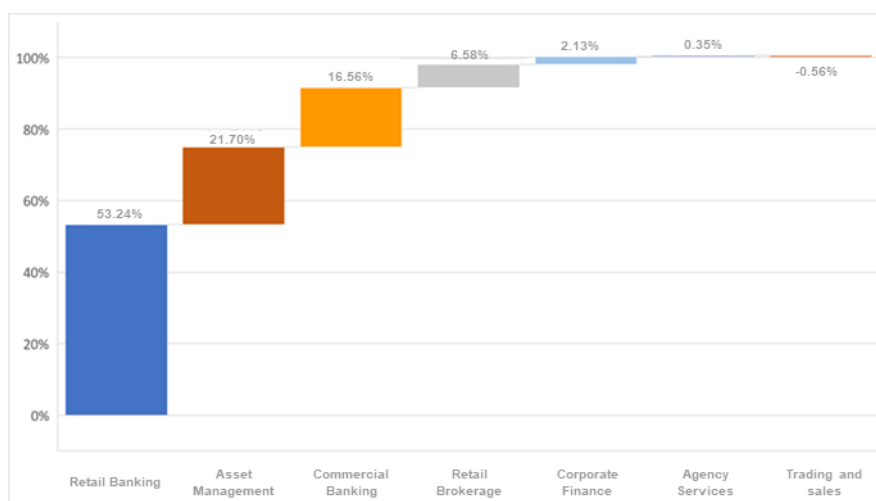
9.1 - Capital requirements for operational risk

The Ibercaja Group has opted for the application of the Standardized Approach for the determination of capital for operational risk.

In compliance with Regulation (EU) No. 575/2013 (CRR), Article 318, the Entity has developed and documented the specific policies and criteria to integrate the relevant indicator of its business lines and activities within the framework of the Standardized Approach.

The contribution by Business Line as of December 2020 of the RWA of equity for Operational risk, is as follows:

Illustration 13: Contribution by Business Line of the RWA of shareholders' equity for Operational Risk in %



9.2 - Operational Risk Management. Objectives and justification

The main objective of Operational Risk management at Ibercaja is to "improve the quality and security of business and support processes, providing information on operational risks, defining and developing measures for their mitigation and control and ensuring compliance with the established regulatory framework".

Improving the quality of process management involves:

- The ongoing evaluation of operational risks associated with the activity,
- The determination and monitoring of the desired level of exposure in the management of the business,
- The establishment, in the different areas, of techniques that facilitate the management of these risks: contingency plans, insurance, increasing the effectiveness of controls, etc.

Thus, in order to achieve compliance with the management objectives of this risk, the Entity must, among other aspects, identify its exposures to operational risk and record data on the losses derived from this type of risk, identifying, in addition, the type of loss event in accordance with the categories established by the Regulations.

The Entity has strengthened its Operational Risk management during the pandemic through the implementation of various actions and protocols within the framework of its Continuity strategy. The bodies involved in the Business Continuity Plan were activated, as well as the Pandemic Contingency Plan to achieve the greatest possible isolation of personnel and preserve the Entity's critical functions.

Existing cybersecurity controls for the detection and prevention of threats have also been reinforced, and new training and awareness measures have been implemented for employees.

On the other hand, in order to provide an efficient and adapted response to the disruptive consequences of the pandemic, *Ibercaja Próxima* has been launched for individuals, a service that is accompanied by a digital manager who helps the customer to carry out any operation, provides advice on issues related to savings and investment and provides information on Ibercaja products, including the contracting of almost all of them.

9.3 - Structure and Organization of Operational Risk Management

The day-to-day management of operational risk is the responsibility of the Business and Support Units, as well as the subsidiaries. To this end, an operational risk coordinator is identified in each of them, responsible for identifying, managing and reporting the operational risks in their area of activity and all the processes under their responsibility.

The Market, Operational and Reputational Risk Control Unit, which reports to the Risk Control Department and, in turn, to the General Secretariat and Control Department as the second line of defense, defines and coordinates the application of operational risk assessment and measurement methodologies; analyzes, informs and advises the different business units and corporate departments on the best way to measure, analyze and report operational risk; and generates the supporting information for decision-making by Senior Management.

Finally, Internal Audit acts as a third line of defense, supervising the actions of the first and second lines of defense. Within the framework of the Ibercaja Group, the scope of internal audit is total, thus influencing the parent company and its subsidiaries, so that no activity, information system or internal control system is excluded from its scope of action.

9.4 - Operational Risk Categories

Ibercaja has defined its main risk/event categorisation based on the analysis (identification and definition) of specific operational risks, carried out in the different units and subsidiaries, in a homogeneous manner for the entire Group, allowing the linkage between qualitative and quantitative methodologies, the latter based on the identification and recording of operational losses in a specific database.

The main categorisation of risks/events in Ibercaja has been based on levels 1 and 2 defined by Basel, identifying - additionally - specific individual risks by specifying level 2 typologies in a process and an organisational unit. Likewise, new subcategories of operational risk have been defined, adopting the definition established in EBA/GL/2014/13, in the section on Operational Risk Assessment.

This methodology has made it possible to obtain subcategories of Operational Risk: new risk typologies associated with individual risks are included. These subcategories include, among others, the following risks

- Conduct Risk
- ICT risk
- Model Risk

9.5 - Methodologies for measuring Operational Risk

Ibercaja uses a combination of the following operational risk measurement methodologies

- **Quantitative methodologies based on:**
 - Identification, recording of losses derived from operational risk in a loss database and evolutionary analysis of the latter.
- **Qualitative methodologies based on:**
 - Operational risk map, consisting of the identification and evaluation of operational risks and existing controls in processes and activities (self-assessments).
 - Compilation and analysis of operational risk indicators

- **Management support solutions based on:**

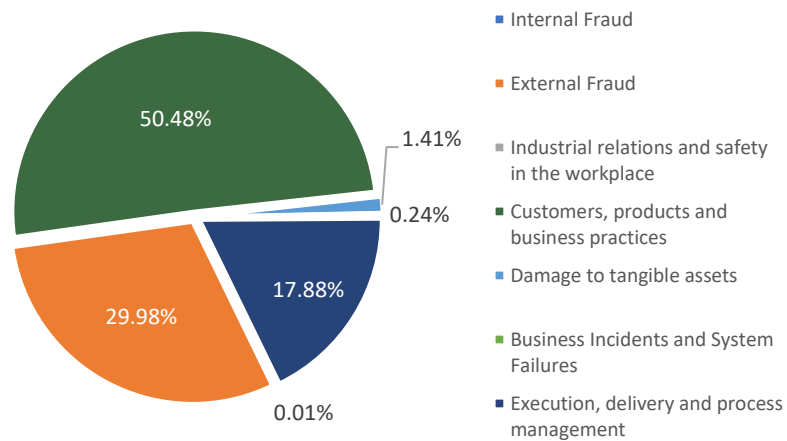
- A management information model for the generation of reports to monitor Ibercaja's exposure to operational risk
- Identification and monitoring of action plans to mitigate this risk.

9.6 - Loss Database

The internal Loss Database is one of the pillars on which the Entity's operational risk measurement and management is based. In this regard, Ibercaja has a series of processes and sources that allow the capture of events at source, automatically registering them in the database, with the minimum information required for their registration and classification.

Below is a chart showing the distribution of the Group's operational loss events during the 2020 financial year by regulatory category:

Illustration 14: Loss events by risk category in %



The Operational Loss Database has a control or filtering system that, depending on the amount, requires subsequent validation by the corresponding unit or subsidiary, or by the Market, Operational and Reputational Risk Control Unit, giving greater reliability and integrity to the data and the homogeneous application of criteria.

9.7 - Self-assessments

This self-assessment process, which is carried out annually, is one of the pillars on which operational risk management revolves and, together with other tools and methodologies, it supports the identification of exposures to operational risks.

Among the objectives of the qualitative methodology are:

- Identify and evaluate the various operational risks that could potentially affect the different processes, in terms of frequency and impact.
- Obtain information on the existence and effectiveness of the control structure implemented for its mitigation.
- Identify opportunities for improvement in activities with greater exposure

Likewise, this process incorporates the assessment of the reputational impact of the risks, responding to the regulatory recommendations on the matter.

During 2020, the annual update of the self-assessment of operational risks (around 600 risks) was completed, concluding a medium-low risk profile.

9.8 - Operational Risk Indicators

Risk indicators or metrics, often financial, may reveal the risks to which the Entity is or may be exposed. The evolution of such indicators should be reviewed periodically to alert to changes that may be indicative of exposures to certain risks.

The use of risk indicators pursues the following fundamental objectives through the measurement of variables that affect that risk:

- Identify the causes that generate the risks.
- Act as a warning signal for increased levels of risk.
- Check the effectiveness of controls and improvements made to them.

9.9 - Action Plans

One of the objectives of the implementation of the operational risk management model in the Ibercaja Group refers to the establishment by the units and subsidiaries of procedures to improve operational processes and the existing control structure.

Thus, together with obtaining the Entity's operational risk profile, the Ibercaja Group periodically adopts measures aimed at mitigating operational risk, using procedures that enable mitigation plans to be established and monitored.

**10
HOLDINGS AND
EQUITY
INSTRUMENTS
NOT INCLUDED IN
THE TRADING
PORTFOLIO**

10. Holdings and equity instruments not included in the trading portfolio

10.1 - Classification, valuation and accounting criteria

Notes 2.1 and 2.2.4 to the Group's consolidated financial statements for 2020 include a description of the portfolios into which the Group's investments and equity instruments are classified, together with the accounting policies and measurement bases applied to each of them. These notes also indicate the models and assumptions applied to determine the value of the instruments included in each portfolio.

The Report forms part of the annual financial statements, which are available on the Ibercaja Banco website. (<https://www.ibercaja.com/shareholders-and-investors/financial-information/periodic-informationx>)

The Group has interests in entities in whose management and decision-making processes it is involved to a greater or lesser extent, with which it pursues the achievement of objectives that are integrated into the Group's strategy and in which there is an intention to maintain a relationship of permanence in its shareholding ("strategic investments"). It also has interests in other entities with different objectives, basically consisting of maximizing the results obtained through their management ("Financial assets at fair value through other comprehensive income").

Investments and equity instruments owned by the Group that are classified for accounting purposes as Group companies, associates and jointly controlled entities are held for strategic purposes. In addition, there are some participations classified in the category of financial assets at fair value through other comprehensive income that are also held for strategic purposes.

Among the strategic investments classified in the category of financial assets at fair value with changes in other comprehensive income, there is the holding in *Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (Caser)*. As presented in Note 10.1 of the Consolidated Financial Statements for 2020, on January 24, 2020, Ibercaja Banco, S.A. entered into a purchase and sale agreement with *Helvetia Schweizerische Versicherungsgesellschaft AG* for a portion of its shareholding in Caser, which represents 4.45% of the share capital and voting rights of this company. On June 25, 2020, Ibercaja obtained the pertinent regulatory authorizations to formalize the aforementioned purchase and sale, maintaining a 9.5% shareholding in Caser, which is no longer a significant investment in a financial sector entity.

The positive impact of this sale on Ibercaja's Common Equity Tier 1 (CET1) fully-loaded ratio was 24 basis points.

10.2 - Quantitative information

The carrying amount of the equity investments owned by the Group at December 31, 2020, which are not included in the trading portfolio, is €492,640 thousand.

Below is a detail of the exposures in equity investments and equity instruments held by the Group as of December 31, 2020, excluding the exposures in instruments that are part of the trading portfolio, as defined for the purposes of equity requirements in section 10.1 above of this report:

Table 50: Value of exposures to equity and capital instruments

Exposure to equity and capital instruments		
(thousands of euros)	Exposure amount 2020	Exposure amount 2019
Listed equity instruments	171,186	159,890
Unlisted equity instruments	644,910	710,839
TOTAL	816,096	870,729

The amount of the profits recorded by the Group in 2020 from the sale of investments that form part of the consolidable Group amounted to €19 thousand.

In addition to the above, the Group has recorded an increase in equity as a result of changes in the value of holdings in equity instruments other than those included in the trading portfolio amounting to €33,463 thousand.

11
STRUCTURAL
INTEREST
RATE
RISK

11. Structural interest rate risk

Interest rate risk is defined as the possibility that the Group's net interest margin or economic value will be affected by adverse changes in interest rates that affect the cash flows from financial instruments.

The sources of interest rate risk are:

- **Gap risk:** risk associated with the different time structure of interest-rate-sensitive balance sheet instruments, arising from differences in the timing of their repricing or maturity.
- **Basis risk:** Risk arising from the different benchmarks used for their repricing, the asset and liability instruments that are sensitive to interest rates.
- **Optionality risk:** risk arising from implicit or explicit options, which arises when either the entity or the customer has the option to alter future cash flows if it is beneficial to them. It includes the risk of customer behaviour according to the evolution of interest rates (behavioural option).

11.1 - Changes in interest rates

The sensitivity profile of the Group's balance sheet to interest rate risk at December 31, 2020 is shown below, indicating the carrying amount of the financial assets and liabilities affected by this risk, which are classified according to the estimated term until the interest rate review or maturity date.

As of December 31, 2020:

Table 51: Balance sheet sensitivity profile at December 31, 2020

(thousands of €)	Terms until the effective interest rate or maturity adjustment						
	< 1 month	Entre 1 y 3 months	3 months a 1 year	Sensitive Balance	Non-sensitive balance	Entre 1 y 5 years	> 5 years
Assets	13,326	7,740	15,641	36,707	14,522	4,643	9,879
Liabilities	8,207	8,348	10,601	27,156	24,073	18,380	5,693
Gap Period	5,119	(608)	5,040	9,551	(9,551)	(13,737)	4,186

Sensitive balances are considered to be those whose maturity or repricing occurs within the following twelve months. This period is established as a reference to quantify the effect of changes in interest rates on the Group's annual net interest margin.

The Gap shown in the table represents the difference between sensitive assets and liabilities in each period, i.e. the net balance exposed to price changes. The average gap for the period amounted to €5,934 million, or 11.58% of assets.

The impact of structural balance-sheet interest rate risk on the margin and economic value of interest rate changes is presented below:

Table 52: Impact of changes in interest rates

Terms until the effective interest rate or maturity adjustment					
		2020		2019	
		Increase	Decrease	Increase	Decrease
Impact on the Group's net interest income	200 points	40.45%	(17.69) %	21.88%	(15.63) %
Impact on the Economic Value /Own Funds	200 points	2.27%	(0.77) %	0.46%	2,54%

With data as of December 31, 2020 the impact on the Entity's net interest income in the event of a 200 basis points increase in interest rates is €160.03 million, 40.45% of the net interest income for the next 12 months and in the event of a decrease of 200 basis points is -€69.98 million, -17.69% of the net interest income for the next 12 months (in December 2019, €90.38 million and 21.88% in the event of increases and -€64.58 million and -15.63% in the event of decreases) under the hypothesis of a static balance sheet and maintenance of the size and structure of the balance sheet, assuming that interest rate movements occur instantaneously and are the same for all points on the curve, with a progressive floor ranging from minus 100 bp, rising 5 bp each year to zero.

In turn, the impact on the economic value of the Entity in the event of a 200 basis points rise in interest rates is €141.58 million, 2.27% of the economic net asset value and in the event of a 200 basis points drop is -€47.73 million, -0.77% of the economic net asset value (in December 2019, €28.80 million and 0.46% in the event of increases and €157.36 million and 2.54% in the event of decreases) under the assumption that interest rate movements occur instantaneously and are the same for all points on the curve, with a progressive floor ranging from minus 100 bp, rising 5 bp each year to zero.

12
LIQUIDITY
AND
FINANCING
RISK

12. Liquidity and financing risk

Liquidity risk is defined as the possibility of incurring losses as a result of not having or not being able to access sufficient liquid funds to meet payment obligations.

At December 31, 2020, the Group's available liquidity amounted to €14,959 million (€11,468 million at December 31, 2019), and issuance capacity €8,380 million (€7,307 million at December 31, 2019). Thus, total availability stands at €23,339 million (€18,775 million at December 31, 2019), an increase of €4,564 million compared with the end of last year. During 2020, wholesale maturities were serviced for a nominal amount of €981 million: mortgage covered bonds (€427 million), securitization bonds owned by third parties (€54 million), subordinated bonds (€500 million). In addition, repurchases of own issues were carried out for €34 thousand, instrumented in asset-backed securities.

A breakdown of available liquidity is given below:

Table 53: Breakdown of available liquidity

Breakdown of available liquidity		
(thousands of euros)	2020	2019
Cash and Central Banks	7,319,717	3,671,499
Available in policy	891,981	4,982,938
Eligible out-of-policy assets	6,421,078	2,432,048
Other marketable assets not eligible for the Central Bank	326,665	381,397
Accumulated available balance	14,959,441	11,467,882

The guarantee policy with the ECB includes pledged assets amounting to €6,278 million at December 31, 2020 (€6,609 million at December 31, 2019), of which €5,400 million have been drawn down, leaving €892 million available (€4,983 million at December 31, 2019) to meet its liquidity needs.

In addition to the aforementioned policy, the Entity has very diverse sources of funding:

- Thus, the broad base of retail deposits stands out for €32,256 million, of which 85% correspond to stable balances.
- The entity has collateral financing of 6,056 million, of which €394 million are contracted with central counterparties.
- Wholesale issues for €3,327 million, characterized by the diversification of their maturities.
- Deposits from Group financial institutions of €796 million.
- Deposits from other customers of 3,242 million.

The Entity's balance sheet does not present significant concentrations of liquidity risk in its assets or in its sources of financing.

The following table shows the breakdown by term of the contractual maturities of assets and liabilities (liquidity gap) at December 31, 2020 and December 31, 2019:

Table 54: Breakdown by term of contractual maturities of assets and liabilities

(thousands of euros)	Breakdown by term of contractual maturities of assets and liabilities						
	On demand	1 month	1-3 months	3 months – 1 year	1-5 years	> 5 Years	Total
ASSETS							
Deposits with credit institutions	71,500	3,052	45,258	-	-	132,789	252,599
Loans to other financial institutions	-	21,188	1,501	152	624	-	23,465
Temporary acquisitions of securities and lending of securities	-	1,443,721	177,136	106,391	-	-	1,727,247
Loans (includes past due, doubtful, failed, and foreclosed)	-	633,358	989,195	2,302,452	8,993,056	18,153,486	31,071,547
Settlement of securities portfolio	-	3,000	209,611	215,877	2,394,921	4,756,794	7,580,202
Hedging derivatives	-	(6,444)	10,569	40,084	63,434	3,585	111,228
Trading derivatives	-	-	-	-	-	-	-
Interest margin	-	52,151	55,590	283,205	-	-	390,946
Total at December 31, 2020	71,500	2,150,026	1,488,861	2,948,161	11,452,035	23,046,654	41,157,236
Total at December 31, 2019	39,720	2,497,835	1,920,971	3,209,299	9,256,178	24,498,431	41,422,434
PASIVO							
Wholesale issues	-	3,052	231,097	331,895	2,441,194	320,189	3,327,426
Deposits from credit institutions	5,473	41,489	-	600	2,290	2,377	52,229
Deposits from other financial institutions and organizations	772,880	302	175	7,590	120,475	-	901,422
Deposits from large non-financial companies	73,926	1	-	2,200	-	-	76,127
Financing of the rest of the clientele	32,042,075	445,892	623,779	1,937,405	447,335	2,066	35,498,552
Funds for mediation credits	-	14,407	15,714	109,795	276,265	107,244	523,424
Financing with securities collateral	-	655,634	-	-	5,400,000	-	6,055,634
Other net outflows	-	34,839	54,176	284,190	67,273	55,700	496,178
Hedging derivatives	-	185	1,782	11,884	34,677	(15,773)	32,755
Formalized loans pending disbursement	-	438,065	-	-	-	-	438,065
Commitments available from third parties	3,288,448	-	-	-	-	-	3,288,448
Financial guarantees issued	11,070	2,803	23	86	4,413	1,081	19,477
Total at December 31, 2020	36,193,873	1,636,669	926,745	2,685,645	8,793,922	472,884	50,709,739
Total at December 31, 2019	31,459,544	4,953,445	1,346,034	5,405,378	2,692,473	1,308,072	47,164,946
Gap of the period 2020	(36,122,373)	513,356	562,115	262,515	2,658,113	22,573,770	
Gap of the period 2019	(31,419,824)	(2,455,610)	574,937	(2,196,079)	6,563,705	23,190,359	
Accumulated Gap (without on-demand savings) 2020	-	513,356	1,075,471	1,337,987	3,996,100	26,569,870	
Accumulated Gap (without on-demand savings) 2019	-	(2,455,610)	(1,880,673)	(4,076,752)	2,486,953	25,677,312	

*Includes principal and interest maturities and no assumptions of new business.

The maturity of demand deposits is not determined contractually. It has been recorded in the first time window (overnight) although these deposits are mostly stable.

With regard to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that trigger repayment based on downgrades in Ibercaja Banco's credit rating. At the end of 2020, there were no amounts affected by the downgrade of one notch in the rating.
- Derivative liabilities for €67 million, which have required the provision of additional guarantees for €70 million, as well as asset derivatives for €23 million, for which additional guarantees have been received for €23 million. Additionally, those made by the camera have required additional guarantees for €50 million.
- Securities collateral financing of €633 million, which required the provision of additional guarantees of €177 million in cash (guarantees include both disposals and temporary acquisitions of assets).
- EIB financing of €405 million, requiring the provision of €446 million in fixed income guarantees.

In addition, Ibercaja Banco has signed master netting agreements, and their annexes for the exchange of collateral, with all the entities with which it operates in over-the-counter (OTC) derivatives and simultaneous operations. Its signature is a prerequisite for those entities with which this type of operation is to be initiated. Ibercaja Banco participates as a direct member of the central clearing houses for simultaneous operations LCH Clearnet and MEFFClear, and in Eurex for operations with some types of interest rate derivatives, being a common market practice that has spread among participants after the entry into force of EMIR regulations.

In relation to the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily represent an actual disbursement obligation or liquidity requirement, which will depend on the fulfillment of the conditions for the amount of the committed guarantee to be disbursed.

On the other hand, the Ibercaja Group does not hold speculative foreign currency positions.

Neither does it hold any significant open positions in foreign currencies of a non-speculative nature (the largest overall net foreign currency position in state C.22 does not exceed 2% of total eligible capital).

The main intragroup liquidity policies and flows are summarized below:

Financial Group

- The Ibercaja Group receives the Financial Group's contribution to the consolidated income statement in the form of dividends and fees.
 - o Ibercaja Banco receives dividends from the subsidiaries of the Financial Group,
 - o The parent entity charges fees for marketing and advisory services to subsidiaries of the Financial Group.
- Investment activity of the Financial Group's subsidiaries in the parent entity: the Financial Group's main subsidiaries maintain active positions with the parent entity in term deposits, current accounts or other financial instruments, linked to the management of their cash and equity.
- Ibercaja Leasing's activity: as Ibercaja Leasing's credit activity increases, the parent entity provides financing either directly or through agreements with the *Instituto de Crédito Oficial* - ICO.

Real Estate Group

- The Real Estate Group also contributes to the consolidated result of the Ibercaja Group. Ibercaja Banco finances its member companies through capital increases, as well as loans for the purchase of assets (real estate or land) from foreclosures or dations in payment arising from the parent entity's credit operations.

Instruments and services

- As for the service provision subsidiaries, there are no significant financial relationships.

Financing Vehicles

- With regard to the Securitisation Funds, Ibercaja Banco carried out securitisations until 2009 with the aim of obtaining liquidity, improving the consumption of own resources and transferring credit risk. Most were placed on the wholesale market except for the latest securitisations (2008 - 2009) which were retained by the Bank to serve as collateral in the ECB's guarantee policy.
- After the issue, the Bank carried out buybacks from third parties in order to strengthen its balance sheet, which resulted in a portfolio of securitized bonds.

No other additional items have been considered relevant for the calculation of LCR, not included in this section, but relevant to its liquidity profile.

12.1 - Quarterly evolution of the LCR in 2020

The level of liquid assets available to the Group makes it possible to manage and control short and medium-term liquidity needs, avoiding misalignments in the business model, even under periods of stress or in the face of significant variations in market conditions.

The LCR ratio is a good indicator of the capacity to cover liquidity needs.

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group at December 31, 2020 amounts to 468.1% (307.1% at December 31, 2019), while the NSFR (Net Stable Funding Ratio) at December 31, 2020 stands at 151.5% (131.4% at December 31, 2019).

Below, the LCR ratio is detailed in monthly average data for the last four quarters of 2020 and 2019, on a consolidated basis:

Table 55: Quarterly evolution of the LCR - values at March 31

(millions of euros)		
Quarter end date	31-Mar-20	31-Mar-19
Liquidity buffer	8,653	7,698
Total net cash outflow	2,530	2,705
Liquidity Coverage Ratio (%)	342%	285%

Table 56: Quarterly evolution of the LCR - values at June 30

(millions of euros)		
Quarter end date	30-Jun-20	30-Jun-19
Liquidity buffer	9,338	8,072
Total net cash outflow	2,633	2,607
Liquidity Coverage Ratio (%)	354%	311%

Table 57: Quarterly evolution of the LCR - values at September 30

(millions of euros)		
Quarter end date	30-Sep-20	30-Sep-19
Liquidity buffer	10,467	8,540
Total net cash outflow	2,792	2,559
Liquidity Coverage Ratio (%)	371%	335%

Table 58: Quarterly evolution of the LCR - values at December 31

(millions of euros)		
Quarter end date	31-Dec-20	31-Dec-19
Liquidity buffer	11,752	8,771
Total net cash outflow	2,923	2,538
Liquidity Coverage Ratio (%)	398%	347%

12.2 - Liquidity and financing perspective

The following table shows the maturities of the long-term wholesale financing at December 31, 2020:

Table 59: Maturities of wholesale financing

(thousands of euros)	Wholesale financing maturities						Total
	On demand	1 month	1-3 months	3 months-1 year	1-5 years	> 5 Years	
Senior debt	-	-	-	-	-	-	-
State-guaranteed debt	-	-	-	-	-	-	-
Subordinate and preferential	-	-	-	-	850,000	-	850,000
Mortgage and territorial bonds and certificates	-	-	225,000	300,000	1,435,470	165,000	2,125,470
Securitisations	-	3,052	6,097	31,895	155,724	155,189	351,956
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale emissions	-	3,052	231,097	331,895	2,441,194	320,189	3,327,426
Long-term securities collateral financing	-	-	-	-	5,400,000	-	5,400,000
Expiry dates of the period	-	3,052	231,097	331,895	7,841,194	320,189	8,727,426
Accumulated maturities	-	3,052	234,148	566,043	8,407,237	8,727,426	-

Wholesale emissions appear net of treasury stock. However, multiseller bonds are shown at their gross issued amount while treasury stock is recorded as available liquidity in accordance with the criteria used to prepare the Bank of Spain's LQ statements.

The policy of diversification of the maturities of wholesale issues over time will allow the Entity to cover the maturities of the coming years, maintaining a comfortable liquidity position. Thus, taking into account the available liquidity (€14,959 million), the Entity could cover the total maturities of long-term wholesale financing (€3,327 million). In addition, it has an issuance capacity of €8,380 million (total availability of €23,339 million).

13
ASSET
ENCUMBRANCE

13. Asset encumbrance

13.1 - General information

The concept of asset encumbrance refers to the part of the Entity's assets that are committed as a result of their use in secured financing transactions.

In this regard, the European Banking Authority has developed Guidelines regarding the disclosure of information on encumbered and unencumbered assets in compliance with the mandate set out in the Capital Requirements Regulation (EU) No. 575/2013.

According to the guidelines set by the EBA for the disclosure of information regarding encumbered and unencumbered assets (EBA/GL/2014/3), an asset is considered encumbered when it has been pledged or is subject to any type of arrangement, from which it cannot be freely drawn, under which it is intended to serve as collateral or to enhance the credit quality of any on-balance sheet or off-balance sheet transaction.

The process of encumbering assets consists of using such assets to secure or collateralize specific obligations of the Group to certain creditors.

The Group has established identification and management policies and has developed procedures for measuring and monitoring the exposure of encumbered assets.

13.2 - Quantitative information

Information regarding taxable assets is presented below. This information has been prepared in accordance with the EBA Guidelines on disclosure of information on encumbered and unencumbered assets, using the median of the previous twelve months' moving quarterly values (as per Commission Delegated Regulation EU 2017/2295).

There are no significant differences between the scope used in this document and the scope of liquidity management on a consolidated basis, as required by Regulation (EU) No 575/2013.

Table 60. Encumbered and unencumbered assets, year 2020

Encumbered and unencumbered assets, as at December 31, 2020								
(thousands of euros)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting entity	10,672,617	3,034,962			39,764,005	7,254,868		
Equity instruments	-	-			325,953	118,977		
Debt securities	3,038,261	3,003,900	3,080,128	3,045,769	5,594,871	5,485,988	5,692,314	5,582,905
<i>of which: covered bonds</i>	23,977	23,977	24,632	24,632	7,260	7,260	7,435	7,435
<i>of which asset-backed securities</i>	82,278	82,278	83,002	83,002	23,157	23,157	23,383	23,383
<i>Of which: issued by general governments</i>	1,577,561	1,567,492	1,617,662	1,607,594	4,996,438	4,958,590	5,155,148	5,117,285
<i>Of which: issued by financial corporations</i>	1,431,445	1,421,436	1,433,096	1,423,087	315,661	312,127	316,728	312,461
<i>Of which: issued by non-financial corporations</i>	26,519	19,656	26,664	19,823	44,624	10,377	44,548	10,380
Other assets	7,459,648	33,795			33,421,493	1,691,371		

Below is information on collateral received that does not qualify for on-balance sheet recognition under the applicable accounting standard and is therefore held off-balance sheet. A distinction is made between collateral received that acts as a hedge of another position and that which is unencumbered:

Table 61. Collateral received by type of asset, year 2020

Collateral received by type of asset				
(thousands of euros)	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting entity	49,118	49,118	1,653,088	1,631,634
Demand loans	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	49,118	49,118	1,653,088	1,631,634
Loans on demand	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	49,118	49,118	1,311,273	1,304,466
<i>of which: covered bonds</i>	-	-	356,740	356,740
<i>of which asset-backed securities</i>	-	-	-	-
<i>Of which: issued by general governments</i>	-	-	-	-
<i>Of which: issued by financial corporations</i>	-	-	-	-
<i>Of which: issued by non-financial corporations</i>	-	-	-	-
Loans and advances other than loans on demand			1,271,485	-
Total assets, collateral received and own debt securities issued	10,721,735	3,052,609		

Table 62. Liabilities associated with assets and collateral received with charges, year 2020

Liabilities		
(thousands of euros)	Related liabilities, contingent liabilities or borrowed securities	Assets, guarantees received and own debt securities issued, other than asset-backed and asset-backed securities with encumbrances
Carrying amount of selected financial liabilities	9,320,392	10,721,735

The encumbered assets and collateral received amount to €10,672,617 thousand. 70% of the encumbered assets correspond to loans and credits. Most of these are mortgage loans that act as underlying assets in mortgage bond and securitization bond transactions, either sold to third parties or retained in the self-portfolio and subsequently pledged and disposed of in an ECB policy. On the other hand, fixed-income securities acting as collateral in repurchase agreements and drawdowns under ECB policy account for 30% of the total.

The encumbered assets and guarantees belong to the parent company Ibercaja Banco S.A.

Regarding unencumbered assets, the Entity does not consider available for encumbrance, in the normal course of its operations, €3,859,897 thousand under the section "other assets" that includes intangible assets, deferred tax assets, property, plant and equipment and derivatives assets.

Encumbered assets, which are mostly of high quality, act as collateral for certain obligations. €9,320,392 thousand and include mortgage bonds, ECB policy drawdowns and financing through fixed-income repurchase agreements. To a lesser extent, securitization bonds and passive derivatives with collateral requirements.

During 2020, financing through fixed-income repurchase agreements, mortgage bonds and asset-backed securities has been reduced, but the amount drawn on ECB policies has increased. Charges on mortgage loans and fixed-income securities increased. Own non-pledged collateralized bonds decreased. Overall, there was a reduction in assets and collateral received with charges. The percentage of encumbered assets over total assets and guarantees received is 20.25% as of December 31, 2020, expressed in annual average terms.



14
LEVERAGE

14. Leverage

14.1 - General information

The leverage ratio is a measure that complements the other capital indicators, whose objective is to ensure prudence in the institutions' financing structures, limiting excessive dependence on third-party resources and avoiding destabilization of the economy and the banking system.

In order to reduce risk, the entry into force of Basel III resulted in the measurement of the leverage ratio as the ratio of top-quality capital (Tier 1 capital) to risk exposure, both on and off the balance sheet, without taking into account risk weights. The leverage ratio provides a view of the percentage of assets that are financed with Tier 1 capital.

Its calculation is set out in Article 429 of Regulation (EU) No 575/2013 (CRR). In October 2014, the European Commission amended Regulation (EU) No 575/2013 (by means of a delegated act) to adopt the new form of calculation. This ratio is calculated as the quotient between the Tier 1 calculated in accordance with the solvency regulations, divided by the leverage exposure calculated as the sum of balance sheet assets, memorandum accounts, derivative exposures and securities financing and adjustments that ensure consistency with the numerator.

During 2017, the Basel Committee reviewed the definition of the leverage ratio and made a number of technical adjustments to the method of calculating total exposure (denominator), mainly in relation to derivative exposures and the treatment of off-balance sheet exposures. The final calibration of the leverage ratio was set at 3% for all entities.

The leverage ratio is intended to provide additional protection against so-called "model risk", i.e. underestimating the regulatory capital required by calculating through sophisticated models allowed by Basel II and III.

As of December 31, 2020, the Group has a leverage ratio of 6.26%:

Table 63: Leverage ratio

Leverage ratio		
EU-22	Leverage ratio	6.26%
	Choice of transitional provisions and amount of terminated trust elements	
EU-23	Choice of transitional provisions for the definition of the capital measure	With transitional measures
EU-24	Amount of trust items deleted in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

14.2 - Breakdown of total exposure measure

In calculating the leverage ratio, the following is taken into account:

- The exposure measure used to calculate the leverage ratio is the carrying amount of all asset items, except for derivatives, where the net value of the assets is included (less collateral if they meet certain criteria) plus a surcharge for potential future exposure.
- The assets that are deducted and those that are part of Tier I transitional adjustments are subtracted from the exposure measure to avoid double counting.
- For off-balance-sheet transactions (memoranda accounts), the balance is weighted by different percentages in accordance with Article 429 of Regulation (EU) No 575/2013 (CRR).

The breakdown of the total exposure measure corresponding to the leverage ratio as of December 31, 2020, according to the “LRCom” and “LRSpl” templates defined in Annex I of the Implementing Regulation (EU) 200/2016 is presented below:

Table 64: LRSpl: Breakdown of on-balance sheet exposures (excluding derivatives, SFT and excluded exposures)

Table LRSpl: Breakdown of on-balance sheet exposures (excluding derivatives, SFT and excluded exposures)		
(thousands of euros)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFT and excluded exposures), of which	42,969,648
EU-2	Trading book exposures	7,045
EU-3	Bank book exposures, of which:	42,962,603
EU-4	Covered bonds	21,584
EU-5	Exposures treated as sovereigns	12,244,186
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	58,555
EU-7	Institutions	367,129
EU-8	Secured by mortgages of immovable properties	18,856,100
EU-9	Retail exposures	4,282,119
EU-10	Corporates	2,916,881
EU-11	Exposures in default	509,563
EU-12	Other exposures (e.g. equities, securitisations and other non-credit obligation assets)	3,706,486

Table 65: LRCom: Leverage ratio common disclosure

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures
(thousands of euros)		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	49,354,344
2	(Asset amounts deducted in determining Tier 1 capital)	(379,896)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	48,974,448
Derivatives exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	61,226
EU-5 ^a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(66,147)
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	(4,921)
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,727,247
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14 ^a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15 ^a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	1,727,247
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	4,020,932
18	(Adjustments for conversion to credit equivalent amounts)	(3,103,611)
19	Other off-balance sheet exposures (sum of lines 17 and 18)	917,321
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off-balance sheet)		
EU-19 ^a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet))	(6,318,549)
Capital and total exposure measure		
20	Tier 1 capital	2,834,668
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	45,295,546
22	Leverage ratio	6.26%
EU-22a	Choice on transitional arrangements for the definition of the capital measure	5.49%
EU-23	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	With transitional measures
EU-24	Tier 1 capital	-

14.2.1 - Reconciliation of the leverage ratio with the published financial statements

The following table presents the reconciliation of the measure of total exposure corresponding to the leverage ratio to the information in the financial statements published as at December 31, 2020, in accordance with the "LRSum" template defined in Annex I of the Implementing Regulation (EU) 200/2016:

Table 66: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
Carrying value of encumbered assets		Fair value of encumbered assets
1	Total assets as per published financial statements	51,229,115
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation (Adjustment for fiduciary assets recognised on the balance sheet pursuant to	-
3	the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	(86,297)
5	Adjustment for securities financing transactions (SFT)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	917,321
EU-6 ^a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	(6,318,549)
7	Other adjustments	(446,043)
8	Leverage ratio total exposure measure	45,295,546

14.3 - Information on qualitative aspects

The information required in the reporting template on qualitative aspects "LRQua" set out in Annex I of the Implementing Regulation (EU) 200/2016 on the procedures applied to manage the risk of excessive leverage, and the factors that had an impact on the leverage ratio published as of December 31, 2020, is detailed below.

14.3.1 - Procedures applied to manage the risk of excessive leverage

The leverage ratio is part of the Ibercaja Group's Risk Appetite Framework, where compliance and non-compliance thresholds are established.

This information is reviewed quarterly and is presented to the different Governing Bodies, where if deficiencies in this ratio are detected, action plans are established for their solution.

On an annual basis, a 3-year forward-looking projection is carried out in which both the numerator (Tier I) and the denominator (exposure value, total book assets) are shown, so that the Entity has forward-looking leverage ratio measurements. These measurements are compared with the thresholds of the risk appetite framework, so that in the event of detecting non-compliance, there would be sufficient slack to take the necessary measures for remediation.

14.3.2 - Factors that have influenced the Leverage Ratio

The leverage ratio has remained stable from 5.85% in December 2019 to 6.26% in December 2020.

During 2020 the capital base (Tier 1) has remained stable, while the exposure value has been reduced by €2,993 million resulting from the European Central Bank Decision (EU) 2020/1306 of September 16, 2020 on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic (ECB/2020/44), applicable to significant banks directly supervised by the ECB. Article 500b of CRR1 allows for the temporary exclusion of certain exposures to central banks from the calculation of the total exposure measure of the leverage ratio before June 28, 2021, where the competent authorities determine that exceptional circumstances allow so. For this purpose, the ECB has determined that both the situation caused by the COVID-19 pandemic and the fragility and vulnerabilities of the euro area economies and of the banking transmission channel of monetary policy justify the application of such exclusion in order to facilitate the implementation of monetary policy.

15
REMUNERATIONS

15. Remunerations

This chapter details quantitative and qualitative aspects of Ibercaja Banco's remuneration policy for members of the Entity included in the "Identified Group", due to its significant impact on the Entity's risk profile.

The purpose of this is to make public the Bank's remuneration policy and practices in accordance with Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2016 and Articles 13 and 450 of Regulation (EU) No. 575/2013.

15.1 - Background

Since 2012, Ibercaja Banco has had a risk associated remuneration policy, which is applicable to members of the Entity whose professional activities have a significant impact on the risk profile of the Entity (the so-called "Identified Group") and which aims, on the one hand, to combine the interests and business objectives of the Entity and the professional efforts and motivation of the Identified Group and, on the other hand, to promote sound and effective risk management that does not encourage the members of the Identified Group to assume risks that differ from those established in the Risk Appetite Framework (RAF) approved by the Board of Directors.

These provisions have been included in the Entity's General Remuneration Policy approved by the Board of Directors, which is reviewed and updated, if necessary, on an annual basis.

The provisions of this Policy are supplemented by the Remuneration Policy for members of the Board of Directors of the Entity in force at any given time.

The Entity, in accordance with the ECB Recommendations, has acted with extreme moderation in the application of its Remuneration Policies during 2020; in this regard, and in accordance with its Remuneration Policy, which is based on prudent risk management, the corresponding retention and deferral clauses (in term and with instruments) have been applied to the Variable Remuneration for objectives of the personnel receiving it included in the Identified Collective, the amount accrued being 19% lower than that accrued in 2019 (in the case of the Management Committee the variable remuneration accrued has been 35% lower than that of 2019). In any case, the amount to be paid in no case implies a deterioration in the quantity and quality of its total capital, insofar as it represents 0.4 basis points of capital base (0.004%).

15.2 - Purpose and scope of the Remuneration Policy

Ibercaja Banco's General Remuneration Policy aims to achieve an appropriate balance between the interests and business objectives of the Bank and the professional effort and motivation of the Identified Group. It also favors sound and effective risk management, which does not entail the assumption of excessive risks by the Identified Group. There are no differences with respect to remuneration at group, parent entity and subsidiary level, since the group entities subject to the regulations governing remuneration follow the same guidelines and criteria as those established by the parent entity, Ibercaja Banco.

The Remuneration Policy contains specific provisions that are applicable to the persons that make up the Identified Group, defined in accordance with the qualitative and quantitative criteria set forth in Delegated Regulation (EU) no. 604/2014 and other applicable regulations in force (Law 10/2014, RD 84/2015 and Circular 2/2016, of the Bank of Spain). Likewise, the Guidelines on appropriate remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and the disclosure of information under Article 450 of Regulation (EU) No. 575/2013 (EBA/GL/2015/22) have been taken into consideration, which contain interpretative criteria in development of Directive 2013/36/EU, and which the Bank of Spain has assumed as its own.

Special mention should be made of the inclusion in the Identified Collective of the heads of units whose functions have a material impact on the Entity's control structure, and whose remuneration is determined on the basis of the achievement of objectives linked to their function, regardless of the results of the business units they control; notwithstanding this, their remuneration may take into account the overall results of the Entity, which they are unable to influence due to their activities.

The persons comprising the Identified Group, as well as the quantitative and qualitative criteria to be taken into consideration for the inclusion or exclusion of employees in the Identified Group, are described in the Entity's General Remuneration Policy.

Even when they do not form part of the Identified Group, the principles that inform the General Remuneration Policy apply to all Central Services employees included in the variable remuneration by objectives (VRO) system. In compliance with current regulations, a portion of the CEO's and Management Committee members' VRO is paid in the form of instruments based on the revaluation or depreciation of theoretical shares into which the share capital is divided ("phantom shares"): 50% of the non-deferred variable compensation and 55% of the variable compensation subject to deferral will be paid in the form of these instruments.

15.3 - Principles of the Remuneration Policy

The principles that inspire the Remuneration Policy are the following:

- Transparency.
- Consistency with the business strategy, objectives, values and long-term interests of the Entity.
- Remuneration schemes shall present a balanced and efficient relationship between the fixed and the variable part, so that the variable part constitutes a sufficiently high part of the total remuneration.
- The fixed component of the remuneration is determined by the salary tables of the collective agreement applicable to the staff, as well as the different types of supplements to the basic salary attached.
- Where applicable, the variable component of the remuneration:
 - It will be linked, in any case, to the performance of the beneficiaries in accordance with the global and specific objectives approved annually by the competent body.
 - The variable remuneration system must not, at any time, entail a future cost for the Bank for the purposes of the recipients' retirement, without prejudice to the possibility that the latter may voluntarily allocate all or part of their amount to deferred remuneration, after deduction of the related taxes, expenses and charges.
 - The variable component shall have sufficient flexibility to allow for its modulation, to the extent that it can be removed entirely, if necessary.
 - Under no circumstances may it exceed the percentage of fixed remuneration established for each level of employee.
- Promotion of appropriate and effective risk management, within the risk appetite framework defined by the Entity, which is consistent with the internal capital adequacy assessment process, and which does not encourage the assumption of risks that are incompatible with that risk profile.
- Proportionality between remuneration and risk assumed, according to the different levels of responsibility and risk profiles identified.

15.4 - Main characteristics of the Remuneration Policy

The elements that make up the remuneration of the people who make up the Identified Group are a fixed component and a variable component, which are approved annually by the Board of Directors.

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

The variable component of the remuneration is referenced, in any case, to the performance of the recipients based on the global and specific objectives approved annually by the Board of Directors at the proposal of the CEO, following a report from the Remuneration Committee, and It must not suppose, at any time, a future cost for the Entity for the purpose of retirement of the recipients. It will have sufficient flexibility to allow its modulation, to the point that it is possible to eliminate it completely, if necessary, and it may not exceed, in any case, 40% of the fixed remuneration established for each managerial level.

All the elements included in the remuneration system are considered routine remuneration practices, without prejudice to the fact that within the framework of the Strategic Plan “Plan + 20” a bonus has been granted to recognize the excellent performance of the leaders of the initiatives, a total of 15 people, who have allowed the organization to be mobilized to achieve the milestones set in each strategic initiative established therein.

15.5 - Decision-making process followed to establish the Remuneration Policy for the Identified Group

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

- The policy for the remuneration of the Directors and the other conditions of their contracts.
- The periodic review of the remuneration programmes, weighing their suitability and performance.
- The transparency of remuneration and compliance with the remuneration policy established by the Bank.

The main activities carried out by the Commission in the area of remuneration consisted of informing the Board of Directors of the degree of monitoring and compliance with the objectives established in the previous year, as well as the determination of the objectives that will determine, if applicable, the accrual of the variable remuneration of the Identified Group.

In addition, at least once a year, an independent evaluation of the application of the Remuneration Policy is carried out in order to verify whether the adopted remuneration guidelines and procedures are being complied with. The conclusions of the evaluation carried out by the external expert are reported to the Remuneration Commission so that it can make any appropriate recommendations and proposals for changes to the Board of Directors.

The Commission's proposals and reports are submitted to the Board of Directors:

- To approve the variable remuneration system for the people included in the Identified Group.
- To verify, as an integral part of the general supervisory function referred to in the Regulations of the Board of Directors, the correct and effective application of variable remuneration.
- To adopt, if necessary, the corrective measures that were necessary or convenient for the adequate and effective application of the provisions of the Policy.
- To agree on the inclusion or removal of persons in the Identified Group.

15.6 - Characteristics of the remuneration system of the members of the governing bodies

In accordance with the provisions of the Company's Bylaws, the position of Board Member is remunerated, distinguishing between non-executive and executive Board Members. The purpose of this distinction is to adequately remunerate the "senior management" services provided by the Board Members, taking into account, in any case, not only the principles that inspire this Policy but also the remuneration concepts used by other entities in the sector.

According to the minutes of the single shareholder's decision, on September 22, 2011, the Board of Directors of the Bank was authorized to set the allowance for the members of the governing bodies to attend the meetings called, up to the limit of the amount paid at that time by the parent company, *Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja*, as attendance and expense allowance.

Based on this authorization, the Board of Directors, at its meeting held on September 22, 2011, agreed to establish the amount of the allowance for attendance at the meetings of the members of the Group's governing bodies at €700 gross per meeting, without this amount having been subsequently modified.

15.6.1 - Remuneration of the Executive Director: Chief Executive Officer

The remuneration system for the CEO, the Entity's Chief Executive Officer, consists of the following remuneration items:

- a fixed part, appropriate to the services and responsibilities assumed;
- a variable part, correlated with some indicator of the performance of the director or of the Entity;
- an assistance component, which will include appropriate welfare and insurance systems; and
- compensation in the event of separation or any other form of termination of the legal relationship with the Entity not due to a breach attributable to the director.

The contract signed with the CEO details all the items for which he may obtain remuneration for the performance of executive functions, including, where appropriate, any compensation for early termination of such functions and the amounts to be paid by the Bank as insurance premiums or contributions to savings schemes.

The CEO may not receive any remuneration for the performance of executive duties for which the amounts or concepts are not provided for in the aforementioned contract.

15.6.2 - Remuneration of Directors in their capacity as such

In accordance with the provisions of the Articles of Association and the Policy on the Remuneration of Directors, the remuneration scheme for directors in their capacity as such and the specific scheme for the Chairman and Chief Executive Officer is as follows:

- **Directors in their capacity as such**

The components that make up the remuneration of the directors in their capacity as such are, in accordance with the Articles of Association: (i) the allowances for attending the meetings of the Board of Directors and its commissions, without prejudice to the reimbursement of the corresponding expenses, and (ii) an annual allowance to be determined by the Board for those directors who have special dedication and functions, who are the Chairmen of the Board Commissions, in addition to the Chairman of the Board.

- **Chairman of the Board**

Due to the performance of his office and his exclusive dedication, the Chairman of the Board of Directors receives a remuneration consisting of a fixed amount, established by the Board of Directors. This remuneration is independent of the allowances for attending the meetings of the governing bodies of which he is a member.

- **Chief Executive Officer**

The CEO, the only executive director of the Bank, according to the Articles of Association, shall be entitled to receive a remuneration composed of: (a) a fixed part, appropriate to the services and responsibilities assumed; (b) a variable part, correlated to some indicator of the director's or Entity's performance; (c) a welfare part, which shall contemplate the appropriate welfare and insurance systems; and (d) a compensation in the event of separation or any other form of termination of the legal relationship with the Entity not due to a breach attributable to the CEO.

The amount of remuneration that the Entity can pay to all of its directors for these items does not exceed the amount determined for this purpose by the General Meeting. The amount fixed shall remain unchanged until it is amended by a new resolution of the General Meeting. The determination of the exact amount to be paid within this limit, its distribution among the different directors, and the periodicity of its perception corresponds to the Board of Directors. Comparable credit institutions (peers) have been taken into account in the definition of the Entity's remuneration policy, with the collaboration of the EY firm, as external advisor, in the design phase of the current Policy approved in the year 2018.

15.7 - Characteristics of the senior management remuneration system

The remuneration of senior management consists of the following items:

- a fixed component, which shall be governed by the salary tables in the applicable collective agreement, comprising the basic salary or wage and any supplements or bonuses applicable in each case;
- a variable component, to be determined in accordance with the parameters and criteria set out below.

15.7.1 - Determination of objectives

It is the responsibility of the Board of Directors, at the proposal of the Remuneration Commission, to determine and review, on an annual basis, for each professional category included in the Identified Group, the proportion that the variable remuneration component should represent in relation to its fixed remuneration, as well as the percentage of weighting between the Global Objectives and Specific Objectives applicable in each case.

The setting of global and specific targets for variable remuneration is linked to prudent risk management, some of the main features of which are related to ex ante adjustments:

- Dependent and appropriate to the individual performance of the employees and to the results of the Entity, considering the impact of the underlying economic cycle, as well as the present and future risks.
- Flexibility and alignment with the Bank's strategic interests, without limiting the capacity to strengthen its solvency.
- Establishment of certain upper and lower limits that provide a clear mitigation of risks associated with their potential impact on the Entity's income statement and equity.

In accordance with the above, the annual objectives that apply to the Identified Group are generally measured in terms of two types of indicators:

- Overall objectives: these objectives are both quantitative (profit and loss account) and qualitative (customer satisfaction/quality of service).
- Specific objectives: depending on the activity and area of responsibility of each member of the Identified Group, both quantitative and qualitative indicators are defined and linked to the Strategic Plan and the annual Budget.

In general, the overall and specific objectives are weighted by 50%, except for the Deputy Directors-General whose overall objectives are weighted by 70% and the specific objectives by 30%.

The variable component of the remuneration is not guaranteed, and has sufficient flexibility to allow for its modulation, to the extent that it can be removed entirely, if necessary. In other words, it will be paid only if it is sustainable in accordance with the situation of the Entity as a whole, and if it is justified in terms of the Entity's results and the degree of performance of the persons concerned.

The definition of these objectives will be based on the decisions adopted by the Board of Directors, within the framework of the Remuneration Policy approved by the General Meeting of Shareholders, in the terms provided for in the applicable regulations in force. In any case, a substantial part, and in any case at least 40%, of the variable remuneration element is deferred over the duration of the Strategic Plan in order to take into account the economic cycle, the nature of the business, its risks and the activities of the employee concerned, and in no case may the deferral period be less than three years.

15.7.2 - Performance Assessment

This is a systematic process of assessing how managers carry out activities and assume responsibilities for the positions they hold.

The variable component of the remuneration is determined according to the achievement by the member of the Identified Group of the Global Objectives and the Specific Objectives that have been approved for each financial year by the Board of Directors, at the proposal of the Managing Director and following a favourable report from the Remuneration Commission, and which will be subject to a weighting taking into account especially the professional category of the person concerned.

The evaluation of the results taken as a reference for determining variable remuneration will be included in the multi-year framework coinciding with the Strategic Plan to ensure that the evaluation process is based on long-term results and that it takes into account the Entity's underlying business cycle and its risks.

15.8 - Payment with instruments and retention period

In general, 50% of the variable remuneration, both deferred and non-deferred, will be paid in instruments linked to the value and performance of the Bank.

Notwithstanding the above, in the case of the Managing Director and the members of the Management Committee, 50% of the non-deferred variable remuneration and 55% of the deferred variable remuneration will be paid in instruments.

To comply with the provisions of this section, the Entity will use a payment system based on the revaluation or depreciation of theoretical shares into which the share capital is divided ("phantom shares" or "instruments" without distinction).

The instruments granted will be valued at underlying book value on the grant date of the non-deferred part of the variable remuneration, and on each anniversary of that date.

15.9 - Deferral

The Board of Directors, at the proposal of the Chief Executive Officer and following a report from the Remuneration Commission, is responsible for setting and reviewing the criteria for the temporary deferral of the variable remuneration element, as well as the criteria for determining the composition of the variable remuneration element (whether deferred or not), distributing it between payment in cash and payment through non-monetary instruments, if applicable.

A substantial part, and in any case at least 40%, of the variable remuneration element will be deferred over the duration of the Strategic Plan in order to take into account the economic cycle, the nature of the business, its risks and the activities of the employee concerned, and in no case may the deferral period be less than three years.

Notwithstanding the foregoing, the variable remuneration of the Chief Executive Officer shall be subject to the following deferral clause:

- 60% of the variable remuneration element will be deferred for a period of five years.
- This deferred remuneration shall be paid over the five years immediately following the receipt of the non-deferred component in equal parts, the remuneration payable under the deferral provisions not being received more rapidly than proportionally.

By way of exception, in the hypothetical event that a particularly high variable remuneration element were to occur in the future, notwithstanding the fact that this provision does not apply currently, the deferral rate would be 60% of the variable remuneration element, at a rate of 20% per year. For this purpose, any variable remuneration in an amount equivalent to that of the CEO will be considered a particularly high amount.

Finally, the deferred amounts will not give rise to the payment of interest or dividends.

Variable remuneration, including the deferred part, will be paid only if it is sustainable in accordance with the situation of the Entity as a whole, and if it is justified on the basis of the results of the Entity, the business unit and the employee concerned.

15.10 - Malus clauses

The malus clauses are activated in the event that the Bank's relative situation worsens in the fundamental financial parameters (solvency, credit quality and liquidity) established in each case by the Board of Directors, following a report from the Remuneration Commission.

The parameters of comparison determining, if applicable, the application of the malus clauses, are established by the Board of Directors on an annual basis, following a report from the Remuneration Commission.

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

15.11 - Claw Back Clauses

When, during the deferral period and the retention period of the instruments applicable to the variable remuneration granted for the performance of a given year, regardless of the payment procedure in accordance with this Policy, the Entity reformulates its financial statements for the year to which the variable remuneration refers, and provided that, in accordance with the aforementioned reformulation, if the variable remuneration to be settled is lower than that initially accrued or if no remuneration has been paid in accordance with the variable remuneration system implemented by Ibercaja Banco, the gross variable remuneration already paid, both in cash and in instruments, whether deferred or not, will be recovered in a proportion equivalent to the impact that the reformulation of the financial statements has had on the level of achievement of the variable remuneration of the member of the Identified Group.

The gross variable remuneration already paid, both in cash and in instruments, whether or not it has been deferred, will be 100% recovered when, during the period of deferral and the period of retention of the instruments applicable to the variable remuneration granted for the performance of a given year, it is demonstrated that the payment of the variable remuneration was due to objectives whose fulfilment was achieved as a direct or indirect consequence of one of the following circumstances:

- A fraudulent action by the member of the Identified Group that leads to a very serious infringement in accordance with the provisions of the collective agreement for savings banks and financial institutions.
- That the member of the Identified Group has been sanctioned for an infringement of the rules of order and discipline referred to in Title IV of Law 10/2014 of 26 June, on the order, supervision and solvency of credit institutions, classified as serious or very serious.
- When during the deferral period and the retention period of the instruments applicable to the variable remuneration granted for the performance of a given year, it is demonstrated that the payment of the variable remuneration was due to objectives whose fulfilment was achieved as a consequence, directly or indirectly, of a fraudulent action by the member of the Identified Group that leads to the commission of a serious or minor infringement in accordance with the provisions of the collective agreement for savings banks and financial institutions, the gross variable remuneration already paid, both in cash and in instruments, whether deferred or not, shall be subject to recovery in the proportion determined by the Board of Directors in each case.

The determination by the Board of Directors, following a report from the Remuneration Commission, that the circumstances that should trigger the application of this clause have occurred and the percentage that should be returned to the Entity, based on the above, and the procedure by which the Entity can claim the proportional refund of the gross amount paid or even compensate it against other remunerations of any nature that the individual is entitled to receive, as well as the obligation of the individual to refund part or all of the gross amount to the Entity, will be made in accordance with the policy for the application of the clause for the refund of remunerations.

15.12 - Remuneration received

The information regarding the remuneration received by the members of the Entity's management body is detailed in sections 5.1 and 5.2 of the 2020 Financial Statements.

The aggregate quantitative information received by the members of the Board of Directors in financial year 2020 (in thousands of euros) is detailed below:

Table 67: Breakdown of aggregate remuneration of the Board of Directors

Aggregate remuneration of the Board of Directors	
(thousands of euros)	2020
Fixed remuneration	756
Variable remuneration	139
Assistance allowances	342
Other remunerations	245
Total	1,482

(Information corresponding to the Annual Corporate Governance Report)

No member of the Identified Group receives remuneration exceeding €1 million per financial year.

Below is the quantitative (aggregate) information of the Identified Group:

Table 68: Remuneration of the Identified Group

(thousands of euros)	BUSINESS AREAS						Total
	Investment Banking	Commercial Banking	Asset Management	Corporate functions	Independent control functions	Rest	
1. Identified group (employees or not)	-	-	-	-	-	-	-
2. Number of identified full-time equivalent employees (as of 31-12-2020)	5	22	3	18	10	5	63
Of which: senior management	1	3	1	4	1	1	11
Of which: in control functions	-	-	-	-	9	-	9
3. Amount of total fixed remuneration	441	2,246	361	1,945	920	603	6,516
Of which: in cash (060)	439	2,185	354	1,919	914	567	6,378
Of which: in shares or related instruments (070)	-	-	-	-	-	-	-
Of which: in other types of instruments (080)	-	-	-	-	-	-	-
4. Amount of total variable remuneration	57	446	65	271	59	105	1,002
Of which: in cash (140)	42	410	50	212	46	81	841
Of which: in shares or related instruments (150)	14	37	15	59	13	24	161
Of which: in other types of instruments (160)	-	-	-	-	-	-	-
5. Total variable remuneration accrued in the year deferred	11	28	11	45	10	18	124
Of which: in cash	5	13	5	20	4	8	56
Of which: in shares or related instruments	6	15	6	25	5	10	68
Of which: in other types of instruments	-	-	-	-	-	-	-
Additional information on the total amount of variable remuneration	-	-	-	-	-	-	-
6. Total amount of deferred variable remuneration accrued in previous years (16), according to article 450.1 (h) (iii) of Regulation (EU) No. 575/2013 (170)	38	91	35	161	32	75	431
7. Amount of the explicit ex post performance adjustment applied in the year for remunerations accrued in previous years (180)17	-	-	-	-	-	-	-
8. Number of beneficiaries of guaranteed variable remuneration (190)18	-	-	-	-	-	-	-
9. Total amount of guaranteed variable remuneration for the year (200)	-	-	-	-	-	-	-
10. Number of beneficiaries of compensation for dismissal due to early termination of the contract (210)	-	-	-	-	-	-	-
11. Total amount of compensation for early termination of contract paid during the year (220)	-	-	-	-	-	-	-
12. Maximum amount of compensation for early termination of contract paid to a person, according to Article 450.1(h)(v) of Regulation (EU) No. 575/2013 (230)	-	-	-	-	-	-	-
13. Number of beneficiaries of discretionary pension benefit contributions made in the year (240)19	-	-	-	-	-	-	-
14. Total amount of contributions to discretionary pension benefits in the year (250)19	-	-	-	-	-	-	-
Other additional information	-	-	-	-	-	-	-
15. Total amount of variable remuneration accrued in multi-year periods in programs that are not updated annually (260)	-	-	-	-	-	-	-
16. Number of beneficiaries of discretionary pension benefits who have left the Entity (either due to retirement or termination) (270)	-	-	-	-	-	-	-
17. Total amount of discretionary pension benefits paid or withheld in the year to people who have left the Entity (either due to retirement or termination) (280)	-	-	-	-	-	-	-

1 Includes the non-executive members of the management bodies of any entity included in the scope of consolidation, in accordance with section 2 of article 529, duodecies of Royal Legislative Decree 1/2010, of July 2, which approves the revised text of the Capital Companies Law. Payments for attending councils should be considered as remuneration.

2 Includes the executive members of the management bodies of any entity included in the scope of consolidation, in accordance with section 1 of article 529 duodecies of Royal Legislative Decree 1/2010. Payments for attending councils should be considered as remuneration.

3 Includes advisory services to companies on corporate finance, venture capital, capital markets, sales and negotiation.

4 Includes all loan activity (to individuals and companies)

5 Includes portfolio management, management of collective investment institutions and other forms of asset management.

6 All functions that are responsible for the Entity as a whole, at a consolidated and / or individual level, for example human resources or information systems.

7 Personnel of the risk, regulatory compliance and internal audit unit. The information on these functions must be carried out at a consolidated and / or individual level.

8 This column will include those employees who cannot be located in one of the business areas indicated. In this case, the Entity will include qualitative information in the line corresponding to the total number of employees indicating the activity they carry out.

9 Employees whose professional activities significantly affect the Entity's risk profile, in accordance with articles 2, 3 and 4 of Delegated Regulation (EU) no. 604/2014

10 The number must be expressed in full-time equivalent employees and referred to the number of active employees in the Entity at the end of the year.

11 Senior executives, understood as those individuals who exercise executive functions in the Entity and who are responsible for its daily management and are accountable for it before the management body.

12 The control functions include the risk management, regulatory compliance and internal audit functions, as well as the control units dependent on the business areas.

13 Fixed remuneration includes payments, regular contributions (non-discretionary) to pension funds or benefits (which do not depend on the performance of the person receiving them).

14 Variable remuneration includes additional payments or other benefits that depend on performance or, in exceptional circumstances, other contractual elements, but not those that are part of the usual packages for employees (such as health care, child support or normal and proportionate contributions to pension plans). Both pecuniary and non-pecuniary remuneration should be included. The amounts must be declared gross, without applying the variable remuneration discount rate (v.r.), which is applied to the v.r. total, to the v.r. in cash, to the v.r. in shares and instruments linked to shares and v.r. in other types of instruments.

15 Instruments in accordance with article 34.1 l) .2 of Law 10/2014

16 Deferred remuneration in accordance with article 34.1 m) of Law 10/2014. The amounts must be declared gross, without applying the variable remuneration discount rate (v.r.), which is applied to the v.r. total, to the v.r. in cash, to the v.r. in shares and instruments linked to shares and to the v.r. in other types of instruments.

17 Explicit ex post adjustment as defined in article 34.1.n) of Law 10/2014

18 Variable remuneration guaranteed with the details established in sections d) and e) of article 34.1 of Law 10/2014.

19 As defined in point (73) of article 4.1 of Regulation (EU) no. 575/2013.

Note: In the case of having data in column 080, the Entity will include qualitative information associated with said amount in the line corresponding to the total number of employees indicating the activity they carry out.

(*) The following will be recorded:

0 Statement corresponding to consolidated group

2 Individual status corresponding to entity



ANNEXES

ANNEXES

ANNEX I: Main Characteristics of Equity Instruments

Main Characteristics of CET 1 and additional TIER 1 Capital Instruments			
1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (e.g. CUSIP, ISIN or <i>Bloomberg</i> identifier for private placement of securities)	n/a	ES0844251001
3	Legislation applicable to the instrument	REGULATION (EU) NO. 575/2013	REGULATION (EU) No 575/2013
Regulatory treatment			
4	Transitional rules for the CRR	Tier 1 Capital	Additional Tier 1 Capital
5	Post-transition CRR rules	Tier 1 Capital	Additional Tier 1 Capital
6	Individually / (sub)consolidated (Individually and (sub)consolidated)	Individual and (sub)consolidated	Individual and (sub)consolidated
7	Type of instrument (each country will specify the relevant types)	Actions	Preference shares
8	Amount recognized in regulatory capital (currency in millions, at date of last notification)	214	350
9	Nominal amount of instrument	214	350
9a	Issue price	n/a	1
9b	Redemption price	n/a	1
10	Accounting classification	Equity	Equity
11	Initial Issue Date	n/a	06/04/2018
12	Perpetual or expired	Perpetual	Perpetual
13	Initial maturity date	No expiry date	No expiry date
14	Issuer's call option subject to prior supervisory approval	No	Yes
15	Optional date of exercise of the call option, contingent exercise dates and amount to be reimbursed	n/a	06/04/2023, and at any time for tax reasons or a capital event, and with the prior consent of the Competent Authority. Repurchase price, 100%.
16	Subsequent exercise date, if applicable	n/a	Each payment date after the first early redemption date.
Coupons/Dividends			
17	Fixed or variable dividend or coupon	Variable	From fixed to variable
18	Coupon rate and any related index	n/a	7% payable quarterly until 06/04/2023. Thereafter MS 5 years + 680.9 bps.
19	Existence of limitations on dividend payments	No	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully Discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of quantity)	Fully discretionary	Fully Discretionary
21	Existence of a coupon increase and other incentives for reimbursement	No	No
22	Cumulative or non-cumulative	Non-cumulative	Non-Cumulative
23	Convertible or non-convertible	Non-convertible	Non-Convertible
24	If they are convertible, factor(s) that trigger the conversion	n/a	n/a
25	If they are convertible, in whole or in part	n/a	n/a
26	If convertible, applicable conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If they are convertible, specify the type of instrument into which they can be converted	n/a	n/a
29	If convertible, specify the issuer of the instrument being converted	n/a	n/a
30	Depreciation characteristics	n/a	Yes
31	In case of depreciation, factor(s) that trigger it	n/a	CET1 ratio below 5.125%
32	In case of depreciation, total or partial	n/a	Partial, and may become total
33	In case of depreciation, permanent or temporary	n/a	Temporary
34	If the depreciation is provisional, description of the assessment mechanism	n/a	Mechanism defined in the Issue Document
35	Position in the subordination hierarchy in the settlement	Last position	After subordinate creditors
36	Non-compliant features after transition	No	No
37	If yes, please specify the non-conforming characteristics	n/a	n/a

Main Characteristics of TIER 2 Capital Instruments

1	Issuer	Ibercaja Banco, S.A.
2	Unique identifier (e.g. CUSIP, ISIN or <i>Bloomberg</i> identifier for private placement of securities)	ES0244251015
3	Legislation applicable to the instrument	REGULATION (EU) NO. 575/2013
	Regulatory treatment	
4	Transitional rules for the CRR	Tier 2 Capital
5	Post-transition CRR rules	Tier 2 Capital
6	Individually / (sub)consolidated (Individually and (sub)consolidated)	Individual and (sub)consolidated
7	Type of instrument (each country will specify the relevant types)	Subordinated Liabilities
8	Amount recognized in regulatory capital (currency in millions, at date of last notification)	500
9	Nominal amount of instrument	500
9a	Issue price	1
9b	Redemption Price	1
10	Accounting classification	Liabilities (at amortised cost)
11	Initial Issue Date	23/01/2020
12	Perpetual or expired	Due date determined
13*	Initial maturity date	23/07/2030
14	Issuer's call option subject to prior supervisory approval	Si
15	Optional date of exercise of the call option, contingent exercise dates and amount to be reimbursed	23/07/2025, and at any time for tax reasons or a capital event, and with the prior consent of the Bank of Spain. Repurchase price, 100%.
16	Subsequent exercise date, if applicable	n/p
	Coupons/Dividends	
17	Fixed or variable dividend or coupon	From fixed to variable
18	Coupon rate and any related index	2.75% up to 23/7/2025. Thereafter, MS 5 years + 288.2 bps.
19	Existence of limitations on dividend payments	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of quantity)	Mandatory
21	Existence of a coupon increase and other incentives for reimbursement	No
22	Cumulative or non-cumulative	n/a
23	Convertible or non-convertible	Non-convertible
24	If they are convertible, factor(s) that trigger the conversion	n/a
25	If they are convertible, in whole or in part	n/a
26	If convertible, applicable conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If they are convertible, specify the type of instrument into which they can be converted	n/a
29	If convertible, specify the issuer of the instrument being converted	n/a
30	Depreciation characteristics	n/a
31	In case of depreciation, factor(s) that trigger it	n/a
32	In case of depreciation, total or partial	n/a
33	In case of depreciation, permanent or temporary	n/a
34	If the depreciation is provisional, description of the assessment mechanism	n/a
35	Position in the subordination hierarchy in the settlement (specify the next higher ranking instrument type)	After the common creditors
36	Position in the subordination hierarchy in the settlement	No
37	Non-compliant features after transition	n/a

ANNEX II: Information on transitional own funds

INFORMATION ON TRANSITIONAL OWN FUNDS			
Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE (*)	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and related share premium accounts	214,428	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: common shares	214,428	EBA list 26 (3)
	Of which: instrument type 2	-	EBA list 26 (3)
	Of which: instrument type 3	-	EBA list 26 (3)
2	Retained earnings	622,905	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	2,121,480	26 (1)
3a	Funds for general banking risks	-	26 (1) (f)
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	-	486 (2)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (2)
5	Minority interests (amount allowed in consolidated CET1)	-	84, 479, 480
5a	Independently verified interim profits, net of any foreseeable charge or dividend	19,753	26 (2)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,978,566	Sum of rows 1 a 5a
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(1,389)	34, 105
8	Intangible assets (net of related tax liabilities) (negative amount)	(220,265)	36 (1) (b), 37, 472 (4)
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities where the conditions in Article 38(3) are met) (negative amount)	(263,693)	36 (1) (c), 38, 472 (5)
101,981			
11	Fair value reserves related to gains or losses on cash flow hedges	(8,551)	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity resulting from the securitised assets (negative amount)	-	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)
17	Holdings of CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44, 472 (9)
18	Direct and indirect holdings by the institutions of CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institutions of the CET1 instruments of financial sector entities where the institution holds a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) a (3), 79, 470, 472 (11)
20	Empty set in the EU		
20a	Exposure amount of the following items, which qualify for a RW of 1.250%, where the institution opts for the deduction alternative	-	36 (1) (k)
20b	Of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 a 91
20c	Of which: securitisation positions (negative amount)	-	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	Of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liability where the conditions set out in Article 38(3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)

INFORMATION ON TRANSITIONAL OWN FUNDS			
Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE (*)	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No 575/2013
22	Amount exceeding the 15 % threshold (negative amount)	-	48 (1)
23	Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty set in the EU	-	-
25	Of which: deferred tax assets arising from temporary differences	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Loss for the current financial year (negative amount)	-	36 (1) (a), 472 (3)
25b	Foreseeable taxes charges relating to CET1 items (negative amount)	-	36 (1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-
	Of which: unrealised gains on equity instruments	-	467
	Of which: unrealised gains on debt instruments	-	467
	Of which: ... filter for unrealised gains 1	-	468
	Of which: ... filter for unrealised gains 2	-	468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	481
	Of which: ...	-	481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (j)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(493,898)	Sum of rows 7 a 20a, 21, 22 y 25a a 27
29	Common Equity Tier 1 (CET1) capital	2,484,668	Row 6 minus row 28
Additional Tier 1 (AT1) capital: instruments			
30	Equity instruments and related share premium accounts	350,000	51, 52
31	of which: classified as equity under applicable accounting standards	350,000	-
32	of which: classified as a liability under the applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	-	486 (3)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (3)
34	Qualifying Tier 1 capital included in consolidation AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480
35	Of which: instruments issued by subsidiaries subject to phase out	-	486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	350,000	Sum of rows 30, 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)
40	Direct and indirect holdings of the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in these entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
41a	Residual amounts deducted from the Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)

INFORMATION ON TRANSITIONAL OWN FUNDS

Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE (*)	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No 575/2013
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)
	Of which items to be detailed line by line, e.g. reciprocal cross holdings of Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.	-	-
41c	Amount to be deducted from or added to additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481
	Of which: ... possible filter for unrealised losses	-	467
	Of which: ... possible filter for unrealised gains	-	468
	Of which: ...	-	481
42	Quantifying T2 capital deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	Total regulatory adjustments to additional Tier 1 (AT1) capital	-	Sum of rows 37 to 42
44	Additional Tier 1 (AT1) Capital	350,000	Row 36 minus row 43
45	Tier 1 capital (T1 = CET1 + AT1)	2,834,668	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and related share premium accounts	500,000	62, 63
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	-	486 (4)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	87, 88, 480
49	Of which: instruments issued by subsidiaries subject to phase out	-	486 (4)
50	Credit risk adjustments	-	62 (c) y (d)
51	Tier 2 (T2) capital before regulatory adjustments	500,000	-
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of T2 instruments and subordinated loans of financial sector entities where those entities have a reciprocal cross holding with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)
54a	Of which new holdings not subject to transitional arrangements	-	-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to the pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses, etc.	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from additional Tier 1 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)
	Of which: items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.	-	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481

INFORMATION ON TRANSITIONAL OWN FUNDS

Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE (*)	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No 575/2013
Of which: ... possible filter for unrealised losses	-	467	-
Of which: ... possible filter for unrealised gains	-	468	-
Of which: ...	-	481	-
57 Total regulatory adjustments to Tier 2 (T2) capital	-	Sum of rows 52 to 56	-
58 Tier 2 (T2) capital	500,000	Row 51 minus row 57	-
59 Total Capital (TC = T1 + T2)	3,334,668	Sum of row 45 and row 58	101,981
59a Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-	-
Of which: ... items not deducted from CET1 (Regulation (EU) No 575/2013, residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	-	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	-
Of which: ... items not deducted from AT1 items (Regulation (EU) No 575/2013, residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	-
Items not deducted from T2 items (Regulation (EU) No 575/2013, residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	-	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	-
60 Total risk-weighted assets	18,248,449	-	-
Capital Ratios and Buffers			
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	13.62%	92 (2) (a), 465	-
62 Tier 1 (as a percentage of risk exposure amount)	15.53%	92 (2) (b), 465	-
63 Total capital (as a percentage of risk exposure amount)	18.27%	92 (2) (c)	-
64 Institution-specific buffer requirements (CET1 requirement in accordance with Article 92(1)(a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institutions buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	-	DRC 128, 129 y 130	-
65 of which: capital conservation buffer requirement	-	-	-
66 of which: countercyclical buffer requirement	-	-	-
67 of which: systemic risk buffer requirement	-	-	-
67a of which: Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII) buffer	-	DRC 131	-
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.12%	DRC 128	-
69 [non relevant in EU regulations]	-	-	-
70 [non relevant in EU regulations]	-	-	-
71 [non relevant in EU regulations]	-	-	-
Amounts below the thresholds for deduction (before risk weighting)			
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10 % threshold and net of eligible short positions)	159,353	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	-
73 Direct and indirect holdings of Common Equity Tier 1 capital instruments of financial sector entities where the entity holds a significant investment in these entities (amount below 10 % threshold and net of eligible short positions)	2,651	36 (1) (i), 45, 48, 470, 472 (11)	-
74 Empty set in the EU	-	-	-
75 Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met)	223,216	36 (1) (c), 38, 48, 470, 472 (5)	-
Applicable caps on the inclusion of provisions in Tier 2			
76 Credit risk adjustments included in T2 in respect of exposures subject to the Standardised Approach (prior to the application of the cap)	-	62	-
77 Cap on the inclusion of credit risk adjustments in T2 under the standardised approach	-	62	-

INFORMATION ON TRANSITIONAL OWN FUNDS

Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 ARTICLE REFERENCE (*)	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) No 575/2013	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	-	62	-
79	Cap for inclusion of credit risk adjustments in T2 under the internal ratings based approach	-	62	-
Capital instruments subject to phase-out provision arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	484 (3), 486 (2) y (5)	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) y (5)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	484 (4), 486 (3) y (5)	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) y (5)	-
84	Current cap on T2 instruments subject to phase out arrangements	-	484 (5), 486 (4) y (5)	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) y (5)	-

(*) Except for the transitional provisions of IFRS9

ANNEX III: Own funds and phase-in and fully-loaded capital requirements

Own Funds and phase-in and fully-loaded capital requirements		
(thousands of euros)	2020 phased-in	2020 fully-loaded
TOTAL COMPUTABLE OWN FUNDS	3,334,668	3,140,041
Tier 1 Capital (T1)	2,834,668	2,640,041
Common Equity Tier 1 Capital (CET1)	2,484,668	2,290,041
Disbursed equity instruments	214,428	214,428
Share premium	-	-
Retained earnings from previous years	622,905	622,905
Eligible results	19,753	19,753
Other reserves	2,063,691	1,949,689
Common Equity Tier 1 Capital Instruments under the preemptive regime	-	-
Minority interests	-	-
Other accumulated comprehensive income	57,789	57,789
Deductions from Common Equity Tier 1 (CET 1) capital instruments	(493,898)	(574,523)
Losses for the current year	-	-
Intangible assets	(220,265)	(220,265)
Defined benefit pension fund assets	-	-
Treasury stock: Direct holdings of CET1 instruments	-	-
Reciprocal holdings of CET1 instruments	-	-
Deferred tax assets dependent on future returns	(263,693)	(344,318)
Holdings in financial sector entities with significant influence	-	-
Excess shareholdings in financial sector entities in which there is no significant influence	-	-
Exposures that would be weighted at 1250% not included in the requirements	-	-
Other deductions from Common Equity Tier 1 (CET1) capital	(9,940)	(9,940)
Additional Tier 1 Capital (AT1)	350,000	350,000
Additional Tier 1 capital instruments under the preemptive regime	350,000	350,000
Deductions from Additional Tier 1 (AT1) capital instrument	-	-
Treasury stock: Direct holdings of AT1 instruments	-	-
Reciprocal holdings of AT1 instruments	-	-
Intangible assets	-	-
Holdings in financial sector entities with significant influence	-	-
Excess shareholdings in financial sector entities in which there is no significant influence	-	-
Other Deductions from Additional Tier 1 Capital	-	-
Tier 2 Capital (T2)	500,000	500,000
Subordinated financing and subordinated loans and others	500,000	500,000
Deductions from Tier 2 (T2) capital instruments	-	-
Treasury stock: Direct holdings of AT1 instruments	-	-
Reciprocal holdings of T2 instruments	-	-
Subordinated debt and subordinated debt in financial sector entities with significant influence	-	-
Excess shareholdings in financial sector entities in which there is no significant influence	-	-
Other Tier 2 capital deductions	-	-
Total capital requirements	1,459,876	1,455,314
Capital requirements for credit, counterparty and dilution risk	1,350,605	1,346,043
Capital requirements for market risk	-	-
Capital requirements for operational risk	108,314	108,314
Capital requirements for credit valuation adjustment (CVA)	957	957
Risk-weighted assets	18,248,449	18,191,427

ANNEX IV: Phase-in and fully-loaded capital ratios

Phase-in and fully-loaded capital ratios		
	2020 phased-in	2020 fully - loaded
Common Equity Tier 1 capital ratio (CET1)	13.62%	12.59%
Minimum required CET1	4.50%	4.50%
Tier 1 Capital Ratio (T1)	15.53%	14.51%
Minimum required T1	6.00%	6.00%
Total capital ratio	18.27%	17.26%
Minimum total capital requirement	8.00%	8.00%
Total capital requirements	1,459,876	1,455,314
Capital requirements for credit, counterparty and dilution risk	1,350,605	1,346,043
Capital requirements for market risk	-	-
Capital requirements for operational risk	108,314	108,314
Capital requirements for credit valuation adjustment (CVA)	957	957
Risk-weighted assets	18,248,449	18,191,427
Leverage ratio	6.26%	5.85%

ANNEX V: Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR

Grupo Ibercaja applies the transitory provisions of IFRS 9 established in article 473 bis of Regulation No. 575/2013 (introduced in article 1 of Regulation 2395/2017) and modified by Regulation (EU) 2020/873 (Quick Fix of the CRR), mitigating the impact of the adoption of IFRS 9 by applying a static and dynamic phased-in in their capital ratios. In order to recalculate the requirements established in this Regulation without taking into account the effects of the provisions for expected credit losses that have been included in its Common Equity Tier 1 capital, it has been chosen to assign a risk weight of 100% to these amounts, according to section 7 bis.

The Entity has not made use of the temporary treatment of accumulated unrealized gains and losses as of December 31, 2019, valued at fair value with changes in other comprehensive income, corresponding to exposures to central administrations, regional administrations or the local authorities and public sector entities pursuant to article 468 of Regulation No. 575/2013.

(thousands of euros)		Dec-20
Available capital (amounts)		
1	Common Equity Tier 1 (CET1) capital	2,484,668
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,365,575
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	-
3	Tier 1 Capital (T1)	2,834,668
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,715,575
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-
5	Total capital	3,334,668
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,215,575
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-
Risk-weighted assets (amounts)		
7	Total risk-weighted assets	18,248,449
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,191,427
Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.62%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.00%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-
11	Tier 1 (as a percentage of risk exposure amount)	15.53%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.93%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-
13	Total capital (as a percentage of risk exposure amount)	18.27%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.68%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-
Leverage ratio		
15	Leverage ratio total exposure measure	45,295,546
16	Leverage ratio	6.26%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.00%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	-

ANNEX VI: CRR Mapping

CRR Mapping			
Article	Content	Location in the IRP 2020	Tables
431. Scope of disclosure requirements			
431.1	Requirement to publish Pillar 3 disclosures	Pillar III Disclosure Report (Ibercaja Group website)	
431.2	Permission granted by the competent authorities under Part Three for the instruments and methodologies referred to in Title III shall be subject to the public disclosure by institutions of the information laid down therein.	Chapter 1	
431.3	Institution must have a policy covering the frequency of disclosures, their verification, comprehensiveness and appropriateness, as well as policies for assuring the overall comprehension of their risk profile by market participants.	Policy for the disclosure and verification of information with prudential relevance of Ibercaja Banco, S.A. and its Consolidated Group	
431.4	Explanation of SMEs ratings decision upon request.	N/A	
432. Non-material, proprietary or confidential information			
432.1	Institutions may omit information that is not material if certain conditions are respected.	Chapter 1	
432.2	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	Chapter 1	
432.3	Where 432.2 applies this must be stated in the disclosures, and more general information must be disclosed.	Chapter 1	
432.4	Use of 432.1, 432.2 or 432.3 is without prejudice to scope of liability for failure to disclose material information.	Chapter 1	
433. Frequency of disclosure			
433	Disclosures must be published on an annual basis at a minimum, and more frequently if necessary.	Chapter 1	
434. Means of disclosures			
434.1	To include all disclosures in one appropriate medium, or provide clear cross-references to the similar information in the other media.	Chapter 1	
434.2	Disclosures made under other requirements (e.g. accounting, listing) can be used to satisfy Pillar 3 requirements, if appropriate	Chapter 1	

435. Risk management objectives and policies			
435.1	Disclose information for each separate category of risk:	Chapter 6	
435.1.a	The strategies and processes to manage risks.	Chapter 6.2.3.	
435.1.b	Structure and organization of the risk management function.	Chapters 6.2.2, 6.2.4 and 6.2.5	
435.1.c	Risk reporting and measurement systems	Chapters 6.2.3 and 6.2.6	
435.1.d	Hedging and mitigating risk - policies, strategies and processes.	Chapters 6.2.1 and 6.2.3	
435.1.e	A declaration of adequacy of risk management arrangements approved by the Board.	Chapter 6.2.1	
435.1.f	Inclusion of a concise risk statement approved by the Board.	Chapter 6.2.1	
435.2	Information on governance arrangements, including information on Board composition and recruitment, and risk committees.		
435.2.a	Number of directorships held by Board members.	Chapter 3.2.1	
435.2.b	Recruitment policy for the selection of Board members, their actual knowledge, skills and expertise.	Chapters 3.2.2 y 3.2.3 Cross reference to the Notes to the Financial Statements	
435.2.c	Policy on diversity of Board membership, objectives, and achievement status.	Chapter 3.2.6	
435.2.d	Existence of a dedicated risk committee, and number of meetings during the year.	Chapter 3.2.2	
435.2.e	Description of the information flow on risk to the Board.	Chapter 3.2.2	
436. Scope of application of the requirements			
436	Institutions shall disclose the following information regarding the scope of application of the requirements of this Regulation in accordance with Directive 2013/36/EU:		
436.a	Name of institution to which the requirements of this Regulation applies.	Chapters 1 y 3	
436.b	Difference in the basis of consolidation for accounting and prudential purposes, briefly describing entities that are: (i) fully consolidated (ii) proportionally consolidated (iii) deducted from own funds (iv) neither consolidated nor deducted	Chapters 3.3 y 3.4	Table 13
436.c	Impediments to transfer of own funds between parent and subsidiaries.	Chapters 3.5 y 3.6	
436.d	Capital shortfalls in any subsidiaries outside the scope of consolidation.	Chapter 3.5	Tables 14 and 15
436.e	The circumstance of making use of articles on derogations from: a) Prudential requirements b) Liquidity requirements for individual subsidiaries/entities.	Chapter 3.6	

437. Own Funds			
437.1	Institutions shall disclose the following information regarding their own funds:	Chapter 4.1	
437.1.a	A full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution.	Chapter 4.1	Tables 17 and 18
437.1.b	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution.		Annex I
437.1.c	Dull terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments.		Annex I
437.1.d	Disclosure of the nature and amounts of the following: (i) Each prudential filter applied pursuant to Articles 32 to 35; (ii) Each deduction made pursuant to Articles 36, 56 and 66; (iii) Items not deducted in accordance with Articles 47, 51, 56, 66 and 79.		Annex II
437.1.e	Description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply.	Chapter 4	Annex III
437.1.f	Explanation of the calculation basis of the disclosed capital ratios estimated using elements of own funds determined, on a basis other than that laid down in this Regulation.	N/A	
438. Capital requirements			
438	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation and in Article 73 of Directive 2013/36/EU:		
438.a	Summary of the institution's approach to assessing adequacy of capital levels.	Chapter 5.1	
438.b	Result of ICAAP on demand from authorities.	Chapter 5.1	
438.c	Capital requirements for each Standardised approach credit risk exposure class.	Chapter 5.2	Table 20
438.d	Capital requirements for each Internal Ratings Based Approach credit risk exposure class.	N/A	
438.e	Capital requirements for market risk or settlement risk.	Chapters 5.4 and 5.5	
438.f	Capital requirements for operational risk, separately for the Basic Indicator Approach, the Standardised Approach, and the Advanced Measurement Approaches as applicable.	Chapter 5.6	Table 24
438 last paragraph	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	N/A	

439. Exposure to counterparty credit risk			
439	Institutions shall disclose the following information regarding the institution's exposure to counterparty credit risk as referred to in Part Three, Title II, Chapter 6:		
439.a	Description of process to assign internal capital and credit limits to CCR exposures.	Chapter 7.3	
439.b	Discussion of policies for securing collateral and establishing credit reserves.	Chapter 7.3	
439.c	Discussion of management of wrong-way risk exposures.	Chapter 7.3	
439.d	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	Chapter 7.3	
439.e	Derivation of net derivative credit exposure.	Chapter 7.3	Table 37
439.f	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	Chapters 5.2 and 7.3	Tables 21 and 38
439.g	Notional value of credit derivative hedges and distribution of current credit exposure by type of exposure.	Chapter 7.7.2	Table 44
439.h	Notional amounts of credit derivative transactions.	Chapter 7.7.2	Table 44
439.i	Estimate of alpha, if applicable.	N/A	Table 38
440. Capital buffers			
440	Disclosure of the following information in relation to its compliance with the requirement for a countercyclical capital buffer referred to in Title VII, Chapter 4 of Directive 2013/36/EU:		
440.a	Geographical distribution of credit exposures relevant for the calculation of countercyclical capital buffer.	Chapter 4	
440.b	Amount of the specific countercyclical capital Buffer.	N/A	
441. Indicators of global systemic importance			
441	Disclosure of the indicators of global systemic importance.	N/A	

442. Credit risk adjustments			
442	Institutions shall disclose the following information regarding the institution's exposure to credit risk and dilution risk:		
442.a	Definitions, for accounting purposes, of past due and impaired exposures.	Chapter 7.1	
442.b	Description of the approaches adopted for calculating specific and general credit risk adjustments.	Chapter 7.1	
442.c	Disclosure of pre-CRM (credit risk mitigation) EAD by exposure class.	Chapters 7.2.1 and 7.3	Table 28
442.d	Disclosure of pre-CRM (credit risk mitigation) EAD by geography and exposure class.	Chapter 7.2.2	Table 27
442.e	Disclosure of pre-CRM (credit risk mitigation) EAD by industry and exposure class.	Chapter 7.2.3	Table 28
442.f	Disclosure of pre-CRM (credit risk mitigation) EAD by residual maturity and exposure class.	Chapter 7.2.4	Table 29
442.g	Breakdown of impaired, past due, specific and general credit risk adjustments, and impairment charges for the period, by industry.	Chapter 7	Tables 29, 30, 31, 32, 35 and 44
442.h	Impaired and past due exposures, broken down by geographical area, and the amounts of specific and general credit risk adjustments related to each geographical area.	Chapter 7.2.5	Table 31
442.i	Reconciliation of changes in specific and general credit risk adjustments for impaired exposures.	Chapter 7.2.6 and 7.2.7	Tables 33 and 34
442 last paragraph	Specific credit risk adjustments recorded to income statement are disclosed separately.	Chapter 7.2.7	Table 34
443. Unencumbered assets			
443	Disclosure of unencumbered assets.	Chapter 13	
444. Use of ECAs			
444	For institutions calculating the risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2, the following information shall be disclosed for each of the exposure classes specified in Article 112:		
444.a	Names of the ECAs used in the calculation of Standardised approach risk-weighted assets and reasons for any changes.	Chapter 7.4	Table 39
444.b	Exposure classes associated with each ECAI.	Chapter 7.4	Table 39
444.c	Description of the process used to transfer credit assessments to non-trading book items.	Chapter 7.4	
444.d	Mapping of external rating to credit quality steps (CQS).	N/A	
444.e	Exposure value pre- and post-credit risk mitigation, by CQS.	Chapter 7.4	Tables 40 and 41

445. Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Chapters 1 and 5.4	Annex III and IV
446. Operational risk			
446	Scope of approaches used to calculate operational Risk.	Chapter 9	
447. Exposures in equities not included in the trading book			
447	Institutions shall disclose the following information regarding the exposures in equities not included in the trading book:		
447.a	Differentiation of exposures based on their objectives and an overview of accounting techniques and valuation methodologies used.	Chapter 10.1 Cross reference to the Notes to the Financial Statements	
447.b	The balance sheet value, the fair value and, for those exchange- traded, a comparison to the market price where it is materially different from the fair value.	Chapter 10.2	Table 50
447.c	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures.	Chapter 10	
447.d	Cumulative realised gains or losses arising from sales and liquidations in the period.	Chapter 10.2	
447.e	Total unrealised gains or losses, total unrealised revaluation gains or losses, and any such amounts included in original or additional equity	Chapter 10.2	

448. Exposure to interest rate risk on positions not included in the trading book			
448	Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book:		
448.a	Nature of the interest rate risk and the key assumptions, and frequency of measurement of the interest rate risk.	Chapters 11 and 6.2.3.	
448.b	Variation in earnings, economic value or other relevant measure used by the bank for upward and downward rate shocks according to the banks method for measuring the interest rate risk, broken down by currency.	Chapter 11.1	Table 52
449. Exposure to securitisation positions			
449	Institutions calculating risk weighted exposure amounts in accordance with Part Three, Title II, Chapter 5 or own funds requirements in accordance with Article 337 or 338 shall disclose the following information, where relevant, separately for their trading and non-trading book:		
449.a	Objectives in relation to securitisation activity.	Chapter 7.6.1	
449.b	Nature of other risks in securitised assets, including liquidity.	Chapter 7.6.2	
449.c	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets.	Chapter 7.6.2	
449.d	Roles played by the institution in the securitisation process.	Chapter 7.6.3	
449.e	Extent of the institution's involvement in each of the securitisation roles.	Chapter 7.6.3	
449.f	Processes in place to monitor changes in credit and market risks of securitisation exposures, and how the processes differ for re-securitisation exposures.	Chapter 7.6.3	
449.g	Description of the institution's policies with respect to hedging and unfunded protection, and identification of material hedge counterparties, by relevant type of risk exposure.	Chapter 7.6.2	
449.h	Approaches to the calculation of risk-weighted assets for securitisations mapped to types of exposures.	Chapter 7.6.6	
449.i	Types of SSPEs used to securitise third-party exposures as a sponsor.	N/A	

449.j	<p>A summary of the institution's accounting policies for securitisation activities, including:</p> <ul style="list-style-type: none"> (i) whether the transactions are treated as sales or financings; (ii) the recognition of gains on sales; (iii) the methods, key assumptions, inputs and changes from the previous period for valuing securitisation positions; (iv) the treatment of synthetic securitisations if not covered by other accounting policies; (v) how assets awaiting securitisation are valued and whether they are recorded in the institution's nontrading book or the trading book; (vi) policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support for securitised assets. 	Chapter 7.6.4
449.k	Names of ECAIs used for securitisations and type.	Chapter 7.6.5
449.l	Full description of Internal Assessment Approach.	N/A
449.m	Explanation of significant changes in quantitative disclosures, since the last reporting period.	N/A
449.n	<p>As appropriate, separately for the Banking and trading book securitisation exposures:</p> <ul style="list-style-type: none"> (i) amount of outstanding exposures securitised; (ii) on balance sheet securitisation retained or purchased, and off balance sheet exposures; (iii) amount of assets awaiting securitisation; (iv) early amortisation treatment, aggregate drawn exposures and capital requirements for securitised facilities; (v) Deducted or 1250%-weighted securitisation positions; (vi) summary of the securitisation activity of the current period. 	N/A
449.o	<p>Banking and trading book securitisations:</p> <ul style="list-style-type: none"> (i) Retained and purchased positions and associated capital requirements, broken down by risk-weight bands; (ii) Retained and purchased re-securitisation positions before and after hedging and insurance; exposure to financial guarantors broken down by guarantor credit worthiness. 	N/A
449.p	Impaired assets and recognised losses related to banking book securitisations, by exposure type.	N/A
449.q	Exposure and capital requirements for trading book securitisations, separated into traditional and synthetic, and exposure type.	N/A
449.r	Whether the institution has provided noncontractual financial support to securitisation vehicles.	N/A

450. Remuneration policy			
450	Remuneration disclosures (Material Risk Takers):		
450.1.a	Information on the decision-making process followed to establish the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the year.	Chapters 3.2.2 y 15	
450.1.b	Information on the link between remuneration and results.	Chapters 15.7.1 y 15.7.2	
450.1.c	The most important features of the design of the remuneration system, specifying information on the criteria applied in the evaluation of results and their adjustment for risk, the deferral policy and the criteria for acquiring rights.	Chapters 15.2, 15.4, 15.7.1, 15.9	
450.1.d	The ratios between fixed and variable remuneration established.	Chapter 15.4	
450.1.e	Information on the performance criteria on which the right to shares, options or variable components of remuneration is based.	Chapters 15.2, 15.7.1 y 15.7.2	
450.1.f	The main parameters and motivation for possible variable remuneration schemes and other non-monetary benefits.	Chapters 15.4, 15.7.1, 15.7.2	
450.1.g	Aggregated quantitative information on remuneration, broken down by field of activity.	Chapter 15.12	Table 68
450.1.h	Aggregate quantitative information on compensation, broken down by senior management and employees whose activities have a material impact on the risk profile of the entity, including: (i) the amounts of compensation for the financial year, divided into fixed and variable compensation, and the number of beneficiaries, (ii) the amounts and form of variable remuneration, divided into cash benefits, shares, share-related instruments and other forms of remuneration, (iii) the amounts of deferred remuneration payable, broken down into attributed and unattributed portions, (iv) the amounts of deferred remuneration granted during the financial period, as paid and reduced by performance adjustments, (v) payments on rehire and termination payments made during the financial period, and the number of beneficiaries of such payments, (vi) the amounts of termination payments granted during the financial period, the number of beneficiaries and the maximum amount of such payments made to each beneficiary.	Chapter 15.12	Table 68
450.1.i	The number of persons receiving remuneration of €1 million or more per financial year, broken down into steps of €500,000 for remuneration between €1 million and €5 million, and broken down into steps of €1 million for remuneration of e 5 million or more.	Chapter 15.12	
450.1.j	At the request of the Member State or the competent authority, the total remuneration of each member of the management body or senior management.	Chapter 15.12 Cross-reference to notes 5.1 and 5.2 of the Financial Statements	

450.2	For entities which are significant in terms of their size, internal organisation and the nature, range and complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public as regards the members of the entity's management body.	N/A
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451. Leverage

451.a	Leverage ratio.	Chapter 14.3.2	Table 63
451.b	A breakdown of the total exposure measures, including the reconciliation to financial statements.	Chapter 14.2	Table 66
451.c	If applicable, the total amount of the derecognized fiduciary items.	Chapter 14.1	Tables 63, 65 and 66
451.d	Description of the processes used to manage the risk of excessive leverage	Chapter 14.3.1	
451.e	Description of the factors that impacted the leverage ratio during the year.	Chapter 14.3.2	

452. Use of the IRB Approach to credit risk

452	Institutions calculating the risk-weighted exposure amounts under the IRB Approach shall disclose the following information:		
452.a	Permission for use of the IRB approach from the competent authority.	N/A	
452.b	Explanation and review of: (i) Structure of internal rating systems and relation between internal and external ratings; (ii) Use of internal ratings for purposes other than capital requirement calculations; (iii) Management and recognition of credit risk mitigation process; (iv) Controls mechanisms for rating systems.	N/A	
452.c	Description of ratings processes for each IRB asset class, provided separately.	N/A	
452.d	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	N/A	
452.e	For each exposure class, disclosed separately by obligor grade, institutions shall disclose: total exposure, separating loans and undrawn exposures where applicable, and exposure-weighted average risk weight.	N/A	
452.f	For the retail exposure class, the disclosures outlined in article 452.e, to allow for a meaningful differentiation of credit risk on a pooled basis.	N/A	
452.g	Actual specific risk adjustments for the period and explanation of changes.	N/A	
452.h	Description of the factors that impacted on the loss experience in the preceding period.	N/A	
452.i	Analysis of the historical estimates of losses against actual losses in each exposure, to help assess the performance of the rating system over a sufficient period.	N/A	

452.j For all IRB exposure classes: Where applicable, PD and LGD by each country where the bank operates. N/A

453. Use of credit risk mitigation techniques

453	Institutions applying credit risk mitigation techniques shall disclose the following information:		
453.a	Use of on and off-balance sheet netting.	Chapters 7.3	
453.b	How collateral valuation is managed.	Chapter 7.7.1	
453.c	Description of types of collateral used by the institution.	Chapter 7.7.1	
453.d	Main types of guarantor and credit derivative counterparty, creditworthiness.	Chapter 7.7.2	Table 44
453.e	Market or credit risk concentrations within risk mitigation exposures.	Chapter 7.7	
453.f	Standardised or Foundation IRB Approach, exposure value covered by eligible collateral.	Chapters 7.2.1 and 7.7.2	Tables 45 and 46
453.g	Exposures covered by guarantees or credit derivatives.	Chapter 7.7.2	Table 46

454. Use of the Advanced Measurement Approaches to operational risk

454 Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk. N/A

455. Use of internal market risk models

455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	N/A	
455.a	For each sub-portfolio covered: (i) Disclosure of the characteristics of the market risk models used; (ii) Disclosure of the methodologies used to measure incremental default and migration risk; (iii) Descriptions of stress tests applied to the portfolios; (iv) Methodology for back-testing and validating the models.	N/A	
455.b	Scope of permission for use of the models.	N/A	
455.c	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	N/A	
455.d	High/Low/Mean values over the year of VaR, SVaR and incremental risk charge.	N/A	
455.e	The elements of the own fund calculation.	N/A	
455.f	Weighted average liquidity horizons for each sub-portfolio covered by internal models.	N/A	
455.g	Comparison of end-of-day value-at-risk (VaR) measures compared with one-day changes in the portfolio's value.	N/A	

Index of Tables

Table 1: Members of the Board of Directors	30
Table 2: Composition of the Board of Directors	32
Table 3: Composition of the Executive Commission	34
Table 4: Composition of the Audit and Compliance Commission	35
Table 5: Composition of the Appointments Commission.....	36
Table 6: Composition of the Remuneration Commission	37
Table 7: Composition of the Major Risks and Solvency Commission	38
Table 8: Composition of the Strategy Commission	39
Table 9: Subsidiaries, full consolidation	44
Table 10: Subsidiaries or multi-group companies, equity method	44
Table 11: Significant holdings in insurance companies.....	45
Table 12: Changes to the perimeter	45
Table 13: Reconciliation of accounting and regulatory scope	46
Table 14: Own Resources Ibercaja Gestión.....	49
Table 15: Own Resources Ibercaja Pensión	49
Table 16: Solvency requirements	52
Table 17: Reconciliation of Equity with Financial Statements	53
Table 18: Computable Own Funds.....	54
Table 19: Minimum capital requirements.....	57
Table 20: Capital requirements for credit risk.....	58
Table 21: Capital requirements for counterparty risk	59
Table 22: SME exposures subject to supporting factor.....	59
Table 23: Capital requirements for position risk	60
Table 24: Capital requirements for operational risk.....	60
Table 25: Capital requirements for credit valuation adjustment (CVA)	61
Table 26: Exposure by risk category	99
Table 27: Exposure by large geographical area.....	100
Table 28: Exposure by economic sector	100
Table 29: Exposure by risk category and maturity	101
Table 30: Performing and non-performing exposures and related provisions	102
Table 31: Impaired exposures by large geographical area	103
Table 32: Impaired exposures by economic sector.....	103
Table 33: Credit quality of forborne exposures	104
Table 34: Impairment adjustments	105
Table 35: Credit quality of performing and non-performing exposures by past due days.....	106
Table 36: Collateral obtained by taking possession and execution processes	107
Table 37: Counterparty risk for transactions subject to counterparty risk	109
Table 38: Counterparty risk - calculation method.....	109
Table 39: External rating agencies	110
Table 40: Exposure net of value adjustments	111
Table 41: Exposure categories and quality levels	112
Table 42: Types of securitisation.....	120
Table 43: Types of securitisation positions	121
Table 44: Credit risk exposure by mitigation technique.....	124
Table 45: Total value of exposure covered by collateral-based risk reduction techniques...	125
Table 46: Value of exposure covered by risk reduction techniques based on personal guarantees.....	126
Table 47: Value of exposure hedged by risk mitigation techniques based on personal guarantees.....	128

Table 48: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	129
Table 49: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis.....	129
Table 50: Value of exposures to equity and capital instruments	143
Table 51: Balance sheet sensitivity profile at December 31, 2020	145
Table 52: Impact of changes in interest rates	146
Table 53: Breakdown of available liquidity	148
Table 54: Breakdown by term of contractual maturities of assets and liabilities	149
Table 55: Quarterly evolution of the LCR - values at March 31	152
Table 56: Quarterly evolution of the LCR - values at June 30	152
Table 57: Quarterly evolution of the LCR - values at September 30.....	152
Table 58: Quarterly evolution of the LCR - values at December 31.....	152
Table 59: Maturities of wholesale financing	153
Table 60. Encumbered and unencumbered assets, year 2020	156
Table 61. Collateral received by type of asset, year 2020	156
Table 62. Liabilities associated with assets and collateral received with charges, year 2020	157
Table 63: Leverage ratio.....	159
Table 64: LRSpl: Breakdown of on-balance sheet exposures (excluding derivatives, SFT and excluded exposures).....	160
Table 65: LRCom: Leverage ratio common disclosure	161
Table 66: LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	162
Table 67: Breakdown of aggregate remuneration of the Board of Directors.....	174
Table 68: Remuneration of the Identified Group	175

Index of Illustrations

Illustration 1: Distribution of turnover, network and customers	18
Illustration 2: Scope of consolidation	28
Illustration 3: Governing bodies	29
Illustration 4: Commissions of the Board of Directors	33
Illustration 5: Members of the Executive Commission.....	33
Illustration 6: Members of the Audit and Compliance Commission	35
Illustration 7: Members of the Appointments Commission	36
Illustration 8: Members of the Remuneration Commission.....	37
Illustration 9: Members of the Major Risks and Solvency Commission.....	38
Illustration 10: Members of the Strategy Commission.....	39
Illustration 11: Companies within the consolidation perimeter	42
Illustration 12: Minimum capital requirements	57
Illustration 13: Contribution by Business Line of the RWA of shareholders' equity for Operational Risk in %	136
Illustration 14: Loss events by risk category in %.....	139