Report on Limited Review

IBERCAJA BANCO, S.A.
Interim Condensed Consolidated Financial Statements
and Interim Management Report for the six months period ended
June 30, 2021

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Ibercaja Banco, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the statement of financial position as at June 30, 2021, and the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow and related notes, all condensed and consolidated, for the six months period then ended. The parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2021 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2020. Our conclusion is not modified in respect of this matter.

We draw attention to note 2.4 to the accompanying consolidated interim statement of financial position, which includes the information on the Group's review of the most significant accounting estimates that could be affected by the uncertainty brought on by COVID-19. Accordingly, the Group has updated the accounting judgments and estimates that could be affected based on the financial information available at June 30, 2021 and which may need to be revised in the future. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

Comparative figures

The consolidated annual accounts of Ibercaja Banco, S.A. and its subsidiaries, corresponding to the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on the consolidated annual accounts on March 3, 2021.

Interim consolidated directors' Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2021 contains the explanations which the parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2021. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Ibercaja Banco, S.A. and its subsidiaries· accounting records.

Preparation of this review report

This report has been prepared at the request of Ibercaja Banco, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007 , of 19 October.

ERNST & YOUNG, S.L.

(Signed in the original version)

José Carlos Hernández Barrasus

July 30, 2021

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

Condensed consolidated interim financial statements at 30 June 2021 and consolidated interim directors' report for the six-month period ended on the same date

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

Certification issued by the Secretary of the Board Jesus Barreiro Sanz recording that at its meeting on 29 July 2021 in Zaragoza, pursuant to the prevailing legislation, the Board of Directors of Ibercaja Banco, S.A. authorised for issue the condensed consolidated interim financial statements, comprising the balance sheet at 30 June 2021, the income statement, the statement of recognised income and expense, the statement of total changes in equity, the statement of cash flows and the notes to the financial statements, all condensed and consolidated, and the interim consolidated directors' report for the six-month period ended on 30 June 2021, which were set forth on official stamped paper and were numbered correlatively. Those documents were signed by all the members of the Board of Directors.

For the record, I hereby issue this instrument in Zaragoza, on 29 July 2021.

MR JESÚS BARREIRO SANZ
Tax ID No.:
Non-Director Secretary

IBERCAJA BANCO, S.A.

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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To the best of our knowledge, the condensed consolidated interim financial statements for the six-month period ended on 30 June 2021, prepared in accordance with the applicable accounting principles, present fairly the equity, financial position and the results of Ibercaja Banco, S.A. and subsidiaries forming the Ibercaja Banco Group. Likewise, the consolidated interim directors' report for the six-month period ended on 30 June 2021 presents fairly the performance, results and position of the Ibercaja Banco, S.A. and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 1/11- Mr Aguirre.

Zaragoza, 29 July 2021

MR JOSÉ LUIS AGUIRRE LOASO
Tax ID No.:
Chairman

IBERCAJA BANCO, S.A.

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 2/11- Mr Bueno.

Zaragoza, 29 July 2021

MR JESÚS BUENO ARRESE
Tax ID No.:
First Deputy Chairman

IBERCAJA BANCO, S.A.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 3/11- Mr Iglesias.

Zaragoza, 29 July 2021

MR VÍCTOR IGLESIAS RUIZ
Tax ID No.:
CEO

IBERCAJA BANCO, S.A.

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 4/11- Mr González-Bueno.

Zaragoza, 29 July 2021

Ms GABRIELA GONZÁLEZ-BUENO LILLO
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 5/11- Mr Solchaga.

Zaragoza, 29 July 2021

MR JESÚS SOLCHAGA LOITEGUI
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 6/11- Mr Jiménez.

Zaragoza, 29 July 2021

MR EMILIO JIMÉNEZ LABRADOR
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 7/11- Mr Cóndor.

Zaragoza, 29 July 2021

MR VICENTE CÓNDOR LÓPEZ
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 8/11- Mr Longás.

Zaragoza, 29 July 2021

MR FÉLIX LONGÁS LAFUENTE
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 9/11- Mr Tejel.

Zaragoza, 29 July 2021

MR JESÚS TEJEL GIMÉNEZ
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

AUTHORISATION FOR ISSUE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 10/11- Mr Arrufat.

Zaragoza, 29 July 2021

MR ENRIQUE ARRUFAT GUERRA
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 11/11- Mr Segura.

Zaragoza, 29 July 2021

MS MARÍA PILAR SEGURA BAS
Tax ID No.:
Director

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

CONDENSED CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2021 AND 31 DECEMBER 2020

ASSETS	Note	Thousands of euros	
		30/06/2021	31/12/2020 (*)
Cash and cash balances at central banks and other demand deposits		**5,727,625**	**7,572,609**
Financial assets held for trading	**5**	**3,567**	**5,503**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**5.2**	**1,377,235**	**853,721**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**5**	**7,709**	**8,602**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**5.3**	**6,808,749**	**7,023,328**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*59,199*	*71,059*
Financial assets at amortised cost	**5.4**	**41,091,081**	**39,726,825**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*4,123,661*	*3,116,505*
Derivatives - Hedge accounting		**86,560**	**142,020**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**-**	**-**
Investments in joint ventures and associates		**105,225**	**106,525**
Joint ventures		27,455	29,705
Associates		77,770	76,820
Assets under insurance or reinsurance contracts		**484**	**429**
Tangible assets	**7**	**947,236**	**960,967**
Property, plant and equipment		706,415	714,068
For own use		*624,222*	*638,443*
Assigned under operating lease		*82,193*	*75,625*
Investment property		240,821	246,899
Of which: assigned under operating lease		*56,928*	*63,416*
Memorandum items: acquired under finance lease		-	-
Intangible assets	**8**	**234,742**	**237,226**
Goodwill		144,934	144,934
Other intangible assets		89,808	92,292
Tax assets		**1,328,749**	**1,345,136**
Current tax assets		13,342	9,511
Deferred tax assets		1,315,407	1,335,625
Other assets		**155,111**	**155,526**
Inventories		105,020	108,102
Other assets		50,091	47,424
Non-current assets and disposal groups classified as held for sale		**246,457**	**262,373**
TOTAL ASSETS		**58,120,530**	**58,400,790**

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

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated balance sheet at 30 June 2021.

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

CONDENSED CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2021 AND 31 DECEMBER 2020

LIABILITIES	Note	Thousands of euros	
		30/06/2021	31/12/2020 (*)
Financial liabilities held for trading	**6**	**4,346**	**5,630**
Financial liabilities at fair value through profit or loss		**-**	**-**
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	**6**	**46,735,519**	**46,627,380**
Memorandum items: subordinated liabilities		*513,332*	*510,326*
Derivatives - Hedge accounting		**145,543**	**216,202**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**27,531**	**37,593**
Liabilities under insurance or reinsurance contracts		**7,263,914**	**7,521,867**
Provisions	**9**	**335,020**	**393,100**
Pensions and other post-employment defined benefit obligations		101,221	119,125
Other long-term employee remuneration		-	122
Lawsuits and litigation for outstanding taxes		7,628	7,780
Commitments and guarantees given		16,819	19,477
Other provisions		209,352	246,596
Tax liabilities		**161,638**	**167,326**
Current tax liabilities		250	165
Deferred tax liabilities		161,388	167,161
Other liabilities		**159,861**	**213,272**
Liabilities within disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**54,833,372**	**55,182,370**

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

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated balance sheet at 30 June 2021.

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

CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2021 AND 31 DECEMBER 2020

EQUITY	Note	Thousands of euros	
		30/06/2021	31/12/2020 (*)
Shareholders' equity	**10**	**3,252,009**	**3,160,630**
Capital		214,428	214,428
Paid-in capital		*214,428*	*214,428*
Called-up capital		-	-
Memorandum items: uncalled capital		-	-
Share premium		-	-
Equity instruments issued other than capital		350,000	350,000
Equity components of compound financial instruments		-	-
Other equity instruments issued		*350,000*	*350,000*
Other equity items		-	-
Retained earnings		623,231	602,663
Revaluation reserves		3,293	3,297
Other reserves		1,966,997	1,966,640
(Treasury shares)		-	-
Profit attributable to owners of the parent		94,060	23,602
(Interim dividends)		-	-
Accumulated other comprehensive income		**35,149**	**57,790**
Items that will not be reclassified to profit or loss		19,839	10,132
Actuarial gains/(losses) on defined benefit pension plans		*(21,204)*	*(23,741)*
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		*41,043*	*33,873*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)		-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk.		-	-
Items that may be reclassified to profit or loss		15,310	47,658
Hedges of net investment in foreign operations (effective portion)		-	-
Currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		*(7,000)*	*8,551*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income		*22,872*	*39,091*
Hedging instruments (undesignated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised at joint ventures and associates		*(562)*	*16*
Non-controlling interests		**-**	**-**
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,287,158**	**3,218,420**
TOTAL EQUITY AND LIABILITIES		**58,120,530**	**58,400,790**
Memorandum items: off-balance sheet exposures	**5,4.4**		
Loan commitments given		**3,342,313**	**3,288,448**
Financial guarantees granted		**99,157**	**93,631**
Other commitments given		**824,463**	**795,006**

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

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated balance sheet at 30 June 2021.

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

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

	Note	Thousands of euros 30/06/2021	Thousands of euros 30/06/2020 (*)
(+) Interest income	15.1	278,963	303,444
a) Financial assets at fair value through other comprehensive income		49,448	58,154
b) Financial assets at amortised cost		216,075	239,936
c) Other assets		13,440	5,354
(-) Interest expense	15.2	32,840	35,304
(-) Expenses on share capital repayable on demand		-	-
(=) A) INTEREST INCOME		**246,123**	**268,140**
(+) Dividend income	15.3	7,429	2,319
(+/-) Share of profit of entities accounted for using the equity method		(436)	(399)
(+) Fee and commission income	15.4	212,187	189,162
(-) Fee and commission expenses	15.5	9,395	7,457
(+/-) Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	15.6	34,714	11,744
a) Financial assets at amortised cost		33,641	11,219
b) Other financial assets and liabilities		1,073	525
(+/-) Net gains/(losses) on financial assets and liabilities held for trading	15.6	361	698
a) Reclassification of financial assets from fair value through other comprehensive income		-	-
b) Reclassification of financial assets from amortised cost		-	-
c) Other gains or (-) losses		361	698
(+/-) Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss	15.6	227	(10,460)
a) Reclassification of financial assets from fair value through other comprehensive income		-	-
b) Reclassification of financial assets from amortised cost		-	-
c) Other gains or (-) losses		227	(10,460)
(+/-) Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	15.6	-	-
(+/-) Net gains/(losses) from hedge accounting	15.6	300	139
(+/-) Net exchange differences		125	315
(+) Other operating income	15.7	18,690	30,346
(-) Other operating expenses	15.8	23,548	22,344
(+) Income from assets covered by insurance and reinsurance contracts		519,900	558,536
(-) Liability expenses covered by insurance or reinsurance contracts		520,067	558,680
(=) B) GROSS INCOME		**486,610**	**462,059**
(-) Administration expenses	15.9	261,816	248,487
(-) a) Personnel expenses		184,194	176,028
(-) b) Other administration expenses		77,622	72,459
(-) Amortisation and depreciation		32,815	33,726
(+/) Provisions or reversal of provisions		3,854	(28,872)
(+/-) Impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification		38,036	133,077
(+/-) a) Financial assets at fair value through other comprehensive income		(635)	1,464
(+/-) b) Financial assets at amortised cost		38,671	131,613
(=) C) PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		**150,089**	**75,641**
(+/-) Impairment or reversal of impairment on investments in joint businesses or associates		-	-
(+/-) Impairment or reversal of impairment of non-financial assets	15.10	3,040	1,069
(+/-) a) Tangible assets		1,547	143
(+/-) b) Intangible assets		-	-
(+/-) c) Other		1,493	926
(+/-) Net gains/(losses) on derecognition of non-financial assets	15.11	(1,806)	(655)
(+) Negative goodwill recognised in profit or loss		-	-
(+/-) Gains/(losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	15.12	(10,468)	(8,993)
(=) D) PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**134,775**	**64,924**
(+/-) Expense or income from taxes on income from continuing operations		40,715	22,327
(=) E) PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**94,060**	**42,597**
(+/-) Profit/(loss) after tax from discontinued activities		-	-
= PROFIT OF THE PERIOD		**94,060**	**42,597**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		94,060	42,597

(*) Presented for comparison purposes only. Comparative information has been restated in accordance with Note 2.2.

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2021.

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

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

		Thousands of euros	
	Note	**30/06/2021**	**30/06/2020(*)**
A) PROFIT OF THE PERIOD		**94,060**	**42,597**
B) OTHER COMPREHENSIVE INCOME		**(14,955)**	**(24,001)**
Items that will not be reclassified to profit or loss		**17,393**	**(14,797)**
a) Actuarial gains/(losses) on defined benefit pension plans		3,624	-
b) Non-current assets and disposal groups of items held for sale		-	-
c) Share in other income and expense recognised in joint ventures and associates		-	-
d) Changes in the fair value of equity instruments measured at fair value through other comprehensive income		22,675	(23,658)
e) Net gains or losses from hedge accounting of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
f) Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
g) Corporation tax relating to items not to be reclassified		(8,906)	8,861
Items that may be reclassified to profit or loss		**(32,348)**	**(9,204)**
a) Hedges of net investment in foreign operations (effective portion)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
b) Currency translation		-	-
Gains/(losses) from foreign currency exchange taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
c) Cash flow hedges (effective portion)		(22,216)	18,819
Valuation gains/(losses) taken to equity		*(22,216)*	*18,819*
Transferred to the income statement		-	-
Transferred to initial carrying amount of hedge items		-	-
Other reclassifications		-	-
d) Hedging instruments (undesignated items)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
e) Debt instruments at fair value through other comprehensive income		(23,170)	(32,307)
Valuation gains/(losses) taken to equity		*(19,918)*	*(22,416)*
Transferred to the income statement	15.6	*(3,252)*	*(9,891)*
Other reclassifications		-	-
f) Non-current assets and disposal groups of items held for sale		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
g) Share in other income and expense recognised in joint ventures and associates		(578)	239
h) Corporation tax relating to items that may be reclassified to profit or loss		13,616	4,045
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**79,105**	**18,596**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		79,105	18,596

(*) Presented for comparison purposes only. Comparative information has been restated in accordance with Note 2.2.

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated statement of recognised income and expense for the six-month period ended 30 June 2021.

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

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent	(Interim dividends)	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
I. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**94,060**	**-**	**(14,955)**	**-**	**-**	**79,105**
Other changes in equity	**-**	**-**	**-**	**-**	**20,568**	**(4)**	**357**	**-**	**(23,602)**	**-**	**(7,686)**	**-**	**-**	**(10,367)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(3,849)	-	-	-	-	-	-	-	-	(3,849)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	24,417	(4)	6,875	-	(23,602)	-	(7,686)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(6,518)	-	-	-	-	-	-	(6,518)
III. Closing balance at 30/06/2021	**214,428**	**-**	**350,000**	**-**	**623,231**	**3,293**	**1,966,997**	**-**	**94,060**	**-**	**35,149**	**-**	**-**	**3,287,158**

The accompanying explanatory Notes 1 to 17 and the Appendices are an integral part of the condensed consolidated statement of total changes in equity at 30 June 2021.

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

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (*)

(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent	(Interim dividends)	Accumulated other comprehensive income	Accumulated other comprehensive income	Other items	Total
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,081**	**-**	**-**	**3,241,098**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,081**	**-**	**-**	**3,241,098**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,597**	**-**	**(24,001)**	**-**	**-**	**18,596**
Other changes in equity	**-**	**-**	**-**	**-**	**67,650**	**(4)**	**19,208**	**-**	**(83,989)**	**-**	**(29,963)**	**-**	**-**	**(27,098)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	85,150	(4)	28,806	-	(83,989)	-	(29,963)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(9,598)	-	-	-	-	-	-	(9,598)
III. Closing balance at 30/06/2020 (*)	**214,428**	**-**	**350,000**	**-**	**613,543**	**3,301**	**1,960,610**	**-**	**42,597**	**-**	**48,117**	**-**	**-**	**3,232,596**

(*) Presented for comparison purposes only. Comparative information has been restated in accordance with Note 2.2.

The accompanying explanatory Notes 1 to 17 and the Appendices are an integral part of the condensed consolidated statement of total changes in equity at 30 June 2021.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

	Thousands of euros	
	30/06/2021	**30/06/2020(*)**
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**(1,839,848)**	**2,455,726**
1. Profit of the period	94,060	42,597
2. Adjustments to obtain cash flows from operating activities:	27,304	125,523
(+) Amortisation and depreciation	32,815	33,726
(+/-) Other adjustments	(5,511)	91,797
3. Net increase/decrease in operating assets:	1,686,821	332,718
(+/-) Financial assets held for trading	(1,936)	(3,003)
(+/-) Financial assets not held for trading mandatorily measured at fair value through profit or loss:	523,514	211,743
(+/-) Financial assets at fair value through profit or loss	(893)	(465)
(+/-) (Financial assets at fair value through other comprehensive income)	(366,427)	(548,677)
(+/-) (Financial assets at amortised cost)	1,569,905	671,292
(+/-) Other operating assets	(37,342)	1,828
4. Net increase/(decrease) in operating liabilities:	(257,421)	2,653,116
(+/-) Financial liabilities held for trading	(1,284)	(2,734)
(+/-) Financial liabilities at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	144,210	2,809,786
(+/-) Other operating liabilities	(400,347)	(153,936)
5. Company tax credit/(payments)	(16,970)	(32,792)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 +2)	**8,936**	**(1,887)**
1. Payments:	51,967	22,235
(-) Tangible assets	44,282	15,056
(-) (Intangible assets)	2,447	3,850
(-) Investments in joint ventures and associates	597	-
(-) Subsidiaries and other business units	-	-
(-) Non-current assets and liabilities classified as held for sale	4,641	3,329
(-) Other payments related to investing activities	-	-
2. Receipts:	60,903	20,348
(+) Tangible assets	26,443	14,901
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	772	-
(+) Subsidiaries and other business units	-	-
(+) Non-current assets and liabilities classified as held for sale	33,688	5,447
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(16,099)**	**128,150**
1. Payments:	16,099	371,850
(-) Dividends	3,849	-
(-) Subordinated liabilities	-	359,600
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	-	-
(-) Other payments related to financing activities	12,250	12,250
2. Receipts:	-	500,000
(+) Subordinated liabilities	-	500,000
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,847,011)**	**2,581,989**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**7,562,634**	**3,918,901**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**5,715,623**	**6,500,890**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
(+) Cash	184,245	195,621
(+) Cash equivalents at central banks	5,204,645	6,115,605
(+) Other financial assets	326,735	189,664
(-) Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,715,625**	**6,500,890**
of which: in the possession of Group companies but not drawable by the Group		

(*) Presented for comparison purposes only. Comparative information has been restated in accordance with Note 2.2.

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2021.

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

Contents

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

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

1. Introduction

Ibercaja Banco, S.A. (hereinafter, Ibercaja Banco, the Bank or the Company), is a credit institution, 88.04% owned by Fundación Bancaria Ibercaja (hereinafter, the Foundation), subject to the rules and regulations issued by the Spanish and European Union economic and monetary authorities.

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

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

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

Details of the companies composing the Group are presented in Appendix I to the Group's consolidated financial statements at 31 December 2020.

The activities carried on by the Group and the detail of the companies composing it did not change significantly in the first half of 2021 (Note 3).

The appearance of the Coronavirus COVID-19 in China and its global expansion to a large number of countries has caused the viral outbreak to be classified as a global pandemic by the World Health Organisation since 11 March 2020. The pandemic has adversely affected and continues to adversely affect the global economy and global activity, leading to an unprecedented economic recession.

Considering the complexity of the markets due to their globalisation, the effects of government measures to curb the spread of the virus and the progress of the vaccination campaigns as a medical treatment against the virus, the consequences for the Group's operations still subject to a significant degree of uncertainty and will depend largely on the course and extent of the pandemic in the coming months, as well as on the ability of all economic actors affected to react and adapt.

In view of this pandemic situation, Ibercaja has focused its attention on guaranteeing continuity in the operational security of the business as a priority and monitoring the impacts on the Group's business and risks (such as impacts on results, capital or liquidity) (Note 2.5).

In addition, Ibercaja adopted a series of measures to support its main stakeholders from the beginning of the pandemic (Note 5.6). In this respect, the Group's long-term strategic purpose and priorities remain unchanged. In order to mitigate the impact associated with COVID-19, various European and international bodies, mainly in 2020, issued a number of pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks. In preparing these condensed consolidated interim financial statements, the Group has taken these declarations into account.

2. Basis of presentation and other information

2.1 Basis of presentation

The condensed consolidated interim financial statements of the Bank and subsidiaries composing the Ibercaja Banco Group for the six-month period ended 30 June 2021 (hereinafter, interim financial statements) were authorised for issue by the Bank's directors at the meeting of the Board of Directors held on 29 July 2021.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” set out in the International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS) and have been prepared from the accounting records kept by the Bank and by the other Group companies. In its preparation, account has been taken of Bank of Spain Circular 4/2017 of 27 November (hereinafter, Circular 4/2017) and its subsequent amendments, and Circular 3/2018 of 28 June of the National Securities Market Commission (hereinafter, CNMV).

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

The condensed consolidated interim financial statements prepared by the directors of the Bank, which, in accordance with EU-IFRS (specifically, IAS 34 mentioned above), do not include all the information that would be required for full consolidated financial statements, although the Standards and Interpretations that have come into force as from 1 January 2021 have been taken into consideration (Note 2.3.1) should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020, prepared in accordance with the accounting principles, standards and valuation criteria applicable in accordance with the provisions of IFRS-EU and taking into consideration Circular 4/2017, and subsequent amendments, which were authorised for issue on 26 February 2021 and approved by the General Shareholders' Meeting held telematically on 15 April 2021. The resolutions adopted by this governing body were adopted by written vote and without a meeting, in accordance with the provisions of article 40.2 of Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19. The accompanying selected explanatory notes include an explanation of any events or changes that are significant for the explanation of changes in the consolidated financial condition from 31 December 2020 to 30 June 2021.

These condensed consolidated interim financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Bank and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's condensed consolidated interim financial statements at 30 June 2021. Adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Bank.

Accordingly, the condensed consolidated interim financial statements give a true and fair view of the consolidated equity and consolidated financial condition of the Group as at 30 June 2021, and of the consolidated results of its operations and consolidated cash flows in the Group in the period from 1 January 2021 to 30 June 2021.

2.2 Information relating to 2020

Under the regulations in force, the information contained in these explanatory Notes to the consolidated interim financial statements for 2020 is presented exclusively for the purpose of comparison with the information for 2021.

Due to the change in accounting criteria described in Note 10.1. of the consolidated financial statements for 2020 and in relation to the agreement entered into with Caser in the first half of 2020 (Note 5.3.1) to amend the non-life insurance distribution contract, the impact of this agreement on the condensed consolidated interim financial statements for the first half of 2020 has been restated.

The accounting policy applied in the Condensed Consolidated Interim Financial Statements as at 30 June 2020 was to recognise 53 million euros under “Other operating income” in the consolidated income statement, in accordance with a reasonable interpretative approach to the applicable standard (IFRS 15) supported by external expert reports and with the external auditor's agreement.

However, the application of the standard to this specific case is of a certain technical complexity, allow for different interpretations. During the second half of the year, the conditions of the agreement continued to be evaluated and finally, in order to eliminate any doubts going forward and align with the interpretation of the National Securities Market Commission, it was decided to modify the accounting treatment and only 15 million euros was recognised in the consolidated income statement at year-end 2020 (see Note 36 of the consolidated financial statements for 2020). The remaining amount of the initial fixed fee already paid, i.e. 55 million euros, is being accrued in the consolidated profit and loss account in accordance with the provisions of the aforementioned standard (10 years equivalent to the term of the agreement).

Therefore, the figures in the condensed consolidated income statement for the six months ended 30 June 2020 attached to these consolidated financial statements, together with the condensed consolidated statement of recognised income and expense, the condensed consolidated statement of changes in total equity, the condensed consolidated statement of cash flows and Notes 5.3.1 and 15.7, differ from the figures included in the consolidated financial statements authorised for issue by the Board of Directors on 30 July 2020.

The following are the affected items in the condensed consolidated income statement:

Heading	Amount on consolidated financial statements at 30 June 2020	Restated amount	Difference
Other operating income	68,346	30,346	(38,000)
Gross income	500,059	462,059	(38,000)
Profit from ordinary activities	113,641	75,641	(38,000)
Pre-tax profit	102,924	64,924	(38,000)
Expense from taxes on income from continuing operations	33,727	22,327	(11,400)
Profit of the period	69,197	42,597	(26,600)

The following are affected items of the condensed consolidated statement of recognised income and expense:

Heading	Amount on consolidated financial statements at 30 June 2020	Restated amount	Difference
Profit of the period	69,197	42,597	(26,600)
Total comprehensive income for the period	45,196	18,596	(26,600)

The following are the affected items in the condensed consolidated statement of changes in total equity:

Heading	Amount on consolidated financial statements at 30 June 2020	Restated amount	Difference
Total comprehensive income for the period/Profit attributable to owners of the parent	69,197	42,597	(26,600)
Closing balance/Total	3,259,196	3,232,596	(26,600)

The following are affected items of the condensed consolidated statement of cash flows:

Heading	Amount on consolidated financial statements at 30 June 2020	Restated amount	Difference
Profit of the period	69,197	42,597	(26,600)
Adjustments to obtain cash flows from operating activities - Other adjustments	103,197	91,797	(11,400)
Net increase/(decrease) in operating liabilities – Other operating liabilities	(153,936)	(191,936)	38,000

The affected items in Note 15.7 are as follows:

Heading	Amount on consolidated financial statements at 30 June 2020	Restated amount	Difference
Other items	56,046	18,046	(38,000)
Total other operating income	68,346	30,346	(38,000)

2.3 Accounting principles and policies

The accounting policies used in the preparation of these condensed consolidated interim financial statements of the Group are the same as those applied in the consolidated financial statements for the year ended 31 December 2020, except for the following standards, interpretations and amendments which have been applied for the first time in this financial year. Likewise, all accounting principles and measurement bases with a material effect on these interim financial statements were applied.

2.3.1 Changes introduced in the first half of 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks – phase 2

In the context of the global reform of interbank offered rates (IBORs), the IASB initiated a project to revise the main IFRS standards concerned in two phases.

The first phase focused on the accounting impacts prior to the replacement of interest rate indices and materialised with the publication in September 2019 of certain amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed at European level on 17 January 2020 and became effective on 1 January 2020. These amendments provided exceptions so that institutions would not discontinue their hedging relationships in an environment of uncertainty about the long-term viability of some benchmark interest rates.

On 27 August 2020, the IASB issued the second phase of the above-mentioned benchmark reform, which involves amendments to IAS39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements best reflect the economic effects of this reform. These amendments focus on the accounting for financial instruments once a new risk-free reference rate ("RFR") has been introduced and focus on cases where an entity replaces the previous benchmark interest rate with an alternative reference rate and on the effects of the change on the financial statements. Specifically:

- Changes in contractual cash flows: an entity need not derecognise or adjust the carrying amount of financial instruments due to changes required by the adopted reform, but should update the effective interest rate to reflect the change to the alternative reference rate;

- Hedge accounting: an entity need not discontinue hedge accounting simply because of changes required by the reform if the hedge meets other hedge accounting criteria; and

- Disclosures: the institution shall disclose information on the new risks arising from the reform and how it manages the transition to alternative reference rates.

A significant portion of the Group's financial assets and liabilities are tied to the Euribor index, and the existing hedging relationships are based on this index, with no positions tied to other indices.

The Euribor index has not been replaced, but only its calculation methodology has been changed to date. Therefore, the impacts of the overall reform itself are small and the disclosures of information envisaged in both the first and second phases do not apply to it.

Amendment to IFRS 4 *Insurance contracts*: deferral of IFRS 9

Currently, with IFRS 4 Insurance Contracts, the date of application of IFRS 9 Financial Instruments for entities applying that standard is 1 January 2021. The IASB has decided to delay the effective date for these entities to periods beginning on or after 1 January 2023 in order to align it with the effective date of IFRS 17. This standard has had no impact on the Group.

<u>2.3.2 Standards and interpretations issued by the IASB that are not effective as at 30 June 2021</u>.

At the date of authorisation for issue of these consolidated financial statements, new International Financial Reporting Standards and Interpretations had been published which were not mandatory as at 30 June 2021. Although, in some cases, the International Accounting Standards Board ("IASB") allows the application of the amendments prior to their effective date, the Group has not applied them early.

IFRS 17 Insurance contracts

IFRS 17 sets out the principles that an entity shall apply in accounting for insurance contracts. This new standard replaces IFRS 4, introducing profound changes in the way insurance contracts are accounted for, with the aim of achieving greater consistency and increasing comparability between entities.

In contrast to IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for recognition and measurement purposes, determining units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), cohorts and onerousness.

As regards the measurement model, the new standard provides for several methods, with the General Model (Building Block Approach) being the default method to be applied for the valuation of insurance contracts, unless the conditions for applying one of the other two methods are met: the Variable Fee Approach and the Premium Allocation Approach.

With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model using updated assumptions at each closing. The General Model requires entities to value insurance contracts at the total of:

- compliance flows, comprising the estimate of future cash flows discounted to reflect the time value of money, the financial risk associated with future cash flows and a risk adjustment for non-financial risk;

- and the contractual service margin, representing the expected unearned benefit of insurance contracts, which is recognised in the entity's income statement as the service is provided in the future, rather than at the time of estimation.

Amounts recognised in the income statement shall be broken down into income from insurance activity, expenses from the provision of insurance service and insurance finance income or expenses. The income from the insurance business and the expenses of providing the insurance service shall exclude any investment component. Revenue from insurance activity shall be recognised over the period in which the entity provides insurance cover.

This standard will apply to financial years beginning on or after 1 January 2023 (with a minimum of one year's comparative information), pending endorsement by the European Commission.

The Group has an IFRS 17 implementation project in place with the objective of identifying the impacts and changes necessary to adapt to the new criteria.

Amendments to IFRS 3 Business Combinations: Reference to the conceptual framework

These amendments, issued by the IASB in May 2020, are intended to replace the reference to the 1989 Framework with a reference to the 2018 Framework, without significantly changing its requirements.

The IASB also added an exception to the requirements of IFRS 3 to avoid 'day 2' gains or losses that may arise from liabilities or contingent liabilities (within the scope of IAS 37 or IFRIC 21) if they are incurred separately. At the same time the IASB has decided to clarify the existing IFRS 3 guidance for the recognition of contingent assets which will not be affected by the references to the Conceptual Framework.

These amendments are effective for periods beginning on or after 1 January 2022 and are applied prospectively. The Group does not expect any impact from these changes.

Amendments to IAS 16 Property, Plant and Equipment: Revenue earned prior to intended use

These amendments, issued by the IASB in May 2020, prohibit the deduction from the acquisition cost of assets of the amount of sales made from the asset while it is being brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, these amounts shall be recorded in the income statement.

These amendments are effective for periods beginning on or after 1 January 2022 and are to be applied retrospectively only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management as of the beginning of the earliest period presented in the financial statements in which they are first applied. The Group does not expect any material impact from these changes.

Amendments to IAS 37 - Costs of Fulfilling a Contract

These amendments, issued by the IASB in May 2020, detail the costs that entities have to include when assessing whether a contract is onerous or loss-making. The amendments propose a "direct cost approach". Costs directly related to a contract for the delivery of goods or services include both incremental costs as well as an allocation of costs directly related to the contract. General and administrative costs are not directly attributable to a contract and are therefore excluded from the calculation unless they are explicitly passed on to the counterparty in accordance with the contract.

These amendments are effective for periods beginning on or after 1 January 2022. The Group does not expect any material impact from these changes.

Amendments to IAS 1 and IFRS Practice Statement No. 2 - Disclosures of Accounting Policies

In these amendments, the IASB has included guidance and examples for applying judgement in identifying which accounting policies are material. The amendments replace the criterion of disclosing significant accounting policies with material accounting policies. It also provides guidance on how the concept of materiality should be applied in deciding which accounting policies are material.

These amendments are effective for periods beginning on or after 1 January 2023. The Group is currently analysing the impact of these changes.

Amendments to IAS 8 – Definition of Accounting Estimates

In these amendments, the IASB has introduced a new definition of "accounting estimate", which clarifies the difference between changes in accounting estimates, changes in accounting policies and corrections of errors.

These amendments are effective for periods beginning on or after 1 January 2023. The Group does not expect any material impact from these changes.

2.4 Estimates made

The interim financial statements for the six months ended 30 June 2021 contain estimates to quantify some of the assets, liabilities, income, expenditure and commitments disclosed herein. These estimates basically relate to:

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

- The assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees, and those used to calculate liabilities arising under insurance contracts,

- the measurement of goodwill and other intangible assets,

- useful life of tangible and intangible assets,

- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events,

- the fair value of certain financial assets,

- the corporation tax expense for the six months ended 30 June 2021 which, in accordance with IAS 34, is recognised in interim periods on the basis of the best estimate of the weighted average tax rate in effect at the date of authorisation for issue of these interim financial statements and the recoverability of deferred tax assets,

- the valuation of investments in joint ventures and associates,

- the determination of returns from investments in joint ventures and associates and

- the discount rate used in the valuation of the lease liability.

As mentioned above, the greater uncertainty associated with the unprecedented nature of this pandemic implies greater complexity in developing reliable estimates and applying judgement.

In this context of economic uncertainty described above, the Group has revised certain estimates that, a priori, would be more sensitive to the potential negative economic consequences that Covid-19 could cause, the most relevant being the following.

- Impairment losses on certain assets and the estimation of the associated guarantees, in particular with regard to the incorporation of forward-looking information based on the latest available macroeconomic information and the determination of the amount of the post-model adjustment to cover possible effects not contemplated by the model (Note 5.6.3).

- Recoverability of deferred tax assets, due to the impact of Covid-19 on the business projections used to determine the recognition of deferred tax assets and their recovery period. From the analysis performed, it has been concluded that the Group has not lost the capacity to generate future taxable profits, and therefore there is no need to reverse any deferred tax assets, nor has the period for their recovery been significantly altered with respect to the period presented in Note 25.4 of the consolidated financial statements of Ibercaja Banco and subsidiaries at 31 December 2020.

- Valuation of goodwill, due to the impact of Covid-19 on the business projections used to calculate the value in use of the cash-generating unit associated with the goodwill (Note 8.1).

The estimates have therefore been made on the basis of the best available information as at 30 June 2021 on the events analysed. However, it is possible that future events may make it necessary to change these estimates (upwards or downwards), which would be done, in accordance with applicable regulations, on a prospective basis, recognising the effects of the change in estimate in the related consolidated income statement.

During the six months ended 30 June 2021, there have been no significant changes to the estimates made at the end of the 2020 financial year other than those disclosed in these consolidated financial statements.

2.5 Risk management

The Bank continues to monitor the implementation of the organisational measures implemented as a result of the health crisis, which continue to prove perfectly compatible with continuity of the activity and business.

The Group's directors and management are constantly monitoring the situation of the business and of risk management, both of which functioned normally during the quarter.

- Liquidity risk: Normalised liquidity situation reaching a level of about 10,000 million euros at the end of June. Of note in the first half of the year, as part of the specific plans for improvement and efficient management of liquidity was the extension of the ECB's liquidity auction under the TLTRO III programme, which raised 559 million euros (Note 6.1).

- Market risk: A gradual normalisation of the situation in financial markets with equity prices recovering from the high uncertainty experienced in 2020 and some rebound in government bond yields and the private fixed income spreads. For the Group's investment portfolio, the main metrics of this risk are monitored to anticipate the potential impact based on market variations.

- Operational risk: The Group continued to monitor the evolution of its operations at all times in order to minimise the possible impact of the health crisis situation. Operations proceeded normally during the quarter.

- Credit risk: As regards the recoverability of the loans and advances granted by the Group, all legal and sectoral measures have continued to be implemented to alleviate the payment commitments of the customers most affected by the crisis. Likewise, based on all the procedures established for this purpose, on the analysis of sector segmentation and on customer information, the Entity has implemented a set of measures aimed at proactive management of customer anticipation, as well as adapting the accounting classification to the real situation of each borrower on the basis of prospective information and indicators from the alert models.

The Group's directors continue to monitor developments arising from the health crisis on an ongoing basis in order to successfully deal with any financial and non-financial impacts that may arise.

2.6 Information on the mortgage market

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

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation companies authorised by the Bank of Spain.

- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by the borrower and the borrower's solvency, and the existence of other additional guarantees.

- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

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

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 30 June 2021, the figure was 26.50% (29.54% at 31 December 2020).

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

The level of overcollateralisation or backing of mortgage covered bonds by the entire eligible mortgage portfolio is 452.57% at 30 June 2021 (409.76% at 31 December 2020).

At that date 99.50% of transactions in the mortgage portfolio have been formalised through loans (99.48% at 31 December 2020). Of these, instalments are collected on a monthly basis for 97.80% (97.69% at 31 December 2020). The operations formalised at variable interest rates are 99.42% of the total (99.45% at 31 December 2020) and of these, 79.67% are tied to Euribor (80.34% at 31 December 2020).

Set out below is information on the mortgage market:

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

	Thousands of euros	
	Nominal value	
	30/06/2021	31/12/2020
Total loans	**21,378,646**	**21,956,512**
Mortgage participations issued	**924,774**	**995,475**
Of which: loans recognised on asset side of balance sheet	924,774	995,475
Mortgage transfer certificates issued	**1,370,071**	**1,445,955**
Of which: loans recognised on asset side of balance sheet	1,370,071	1,445,955
Mortgage loans pledged in guarantee for financing received		**-**
Loans backing mortgage bonds issues and covered bond issues	**19,083,801**	**19,515,082**
Non-eligible loans	3,595,361	3,842,758
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	3,258,231	3,477,412
Other non-eligible loans	337,130	365,346
Eligible loans	15,488,440	15,672,324
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	15,488,440	15,672,324
Non-computable amounts	13,471	13,247
Computable amounts	15,474,969	15,659,077
Memorandum items		
Loans backing mortgage bond issues	-	-

- Information on eligible loans and mortgages:

	Thousands of euros				
	30/06/2021				
	Loan to value based on latest available appraisal				
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15,488,440**
Residential	4,293,697	6,110,875	4,219,648	-	14,624,220
Other properties	477,450	355,966	30,804		864,220

	Thousands of euros				
	31/12/2020				
	Loan to value based on latest available appraisal				
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15,672,324**
Residential	4,275,966	6,195,817	4,262,679	-	14,734,462
Other properties	524,909	364,098	48,855		937,862

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

	Thousands of euros			
	30/06/2021		31/12/2020	
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
Total	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Origin of operations	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Originated by the Entity	13,179,235	10,236,057	13,339,039	10,252,575
Subrogated from other entities	328,611	315,673	349,447	334,967
Other	5,575,955	4,936,710	5,826,596	5,084,782
Currency	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Euro	19,082,750	15,488,440	19,513,236	15,672,324
Other currencies	1,051	-	1,846	-
Payment status	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Payment normality	18,478,551	15,389,919	18,824,638	15,558,535
Other situations	605,250	98,521	690,444	113,789
Average residual period to maturity	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Up to 10 years	2,447,485	1,792,108	2,547,022	1,826,748
More than 10 years and up to 20 years	7,278,464	6,230,086	7,362,897	6,270,273
More than 20 years and up to 30 years	8,831,577	7,180,767	8,949,357	7,221,455
More than 30 years	526,275	285,479	655,806	353,848
Interest rate	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Fixed interest rate	174,918	90,225	156,439	75,462
Variable interest rate	16,789,564	13,815,049	17,431,077	14,052,888
Mixed interest rate	2,119,319	1,583,166	1,927,566	1,543,974
Holders	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Legal entities and individual entrepreneurs (business activities)	2,648,325	1,239,823	2,717,982	1,254,242
Of which: real estate construction and development (including land)	1,166,937	299,036	1,132,046	266,928
Other household	16,435,476	14,248,617	16,797,100	14,418,082
Type of collateral	**19,083,801**	**15,488,440**	**19,515,082**	**15,672,324**
Finished assets/buildings	18,410,946	15,180,333	18,777,153	15,347,661
Homes	17,776,887	14,760,613	18,091,717	14,896,076
of which: state-subsidised housing	1,144,730	1,067,103	1,223,772	1,145,526
Offices and commercial premises	310,512	220,615	336,552	240,021
Other buildings and constructions	323,547	199,105	348,884	211,564
Assets/buildings under construction	348,690	194,444	352,045	187,679
Homes	75,905	16,262	67,461	2,063
of which: state-subsidised housing	1,847	965	2,029	1,046
Offices and commercial premises	352	218	-	-
Other buildings and constructions	272,433	177,964	284,584	185,616
Land	324,165	113,663	385,884	136,984
Consolidated urban land	123,216	3,011	150,640	2,117
Other land	200,949	110,652	235,244	134,867

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

	Thousands of euros	
	Nominal value	
	30/06/2021	31/12/2020
Mortgage covered bonds	**3,000,000**	**3,000,000**
Ibercaja October 2016	500,000	500,000
Ibercaja September 2018 I	750,000	750,000
Ibercaja September 2018 II	750,000	750,000
Ibercaja December 2018	1,000,000	1,000,000
AYT covered bonds	**600,470**	**825,470**
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	-	225,000
AYT Global 2022 Single Covered Bond Series III	19,444	19,444
AYT Cajas Global 2023 Covered Bond Series X	75,000	75,000
AYT Cajas Global 2027 Covered Bond Series XIII	165,000	165,000
TDA covered bonds	**500,000**	**800,000**
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000
TDA Single Covered Bond Series A4	-	300,000

- Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	30/06/2021		31/12/2020	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	**-**	**-**	**-**	**-**
Of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**4,100,470**	**-**	**4,625,470**	**-**
of which: recognised under liabilities	1,600,470	-	2,125,470	-
Debt securities. Issued through public offering	-	-	-	-
Debt securities. Other issues	3,000,000	-	3,000,000	-
Residual maturity up to one year		-	-	-
Residual maturity greater than one year and up to two years	750,000	-	750,000	-
Residual maturity greater than two years and up to three years	500,000	-	500,000	-
Residual maturity greater than three years and up to five years	750,000	-	750,000	-
Residual maturity greater than five years and up to ten years	1,000,000	-	1,000,000	-
Residual maturity greater than ten years		-	-	-
Deposits	1,100,470	-	1,625,470	-
Residual maturity up to one year		-	525,000	-
Residual maturity greater than one year and up to two years	19,444	-	19,444	-
Residual maturity greater than two years and up to three years	75,000	-	75,000	-
Residual maturity greater than three years and up to five years	841,026	-	841,026	-
Residual maturity greater than five years and up to ten years	165,000	-	165,000	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**924,774**	**86**	**995,475**	**88**
Issued through public offering	-	-	-	-
Other issues	924,774	86	995,475	88
Mortgage transfer certificates issued	**1,370,071**	**101**	**1,445,955**	**102**
Issued through public offering	-	-	-	-
Other issues	1,370,071	101	1,445,955	102

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

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

	Thousands of euros			
	2021		2020	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance at 1 January	**15,672,324**	**3,842,758**	**15,744,874**	**4,420,677**
Write-offs in the year	**668,617**	**437,881**	**587,223**	**404,256**
Due principal received in cash	335,023	329,847	373,131	317,755
Repaid early	298,922	92,715	187,523	43,405
Subrogated by other entities	5,761	904	5,330	129
Other write-offs	28,911	14,415	21,239	42,967
Additions in the year	**484,733**	**190,484**	**486,774**	**143,516**
Originated by the Entity	382,371	173,869	351,264	114,835
Subrogated from other entities	2,528	-	274	-
Other additions	99,834	16,615	135,236	28,681
Closing balance at 30 June	**15,488,440**	**3,595,361**	**15,644,425**	**4,159,937**

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

	Thousands of euros	
	30/06/2021	31/12/2020
Total	**560,018**	**506,587**
Potentially eligible	545,493	487,222
Non-eligible	14,525	19,365

At 30 June 2021 and 31 December 2020, the Group had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

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

2.7.1 Financing related to development and real estate activities.

The breakdown of the financing for the real estate construction and development at 30 June 2021 and 31 December 2020 is as follows:

	Thousands of euros							
	Gross carrying amount		Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*)		Accumulated impairment		Net value	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Financing for real estate construction and development (including land) (businesses in Spain)	**1,098,826**	**1,029,181**	**160,672**	**85,280**	**37,692**	**40,497**	**1,061,134**	**988,684**
of which: default/non-performing	67,269	79,927	34,956	38,696	31,404	34,457	35,865	45,470
Memorandum items: written-off assets	**134,919**	**131,500**	**-**	**-**	**-**	**-**	**-**	**-**

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

	Thousands of euros	
Memorandum items: Data from the public consolidated balance sheet	**30/06/2021**	**31/12/2020**
Total carrying amount of financing granted to customers	30,966,087	30,942,404
Loans to customers, excluding Public Administrations (businesses in Spain) (carrying amount)	29,717,730	29,877,672
Total assets (total businesses) (carrying amount)	58,120,530	58,400,790
Impairment loss and provisions for exposures classified as normal (total businesses)	192,325	198,237

The breakdown of the heading of the financing for the real estate construction and development (including land), on 30 June 2021 and at 31 December 2020 is as follows:

	Thousands of euros	
	Gross carrying amount	
	30/06/2021	31/12/2020
Without real estate collateral	**31,018**	**26,516**
With real estate collateral (breakdown as per the type of asset received in collateral)	**1,067,808**	**1,002,665**
Buildings and other completed constructions	334,255	283,471
Housing	318,219	245,068
Other	16,036	38,403
Buildings and other constructions under construction	653,106	638,685
Housing	652,521	638,577
Other	585	108
Land	80,447	80,509
Consolidated urban land	77,861	71,917
Other land	2,586	8,592
Total	**1,098,826**	**1,029,181**

Below a breakdown of the collateral received and financial guarantees granted in relation with the financing for real estate construction and development (including land) is shown at 30 June 2021 and 31 December 2020:

Collateral received:

	Thousands of euros	
	30/06/2021	31/12/2020
Value of collateral	1,081,074	1,028,265
Of which: guarantees default/non-performing risks	*48,165*	57,041
Value of other collateral	379,091	408,851
Of which: guarantees default/non-performing risks	*17,345*	18,533
Total value of the collateral received	**1,460,165**	**1,437,116**

Financial guarantees granted:

	Thousands of euros	
	30/06/2021	31/12/2020
Financial guarantees granted related to real estate construction and development	**5,243**	**5,973**
Amount recognised under liabilities on the balance sheet	2,673	2,804

At 30 June 2021 and 31 December 2020, the breakdown of loans to households for housing acquisition, is the following:

	Thousands of euros			
	Gross carrying amount		Of which: default/non-performing	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Housing acquisition loans	**18,247,167**	**18,692,949**	**365,202**	**416,727**
Without mortgage loan	227,028	224,210	8,834	9,824
With mortgage loan	18,020,139	18,468,739	356,368	406,903

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) on 30 June 2021 and 31 December 2020 is the following:

	Thousands of euros					
	30/06/2021					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross carrying amount	5,373,772	7,057,999	4,845,030	461,730	281,608	18,020,139
Of which: default/non-performing	46,378	87,625	115,749	48,505	58,111	356,368

	Thousands of euros					
	31/12/2020					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross amount	5,394,865	7,227,198	4,993,412	534,422	318,842	18,468,739
Of which: default/non-performing	49,009	96,534	133,142	57,881	70,337	406,903

At 30 June 2021, 95% of the housing acquisition loans with real estate collateral has an LTV lower than 50.66% (51.14% at 31 December 2020).

2.7.2 Distribution of loans to customers by type of activity

Below is a breakdown of the carrying value of the distribution of customer loans and receivables by subject and activity at 30 June 2021 and 31 December 2020:

	Thousands of euros							
	30/06/2021							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	**Of which: real estate collateral**	**Of which: other collateral**	**Less than or equal to 40%**	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**
Public administrations	**786,998**	**51,335**	**360**	**5,475**	**20,575**	**24,462**	**388**	**795**
Other financial institutions and individual entrepreneurs (financial business activity)	**1,626,485**	**5,430**	**1,614,975**	**2,639**	**2,730**	**62**	**1,614,974**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**7,927,122**	**2,343,893**	**107,748**	**703,962**	**645,614**	**460,040**	**284,160**	**357,865**
Real estate construction and development (including land)	1,040,520	1,009,933	185	84,032	189,429	265,397	232,335	238,925
Civil engineering	18,126	31	-	31	-	-	-	-
Other purposes	6,868,476	1,333,929	107,563	619,899	456,185	194,643	51,825	118,940
Large corporations	1,829,265	28,037	-	7,238	3,202	17,329	-	268
SMEs and individual entrepreneurs	5,039,211	1,305,892	107,563	612,661	452,983	177,314	51,825	118,672
Other households and non-profit institutions serving households	**20,164,121**	**18,652,738**	**37,855**	**5,789,036**	**7,236,147**	**4,908,980**	**471,553**	**284,877**
Homes	18,401,533	18,161,241	14,549	5,515,231	7,108,316	4,836,083	450,250	265,910
Consumption	757,500	108,172	15,616	79,345	22,569	13,359	6,868	1,647
Other purposes	1,005,088	383,325	7,690	194,460	105,262	59,538	14,435	17,320
Total	**30,504,726**	**21,053,396**	**1,760,938**	**6,501,112**	**7,905,066**	**5,393,544**	**2,371,075**	**643,537**
Memorandum items: refinancing, refinanced and restructured operations	**459,375**	**414,697**	**1,194**	**85,615**	**78,834**	**93,862**	**62,736**	**94,844**

	Thousands of euros							
	31/12/2020							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: real estate collateral	Of which: other collateral	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**733,879**	**53,579**	**-**	**5,408**	**17,753**	**29,207**	**396**	**815**
Other financial institutions and individual entrepreneurs (financial business activity)	**1,631,822**	**4,033**	**1,620,429**	**1,093**	**2,740**	**200**	**1,620,429**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**7,582,830**	**2,369,709**	**31,675**	**734,812**	**622,044**	**450,185**	**259,672**	**334,671**
Real estate construction and development (including land)	978,430	942,023	-	79,388	153,749	236,948	206,002	265,936
Civil engineering	18,651	33	-	33	-	-	-	-
Other purposes	6,585,749	1,427,653	31,675	655,391	468,295	213,237	53,670	68,735
Large corporations	*1,459,380*	*20,584*	-	*10,349*	*1,732*	*8,022*	-	*481*
SMEs and individual entrepreneurs	*5,126,369*	*1,407,069*	*31,675*	*645,042*	*466,563*	*205,215*	*53,670*	*68,254*
Other households and non-profit institutions serving households	**20,663,018**	**19,141,646**	**29,340**	**5,858,906**	**7,413,127**	**5,039,182**	**539,079**	**320,692**
Homes	18,851,339	18,614,980	11,066	5,565,573	7,279,779	4,961,056	519,706	299,932
Consumption	783,435	118,191	12,163	87,511	23,870	12,441	4,721	1,811
Other purposes	1,028,244	408,475	6,111	205,822	109,478	65,685	14,652	18,949
Total	**30,611,549**	**21,568,967**	**1,681,444**	**6,600,219**	**8,055,664**	**5,518,774**	**2,419,576**	**656,178**
Memorandum items: refinancing, refinanced and restructured operations	**526,552**	**472,615**	**160**	**98,656**	**87,388**	**106,157**	**73,827**	**106,747**

2.7.3 Amount of exposure by activity and geographical area

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

- Total activity:

	Thousands of euros				
	30/06/2021				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**6,318,672**	**203,004**	**7,281**	**17,326**	**6,546,283**
Public administrations	**14,004,312**	**1,100,953**	**128,159**	**3,994**	**15,237,418**
Central government	13,016,203	1,100,953	128,159	3,994	14,249,309
Other public administrations	988,109	-	-	-	988,109
Other financial companies and individual entrepreneurs (financial business activity)	**2,001,632**	**134,878**	**-**	**2,956**	**2,139,466**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**10,654,950**	**941,486**	**30,415**	**9,476**	**11,636,327**
Real estate construction and development (including land)	1,381,499	-	-	-	1,381,499
Civil engineering	26,019	-	-	-	26,019
Other purposes	9,247,432	941,486	30,415	9,476	10,228,809
Large corporations	2,326,498	909,988	9,896	5,756	3,252,138
SMEs and individual entrepreneurs	6,920,934	31,498	20,519	3,720	6,976,671
Other household	**20,154,963**	**57,614**	**11,336**	**44,183**	**20,268,096**
Homes	18,290,352	56,821	10,289	44,071	18,401,533
Consumption	756,119	601	709	71	757,500
Other purposes	1,108,492	192	338	41	1,109,063
Total	**53,134,529**	**2,437,935**	**177,191**	**77,935**	**55,827,590**

	Thousands of euros				
	31/12/2020				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**8,239,362**	**112,408**	**8,962**	**33,781**	**8,394,513**
Public administrations	**11,159,034**	**1,145,475**	**-**	**3,981**	**12,308,490**
Central government	10,282,826	1,145,475	-	3,981	11,432,282
Other public administrations	876,208	-	-	-	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**3,582,550**	**170,455**	**-**	**-**	**3,753,005**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**9,667,457**	**1,022,964**	**26,333**	**22,246**	**10,739,000**
Real estate construction and development (including land)	1,278,958	-	-	-	1,278,958
Civil engineering	26,628	-	-	-	26,628
Other purposes	8,361,871	1,022,964	26,333	22,246	9,433,414
Large corporations	*1,951,031*	*985,918*	*7,613*	*18,190*	*2,962,752*
SMEs and individual entrepreneurs	*6,410,840*	*37,046*	*18,720*	*4,056*	*6,470,662*
Other household	**20,648,372**	**57,961**	**12,637**	**46,600**	**20,765,570**
Homes	18,736,241	57,137	11,481	46,479	18,851,338
Consumption	781,895	673	790	76	783,434
Other purposes	1,130,236	151	366	45	1,130,798
Total	**53,296,775**	**2,509,263**	**47,932**	**106,608**	**55,960,578**

- Activity in Spain:

	Thousands of euros								
	30/06/2021								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**6,112,646**	**38,855**	**-**	**30,590**	**21,308**	**-**	**-**	**115,273**	**6,318,672**
Public administrations	**142,013**	**99,644**	**7,580**	**63,965**	**44,671**	**82,785**	**44,336**	**503,115**	**14,004,312**
Central government (*)	1	-	-	-	-	-	-	-	13,016,203
Other public administrations	142,013	99,644	7,580	63,965	44,671	82,785	44,336	503,115	988,109
Other financial institutions and individual entrepreneurs (financial business activity)	**248,552**	**1,747,792**	**897**	**385**	**648**	**2,037**	**301**	**1,020**	**2,001,632**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**3,932,611**	**2,482,011**	**987,686**	**650,986**	**549,489**	**471,053**	**274,814**	**1,306,300**	**10,654,950**
Real estate construction and development (including land)	266,250	767,760	48,676	62,920	75,295	63,015	22,240	75,343	1,381,499
Civil engineering	1,398	24,253	-	-	-	239	-	129	26,019
Other purposes	3,664,963	1,689,998	939,010	588,066	474,194	407,799	252,574	1,230,828	9,247,432
Large corporations	*528,427*	*770,219*	*295,597*	*161,804*	*114,819*	*68,663*	*42,924*	*344,045*	*2,326,498*
SMEs and individual entrepreneurs	*3,136,536*	*919,779*	*643,413*	*426,262*	*359,375*	*339,136*	*209,650*	*886,783*	*6,920,934*
Other household	**5,359,179**	**5,307,011**	**1,931,138**	**1,698,433**	**1,262,940**	**882,627**	**1,248,469**	**2,465,166**	**20,154,963**
Homes	4,382,538	5,030,042	1,817,929	1,614,215	1,202,472	798,349	1,175,169	2,269,638	18,290,352
Consumption	297,484	120,569	54,454	42,477	29,972	43,883	44,147	123,133	756,119
Other purposes	679,157	156,400	58,755	41,741	30,496	40,395	29,153	72,395	1,108,492
Total	**15,795,001**	**9,675,313**	**2,927,301**	**2,444,359**	**1,879,056**	**1,438,502**	**1,567,920**	**4,390,874**	**53,134,529**

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

	Thousands of euros								
	31/12/2020								
	Aragon	**Madrid**	**Catalonia**	**Comm. of Valencia**	**Andalusia**	**Castilla León**	**Castilla La Mancha**	**Other**	**Total**
Central banks and credit institutions	**8,008,760**	**65,951**	**-**	**27,063**	**21,584**	**-**	**-**	**116,004**	**8,239,362**
Public administrations	**158,489**	**58,542**	**8,762**	**63,996**	**20,787**	**86,295**	**14,870**	**464,467**	**11,159,034**
Central government (*)	-	-	-	-	-	-	-	-	10,282,826
Other public administrations	158,489	58,542	8,762	63,996	20,787	86,295	14,870	464,467	876,208
Other financial institutions and individual entrepreneurs (financial business activity)	**151,034**	**3,425,252**	**1,610**	**449**	**696**	**2,115**	**320**	**1,074**	**3,582,550**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**3,395,506**	**2,182,543**	**965,381**	**615,344**	**528,644**	**486,397**	**273,036**	**1,220,606**	**9,667,457**
Real estate construction and development (including land)	267,920	657,467	52,264	66,467	80,418	76,593	18,095	59,734	1,278,958
Civil engineering	1,441	24,768	2	-	-	267	-	150	26,628
Other purposes	3,126,145	1,500,308	913,115	548,877	448,226	409,537	254,941	1,160,722	8,361,871
Large corporations	*535,491*	*583,098*	*251,779*	*133,379*	*90,983*	*65,707*	*36,234*	*254,360*	*1,951,031*
SMEs and individual entrepreneurs	*2,590,654*	*917,210*	*661,336*	*415,498*	*357,243*	*343,830*	*218,707*	*906,362*	*6,410,840*
Other household	**5,527,566**	**5,401,921**	**1,957,435**	**1,733,119**	**1,291,608**	**916,796**	**1,283,623**	**2,536,304**	**20,648,372**
Homes	4,534,543	5,118,429	1,840,461	1,646,431	1,228,761	828,019	1,206,575	2,333,022	18,736,241
Consumption	307,058	124,967	54,838	44,508	30,535	46,374	44,704	128,911	781,895
Other purposes	685,965	158,525	62,136	42,180	32,312	42,403	32,344	74,371	1,130,236
Total	**17,241,355**	**11,134,209**	**2,933,188**	**2,439,971**	**1,863,319**	**1,491,603**	**1,571,849**	**4,338,455**	**53,296,775**

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

2.7.4 Assets foreclosed or acquired in payment for debts.

The following is a breakdown regarding foreclosed or acquired real estate assets in payment of debt on 30 June 2021 and 31 December 2020:

	Thousands of euros			
	30/06/2021			
	Gross carrying amount (*)	**Total allowances for impairment losses**	**Of which: Allowances for impairment losses from the time of the foreclosure**	**Carrying amount**
Real estate assets acquired from loans for real estate construction and development	**412,134**	**(263,103)**	**(155,093)**	**149,031**
Buildings and other completed constructions	32,159	(15,938)	(7,881)	16,221
Housing	10,898	(5,903)	(2,750)	4,995
Other	21,261	(10,035)	(5,131)	11,226
Buildings and other constructions under construction	3,579	(2,712)	(886)	867
Housing	3,219	(2,434)	(743)	785
Other	360	(278)	(143)	82
Land	376,396	(244,453)	(146,326)	131,943
Consolidated urban land	89,251	(53,207)	(23,088)	36,044
Other land	287,145	(191,246)	(123,238)	95,899
Real estate assets acquired in mortgage loans to households for housing acquisition	**102,451**	**(47,040)**	**(22,546)**	**55,411**
Other foreclosed or received real estate assets in payment of debt	**65,852**	**(32,419)**	**(11,526)**	**33,433**
	580,437	**(342,562)**	**(189,165)**	**237,875**

(*) Amount before deducting the allowances for impairment loss

	Thousands of euros			
	31/12/2020			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**444,900**	**(286,929)**	**(175,151)**	**157,971**
Buildings and other completed constructions	36,522	(18,012)	(9,201)	18,510
Housing	*14,540*	*(7,902)*	*(4,076)*	*6,638*
Other	*21,982*	*(10,110)*	*(5,125)*	*11,872*
Buildings and other constructions under construction	3,578	(2,711)	(886)	867
Housing	*3,218*	*(2,433)*	*(743)*	*785*
Other	*360*	*(278)*	*(143)*	*82*
Land	404,800	(266,206)	(165,064)	138,594
Consolidated urban land	*104,560*	*(64,873)*	*(32,475)*	*39,687*
Other land	*300,240*	*(201,333)*	*(132,589)*	*98,907*
Real estate assets acquired in mortgage loans to households for housing acquisition	**107,931**	**(47,816)**	**(23,797)**	**60,115**
Other foreclosed or received real estate assets in payment of debt	**66,696**	**(32,668)**	**(12,390)**	**34,028**
	619,527	**(367,413)**	**(211,338)**	**252,114**

(*) Amount before deducting the allowances for impairment loss

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item as at 30 June 2021 and 31 December 2020 is as follows:

	Thousands of euros				
	30/06/2021				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets – Investment property	18,671	(2,650)	(639)	(4,918)	10,464
Other assets - Inventories	163,982	(33,386)	-	(91,255)	39,341
Non-current assets and disposal groups classified as held for sale	397,784	(116,610)	(112)	(92,992)	188,070
	580,437	**(152,646)**	**(751)**	**(189,165)**	**237,875**

	Thousands of euros				
	31/12/2020				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets – Investment property	16,251	(2,204)	(565)	(4,049)	9,433
Other assets - Inventories	169,990	(34,789)	-	(92,831)	42,370
Non-current assets and disposal groups classified as held for sale	433,286	(118,384)	(133)	(114,458)	200,311
	619,527	**(155,377)**	**(698)**	**(211,338)**	**252,114**

2.7.5 Policies for the management of problematic assets

The Group establishes specific policies relating to the management of assets of the real estate sector.

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

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

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

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

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

2.7.6 Information concerning refinancing and restructuring

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

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

<u>Acceptance of transactions</u>:

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

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.
- Assessment of the borrower's/operation's compliance record.

- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. To this end, the following are considered effective guarantees:

  - Guarantees pledged over cash deposits, listed equity instruments and debt securities.

  - Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.

  - Personal guarantees (guarantee deposits, new holders etc.) fully covering the guaranteed risk.

Sanctions:

The branch network is not authorised to sanction refinancing or restructuring operations. Transactions are authorised by the Recoveries Department of the Credit Risk Area, which is entirely separate from the Commercial Network.

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

A breakdown of refinancing and restructuring balances at 30 June 2021 and 31 December 2020 can be seen below:

	Thousands of euros			
	30/06/2021		31/12/2020	
	Total	Of which: default/not-performing	Total	Of which: default/not-performing
Gross amount	**647,397**	**428,539**	**736,561**	**496,929**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**1,278**	**1,278**	**2,241**	**2,241**
Allowances for impairment of assets	**186,743**	**169,492**	**207,768**	**188,750**
Of which: collective	125,335	109,649	147,103	130,674
Of which: individual	61,408	59,843	60,665	58,076
Net amount	**459,376**	**257,769**	**526,552**	**305,938**
Value of the collateral received	**691,233**	**445,144**	**788,729**	**511,512**
Value of collateral	478,311	302,029	544,141	351,281
Value of other collateral	212,922	143,115	244,588	160,231

The total carrying amount of the financing granted to customers at 30 June 2021 amounted to 30,966,087 thousand euros (30,942,404 thousands of euros as at 31 December 2020).

The changes in refinanced and restructured operations during the six-month periods ended 30 June 2021 and 30 June 2020 are shown below:

	Thousands of euros	
	2021	2020
Balance at 1 January	**736,561**	**988,179**
(+) Refinancing and restructuring in the period	31,140	41,222
Memorandum items: impact recognised in the statement of profit and loss for the period	4,387	*5,870*
(-) Debt repayments	68,386	72,166
(-) Foreclosures	12,093	12,345
(-) Derecognitions (reclassification to written-off assets)	13,881	14,797
(+)/(-) Other changes (*)	(25,944)	(60,270)
Balance at 30 June	**647,397**	**869,823**

(*) Includes transactions that are no longer identified as refinancing, refinanced or restructured.

The breakdown of current balances of refinancing and restructuring as at 30 June 2021, is as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	-	-	5	1,069	539	-	729	340
Other financial companies and individual entrepreneurs (financial business activity)	3	19	1	29	29	-	15	33
Non-financial companies and individual entrepreneurs (non-financial business activity)	1,118	82,996	933	175,288	133,905	675	111,193	147,091
Of which: financing for real estate construction and development (including land)	*6*	*3,866*	*132*	*62,042*	*48,250*	*6*	*26,413*	*39,495*
Other household	2,210	25,691	4,305	362,304	322,682	260	76,084	311,911
Total	3,331	108,706	5,244	538,690	457,155	935	188,021	459,375
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

	Thousands of euros							
	of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	-	-	5	1,069	539	-	729	340
Other financial companies and individual entrepreneurs (financial business activity)	1	14	1	29	29	-	15	28
Non-financial companies and individual entrepreneurs (non-financial business activity)	639	56,391	680	135,534	99,973	363	103,508	88,417
Of which: financing for real estate construction and development (including land)	*6*	*3,866*	*116*	*51,724*	*37,974*	*6*	*25,362*	*30,228*
Other household	1,418	18,765	2,575	216,737	188,545	40	66,518	168,984
Total	2,058	75,170	3,261	353,369	289,086	403	170,770	257,770
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

The breakdown of current balances of refinancing and restructuring as at 31 December 2020, is as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Public administrations	**1**	**815**	**5**	**1,069**	**578**	**-**	**673**	**1,211**
Other financial companies and individual entrepreneurs (financial business activity)	**2**	**20**	**1**	**29**	**29**	**-**	**15**	**34**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,216**	**95,376**	**1,031**	**205,267**	**160,439**	**766**	**122,962**	**177,681**
Of which: financing for real estate construction and development (including land)	*8*	*8,118*	*143*	*77,470*	*63,353*	*6*	*29,780*	*55,808*
Other household	**2,412**	**28,902**	**4,773**	**405,083**	**358,161**	**130**	**86,359**	**347,626**
Total	**3,631**	**125,113**	**5,810**	**611,448**	**519,207**	**896**	**210,009**	**526,552**
Additional information **Financing classified as non-current assets and disposal groups of items classified as held for sale**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousands of euros							
	of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**-**	**-**	**5**	**1,069**	**578**	**-**	**673**	**396**
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**17**	**1**	**29**	**29**	**-**	**14**	**32**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**726**	**67,059**	**756**	**152,835**	**114,875**	**255**	**114,429**	**105,465**
Of which: financing for real estate construction and development (including land)	*7*	*7,978*	*125*	*57,739*	*43,761*	*6*	*28,882*	*36,835*
Other household	**1,499**	**20,563**	**2,963**	**255,357**	**220,861**	**50**	**75,875**	**200,045**
Total	**2,226**	**87,639**	**3,725**	**409,290**	**336,343**	**305**	**190,991**	**305,938**
Additional information **Financing classified as non-current assets and disposal groups of items classified as held for sale**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during the first half of 2021 and in 2020:

	Thousands of euros	
	30/06/2021	31/12/2020
Public administrations	**-**	**-**
Other legal persons and individual entrepreneurs	**931**	**7,269**
Of which: financing for real estate construction and development	-	364
Other individuals	**4,739**	**15,708**
Total	**5,670**	**22,977**

2.7.7 Exposure to sovereign debt

Below, the following information is detailed regarding the exposure to sovereign debt at 30 June 2021 and 31 December 2020:

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

	Thousands of euros	
	30/06/2021	31/12/2020
Spain	13,996,573	11,149,836
Italy	994,093	1,025,440
Portugal	78,518	89,445
United States	128,159	-
France	21,474	23,494
Other	10,478	10,694
Total gross amount	**15,229,295**	**12,298,909**
(Impairment losses)	*(904)*	*(821)*
Total net amount	**15,228,391**	**12,298,088**
of which: from the insurance company	4,475,899	4,893,693

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

	Thousands of euros	
	30/06/2021	31/12/2020
Financial assets held for trading	-	-
Financial assets at fair value through profit or loss	6,536	7,416
Financial assets at fair value through other comprehensive income	4,771,969	4,838,244
Financial assets at amortised cost	10,450,790	7,453,249
	15,229,295	**12,298,909**
Of which: from the insurance company	4,475,899	4,893,693

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

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

	Thousands of euros					
	30/06/2021					
	Up to 3 months	From 3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial assets at fair value through profit or loss	-	-	4,820	1,716	-	**6,536**
Financial assets at fair value through other comprehensive income	71,817	347,622	820,649	446,540	3,085,341	**4,771,969**
Financial assets at amortised cost	129,569	928,264	1,995,895	1,805,001	5,592,061	**10,450,790**
Total	**201,386**	**1,275,886**	**2,821,364**	**2,253,257**	**8,677,402**	**15,229,295**
Of which: from the insurance company	71,817	336,668	837,537	450,875	2,779,002	4,475,899

	Thousands of euros					
	31/12/2020					
	Up to 3 months	From 3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial assets at fair value through profit or loss	-	-	1,347	6,069	-	**7,416**
Financial assets at fair value through other comprehensive income	51,287	458,161	835,536	717,024	2,776,236	**4,838,244**
Financial assets at amortised cost	9,330	251,571	264,504	1,885,920	5,041,924	**7,453,249**
Total	**60,617**	**709,732**	**1,101,387**	**2,609,013**	**7,818,160**	**12,298,909**
Of which: from the insurance company	57,254	458,161	807,711	724,223	2,846,344	4,893,693

- Other information

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

    Note 11 specifies the valuation methodology of the portfolio of financial assets at amortised cost, in which it is observed that the fair value detailed does not differ significantly from the carrying amount. The fair value associated to the sovereign risk is obtained via valuation techniques from level 1 (the description of them is given in Note 11).

  - The effect of a variation of 100 basis points in the interest rates would have an effect on the fair value of -5.53% (-5.85% in financial year 2020).

2.8 Other information

Materiality

For the purposes of preparing the interim financial statements as at 30 June 2021, the materiality of the items and information presented has been evaluated on the basis of the figures shown in those statements and not on the basis of the amounts or balances corresponding to an annual period.

Earnings per share

- Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year, adjusted for the remuneration of issued equity instruments other than capital recorded in equity in the consolidated balance sheet, by the weighted average number of shares outstanding, excluding the average number of treasury shares held, during that period.

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

Basic and diluted earnings per share at 30 June 2021 and 2020 are detailed below:

	30/06/2021	**30/06/2020** (*)
Earnings per share numerator		
Profit/(loss) attributed to the parent	94,060	42,597
Adjustment: Remuneration of issued equity instruments other than equity (AT1)	(8,572)	(8,572)
Profit attributable to owners of the parent adjusted	85,488	34,025
Earnings per share denominator		
Average weighted number of shares	214,427,597	214,427,597
Basic and diluted earnings per share (EUR) considering the effect of remuneration of other issued equity instruments other than capital (AT1)	**0.40**	**0.16**

(*) Restated figures (Nota 2.2.)

At 30 June 2021 and 2020 there were no other financial instruments that have an effect on the calculation of diluted earnings per share, so basic and diluted earnings per share are the same.

Information regarding dividends paid

The following is detailed information as at 30 June 2021 and 2020 on dividends paid:

	30/06/2021			30/06/2020		
	% of nominal value	**€ per share**	**Amounts (thousands of euros)**	**% of nominal value**	**€ per share**	**Amounts (thousands of euros)**
Ordinary shares	0.18%	0.02	3,849	-	-	-
Other shares (no voting rights, callable, etc.)	-	-	-	-	-	-
Total dividends paid	**0.18%**	**0.02**	**3,849**	**-**	**-**	**-**
a) Dividends charged to income statement	0.18%	0.02	3,849	-	-	-
b) Dividends charged to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

As a consequence of the economic impacts generated by COVID-19, and with the aim of preserving the regulatory capital of credit institutions, the European Central Bank issued a recommendation on 27 March 2020 urging European banks under its supervision, including Ibercaja Banco, to refrain, at least until 1 October 2020, from distributing dividends or entering into irrevocable commitments to distribute dividends for 2019 and 2020, as well as from share buy-backs to remunerate shareholders. This recommendation was updated on 27 July 2020, extending the limitation until 1 January 2021.

Subsequently, on 15 December 2020, the European Central Bank again amended its recommendation, urging banks to be very prudent in deciding on dividend amounts or in repurchasing shares to remunerate shareholders until 30 September 2021. It also urges credit institutions that intend to implement dividend or share buy-back measures to remunerate shareholders to contact their joint supervisory teams, in the framework of the supervisory dialogue, to discuss the prudence of such measures.

It should be noted that between the end of the first half of the financial year 2021 and the authorisation for issue of these condensed consolidated interim financial statements, the European Central Bank has decided, in view of the improvement in the Eurosystem's macroeconomic expectations for the period 2021-2023, not to extend this recommendation on dividend payouts, urging, however, banks to maintain prudence in deciding whether to distribute dividends or to buy back shares to remunerate shareholders and to consider the impact of variable remuneration payments on their ability to maintain a strong capital base.

The Ibercaja Banco General Shareholders' Meeting held on 30 March 2020 approved the distribution of a dividend paid from profits from financial year 2019 for an amount of 17,500 million euros. However, due to the situation described above, the General Shareholders' Meeting signed a resolution on 3 April 2020 whereby the payment of the amount of the profit for the year for dividends was conditioned to a new resolution of this governing body, which should take place once the uncertainties caused by the pandemic situation had disappeared. On 7 October 2020, the Extraordinary General Meeting of Ibercaja Banco, S.A., held in writing and without a meeting, once again authorised, bearing in mind that the distribution of dividends was approved by the Ordinary General Meeting held on 30 March, the distribution to shareholders of the dividend for 2019 for the amount of 17,500 thousand euros which was paid on 13 October 2020.

The General Shareholders' Meeting of Ibercaja Banco held on 15 April 2021 approved the distribution of a dividend against 2020 results in the amount of 3,849 thousand euros, in full compliance with the aforementioned recommendations of the European Central Bank. The dividend was paid on 16 April 2021.

Seasonality of operations

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

Solvency information

The Ibercaja Banco Group determines its capital and leverage ratios in accordance with the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business of credit institutions and their prudential supervision (CRD IV), and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) as updated by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II) and Regulation (EU) 2020/873 of the European Parliament and of the Council (CRRII Quick Fix).

At 30 June 2021, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following tables:

	30/06/2021	**31/12/2020**
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	2,480,049	2,484,668
Additional eligible equity tier 1 (thousands of euros) (b)	350,000	350,000
Eligible equity tier 2 (thousands of euros) (c)	500,000	500,000
Risks (thousands of euros) (d)	18,364,194	18,248,449
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	13.50%	13.62%
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.91%	1.92%
Tier 1 capital ratio (Tier 1) (A)+(B)	15.41%	15.53%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.72%	2.74%
Total capital ratio (A)+(B)+(C)	**18.13%**	**18.27%**

	30/06/2021	**31/12/2020**
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,830,049	2,834,668
Exposure (thousands of euros) (b)	47,023,501	45,295,546
Leverage ratio (a)/(b)	**6.02**	**6.26%**

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET1 1 ratio of 4.5%, Tier I of 6% and a total solvency ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) notified its decision with respect to the prudent minimum capital requirements for 2020 applicable to Ibercaja Banco, following the supervisory review and evaluation process (SREP). The ECB has not announced any subsequent amendments to this decision, so these requirements remain in place for the financial year 2021.

The decision means that Ibercaja Banco must maintain a phased-in common equity tier 1 (CET1) ratio of 8.125% and a total capital ratio of 12.50%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

At 30 June 2021, Ibercaja Banco's consolidated ratios, CET1 of 13.50% and total capital of 18.13%, stood at 5.37 points and 5.63 points, respectively, above the regulatory requirements established for 2021.

Other events

In the six months ended 30 June 2021, there was no significant events whose nature, amount or impact might significantly affect the Group's assets, liabilities, equity or results, except for those indicated in the different sections of these Notes.

3. Composition of Ibercaja Banco Group

Note 2 to the consolidated financial statements of the Ibercaja Banco Group at 31 December 2020 describes the criteria used by the Group to consider an entity to be a subsidiary, jointly controlled entity or associate, together with the consolidation and measurement methods applied to each of them for the purposes of preparing these consolidated financial statements. Appendices I and II to said consolidate report include a listing of the companies considered to be subsidiaries, jointly controlled entities and associates, respectively, for the purposes of preparing the aforementioned consolidated financial statements, together with certain relevant information thereon available at the date of preparation.

In these interim financial statements at 30 June 2021, the criteria applied to consider a company to be a subsidiary, jointly controlled entity or associate and the consolidation or measurement methods applied to each type of company have not changed with respect to 31 December 2020.

The six months ended 30 June 2021 saw the following acquisitions or other increases in holdings in subsidiaries, joint ventures and/or investments in associates:

Name of entity (or activity) acquired or merged	Category	Effective date of operation	Cost (net) of combination (a) + (b) (thousands of euros)		% voting rights acquired	% of total voting rights in the entity following acquisition
			Amount (net) paid in acquisition + other costs directly attributable to combination (a)	Fair value of equity instruments issued for acquisition of entity (b)		
Viacajas, S.L.	Associate	11/05/2021	597	-	4.46%	20.59%

The following is a breakdown of the decrease at 30 June 2021 of holdings in subsidiaries, joint ventures and/or investments in associates or similar operations:

Name of entity (or activity) disposed of, spun off or written off	Category	Effective date of operation	% of voting rights disposed of or written off	% of total voting rights in the entity following disposal	Profit /(loss) generated (thousands of euros)
C y E Badajoz Servicios Sociosanitarios, S.A.	Associate	14/06/2021	33.00%	-	-

4. Segment reporting

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

- The services provided to customers do not differ significantly from each other, and therefore there is no justification for a differentiated supervision.

- Non-banking activities (not including the marketing of bancassurance products) are immaterial.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes (Note 8.1).

5. Financial assets

5.1. Disclosure of financial assets

The breakdown, by type and category, of the financial assets included in the Bank's balance sheet and in the Group's consolidated balance sheet as at 30 June 2021 and 31 December 2020, is as follows:

	Thousands of euros				
	30/06/2021				
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
Derivatives	3,184	-	-	-	-
Equity instruments	-	-	-	337,418	-
Debt securities	-	-	-	476,033	9,657,715
Loans and advances	-	1,694	-	-	31,554,343
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	*378,806*
Customers	-	*1,694*	-	-	*31,175,537*
BANK TOTAL	**3,184**	**1,694**	**-**	**813,451**	**41,212,058**
Derivatives	3,567	-	-	-	-
Equity instruments	-	1,375,541	-	379,800	-
Debt securities	-	-	7,709	6,428,949	9,743,809
Loans and advances	-	1,694	-	-	31,347,272
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	*382,879*
Customers	-	*1,694*	-	-	*30,964,393*
GROUP TOTAL	**3,567**	**1,377,235**	**7,709**	**6,808,749**	**41,091,081**

	Thousands of euros				
	31/12/2020				
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
Derivatives	4,953	-	-	-	-
Equity instruments	-	-	-	311,733	-
Debt securities	-	-	-	125,555	8,386,550
Loans and advances	-	1,542	-	-	31,471,724
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	*282,362*
Customers	-	*1,542*	-	-	*31,189,362*
BANK TOTAL	**4,953**	**1,542**	**-**	**437,288**	**39,858,274**
Derivatives	5,503	-	-	-	-
Equity instruments	-	824,170	-	353,872	-
Debt securities	-	28,009	8,602	6,669,456	8,474,312
Loans and advances	-	1,542	-	-	31,252,513
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	*311,651*
Customers	-	*1,542*	-	-	*30,940,862*
GROUP TOTAL	**5,503**	**853,721**	**8,602**	**7,023,328**	**39,726,825**

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

5.2.1 Breakdown of the balance and maximum credit risk

Below is a breakdown of the financial assets included in this category at 30 June 2021 and 31 December 2020:

	Thousands of euros	
	30/06/2021	**31/12/2020**
Debt securities	-	28,009
Unimpaired assets	-	*28,009*
Impaired assets	-	-
Credits and loans	2,972	3,783
Unimpaired assets	*1,694*	*1,542*
Impaired assets	*1,278*	*2,241*
Shares	-	-
Ownership interests in Investment Funds	1,375,541	824,170
Total gross amount	**1,378,513**	**855,962**
(Accumulated negative changes in fair value due to credit risk from non-performing exposures)	(1,278)	(2,241)
Total net amount	**1,377,235**	**853,721**

The Group classifies financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities ("Unit linked") measured at fair value, which make up almost the entire balance. The change in "Ownership interests in Investment Funds" is mainly due to the acquisition of unit-linked units in the first half of 2021, which resulted in a decrease in liabilities under insurance or reinsurance contracts.

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

In the first half of 2020, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), decreased the value of the subordinated debt it held in this entity by 10,350 thousand euros, recognised with a charge to "Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net" in the consolidated income statement (Note 15.6, reducing the carrying amount of the asset to zero.

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

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss at 30 June 2021 and 31 December 2020:

	Thousands of euros			
	30/06/2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**1,694**	**-**	**1,278**	**2,972**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	-	-	1,278	1,278
Net amount	**1,694**	**-**	**-**	**1,694**

	Thousands of euros			
	31/12/2020			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**29,551**	**-**	**2,241**	**31,792**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	-	-	2,241	2,241
Net amount	**29,551**	**-**	**-**	**29,551**

5.3. Financial assets at fair value through other comprehensive income

5.3.1 Breakdown of the balance and maximum credit risk

Below is a breakdown of the financial assets included in this category at 30 June 2021 and 31 December 2020:

	Thousands of euros	
	30/06/2021	31/12/2020
Debt securities	6,434,926	6,676,068
Unimpaired assets	*6,434,926*	*6,676,068*
Impaired assets	-	-
Equity instruments	379,800	353,872
Total gross amount	**6,814,726**	**7,029,940**
(Impairment losses)	(5,977)	(6,612)
Total net amount	**6,808,749**	**7,023,328**

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

On 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"), which represents 4.45% of the share capital and voting rights of this company. On 25 June 2020, Ibercaja obtained the relevant regulatory authorisations to formalise the aforementioned sale, which materialised for a final price of 53 million euros. The recording of this transaction entailed a reclassification between equity items from "Accumulated other comprehensive income" to "Other reserves" in the amount of 32 million euro. Ibercaja holds a 9.5% stake in Caser.

The positive impact of this transaction on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio at 30 June 2020 amounted to 24 basis points.

Additionally, Ibercaja formalised an agreement for a modifying novation of its non-life insurance distribution contract on the same date with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.)

This novation meant for Ibercaja, in addition to the maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities and the collection of the variable payment for the fulfilment of the Business Plan of the previous agency contract, which is settled with the signing of this new agreement. Based on the specifications set out in IFRS 15 Revenue from contracts with customers, the Group recognised 15 million euros under "Other operating income" in the consolidated income statement (Note 2.2 and 15.7). The remainder of the amount of the initial fixed fee will accrue over ten years on the basis of the provisions of the aforementioned rule.

Finally, the signing of this contract could result in additional profit-sharing payments of up to 50 million euros over the next 10 years. Such receipts shall be recorded as revenue on an accruals basis.

5.3.2 Credit risk hedges

The movement of the registered impairment losses for the credit risk hedge of the debt securities during the six-month periods ended 30 June 2021 and 2020 is presented below:

	Thousands of euros	
	30/06/2021	30/06/2020
Opening balance	**6,612**	**7,999**
Transfer charged to profit for the year	774	8,247
Reversal of provisions taken to income statement	(1,409)	(6,783)
Amounts used	-	(3,257)
Exchange differences and other movements	-	252
Closing balance	**5,977**	**6,458**
Of which:		
- Individually determined	-	-
- Collectively determined	5,977	6,458

5.4. Financial assets at amortised cost

5.4.1 Breakdown of the balance and maximum credit risk

Below is a breakdown of the financial assets included in this category at 30 June 2021 and 31 December 2020:

	Thousands of euros	
	30/06/2021	31/12/2020
Debt securities	9,743,886	8,474,475
Unimpaired assets	*9,743,886*	*8,474,475*
Impaired assets	-	-
Loans and advances	31,950,873	31,897,450
Credit institutions	382,879	311,651
Customers	31,567,994	31,585,799
Unimpaired assets	*30,673,712*	*30,575,102*
Impaired assets	*894,282*	*1,010,697*
Total gross amount	**41,694,759**	**40,371,925**
(Impairment losses)	(603,678)	(645,100)
Total net amount	**41,091,081**	**39,726,825**

In the financial year 2020, the Group carried out a sale transaction of national public debt securities portfolio for a nominal value of 1,381,770 thousand euros, of which 300,000 thousand euros were executed through a forward sale (Note 11.2 of the consolidated financial statements for the financial year 2020) which materialised in the first half of the financial year 2021. The result of this transaction amounts to 33,102 thousand euros, which has been recognised under “Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost” in the condensed consolidated interim income statement.

Given that this sale transaction was carried out in response to the extraordinary circumstances of the pandemic caused by Covid-19 and the unusual magnitude of the challenges posed, in accordance with the business model under which the affected assets are managed, and in accordance with the provisions of IFRS 9, the Group has proceeded with the replacement of the portfolio for a nominal amount of 1,695,000 thousand euros.

5.4.2 Impaired assets

The financial assets classified as financial assets at amortised cost and considered as impaired owing to their credit risk are shown below as at 30 June 2021 and 31 December 2020

	Thousands of euros	
	30/06/2021	31/12/2020
Resident public administrations	1,247	1,246
Other resident sectors	889,207	1,005,184
Other non-resident sectors	3,828	4,267
	894,282	**1,010,697**

5.4.3 Credit risk hedges

The changes in the gross balance of financial assets included in this category in the six-month periods ended 30 June 2021 and 2020 are presented below:

	Thousands of euros			
	30/06/2021			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**37,683,374**	**1,677,854**	**1,010,697**	**40,371,925**
Transfers:	(86,527)	61,333	25,194	-
from stage 1 to stage 2:	*(474,352)*	*474,352*	-	-
from stage 1 to stage 3	*(21,904)*	-	*21,904*	-
from stage 2 to stage 3	-	*(39,757)*	*39,757*	-
from stage 3 to stage 2	-	*35,723*	*(35,723)*	-
from stage 2 to stage 1	*408,985*	*(408,985)*	-	-
from stage 3 to stage 1	*744*	-	*(744)*	-
Increases	9,025,762	98,748	14,002	9,138,512
Decreases	(7,423,812)	(236,255)	(84,425)	(7,744,492)
Transfers to write-offs	-	-	(71,186)	(71,186)
Other movements	-	-	-	-
Gross balance at 30 June	**39,198,797**	**1,601,680**	**894,282**	**41,694,759**

	Thousands of euros			
	30/06/2020			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**
Transfers:	(72,958)	(1,374)	74,332	-
from stage 1 to stage 2:	*(486,941)*	*486,941*	-	-
from stage 1 to stage 3	*(35,754)*	-	*35,754*	-
from stage 2 to stage 3	-	*(89,851)*	*89,851*	-
from stage 3 to stage 2	-	*48,526*	*(48,526)*	-
from stage 2 to stage 1	*446,990*	*(446,990)*	-	-
from stage 3 to stage 1	*2,747*	-	*(2,747)*	-
Increases	7,973,168	74,144	26,330	8,073,642
Decreases	(7,165,844)	(213,855)	(88,919)	(7,468,618)
Transfers to write-offs	-	-	(92,337)	(92,337)
Other movements	-	-	-	-
Gross balance at 30 June	**38,451,383**	**1,262,124**	**1,210,336**	**40,923,843**

The movements are shown below of the impairment value corrections of the six-month periods ended 30 June 2021 and 2020 and their accumulated value at the start and end of said periods of debt instruments of this portfolio classified as loans and receivables (thousands of euros):

	Thousands of euros			
	30/06/2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**52,154**	**132,330**	**460,616**	**645,100**
Of which:				
- Individually determined	-	*12,270*	*97,105*	*109,375*
- Collectively determined	*52,154*	*120,060*	*363,511*	*535,725*
Changes through profit or loss:	**(33,965)**	**26,094**	**50,856**	**42,985**
Increases in origination	23,556	-	-	23,556
Changes due to changes in credit risk	(35,460)	28,048	64,190	56,778
Changes in calculation method	-	-	-	-
Other	(22,061)	(1,954)	(13,334)	(37,349)
Changes other than through profit or loss:	**34,637**	**(31,798)**	**(87,246)**	**(84,407)**
Transfers:	34,637	(31,798)	(2,839)	-
from stage 1 to stage 2:	*(7,898)*	*7,898*	-	-
from stage 1 to stage 3:	*(113)*	-	*113*	-
from stage 2 to stage 3:	-	*(5,346)*	*5,346*	-
from stage 3 to stage 2	-	*8,025*	*(8,025)*	-
from stage 2 to stage 1	*42,375*	*(42,375)*	-	-
from stage 3 to stage 1	*273*	-	*(273)*	-
Existing provisions utilised	-	-	(73,538)	(73,538)
Other movements	-	-	(10,869)	(10,869)
Balance at 30 June	**52,826**	**126,626**	**424,226**	**603,678**
Of which:				
- Individually determined	-	*12,305*	*111,751*	*124,056*
- Collectively determined	*52,826*	*114,321*	*312,475*	*479,622*

	Thousands of euros			
	30/06/2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	-	*10,109*	*124,634*	*134,743*
- Collectively determined	*60,248*	*55,091*	*392,306*	*507,645*
Changes through profit or loss:	**(105,945)**	**121,262**	**118,828**	**134,145**
Increases in origination	25,767	-	-	25,767
Changes due to changes in credit risk	(105,265)	123,755	132,213	150,703
Changes in calculation method	-	-	-	-
Other	(26,447)	(2,493)	(13,385)	(42,325)
Changes other than through profit or loss:	**130,651**	**(113,589)**	**(119,539)**	**(102,477)**
Transfers:	130,651	(113,589)	(17,062)	-
from stage 1 to stage 2:	*(28,801)*	*28,801*	-	-
from stage 1 to stage 3:	*(580)*	-	*580*	-
from stage 2 to stage 3:	-	*(26,432)*	*26,432*	-
from stage 3 to stage 2	-	*41,095*	*(41,095)*	-
from stage 2 to stage 1	*157,053*	*(157,053)*	-	-
from stage 3 to stage 1	*2,979*	-	*(2,979)*	-
Existing provisions utilised	-	-	(95,986)	(95,986)
Other movements	-	-	(6,491)	(6,491)
Balance at 30 June	**84,954**	**72,873**	**516,229**	**674,056**
Of which:				
- Individually determined	-	*12,451*	*111,615*	*124,066*
- Collectively determined	*84,954*	*60,422*	*404,614*	*549,990*

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

	Thousands of euros	
	30/06/2021	31/12/2020
Resident public administrations	906	821
Other resident sectors	600,746	641,948
Other non-resident sectors	2,026	2,331
	603,678	**645,100**

The various items recognised in the six-month periods ended 30 June 2021 and 2020 under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statements for those years are presented below:

	Thousands of euros	
	30/06/2021	30/06/2020
Impairment losses credited to allowances for assets	42,985	134,145
Recovery of written-off assets	(4,314)	(2,532)
	38,671	**131,613**

5.4.4 Credit quality of portfolio of financial assets at amortised cost

The credit quality of the portfolio of financial assets at amortised cost at 30 June 2021 and 31 December 2020 is detailed below:

	Thousands of euros			
	30/06/2021			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**39,198,797**	**1,601,680**	**894,282**	**41,694,759**
Allowances for impairment of assets	**52,826**	**126,626**	**424,226**	**603,678**
Of which: calculated collectively	52,826	114,321	312,475	479,622
Of which: calculated separately	-	12,305	111,751	124,056
Net amount	**39,145,971**	**1,475,054**	**470,056**	**41,091,081**

	Thousands of euros			
	31/12/2020			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**37,683,374**	**1,677,854**	**1,010,697**	**40,371,925**
Allowances for impairment of assets	**52,154**	**132,330**	**460,616**	**645,100**
Of which: calculated collectively	52,154	120,060	363,511	535,725
Of which: calculated separately	-	12,270	97,105	109,375
Net amount	**37,631,220**	**1,545,524**	**550,081**	**39,726,825**

The changes in exposures classified in stage 3 during the six-month periods ended 30 June 2021 and 2020 are shown below:

	Thousands of euros	
	30/06/2021	30/06/2020
Opening balance	**1,010,697**	**1,290,930**
(+) Refinancing and restructuring	14,390	36,471
(+) Other additions of the period	72,162	130,233
(-) Foreclosures	(31,228)	(28,123)
(-) Collections and exits from NPE	(104,424)	(128,671)
(-) Derecognitions (reclassification to written-off assets)	(71,185)	(92,337)
(+)/(-) Other changes	3,870	1,833
Closing balance	**894,282**	**1,210,336**

Guarantees received and financial guarantees granted break down as follows at 30 June 2021 and 31 December 2020:

	Thousands of euros	
	30/06/2021	31/12/2020
Value of collateral	21,037,262	21,535,458
Of which: guarantees normal risks on special watch	*1,084,931*	*1,124,234*
Of which: guarantees non-performing risks	*564,206*	*642,981*
Value of other collateral	7,333,461	7,344,364
Of which: guarantees normal risks on special watch	*695,816*	*713,748*
Of which: guarantees non-performing risks	*288,392*	*316,958*
Total value of the collateral received	**28,370,723**	**28,879,822**

	Thousands of euros	
	30/06/2021	31/12/2020
Loan commitments given	**3,342,313**	**3,288,448**
Of which: amount classified as normal on special watch	*47,624*	*65,121*
Of which: classified as non-performing	*5,643*	*5,732*
Amount recognised under liabilities on the balance sheet	4,341	4,898
Financial guarantees granted	**99,157**	**93,631**
Of which: amount classified as normal on special watch	*8,905*	*5,259*
Of which: classified as non-performing	*5,366*	*5,495*
Amount recognised under liabilities on the balance sheet	6,205	6,048
Other commitments given	**824,463**	**795,006**
Of which: amount classified as normal on special watch	*827*	*4,866*
Of which: classified as non-performing	*26,202*	*31,270*
Amount recognised under liabilities on the balance sheet	6,273	8,531

5.5. Credit quality of debt securities

The concentration of credit quality risk in debt securities based on the counterparty's rating at 30 June 2021 and 31 December 2020:

	Thousands of euros			
	30/06/2021			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	-	-	249,120	7,726
A	-	4,820	4,151,852	6,750,729
BBB	-	2,889	2,024,813	2,955,097
BB	-	-	3,164	30,257
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**-**	**7,709**	**6,428,949**	**9,743,809**

	Thousands of euros			
	31/12/2020			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	-	-	154,612	7,719
A	18,008	5,473	4,287,913	5,619,781
BBB	10,001	3,129	2,221,418	2,816,381
BB	-	-	5,513	30,431
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**28,009**	**8,602**	**6,669,456**	**8,474,312**

5.6. Impact of COVID-19 on classification and impairment of financial instruments (IFRS 9)

5.6.1 Measures implemented to mitigate the impacts of COVID-19

On 18 March 2020, Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published. On 1 April, Royal Decree-Law 11/2020 of 31 March was published, adopting urgent additional measures in the social and economic sphere to deal with COVID-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it.

One of the measures developed by these Royal Decrees is aimed at ensuring the protection of mortgage debtors in a situation of economic vulnerability, establishing a moratorium on the payment of their mortgage on their principal residence, loans secured by real estate used for economic activity, those secured by housing that was intended for rental and in which the debtor has ceased to receive rent due to the COVID-19 situation, as well as loan and credit contracts without mortgage collateral, including consumer loans. Banks could enter into such transactions until 29 September 2020.

Subsequently, Royal Decree-Law 3/2021 of 2 February was published, adopting measures to reduce the gender gap and other matters in the social security and economic fields. Among the measures it includes is the extension of the deadline for applying for moratoriums, consistent with the extent of the effects of the pandemic. In this way, the beneficiaries of any moratoriums, whether legal or under a sector understanding, are allowed to take advantage of them for a maximum cumulative duration of nine months, including those who had initially requested a moratorium for a shorter period. The deadline to apply for these moratoriums was extended to 31 March 2021.

Another of the measures adopted in Royal Decree-Law 8/2020 addressed the difficult economic situation that companies and the self-employed would have to face as a result of the health crisis by creating a 100 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their liquidity needs. This line has been managed by the Official Credit Institute (ICO) and its objective is to facilitate granting sufficient liquidity to maintain employment and alleviate the economic effects of COVID-19. Institutions could enter into such transactions until 1 June 2021, provided that they did not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

Similarly, on 3 July 2020, Royal Decree-Law 25/2020 was published, approving the creation of a 40 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their needs for new investments. Institutions could enter into such transactions until 1 June 2021, provided that they did not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

Subsequently, the publication of Royal Decree-Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in the area of taxation, in addition to extending the application period for these publicly-guaranteed financing transactions until 1 June 2021, lays down an extension of the maturity and grace periods of these transactions for all debtors who so request. Specifically, the maturity of these transactions will be extended by a maximum of three years, provided that the total maturity of the guaranteed transaction does not exceed eight years from the date of the initial formalisation of the transaction, and the grace period for the repayment of the principal of the guaranteed transaction will be increased by a maximum of twelve additional months, if the total grace period, taking into account the initial grace period, does not exceed twenty-four months.

The Group also adhered to the Sector Understanding on the deferral of financing operations for customers affected by the coronavirus crisis, approved by the Board of the Spanish Confederation of Savings Banks (CECA) and published on 16 April 2020. The purpose of this agreement is to establish the framework and general criteria for certain debtors affected by this health crisis to defer payment of mortgage loans or credits and personal loans or credits. Entities could enter into such transactions until 30 September 2020.

On 15 December 2020, CECA issued an addendum to the abovementioned Sector Understanding, adapting the term of the Sector Understanding until 30 March 2021, the latest date for submission of applications under this Sector Understanding, in line with the new provisions contained in the EBA/GL/2020/15 Guidelines.

Royal Decree-Law 5/2021 of 12 March on extraordinary measures to support business solvency in response to the Covid-19 pandemic approves three levels of possible action on financing guaranteed by the ICO to strengthen business solvency. The Resolution of the Council of Ministers of 11 May 2021 approved the Code of Good Practices, to which the Bank adheres, and on the basis of which the three possible levels of action regulated by this Royal Decree-Law are structured:

- Extension of the maturity of guarantees
- Conversion of guaranteed financing into participating loans
- Transfers for reduction of outstanding principal of guaranteed loans

In addition, Royal Decree-Law 5/2021 extends until 31 December 2021 the deadline for applying for guarantees under the ICO Avales COVID-19 line, implemented pursuant to Royal Decree-Law 8/2020 and Royal Decree-Law 25/2020.

In this context, the Group has been granting its customers both moratoriums under the aforementioned Royal Decrees (legal moratoriums) and moratoriums under the sector agreement (sectoral moratorium), as well as transactions with guarantees from the COVID-19 ICO line, in order to reach a larger number of those affected by the health crisis.

The detail of these transactions as at 30 June 2021 and 31 December 2020 is as follows:

	Thousands of euros								
	30/06/2021								
	Total data						Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Balance granted	of which: legal moratoriums	of which: extended moratoriums	of which: expired moratoriums	Outstanding balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,793	723,300	622,053	251,524	543,488	179,812	114,519	61,602	3,691
Consumer finance	409	4,205	3,937	1,591	3,530	674	469	190	15
Other operations	965	47,180	41,816	15,929	34,541	12,640	8,325	4,308	7
Total	**9,167**	**774,685**	**667,806**	**269,044**	**581,559**	**193,126**	**123,313**	**66,100**	**3,713**

	Thousands of euros 31/12/2020 Total data						Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Balance granted	of which: legal moratoriums	of which: extended moratoriums	of which: expired moratoriums	Outstanding balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,353	688,112	607,058	232,826	348,039	340,073	241,165	89,479	9,429
Consumer finance	372	4,179	3,987	1,649	3,059	1,120	1,034	72	14
Other operations	939	49,130	41,414	14,813	24,194	24,936	20,783	3,651	502
Total	**8,664**	**741,421**	**652,459**	**249,288**	**375,292**	**366,129**	**262,982**	**93,202**	**9,945**

	Thousands of euros 30/06/2021 Total data				Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Amount granted	Amount guaranteed	Outstanding balance	Stage 1	Stage 2	Stage 3
COVID-19 ICO Guarantees	**19,327**	**2,062,148**	**1,275,181**	**1,655,516**	**1,418,264**	**224,439**	**12,813**
Self-employed	3,837	86,419	62,313	77,904	71,689	5,575	640
SMEs	14,451	1,584,617	987,105	1,252,209	1,059,114	183,345	9,750
Other corporations	1,039	391,112	225,763	325,403	287,461	35,519	2,423

	Thousands of euros 31/12/2020 Total data				Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Amount granted	Amount guaranteed	Outstanding balance	Stage 1	Stage 2	Stage 3
COVID-19 ICO Guarantees	**17,082**	**1,829,587**	**1,089,024**	**1,454,067**	**1,272,178**	**179,493**	**2,396**
Self-employed	3,619	80,685	57,417	73,451	72,766	607	78
SMEs	12,804	1,417,729	856,006	1,111,003	953,368	155,398	2,237
Other corporations	659	331,173	175,601	269,613	246,044	23,488	81

In addition to these support operations established in legal and sector-wide frameworks, the Group, in its desire to help its customers overcome this crisis, has renegotiated certain financial leasing operations whose holders had accredited correct compliance with their financial obligations and who, as a result of COVID-19, are experiencing temporary financial difficulties. As at 30 June 2021, the Group has granted 289 transactions of this type for a total amount of 608 thousand euros (285 transactions for a total amount of 2,170 thousand euros as at 31 December 2020).

All the operations described above have been carried out in accordance with the provisions of the regulations of the Royal Decrees, as well as the guidelines and sector understandings.

The characteristics of the financial instruments under which these mitigation measures have been implemented are as follows:

- **Legal moratoriums:** 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 that, where applicable, was included in the mortgage loan contract. During the period of validity, the Entity may not demand payment of the mortgage instalment, nor of any of the items comprising it (amortisation of the capital or payment of interest), either in full or as a percentage. As at 30 June 2021, legal moratorium measures have been formalised affecting 7,965 transactions, whose outstanding risk exposure amounts to 89,640 thousand euros (7,695 transactions with an outstanding risk of 39,743 thousand euros as at 31 December 2020). In accordance with IFRS 9, these measures have resulted in a non-substantial modification of the contract and therefore the affected assets have not been derecognised, although the Group has recognised the adjustment to the carrying amount of these assets as a result of the change in cash flows under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement was not significant.

- **Sectoral moratorium:** this applies both to those individuals who do not have transactions with defaults of more than two bills or instalments on 14 March 2020 and who, as a result of the health crisis, have been economically affected, and to those individuals who, fulfilling these requirements and whose legal moratorium has expired, request it, thus linking a legal moratorium with a sectoral moratorium. In this moratorium, the repayment of the principal of the loan is deferred for the term of the loan, although the customer will pay interest on the outstanding principal during this period. The term of the moratorium is a maximum of 12 months for mortgage loans or credits, and a maximum of 6 months for personal loans or credits. In the case of customers who are granted this moratorium after having exhausted the legal moratorium granted, the maximum term of the sectoral moratorium shall be reduced by the term of the legal moratorium. At 30 June 2021, the Group had formalised sectoral moratorium measures affecting 3,897 transactions, of which 2,695 transactions have been formalised after the customer has exhausted the legal moratorium granted, with the outstanding risk of transactions with this type of moratorium in force amounting to 103,486 thousand euros (3,645 transactions, of which 2,676 transactions have been entered into after the customer has exhausted the legal moratorium granted, bringing the outstanding risk of transactions with this type of moratorium in force to 326,386 thousand euros as at 31 December 2020).

- **COVID-19 ICO Lines:** Royal Decree-Law 8/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 100 billion euros 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 employee salaries or other liquidity needs that allow them to maintain economic activity. Companies and the self-employed have access to these guarantees, through the formalisation of new financing operations or the renewal of existing ones. As at 31 December 2020, the lines of guarantees activated by the Government now total the 100 billion euros set out in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers on 24 March, 10 April, 5 May, 19 May 2020 and 16 June. Of these total amounts, 67.5 billion euros have been earmarked for SMEs and the self-employed, 25 billion euros to other companies, 4 billion euros for issuing promissory notes, 2.5 billion euros for SMEs and the self-employed in the tourism sector and related activities, 500 million euros for the self-employed and companies for the acquisition or financial or operational leasing of road transport motor vehicles for professional use and 500 million euros for CERSA (Compañía Española de Reafianzamiento, S.A.)

Additionally, Royal Decree-Law 25/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 40 billion euros in guarantees for financing granted by credit institutions to mainly meet their financial needs arising from new investments. Companies and the self-employed have access to these guarantees, through formalising new financing operations. Up to 30 June 2021, the Government activated six tranches of this line of guarantees, some of which will be managed by the ICO, for a total of 26.8 billion euros, approved by the Council of Ministers on 28 July, 24 November, 22 December 2020 and 28 May 2021, the total amounts of which are earmarked for 15 billion euros for SMEs and the self-employed, 8 billion euros for other companies, 250 billion to guarantee financing operations for companies and the self-employed that are in the process of executing an insolvency agreement within an insolvency proceeding (but are up to date with their obligations under the agreement and can prove this by means of a court or administrator's report), EUR 250 million to guarantee promissory notes issued on the MARF (Mercado Alternativo de Renta Fija) by companies that could not benefit from the tranche available under the first line as they were in the process of renewing their promissory note programme, 500 million euros to meet the investment and liquidity needs of SMEs and the self-employed in the tourism, hospitality and related activities sector, and 500 million euros to strengthen CERSA's guarantees and increase the capacity of the MGSs.

As at 30 June 2021, the number of transactions formalised by the Group for the self-employed, SMEs and other companies came to 19,327 with an outstanding balance of 1,655,516 thousand euros and an ICO guarantee amount of 1,275,181 thousand euros (17,082 operations with an outstanding balance of 1,454,067 thousand euros and an ICO guarantee amount of 1,089,024 thousand euros at 31 December 2020)

The ICO Covid-19 guarantees do not affect the assessment of the significant increase in risk as this is assessed through the credit quality of the instrument. The Group considers that the COVID-19 ICO guarantees form a substantial part of the secured financing (full guarantee), as they are in any case new operations or renewals of existing credit lines with substantial modifications to the original terms and conditions. Therefore, the accounting treatment applied to them is based on the following assumptions in line with the specifications of IFRS 9: (i) the fee paid by the Group to the ICO is incorporated as an incremental cost in the calculation of the effective interest rate of the operation, and (ii) the flows expected to be obtained as a result of the execution of the guarantee are taken into account in the calculation of the expected loss on the transaction.

The Group has strengthened procedures both when granting moratoriums and for monitoring credit risk during the lifetime of the moratoriums and upon maturity. Transactions are analysed on the basis of the credit quality of the customer, without the granting of the moratorium in itself implying an automatic trigger for a significant increase in risk.

In addition, as evidence of payment no longer exists or has been reduced, the Group has introduced additional indicators to identify the significant increase in credit or impairment that may have occurred in certain transactions or groups of transactions and, where appropriate, they have been classified as Stage 2 or, where applicable, Stage 3.

In addition, account has been taken of the indications from the European Banking Authority (EBA) to not classify as refinancing moratoriums if they meet certain requirements. This is without prejudice to maintaining their status as refinancing if they were previously so classified or putting the exposure in the appropriate risk category as set out above.

Moreover, the accounting treatment of singular transactions, i.e. those not covered by the general frameworks described above, as well as of overdue arrears that have required additional support, is in line with the updated assessment of the customer's credit quality and the characteristics of the solution to be granted.

5.6.2 Effect on rating by credit risk stages

In the current economic context arising from the COVID-19 health crisis, banking regulators and supervisors around the world have recommended making appropriate use of the flexibility implicit in the regulatory framework, without undermining the adequate identification and hedging of credit risk. In line with these guidelines and recommendations, the Group has adapted its criteria for classifying financial instruments by stage according to their credit risk. The aim is to avoid automatisms and to allow greater flexibility in the application of expert judgement for the credit risk classification of operations, including those affected by legal and sectoral moratoriums, those that have been subject to a guarantee from the COVID-19 ICO line, and the treatment of refinancing. Following on from this, the existence of liquidity difficulties of borrowers with a good payment behaviour would not automatically lead to the amendments of the operations motivated by the COVID-19 crisis being identified as refinancing or restructuring at the time they are granted. These transactions may remain classified as normal as long as there are no reasonable doubts about their repayment and there has been no significant increase in their credit risk.

The Group has considered these guidelines and recommendations in its criteria for determining whether there is a significant increase in risk in its lending exposures. Furthermore, based on the recommendations of the EBA and the European Securities and Markets Authority (ESMA), and in order to distinguish between exposures affected by temporary liquidity constraints (according to ESMA) and those that are actually affected by a situation of significantly increased risk, the Group refutes the presumption that there is a significant increase in risk in the case of operations affected by legal and sectoral moratoria, for the entire duration of the moratorium. However, those operations affected by sectoral moratoriums more than three months old and for which a low capacity to overcome this crisis is determined, based on the credit risk monitoring carried out by the Group, will be considered to have produced a significant increase in risk, with their consequent classification at Stage 2.

In addition, based on the results of the credit risk monitoring analyses of its loan portfolio described in Note 11.6.3 of the 2020 consolidated financial statements, the Group has considered the classification at Stage 2 of those exposures in companies (not individually significant, since these are analysed by means of an individualised expert analysis) belonging to economic sectors especially affected by the health crisis or which, within the credit risk monitoring carried out by the Group, have been determined to have a low capacity to overcome this crisis.

5.6.3. Impact on credit risk impairment hedges

The current coronavirus pandemic (COVID-19) has continued to affect economic activity in the first half of 2021 due to the prolongation of containment measures. However, progress in the fight against the pandemic and the advance of the vaccination campaign, the improved capacity of economic agents to adapt to the pandemic, important additional fiscal policy measures, national and supranational policies, as well as the current recovery in demand are containing the impact on activity.

In line with these assumptions, the European Central Bank has recently published an estimate of the macroeconomic scenario for the period 2021-2023 in the European Union in which activity is expected to return to growth in the second quarter of 2021 and to recover strongly in the second half of the year. Therefore, current projections issued by the European Central Bank or the Bank of Spain incorporate a stronger growth outlook, reflecting the assumption of a lower economic impact of the pandemic.

The prospective assessment of impairment cannot be carried out mechanically and with a vision reduced to a very short period of time. The incorporation of the effect of forecasts of future economic conditions in the estimation of credit risk hedges should be made on the basis of reasonable and substantiated information so as not to undermine the reliability of the estimates. For this reason, at year-end 2020, the Group not only took into account the macroeconomic scenarios for 2021, but also the projections for the coming years, giving more weight to long-term projections (see Note 11.6.3 of the consolidated financial statements for 2020), and giving more weight to the base scenario than to the optimistic scenario.

In preparing the condensed interim consolidated financial statements for the first half of 2021, although the Group is currently working on its process of recalibration of the credit risk models, in view of the first preliminary results obtained, the information available at the date of formulation of these interim financial statements and taking into account the reweighting carried out on the forward looking information scenarios in the financial year 2020, the Group, despite the prospects of improvement issued by the Central Banks, has decided to maintain, out of prudence and while waiting to cover the existing uncertainties, the scenarios and weightings used at the close of the financial year 2020.

In the first half of 2021, the Group continued to analyse its loan portfolio taking into account the different types and segmentation of customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), their characteristics (companies, individuals, self-employed, etc.) as well as the sector to which each borrower belongs (CNAE). As at 31 December 2020, it was concluded that there are economic sectors particularly impacted by the COVID-19 crisis, such as air transport, hotels, restaurants and tourism, for which the Group is being particularly prudent in determining credit risk coverage.

In addition, given the high degree of uncertainty that still persists due to the crisis caused by the coronavirus, the Group supplements the expected loss estimated by its credit risk models to include the effects that may not be included in them either by considering additional risk indicators, the incorporation of sectoral particularities or those that may affect a set of transactions or borrowers.

This post-model adjustment should be of a temporary nature, until the reasons for the post-model adjustment disappear or materialise. Therefore, at 31 December 2020, as stated in Note 11.6.3 of the consolidated financial statements for 2020, the Group supplemented the expected loss estimated by its credit risk models with an additional allowance to cover the increase in credit risk of customers who had not defaulted at year-end 2020, but who, due to the persistent deterioration of the macroeconomic situation, were expected to transition to Stage 2 in 2021, since the potential effect of transitions between stages is not captured by the internal models. As at 30 June 2021, the Group is analysing this development and has therefore decided to maintain this post-model adjustment of 52 million euros:

The Group closely monitors the trend of both the sectors and the most relevant individual borrowers that could be affected by this crisis, in order to adapt its credit risk coverage to the different scenarios that may arise.

6. Financial liabilities

6.1 Disclosure of financial liabilities

The breakdown, by type and category, of the financial liabilities included in the Bank's balance sheet and in the Group's consolidated balance sheet as at 30 June 2021 and 31 December 2020, is as follows:

	Thousands of euros	
	30/06/2021	
	Financial liabilities held for trading	**Financial liabilities at amortised cost**
Derivatives	3,408	-
Short positions	-	-
Deposits	-	44,491,127
Central banks	-	*5,901,819*
Credit institutions	-	*1,409,026*
Customers	-	*37,180,282*
Debt securities issued	-	1,021,949
Other financial liabilities	-	1,534,614
BANK TOTAL	**3,408**	**47,047,690**
Derivatives	4,346	-
Short positions	-	-
Deposits	-	43,857,954
Central banks	-	*5,901,819*
Credit institutions	-	*1,409,013*
Customers	-	*36,547,121*
Debt securities issued	-	1,308,671
Other financial liabilities	-	1,568,894
GROUP TOTAL	**4,346**	**46,735,519**

	Thousands of euros	
	31/12/2020	
	Financial liabilities held for trading	**Financial liabilities at amortised cost**
Derivatives	3,729	-
Short positions	-	-
Deposits	-	45,213,080
Central banks	-	*5,371,202*
Credit institutions	-	*1,207,848*
Customers	-	*38,634,030*
Debt securities issued	-	1,021,094
Other financial liabilities	-	827,243
BANK TOTAL	**3,729**	**47,061,417**
Derivatives	5,630	
Short positions	-	
Deposits	-	44,460,275
Central banks	-	*5,371,202*
Credit institutions	-	*1,207,820*
Customers	-	*37,881,253*
Debt securities issued	-	1,340,670
Other financial liabilities	-	826,435-
GROUP TOTAL	**5,630**	**46,627,380**

On 30 April 2020, the Governing Council of the European Central Bank made a number of amendments to the terms and conditions of these financing operations in order to further support the provision of credit to households and businesses to mitigate the economic effects of the health crisis. With the maturity of the TLTRO II programme (1,650,000 thousand euros), the Group participated in the fourth auction of the TLTRO III programme for an amount of 5,400,000 thousand euros maturing in 2023, which has been recorded under "Financial liabilities at amortised cost - Deposits at central banks" in the consolidated balance sheet. In addition, on 24 June 2021, the Group participated in the seventh auction of the TLTRO III programme for an amount of 559,000 thousand euros.

For institutions that meet a certain volume of eligible loans between 1 March 2020 and 31 March 2021, the interest rate may be -1% for the period from June 2020 to June 2021. Furthermore, these conditions were extended on 10 December 2020, establishing, in addition to the above, that, if a certain volume of eligible loans is met between 1 October 2020 and 31 December 2021, the -1% interest rate may be applied for the period between June 2021 and June 2022.

Institutions shall have the option to repay the financing early one year after the settlement of each transaction, on a quarterly basis but no earlier than 29 September 2021.

In accordance with point B5.4.4 of IFRS 9 on the application of the effective interest rate method to financial assets and liabilities at amortised cost, the Group has opted to accrue interest in accordance with the specific periods of adjustment to market rates, so that interest for the period from June 2020 to June 2022 (i.e. -1%) will be recognised in “Interest income and similar – Liability interest in the consolidated interim income statement”, assuming that the threshold of eligible loans giving rise to the extra-rate is met. This compliance is estimated considering the performance of the eligible loan book to date and the projections estimated in the Group's Business Plan, the degree of compliance with which is reviewed periodically. The amount of this positive remuneration amounts to 28,383 thousand euros and 5,433 thousand euros at 30 June 2021 and 2020, respectively (Note 15.1).

In addition, “Financial liabilities at amortised cost - Other financial liabilities” includes lease liabilities of 59,652 thousand euros (31 December 2020: 58,496 thousand euros).:

6.2 Issuance, repurchase or redemption of debt securities

The breakdown of and movements in issues, repurchases or redemptions of debt securities carried out in the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros				
	Balance at 01/01/2021	**(+) Issues**	**(-) Repurchases or redemptions**	**(+/-) Exchange rate and other adjustments**	**Balance at 30/06/2021**
Debt securities issued in an EU member state that required registration of an information prospectus.	1,340,670	-	(40,058)	8,059	1,308,671
Debt securities issued in an EU member state that did not require registration of an information prospectus.	-	-	-	-	-
Other debt securities issued outside an EU member state	-	-	-	-	-
TOTAL	**1,340,670**	**-**	**(40,058)**	**8,059**	**1,308,671**

	Thousands of euros				
	Balance at 01/01/2020	**(+) Issues**	**(-) Repurchases or redemptions**	**(+/-) Exchange rate and other adjustments**	**Balance at 30/06/2020**
Debt securities issued in an EU member state that required registration of an information prospectus.	1,480,421	500,000	(386,531)	7,781	1,601,671
Debt securities issued in an EU member state that did not require registration of an information prospectus.	-	-	-	-	-
Other debt securities issued outside an EU member state	-	-	-	-	-
TOTAL	**1,480,421**	**500,000**	**(386,531)**	**7,781**	**1,601,671**

At 30 June 2021 and 2020 there were no debt securities issued at those dates by associates or third parties (outside the Ibercaja Banco Group) and guaranteed by the Bank or any other entity of the Ibercaja Banco Group.

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

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

The credit ratings granted are as follows:

- Ibercaja Banco, S.A.

	Date		Short-term		Long-term		Outlook	
Company	2021	2020	2021	2020	2021	2020	2021	2020
Standard&Poors	June 2021	Abril 2020	B	B	BB+	BB+	Stable	Negative
Moody's	April 2020	April 2020	NP	NP	Ba3	Ba3	Stable	Stable
Fitch Ratings	September 2020	September 2020	B	B	BB+	BB+	Negative	Negative

During the first half of 2020, the rating agencies revised downwards their outlook for the Spanish financial system as a result of the expected impacts on the Spanish economy of the health crisis triggered by COVID-19. As a result of this sector-wide review, the outlook for Ibercaja Banco's credit rating was revised downwards. During the 2021 financial year, the rating agencies are once again reviewing their outlook for Ibercaja Banco and, in addition to Standard & Poor's, between the end of the first half of the 2021 financial year and the date of authorisation for issue of these condensed consolidated interim financial statements, Moody's has published its credit rating for the Bank (Note 16).

No issues of debt securities were made in the period from the beginning of the financial year to 30 June 2021. The list of issues of debt securities made in the period from the beginning of the previous financial year to 30 June 2020 is as follows:

Issue	ISIN code	Date	Amount issued	Interest rate	Market	Guarantees
Ibercaja subordinated obligations	ES0244251015	January 2020	500,000	2.75%	AIAF Market	(a)
			500,000			

On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an issue of subordinated obligations with a par value of 500 million euros and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2.882%. The disbursement and closure of this issue took place on 23 January 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 26 June 2013 on prudential requirements for credit institutions and investment firms.

The list of repurchases or redemptions of debt securities made between the beginning of the financial year and 30 June 2021 is as follows:

Issue	ISIN code	Date	Repurchase or redemption amount	Interest rate	Market	Guarantees
Ibercaja Banco TDA Securitisation Bonds	(*)	Jan.-June 2021	40,058	(**)	AIAF Market	(b)
			40,058			

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

The list of repurchases or redemptions of debt securities made between the beginning of the previous financial year and 30 June 2020 is as follows:

Issue	ISIN code	Date	Repurchase or redemption amount	Interest rate	Market	Guarantees
Ibercaja subordinated obligations	ES0244251007	Jan.-June 2020	359,600	5%	AIAF Market	(a)
Ibercaja Banco TDA Securitisation Bonds	(*)	Jan.-June 2020	26,931	(**)	AIAF Market	(b)
			386,531			

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

On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback offer in cash to all holders of the subordinated obligations issue called “€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025”. Once this offer was concluded, Ibercaja accepted the purchase of Obligations for a nominal amount of 281,900 thousand euros, the settlement of which took place on 23 January 2020. Subsequently, Ibercaja met the selling interest of other investors who had not participated in the public offering, repurchasing an additional 77,700 thousand euros during the first half of this financial year.

7. Tangible assets

Movements in this consolidated balance sheet heading for the six-month period ended 30 June 2021 are as follows:

	Thousands of euros			
	For own use	Real estate investments	Assigned under operating lease	Total
Cost				
Balances at 1 January 2021	**1,331,111**	**387,388**	**89,553**	**1,808,052**
Additions	19,364	2,680	22,238	44,282
Disposals due to sales or through other means	(32,362)	(8,532)	(14,865)	(55,759)
Other transfers and other movements	-	52	-	52
Balances at 30 June 2021	**1,318,113**	**381,588**	**96,926**	**1,796,627**
Accumulated depreciation				
Balances at 1 January 2021	**(692,566)**	**(92,295)**	**(13,928)**	**(798,789)**
Disposals due to sales or through other means	19,365	1,982	3,716	25,063
Allowances recognised in profit or loss	(20,091)	(3,271)	(4,521)	(27,883)
Other transfers and other movements	(497)	743	-	246
Balances at 30 June 2021	**(693,789)**	**(92,841)**	**(14,733)**	**(801,363)**
Impairment losses				
Balances at 1 January 2021	**(102)**	**(48,194)**	**-**	**(48,296)**
Transfer charged to profit for the year	(563)	(984)	-	(1,547)
Recovered amount credited to profits	-	-	-	-
Other transfers and other movements	563	1,252	-	1,815
Balances at 30 June 2021	**(102)**	**(47,926)**	**-**	**(48,028)**
Net tangible assets				
Balances at 1 January 2021	**638,443**	**246,899**	**75,625**	**960,967**
Balances at 30 June 2021	**624,222**	**240,821**	**82,193**	**947,236**

Movements in this consolidated balance sheet heading for the six-month period ended 30 June 2020 were as follows:

	Thousands of euros			
	For own use	Real estate investments	Assigned under operating lease	Total
Cost				
Balances at 1 January 2020	**1,349,034**	**410,979**	**87,716**	**1,847,729**
Additions	10,185	4,113	758	15,056
Disposals due to sales or through other means	(16,538)	(4,117)	-	(20,655)
Other transfers and other movements	(341)	-	-	(341)
Balances at 30 June 2020	**1,342,340**	**410,975**	**88,474**	**1,841,789**
Accumulated depreciation				
Balances at 1 January 2020	**(703,770)**	**(97,093)**	**(13,735)**	**(814,598)**
Disposals due to sales or through other means	4,132	881	-	5,013
Allowances recognised in profit or loss	(19,184)	(4,921)	(3,319)	(27,424)
Other transfers and other movements	303	(145)	-	158
Balances at 30 June 2020	**(718,519)**	**(101,278)**	**(17,054)**	**(836,851)**
Impairment losses				
Balances at 1 January 2020	**(200)**	**(49,221)**	**-**	**(49,421)**
Transfer charged to profit for the year	(28)	(115)	-	(143)
Recovered amount credited to profits	-	-	-	-
Other transfers and other movements	182	86	-	268
Balances at 30 June 2020	**(46)**	**(49,250)**	**-**	**(49,296)**
Net tangible assets				
Balances at 1 January 2020	**645,064**	**264,665**	**73,981**	**983,710**
Balances at 30 June 2020	**623,775**	**260,447**	**71,420**	**955,642**

At 30 June 2021, the cost of property, plant and equipment for own use includes the right-of use assets corresponding to the leased tangible assets in which the Group acts as the lessee, amounting to 97,206 thousand euros, of which 39,855 thousand euros had been depreciated at that date (30 June 2020: 80,482 thousand euros, of which 23,557 had been depreciated at that date).

8. Intangible assets

8.1 Goodwill

The breakdown of the items comprising the balance of this heading of the consolidated balance as at 30 June 2021 and 31 December 2020 is the following:

	Thousands of euros	
Company	**30,06,2021**	**31,12,2020**
Banco Grupo Cajatres, S.A.U.	128,065	128,065
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	16,869
	144,934	**144,934**

Note 16 to the consolidated financial for 2020 describes the business combinations that gave rise to this goodwill.

For the purpose of allocating goodwill in accordance with paragraph 80 of IAS 36 Impairment of Assets, the Group has considered that there is only one cash-generating unit coinciding with its entire balance sheet, as neither goodwill is controlled at a lower level for internal management purposes nor are there distinct operating segments, in accordance with paragraph 68 of IAS 36 and as indicated in Note 4. Therefore, Ibercaja Banco has been considered to be the cash-generating unit to which the goodwill is allocated, since, as mentioned in Note 4 to these condensed consolidated interim financial statements and Note 27.8 to the consolidated financial statements for 2020, the Group considers that there are neither business segments nor geographical segments due to:

- The types of products marketed by the Group's insurance companies are, in part, substitutes for bank savings products and are subject to similar risks.
- The use of the commercial network of Ibercaja Banco, S.A. as the majority distribution channel for the products of the Group's insurance companies affects the relationship of dependence between the two sectors.
- The existence of a common customer base and the linkage of the two brands from the consumer's point of view mean that operational risk is interrelated between the two sectors of banking and insurance.
- All strategic, commercial and regulatory analysis is carried out at the Group level.
- The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

The Group determines the recoverability of goodwill at the end of each reporting period in accordance with paragraph 24 of IAS 36 by comparing the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

At year-end 2020, in order to estimate the value in use of the cash-generating unit, the Group received a report from an independent expert (Deloitte Financial Advisory, S.L.U) using the Group's new Strategic Plan as a basis, and concluded that there was no need to recognise any impairment of the cash-generating unit. Note 16 to the consolidated financial statements for 2020 describes the methodology used, the discount rate and other relevant assumptions of the model, as well as the main assumptions used to project the performance of the business. Also, a sensitivity analysis due to reasonably possible changes in the key valuation variables (perpetual growth rate of cash flows, discount rate, credit cost adjustments due to the effect of changes in government measures to combat COVID-19 and the time window of the cash flow projection) has been performed, noting that in no case would the calculated value in use be lower than the carrying amount of the cash-generating unit, concluding that there was no evidence of impairment.

Owing to the improved economic outlook derived from the progress made in the fight against the pandemic and the expected impact of the extraordinary measures adopted by the Government to combat it, as well as the high degree of compliance with the Group's Business Plan, in preparing these condensed consolidated interim financial statements, the Group has reviewed the assumptions used in December 2020 and updated the sensitivity analyses, taking into account the best information available at the date of authorisation for issue of these condensed consolidated interim financial statements, concluding that the carrying amount does not exceed the recoverable amount of the cash-generating unit associated with the goodwill.

8.2 Other intangible assets

In the first six months of 2021 and throughout 2020, there were no impairment losses on intangible assets. (Note 15.10).

9. Provisions

The provisions recognised in the consolidated balance sheet at 30 June 2021 and 31 December 2020 were as follows:

	Thousands of euros	
	30/06/2021	**31/12/2020**
Pensions and other post-employment defined benefit obligations	101,221	119,125
Other long-term employee remuneration	-	122
Lawsuits and litigation for outstanding taxes	7,628	7,780
Commitments and guarantees given	16,819	19,477
Other provisions	209,352	246,596
	335,020	**393,100**

Note 21 to the consolidated financial statements for 2020 describes the provisions made.

Post-employment benefits and other long-term commitments

On 17 December 2020, the Directorate General of Insurance and Pension Funds published by means of a Resolution the new biometric tables to be applied by insurance companies and pension plans, as well as the technical guide on supervisory criteria related to them. The updating of these tables, together with the performance of the assets and obligations assigned to the pension plans that the Group maintains with its employees, has resulted in a variation of 17,904 thousand euros in the post-employment commitments recorded under this heading of the consolidated balance sheet during the first half of the financial year 2021.

Other provisions

- A significant portion of these provisions relates to the labour cost of the redundancy plans for 2014, 2015, 2017 and 2020 pending disbursement (178,159 thousand euros at 30 June 2021 and 207,379 thousand euros at 31 December 2020). During the financial year 2021, there has been a use of the funds associated with this item for 29,220 thousand euros, for the payment of termination benefits to employees adhering to the redundancy programme approved in the financial year 2020.

- With regard to the possible impact of the refund of the amounts perceived as a result of the application of the so-called floor clauses, either as a result of the hypothetical cancellation by the courts of the floor clauses, either through the application of Royal Decree Law 1/2018, of 20 January, on measures to protect consumers regarding floor clauses, the Company has reserves to cover a hypothetical legal risk deriving from the potential elimination of the floor clauses in mortgages which would cover, where applicable, the maximum estimated amount of €18 million.

  At 30 June 2021, 612 million euros of the 694 million-euro balance drawn down on loans containing interest rate floor clauses relates to loans in which the entity has negotiated or traded with its customers a resolution whereby, in exchange for eliminating or reducing the amount of the floor rate, the customer has waived the right to claim from the Group the amounts charged under the floor clause.

  On 11 April 2018, in a judgment handed down by the full court, when analysing one of these resolutions, the Supreme Court considered it to be valid, as it was a genuine transaction, where both parties, reducing their original claims, resolved in a free and informed manner to reach an agreement to avoid litigation on the possible unfairness of the interest rate floor clause. Both parties renounced claiming the consequences of the possible abuse of the floor clause due to lack of transparency, and therefore, given that all the resolutions are in keeping with the same pattern and were adapted with equal or greater transparency than the one analysed by the S.C., the Group considers that all the agreements it entered into with its customers are valid.

  On 26 June 2018, when analysing an Ibercaja Banco resolution, similar to the one examined by the Supreme Court in its judgment of 11 April 2018, the court of first instance and preliminary investigations 3 of Teruel called on the Court of Justice of the European Union ("CJEU") to provide a preliminary ruling (Case C-452/18), calling into question the doctrine established by the Supreme Court in its Plenary Judgment of 11 April 2018.

- On 9 July 2020, the CJEU delivered its judgment in case C-452/18. The CJEU affirms, contrary to the opinion of Court 3 of Teruel and in line with that stated by the Advocate General in his conclusions issued on 30 January 2020, that it is possible for a bank and a customer to sign a novation or settlement agreement on a potentially abusive interest rate floor clause, by virtue of which the customer sees the rate of the floor clause reduced and for its part waives the right to claim against the bank for the alleged unfairness of the initial floor clause, provided that the customer gives his free and informed consent.

Subsequently, on 5 November 2020, when ruling on an appeal in cassation lodged by the Company, the Spanish Supreme Court, applying the CJEU ruling of 11 July, considered that, given that the novation agreement signed by the customer with Ibercaja was a pre-established contract and its clauses were general conditions, there was a need to examine the transparency of its clauses. In doing so, it considered that the clause modifying the interest rate was transparent and therefore valid, but the clause containing the reciprocal waiver of the exercise of actions was not, as it was a generic waiver not limited exclusively to the floor clause. This changed the criterion laid down by the Spanish Supreme Court in its judgment of 11 April 2018 in relation to the novation agreements signed by the Company, and ordered it to return to the plaintiff the interest charged in excess due to the application of the interest rate floor clause from the time it began to operate in the contract until the date of the novation, and from that date onwards, the Entity could continue to charge the customer the floor clause.

Following these first rulings, the Spanish Supreme Court, as at 30 June 2021, has handed down a further 87 similar rulings in cases that were suspended pending clarification by the CJEU on this issue. In turn, the various provincial courts and courts of first instance that also had their proceedings suspended pending this clarification have already handed down another 660 rulings upholding this same criterion.

Lastly, it should be noted that from 28 December 2020 the new limitation period for actions that do not have a special term is applicable, having changed from 15 years to 5 years (Art. 1964 of the Civil Code), except in Catalonia, which maintains the 10-year period due to its regional regulation, which means that those who have not claimed the floor clause of their novated loan will have their claim action barred if more than five years have elapsed since the novation contract. This assertion is supported by the case law of the CJEU, and in its judgment of 16 July 2020, the European Court ruled on the length of the limitation period for actions to enforce the restitutionary effects of the declaration of invalidity of an unfair term, stating that “a period of five years 'does not appear' to make it impossible in practice or excessively difficult to exercise the rights conferred by Directive 93/13” (CJEU of 16 July 2020, para. 87), especially when the CJEU, in other cases, has considered three-year limitation periods to be in line with the principle of effectiveness (CJEU of 15 April 2010, Barth, C-542/08, para. 28) and two years (CJEU of 15 December 2011, Banca Antoniana Popolare Veneta, Case C-42772010, para. 25).

- On 14 December 2017, the Spanish Supreme Court, in the face of disparate criteria from the various provincial courts, declared in a unification of doctrine, that the Mortgage Loan Reference Index (IRPH) was valid and not abusive, given that it is an official index and as such cannot be subject to a transparency analysis.

  On 16 February 2018, the 38th Court of First Instance of Barcelona made a reference to the CJEU for a preliminary ruling (Case C125/18), calling into question the criterion laid down by the Court of Justice in its judgment of 14 December 2017.

On 3 March 2020, the CJEU ruled in Case C-125/18, in which it clarified that a clause that fixes the interest rate on the basis of an official reference rate is subject to the Consumer Directive 93/13, and therefore, a national judge can examine whether the reference rate has been informed to the consumer in a transparent manner, unless this official rate is applied to the loan contract by application of a mandatory rule, as is the case, for example, in the Spanish case, with agreed loans (VPO). The CJEU also states that for such a clause fixing the interest rate to be transparent, it must not only be comprehensible on a formal and grammatical level, but also enable the average consumer, who is reasonably well informed and reasonably observant and circumspect, to be able to understand how the method of calculation of that interest rate actually works and thus to assess, on the basis of precise and comprehensible criteria, the potentially significant economic consequences of that clause on his financial obligations. And finally, the CJEU states that in the event that the national court concludes that the clause is void because of lack of transparency, it is possible for the national court to replace the original index with a legal index applicable in the absence of an agreement to the contrary by the parties to the contract, provided that the mortgage loan contract could not survive after the unfair term has been removed and that the annulment of the contract in its entirety would leave the consumer exposed to particularly harmful consequences.

After this ruling, the various provincial courts maintained different criteria. Some considered the interest rate clauses that include the IRPH to be transparent and, therefore, not abusive, and others, conversely, considered them to be non-transparent and declared the interest rate clause abusive; however, the latter agree that the loan contract cannot survive without this clause and included very different criteria in the contract, some courts replaced it with the Euribor, others with the IRPH credit institutions.

In November 2020, the Spanish Supreme Court issued five rulings related to the IRPH, four of them referring to free loans, and one of them related to an agreed loan. In the first four cases, the Court concluded that, despite the fact that the IRPH clause is not transparent, since the customer was not informed of the past performance of the index, it is not considered to be abusive, since, from the point of view of contractual good faith, the clause does not create an imbalance in the obligations of the contract for the consumer, and, therefore, since it was agreed by the Entity with the customer in good faith, it cannot be declared abusive. In relation to the fifth ruling, concerning a VPO loan, the SC stated that this clause, whose interest rate is imposed by the application of a regulation, cannot be considered abusive, since the Entity acted in good faith, limiting itself to applying the interest rate to the loan that is imposed for these loans by law.

In the case of the Entity, the largest loan book referenced to IRPH comes from agreed or VPO loans, where the interest rate is mandatorily imposed by the government and, therefore, the clause of these loans is outside the scope of application of the Consumer Directive, as has been affirmed by the CJEU ruling.

The rest of the IRPH-linked loan book is scant and many of these loans have already been repaid, thus leaving a very small outstanding portfolio. As a result, the number of claims received for this legal contingency has been very low. As at 30 June 2021, only 17 lawsuits are still pending against the Group for this legal risk, although it should be noted that none of the final judgements in completed cases have ordered the Group to pay any amount to the plaintiffs.

Based on this background and given that current case law on this matter is in favour of considering the IRPH clause as a non-abusive clause, the Entity has considered it appropriate not to provision any amount for this legal risk, as it considers the probability that the Entity will have to part with resources that include economic benefits to settle this obligation to be remote, in accordance with the provisions of point 14 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

- The CJEU in its Judgment of 16 July 2020, while recalling that an unfair term must be deemed not to have been included without further modification, permits that not all the sums paid have to be refunded where the limitation derives from provisions of national law which impose on the consumer the obligation to pay all or part of those costs. In this regard, the most relevant pronouncements on this issue are contained in paragraphs 54 and 55 of the Judgment, through which the Court recognises that, once the costs clause has been declared unfair, national law can be applied to regulate the distribution of the costs of mortgage creation and cancellation in the absence of an agreement between the parties. In these paragraphs, in particular, the Court expressly mentions the possibility of not refunding to the consumer amounts imposed on him by national law (such as Stamp Duty).

  In short, the Group considers that the CJEU overturned the interpretation that the Spanish Supreme Court had been applying, according to which it is for the Spanish national court to determine, in the absence of an agreement because the costs clause has been removed from the contract as unfair, which of the costs borne by the consumer are imposed on him under the provisions of national law. These national provisions are those that the Supreme Court had been applying in its case law, so that the Supreme Court, following this CJEU ruling, upheld its previous case law, i.e. it considered that it was the Group's responsibility to pay the costs of registering the mortgage in the land registry, the administrative costs, 50% of the notary fees and taxes in accordance with the Law in force at the time the loan was arranged, and as a novelty, it subsequently mandated that the Group must also pay the appraisal fees only until the entry into force of Law 5/2019 of 15 March, regulating real estate credit contracts, which imperatively establishes that this cost must be borne by the borrower.

  Therefore, with regard to the mortgage loan expense clause, the criterion is clear and it is not envisaged that there will be any change in jurisprudential criteria and this risk has disappeared for all loans arranged after the entry into force of Law 5/2019.

  Therefore, taking into consideration the legal certainty that Law 5/2019 of 15 March has conferred on the mortgage market with regard to the mortgage loan expenses clause; the modification made by the Bank of the expenses clause since 2017, distributing these between the Bank and the customer; and the new statute of limitations period for claiming these expenses, which has changed from 15 years to 5 years as at 28 December 2020, means that, in the Group's opinion, all borrowers who arranged their loans prior to 28 December 2015 and who have not yet claimed these expenses from the Bank will have their action time-barred, and all those who arranged their loans after 2017 have no basis for claiming, as their expenses clause cannot be considered abusive.

  Provisions made at 30 June 2021 for this contingency, based on the information available at that date, amount to 2,584 thousand euros.

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

10. Equity

During the first half of the financial year 2021 there have been movements in the Group's equity to comply with the requirements of article 25 of the Corporation Tax Law regarding the creation of a separate and appropriately titled restricted reserve for the amount of the reduction due to the capitalisation reserve.

As a result, the capitalisation reserve that was on the Group's consolidated balance sheet at 31 December 2020 was released with a credit to voluntary reserves in the amount of 7,528 thousand euros, leaving a capitalisation reserve for 2017 amounting to 11,799 thousand euros.

In addition, the Group has set up, with a charge to voluntary reserves, another capitalisation reserve for 2019, in accordance with the provisions of the aforementioned article of the Corporation Tax Law, amounting to 10,684 thousand euros, so that, at 30 June 2021, the carrying amount of the capitalisation reserves in the consolidated balance sheet totals 22,484 thousand euros (31 December 2020: 19,328 thousand euros).

11. Fair value of financial assets and liabilities

11.1 Breakdown

Set out below is the breakdown of the fair value of financial assets and liabilities at 30 June 2021 and 31 December 2020 compared with their carrying amount shown in the balance sheet at that same date. Similarly, a breakdown is provided of fair value according to the system of appraisal (levels 1, 2 and 3):

	Thousands of euros				
	30/06/2021				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	5,727,625	5,727,625	-	5,727,625	-
Financial assets held for trading	3,567	3,567	-	3,567	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	1,377,235	1,377,235	1,375,541	-	1,694
Financial assets at fair value through profit or loss	7,709	7,709	7,709	-	-
Financial assets at fair value through other comprehensive income	6,808,749	6,808,749	6,635,449	144,430	28,870
Financial assets at amortised cost	41,091,081	44,114,972	7,798,470	3,671,771	32,644,731
Derivatives - Hedge accounting	86,560	86,560	0	86,560	
Total financial assets	**55,102,526**	**58,126,417**	**15,817,169**	**9,633,953**	**32,675,295**
Financial liabilities held for trading	4,346	4,346	-	3,969	377
Financial liabilities at amortised cost	46,735,519	47,101,259	-	47,101,259	-
Derivatives - Hedge accounting	145,543	145,543	-	145,543	-
Total financial liabilities	**46,885,408**	**47,251,148**	**-**	**47,250,771**	**377**

	Thousands of euros				
	31/12/2020				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	7,572,609	7,572,609	-	7,572,609	-
Financial assets held for trading	5,503	5,503	-	5,503	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	853,721	853,721	824,170	-	29,551
Financial assets at fair value through profit or loss	8,602	8,602	8,602	-	-
Financial assets at fair value through other comprehensive income	7,023,328	7,023,328	6,551,935	442,143	29,250
Financial assets at amortised cost	39,726,825	43,033,735	6,548,679	3,636,832	32,848,224
Derivatives - Hedge accounting	142,020	142,020	-	142,020	-
Total financial assets	**55,332,608**	**58,639,518**	**13,933,386**	**11,799,107**	**32,907,025**
Financial liabilities held for trading	5,630	5,630	-	5,253	377
Financial liabilities at amortised cost	46,627,380	47,206,444	-	47,206,444	-
Derivatives - Hedge accounting	216,202	216,202	-	216,202	-
Total financial liabilities	**46,849,212**	**47,428,276**	**-**	**47,427,899**	**377**

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

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

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

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.
- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.
- Equity instruments measured at fair value: In general, provided that directly or indirectly observable market data is available, their fair value is obtained from listed prices or transactions in active markets for similar instruments. If sufficient market information is not available, fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.
- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early amortisation of 1,39% of the total has been taken into account. This percentage is based on the Group's historical data and is used in internal management.

At 30 June 2021, the impact of a 100 basis point rise in the interbank interest rate curve would bring about a 2.06% reduction in fair value.

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

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

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

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

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

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

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. In the six-month period ended 30 June 2021 and as at 31 December 2020, there were no financial instruments that were no longer measured under level 2 and 3 criteria and instead measured according to level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

	Thousands of euros	
	30/06/2021	**30/06/2020**
Level 1	3,529	(2,466)
Level 2	(15,571)	(26,558)
Level 3	227	(10,571)
	(11,815)	**(39,595)**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances with the balances at 30 June 2021 and 2020, separately revealing changes during the year attributable to the following:

	Thousands of euros			
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial liabilities held for trading**
Balance at 1 January 2021	**-**	**29,550**	**29,250**	**377**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	227	(479)	-
Purchases	-	-	159	-
Sales	-	-	(60)	-
Issues	-	-	-	-
Settlements and maturities	-	(28,083)	-	-
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 30 June 2021	**-**	**1,694**	**28,870**	**377**

	Thousands of euros			
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial liabilities held for trading**
Balance at 1 January 2020	**-**	**90,980**	**30,494**	**387**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(10,635)	62	-
Purchases	-	-	-	-
Sales	-	-	-	-
Issues	-	-	-	-
Settlements and maturities	-	(50,661)	-	(10)
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 30 June 2020	**-**	**29,684**	**30,556**	**377**

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Private Equity Venture Capital Association).

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

11.2 Impact of COVID-19 on fair value hierarchy levels

The events related to COVID-19 have had a significant impact on the financial markets at certain times, and especially in the weeks following COVID-19 being declared a global pandemic. With the announcement of tightening measures affecting most of the world's economies, there was a decline in liquidity, a widening of bid-ask spreads in some financial instruments and some loss of convergence among the various price contributors.

Subsequently, market conditions have been normalising. Certain assets have recovered some of their accumulated losses, liquidity has recovered and volatility has declined in most markets from the highs reached in the weeks following COVID-19 being declared a global pandemic. At the end of the first half of 2021 and 2020, no significant reduction in the price sources used to value financial instruments has been observed.

As a result, during the six-month period ended 30 June 2021 and 2020, the Group has not identified any significant changes in the fair value hierarchy levels of the financial assets in its portfolio.

12. Information on average workforce and number of offices

The average workforce of the Parent and the Group for the six-month periods ended 30 June 2021 and 2020 is as follows:

	Ibercaja Banco		Ibercaja Banco Group	
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
Men	2,660	2,693	2,744	2,776
Women	2,411	2,436	2,580	2,604
	5,071	**5,129**	**5,324**	**5,380**

As at 30 June 2021, the number of offices was 965 (1,068 as at 30 June 2020), all in Spain.

13. Remuneration of Directors and Senior Management

13.1 Remuneration of the Board of Directors

The following table shows the remuneration earned by the members of the Board of Directors of the Company, in their capacity as Directors or the Secretary of the Board of Directors, including attendance fees and travel to meetings of the Board of Directors and its committees, as well as to meetings of the governing bodies of Group companies, during the six-month periods ending on 30 June 2021 and 2020:

	Thousands of euros	
	30/06/2021	30/06/2020
Compensation		
Remuneration for membership on the Board and/or Board committees	495	434
Salaries	196	196
Variable remuneration in cash	41	65
Instrument-based remuneration systems	46	74
Severance payments	-	-
Long-term savings systems	31	29
Other items	69	66
	878	**864**

13.2. Remuneration of Senior Management

For the purposes of preparing the condensed consolidated interim financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee), which are detailed in the Annual Corporate Governance Report for financial year 2020. However, the total remuneration includes that earned by members of the Management Committee, even if they have not carried out their activity during the full reporting period.

At 30 June 2021, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management (12 people in at 30 June 2020).

The remuneration accrued by Senior Management in the six-month periods ended 30 June 2021 and 2020 are shown in the following table, as was previously defined:

	Thousands of euros	
	30/06/2021	30/06/2020
Total remuneration received by executives	1,558	1,660

14. Related party transactions

In addition to the information presented in Note 13 in relation to the remuneration earned by directors and senior executives, below are the transactions with related parties carried out during the six-month period ended 30 June 2021, in accordance with the third section of Order EHA/3050/2004, of 15 September:

	Thousands of euros				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
EXPENSE AND INCOME:					
1) Finance expense	23	2	-	25	50
2) Management or collaboration arrangements	503	-	-	-	503
3) R+D transfers and licence arrangements	-	-	-	-	-
4) Leases	-	-	-	-	-
5) Receipt of services	-	-	-	-	-
6) Purchase of goods (finished or in progress)	-	-	-	-	-
7) Valuation adjustments for bad or doubtful debts	-	-	-	-	
8) Losses on write-off or disposal of assets	-	-	-	-	-
9) Other expenses	-	-	-	-	-
EXPENSES	526	2	-	25	553
10) Interest income	-	29	47	-	76
11) Management or collaboration arrangements	121	-	-		121
12) R+D transfers and licence arrangements	-	-	-	-	-
13) Dividends received	-	-	-	-	-
14) Leases	-	-	-	-	-
15) Provision of services	-	1	-	-	1
16) Sale of goods (finished or in progress)	-	-	-	-	
17) Profits on write-off or disposal of assets	-	-	-	-	-
18) Other income	-	-	-	-	-
INCOME	121	30	47	-	198

	Thousands of euros				
	Significant shareholders	**Directors and executives**	**Individuals, companies or entities of the Group**	**Other related parties**	**Total**
OTHER TRANSACTIONS					
Purchase of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements: credits and capital contributions (lender)	-	1,037	-	-	1,037
Finance lease arrangements (lessor)	-	100	-	-	100
Write down or cancellation of credits and leases (lessor)	-	-	-	-	-
Sale of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements of loans and capital contributions (borrower)	-	-	-	-	-
Finance lease arrangements (lessee)	-	-	-	-	-
Write down or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees provided	-	-	-	-	-
Guarantees received	-	-	-	-	-
Commitments undertaken	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other profits distributed	-	-	-	-	-
Other transactions	-	-	-	-	-

Transactions with related parties during the six-month period ended 30 June 2020 are as follows:

	Thousands of euros				
	Significant shareholders	**Directors and executives**	**Individuals, companies or entities of the Group**	**Other related parties**	**Total**
EXPENSE AND INCOME:					
1) Finance expense	37	4	1	36	78
2) Management or collaboration arrangements	439	-	-	-	439
3) R+D transfers and licence arrangements	-	-	-	-	-
4) Leases	-	-	-	-	-
5) Receipt of services	-	-	-	-	-
6) Purchase of goods (finished or in progress)	-	-	-	-	-
7) Valuation adjustments for bad or doubtful debts	-	-	-	-	-
8) Losses on write-off or disposal of assets	-	-	-	-	-
9) Other expenses	-	-	-	-	-
EXPENSES	**476**	**4**	**1**	**36**	**517**
10) Interest income	-	30	9	-	39
11) Management or collaboration arrangements	139	-	-	-	139
12) R+D transfers and licence arrangements	-	-	-	-	-
13) Dividends received	-	-	516	-	516
14) Leases	-	-	-	-	-
15) Provision of services	-	1	-	-	1
16) Sale of goods (finished or in progress)	-	-	-	-	-
17) Profits on write-off or disposal of assets	-	-	-	-	-
18) Other income	-	-	-	-	-
INCOME	**139**	**31**	**525**	**-**	**695**

	Thousands of euros				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
OTHER TRANSACTIONS					
Purchase of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements: credits and capital contributions (lender)	-	608	-	-	608
Finance lease arrangements (lessor)	-	293	-	-	293
Write down or cancellation of credits and leases (lessor)	-	-	-	-	-
Sale of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements of loans and capital contributions (borrower)	-	-	-	-	-
Finance lease arrangements (lessee)	-	-	-	-	-
Write down or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees provided	-	3	-	-	3
Guarantees received	-	-	-	-	-
Commitments undertaken	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other profits distributed	-	-	-	-	-
Other transactions	-	-	-	-	-

The balances with related parties recorded in the balance sheets as at 30 June 2021 and 31 December 2020 are presented below:

	Thousands of euros				
	30/06/2021				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
1. Clientes and trade receivables	-	-	-	-	-
2. Credits and loans granted	116,985	9,472	3,072	941	130,470
3. Other receivables	-	-	-	-	-
TOTAL RECEIVABLES (1+2+3)	**116,985**	**9,472**	**3,072**	**941**	**130,470**
4. Suppliers and trade receivables	-	-	-	-	-
5. Credits and loans received	152,517	21,534	11,851	125,334	311,236
6. Other payment obligations	-	-	-	-	-
TOTAL PAYABLES (4+5+6)	**152,517**	**21,534**	**11,851**	**125,334**	**311,236**

	Thousands of euros				
	31/12/2020				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
1. Clientes and trade receivables	-	-	-	-	-
2. Credits and loans granted	80,002	8,936	2,462	-	91,400
3. Other receivables	-	-	-	-	-
TOTAL RECEIVABLES (1+2+3)	**80,002**	**8,936**	**2,462**	**-**	**91,400**
4. Suppliers and trade receivables	-	-	-	-	-
5. Credits and loans received	103,790	22,484	13,309	478,163	617,746
6. Other payment obligations	-	-	-	-	-
TOTAL PAYABLES (4+5+6)	**103,790**	**22,484**	**13,309**	**478,163**	**617,746**

15. Profit and loss account

15.1. Interest income and similar

The breakdown of interest income and similar of the consolidated income statement heading in the six-month periods ended 30 June 2021 and 2020, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020
Financial assets held for trading	-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	41	227
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	49,448	58,154
Financial assets at amortised cost	216,075	239,936
Interest rate hedging derivatives	(18,646)	(3,502)
Other assets	212	531
Interest income from liabilities	31,833	8,098
	278,963	**303,444**

"Interest income from liabilities" includes interest income from the application of negative interest rates on liquidity auctions under the European Central Bank's TLTRO programme (Note 6.1) amounting to 28,383 and 5,433 thousand euros at 30 June 2021 and 2020, respectively.

15.2. Interest expense

The breakdown of interest expense income and similar of the consolidated income statement heading in the six-month periods ended 30 June 2021 and 2020, based on the portfolio from which the income originates, is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020
Financial liabilities at amortised cost	42,300	59,206
Interest rate hedging derivatives	(26,448)	(31,969)
Insurance contracts	3,086	3,620
Other liabilities	3,230	1,392
Interest expense from assets	10,672	3,055
	32,840	**35,304**

15.3. Dividend income

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of financial assets at fair value through portfolio other comprehensive income amounting to 7,429 thousand euros at 30 June 2021 (2,319 thousand at 30 June 2020).

15.4. Fee and commission income

Fee and commission income accrued in the six-month periods ended 30 June 2021 and 2020, classified in accordance with the item generating the fees, is reflected in the following table:

	Thousands of euros	
	30/06/2021	30/06/2020
Contingent risk fees	4,308	4,715
Contingent commitment fees	1,345	1,816
Foreign currency exchange fees	40	59
Collection and payment services fees	54,005	56,668
Securities services fees	23,258	17,934
Non-bank financial product marketing fees	120,379	97,665
Other fees	8,852	10,305
	212,187	**189,162**

15.5. Fee and commission expenses

Fee and commission expense accrued in the six-month periods ended 30 June 2021 and 2020, classified in accordance with the item generating the fees, is reflected in the following table:

	Thousands of euros	
	30/06/2021	30/06/2020
Fees and commissions assigned to other entities	2,943	2,610
Fees and commissions paid for securities transactions	1,055	1,189
Other fees	5,397	3,658
	9,395	**7,457**

15.6. Net gains/(losses) on financial transactions

The breakdown of income from financial transactions of the consolidated income statements for the six-month periods ended 30 June 2021 and 2020, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**34,714**	**11,744**
Financial assets at fair value through other comprehensive income	3,252	9,891
Financial assets at amortised cost	33,641	11,219
Financial liabilities at amortised cost	(2,179)	(9,366)
Other		-
Net gains/(losses) on financial assets and liabilities held for trading	**361**	**698**
Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**227**	**(10,460)**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**-**	**-**
Net gain/(loss) from hedge accounting	**300**	**139**
Adjustments to hedged instruments (fair value hedge)	12,703	29,972
Hedge derivative (fair value hedge)	(12,403)	(29,833)
	35,602	**2,121**

At 30 June 2021, the heading “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost” includes 33,102 thousand euros for the result of execution of the forward sale on the disposal of the Spanish public debt securities portfolio made in 2020 (Note 5.4.1).

At 30 June 2020, “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss - Financial liabilities at amortised cost” mainly reflected the impact of the subordinated obligations repurchase transaction described in Note 6.2. The Group had to pay a premium of an average cost of 2.14% to the holders of the issue who took part in the buy-back offer. The final impact of this repurchase resulted in a negative result of 9 million euros.

Also, at that date, “Gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost” included, among others, the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros which, on 30 January 2020, the Group concluded with DSSV, S.A.R.R.L. The transaction resulted in a positive result of 3 million euros.

Lastly, in the six-month period ended 30 June of the previous year, “Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss” mainly reflected the impact of the 10,350 thousand euros reduction in the value of SAREB’s subordinated debt (Note 5.2).

15.7. Other operating income

The breakdown of other operating income in the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020(*)
Income from investment property	1,944	2,089
Income from other operating leases	7,957	7,991
Sales and income from provision of services	2,097	2,220
Other items	6,692	18,046
	18,690	**30,346**

(*) Restated figures (see Note 2.2.)

At 30 June 2020, “Other items” mainly includes the initial recognition of 15 million euros in revenue, as part of the 70 million euros already received by Ibercaja Mediación for the signing of the novation agreement modifying Caser's non-life insurance distribution contract (see Note 2.2 and Note 5.3).

15.8. Other operating expenses

The breakdown of other operating expenses in the consolidated income statements for the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020
Operating expenses on investment properties	529	1,129
Contribution to National Resolution Fund	13,794	11,094
Contribution to Deposit Guarantee Fund	3,528	3,509
Other items	5,697	6,612
	23,548	**22,344**

15.9. Administration expenses

15.9.1 Personnel expenses

The breakdown of personnel expenses in the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020
Wages and salaries	139,140	133,000
Social security contributions	34,885	34,211
Contributions to pension funds and insurance policies	9,404	8,437
Severance payments	-	-
Other staff costs	765	380
	184,194	**176,028**

15.9.2 Other administration expenses

The breakdown of other administrative expenses in the six-month periods ended 30 June 20210 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	30/06/2020
Buildings, installations and office equipment	13,768	13,082
Equipment maintenance, licences, works and computer software	12,169	14,532
Communications	6,929	5,508
Advertising and publicity	1,965	2,246
Charges and taxes	6,559	6,715
Other management and administration expenses	36,232	30,376
	77,622	**72,459**

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

The breakdown of impairment losses and reversals of impairment losses on non-financial assets during the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	**30/06/2020**
Tangible assets	**1,547**	**143**
Property, plant and equipment	563	28
Investment property	984	115
Intangible assets	**-**	**-**
Goodwill	-	-
Other intangible assets	-	-
Other	**1,493**	**926**
	3,040	**1,069**

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

The breakdown of net gains and losses on the derecognition of non-financial assets in the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	**30/06/2020**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(2,139)	(655)
Gains/(losses) on disposal of shareholdings	333	-
Other gains/(losses)	-	-
	(1,806)	**(655)**

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

The breakdown of net gains and losses on non-current assets and disposal groups of items classified as held for sale not qualifying for discontinued operations in the six-month periods ended 30 June 2021 and 2020 is as follows:

	Thousands of euros	
	30/06/2021	**30/06/2020**
Impairment gains/(losses) on other non-current assets for sale	(10,834)	(8,202)
Gains/(losses) on disposal of other non-current assets for sale	366	(791)
	(10,468)	**(8,993)**

16. Events after the reporting period

On 13 July 2021, Moody's Investors Service, as a result of an internal review of its methodology, upgraded Ibercaja Banco's long-term deposit rating to “Ba2” from “Ba3”, maintaining a stable outlook.

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

The individual condensed balance sheets at 30 June 2021 and 31 December 2020, as well as the individual condensed income statements, the individual condensed statements of recognised income and expense, the individual condensed statements of total changes in equity and the individual condensed cash flow statements of the parent entity for the six-month periods ended 30 June 2021 and 2020, prepared in accordance with Bank of Spain Circular 4/2017, are presented below.

IBERCAJA BANCO, S.A.

INDIVIDUAL CONDENSED BALANCE SHEETS AT 30 JUNE 2021 AND 31 DECEMBER 2020

ASSETS	30/06/2021	31/12/2020(*)
Cash and cash balances at central banks and other demand deposits	**5,561,590**	**7,387,451**
Financial assets held for trading	**3,184**	**4,953**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	**-**	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**1,694**	**1,542**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	**-**	-
Financial assets at fair value through profit or loss	**-**	**-**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	**-**	-
Financial assets at fair value through other comprehensive income	**813,451**	**437,288**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*59,199*	*71,059*
Financial assets at amortised cost	**41,212,058**	**39,858,274**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*4,123,661*	*3,126,292*
Derivatives - Hedge accounting	**86,560**	**142,020**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**882,847**	**899,019**
Subsidiaries	791,633	807,964
Joint ventures	38,226	38,226
Associates	52,988	52,829
Tangible assets	**740,606**	**758,550**
Property, plant and equipment	549,065	561,217
For own use	*549,065*	*561,217*
Assigned under operating lease	-	-
Investment property	191,541	197,333
of which: assigned under operating lease	*38,316*	*40,616*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**120,848**	**130,224**
Goodwill	32,016	38,420
Other intangible assets	88,832	91,804
Tax assets	**1,291,405**	**1,301,762**
Current tax assets	6,804	6,046
Deferred tax assets	1,284,601	1,295,716
Other assets	**193,419**	**192,998**
Insurance contracts linked to pensions	91,050	92,310
Inventories	284	338
Other assets	102,085	100,350
Non-current assets and disposal groups classified as held for sale	**62,164**	**62,245**
TOTAL ASSETS	**50,969,826**	**51,176,326**

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

IBERCAJA BANCO, S.A.

INDIVIDUAL CONDENSED BALANCE SHEETS
AT 30 JUNE 2021 AND 31 DECEMBER 2020

LIABILITIES	30/06/2021	31/12/2020(*)
Financial liabilities held for trading	**3,408**	**3,729**
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**47,047,690**	**47,061,417**
Memorandum items: subordinated liabilities	*513,332*	*510,326*
Derivatives - Hedge accounting	**145,543**	**216,202**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**27,532**	**37,593**
Provisions	**328,801**	**369,532**
Pensions and other post-employment defined benefit obligations	97,757	99,268
Other long-term employee remuneration	-	122
Lawsuits and litigation for outstanding taxes	6,083	6,235
Commitments and guarantees given	16,863	19,523
Other provisions	208,098	244,384
Tax liabilities	**141,090**	**143,546**
Current tax liabilities	-	-
Deferred tax liabilities	141,090	143,546
Other liabilities	**111,154**	**183,383**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**47,805,218**	**48,015,402**

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

IBERCAJA BANCO, S.A.

INDIVIDUAL CONDENSED BALANCE SHEETS
AT 30 JUNE 2021 AND 31 DECEMBER 2020

EQUITY	30/06/2021	31/12/2020(*)
Shareholders' equity	**3,150,223**	**3,126,166**
Capital	214,428	214,428
Paid-in capital	*214,428*	*214,428*
Called-up capital	-	-
Memorandum items: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	350,000	350,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	*350,000*	*350,000*
Other equity items	-	-
Retained earnings	566,640	562,518
Revaluation reserves	2,327	2,327
Other reserves	1,986,824	1,988,922
(Treasury shares)	-	-
Profit/(loss) for the year	30,004	7,971
(Interim dividends)	-	-
Accumulated other comprehensive income	**14,385**	**34,758**
Items that will not be reclassified to profit or loss	24,534	24,571
Actuarial gains/(losses) on defined benefit pension plans	*(11,377)*	*(5,802)*
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	*35,911*	*30,373*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	(10,149)	10,187
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*(7,000)*	8,551
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*(3,149)*	*1,636*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,164,608**	**3,160,924**
TOTAL EQUITY AND LIABILITIES	**50,969,826**	**51,176,326**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,683,915**	**3,780,315**
Financial guarantees granted	**100,153**	**94,627**
Other commitments given	**827,379**	**798,930**

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

IBERCAJA BANCO, S.A.

INDIVIDUAL CONDENSED CONSOLIDATED INCOME STATEMENTS FOR FOR THE SIX-MONTH PERIODS ENDED ON 30 JUNE 2021 AND 2020

	Thousands of euros	
	30/06/2021	**30/06/2020(*)**
(+) Interest income and similar	226,654	247,178
a) Financial assets at fair value through other comprehensive income	1,330	1,923
b) Financial assets at amortised cost	207,856	235,712
c) Other assets	17,468	9,543
(-) Interest expense	36,275	40,907
(-) Expenses on share capital repayable on demand	-	-
(=) A) NET INTEREST INCOME	**190,379**	**206,271**
(+) Dividend income	20,449	12,506
(+) Fee and commission income	141,346	135,285
(-) Fee and commission expenses	4,487	4,343
(+/-) Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	33,522	10,297
a) Financial assets at amortised cost	33,640	11,219
b) Other financial assets and liabilities	(118)	(922)
(+/-) Net gains/(losses) on financial assets and liabilities held for trading	361	698
a) Reclassification of financial assets from fair value through other comprehensive income	-	-
b) Reclassification of financial assets from amortised cost	-	-
c) Other gains or (-) losses	361	698
(+/-) Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss	227	(10,285)
a) Reclassification of financial assets from fair value through other comprehensive income	-	-
b) Reclassification of financial assets from amortised cost	-	-
c) Other gains or (-) losses	227	(10,285)
(+/-) Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	-	-
(+/-) Net gains/(losses) from hedge accounting	300	139
(+/-) Net exchange differences	125	315
(+) Other operating income	24,383	21,009
(-) Other operating expenses	20,566	18,780
(=) B) GROSS INCOME	**386,039**	**353,112**
(-) Administration expenses	248,154	234,808
(-) a) Personnel expenses	177,701	169,795
(-) b) Other administration expenses	70,453	65,013
(-) Amortisation and depreciation	35,503	36,079
(+/) Provisions or reversal of provisions	3,841	(29,033)
(+/-) Impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification	37,830	130,410
(+/-) a) Financial assets at fair value through other comprehensive income	17	(102)
(+/-) b) Financial assets at amortised cost	37,813	130,512
(=) C) PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	**60,711**	**(19,152)**
(+/-) Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates	972	12,915
(+/-) Impairment or reversal of impairment of non-financial assets	558	51
(+/-) a) Tangible assets	563	28
(+/-) b) Intangible assets	-	-
(+/-) c) Other	(5)	23
(+/-) Net gains/(losses) on derecognition of non-financial assets	(1,705)	(638)
(+) Negative goodwill recognised in profit or loss	-	-
(+/-) Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(638)	(241)
(=) D) PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**56,838**	**(32,997)**
(+/-) Expense or income from taxes on income from continuing operations	26,834	(4,556)
(=) E) PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**30,004**	**(28,441)**
(+/-) Profit/(loss) after tax from discontinued activities	-	-
= PROFIT OF THE PERIOD	**30,004**	**(28,441)**

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

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

	Thousands of euros	
	30/06/2021	**30/06/2020(*)**
A) PROFIT OF THE PERIOD	**30,004**	**(28,441)**
B) OTHER COMPREHENSIVE INCOME	**(13,900)**	**2,768**
Items that will not be reclassified to profit or loss	**6,437**	**(12,972)**
a) Actuarial gains/(losses) on defined benefit pension plans	(7,965)	-
b) Non-current assets and disposal groups of items held for sale	-	-
c) Changes in the fair value of equity instruments measured at fair value through other comprehensive income	18,614	(21,050)
d) Net gains/losses from hedge accounting of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)	-	-
e) Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
f) Corporation tax relating to items not to be reclassified	(4,211)	8,078
Items that may be reclassified to profit or loss	**(20,337)**	**15,740**
a) Hedges of net investment in foreign operations (effective portion)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
b) Currency translation	-	-
Gains/(losses) from foreign currency exchange taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
c) Cash flow hedges (effective portion)	(22,216)	18,819
Valuation gains/(losses) taken to equity	*(22,216)*	*18,819*
Transferred to the income statement	-	-
Transferred to initial carrying amount of hedge items	-	-
Other reclassifications	-	-
d) Hedging instruments (undesignated items)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
e) Debt instruments at fair value through other comprehensive income	(6,837)	3,667
Valuation gains/(losses) taken to equity	*(4,777)*	*12,110*
Transferred to the income statement	*(2,060)*	*(8,443)*
Other reclassifications	-	-
f) Non-current assets and disposal groups of items held for sale	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
g) Corporation tax relating to items that may be reclassified to profit or loss	8,716	(6,746)
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**16,104**	**(25,673)**

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

IBERCAJA BANCO, S.A.

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2021

	Thousands of euros											
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity items**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(Treasury shares)**	**Profit of the period**	**(Interim dividends)**	**Accumulated other comprehensive income**	**Total**
I. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,004**	**-**	**(13,900)**	**16,104**
Other changes in equity	**-**	**-**	**-**	**-**	**4,122**	**-**	**(2,098)**	**-**	**(7,971)**	**-**	**(6,473)**	**(12,420)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(3,849)	-	-	-	-	-	-	(3,849)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	7,971	-	6,473	-	(7,971)	-	(6,473)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(8,571)	-	-	-	-	(8,571)
III. Closing balance at 30/06/2021	**214,428**	**-**	**350,000**	**-**	**566,640**	**2,327**	**1,986,824**	**-**	**30,004**	**-**	**14,385**	**3,164,608**

IBERCAJA BANCO, S.A.

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 JUNE 2020

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit of the period	(Interim dividends)	Accumulated other comprehensive income	Total
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,441)**	**-**	**2,768**	**(25,673)**
Other changes in equity	**-**	**-**	**-**	**-**	**54,693**	**-**	**25,379**	**-**	**(72,193)**	**-**	**(31,417)**	**(23,538)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	72,193	-	31,417	-	(72,193)	-	(31,417)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(6,038)	-	-	-	-	(6,038)
III. Closing balance at 30/06/2020	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,994,304**	**-**	**(28,441)**	**-**	**41,257**	**3,136,393**

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

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021 AND 2020

	Thousands of euros	
	30/06/2021	**30/06/2020(*)**
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**(1,800,690)**	**2,503,394**
1. Profit of the period	30,004	(28,441)
2. Adjustments to obtain cash flows from operating activities:	158,586	153,176
(+) Amortisation and depreciation	35,502	36,079
(+/-) Other adjustments	123,084	117,097
3. Net increase/decrease in operating assets:	1,837,159	209,882
(+/-) Financial assets held for trading	(1,769)	(1,758)
(+/-) Financial assets not held for trading mandatorily measured at fair value through profit or loss:	152	(20,810)
(+/-) Financial assets at fair value through profit or loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	372,368	(349,042)
(+/-) Financial assets at amortised cost	1,499,154	577,554
(+/-) Other operating assets	(32,745)	3,938
4. Net increase/(decrease) in operating liabilities:	(134,627)	2,590,048
(+/-) Financial liabilities held for trading	(321)	(363)
(+/-) Financial liabilities at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	21,797	2,647,107
(+/-) Other operating liabilities	(156,103)	(56,696)
5. Company tax credit/(payments)	(17,494)	(1,507)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 +2)	**(11,099)**	**(5,373)**
1. Payments:	21,863	14,022
(-) Tangible assets	19,131	9,808
(-) Intangible assets	1,888	3,802
(-) Investments in joint ventures and associates	597	-
(-) Subsidiaries and other business units	-	-
(-) Non-current assets and liabilities classified as held for sale	247	412
(-) Other payments related to investing activities	-	-
2. Receipts:	10,763	8,649
(+) Tangible assets	9,792	8,286
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	773	-
(+) Subsidiaries and other business units	-	-
(+) Non-current assets and liabilities classified as held for sale	198	363
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(16,099)**	**128,150**
1. Payments:	16,099	371,850
(-) Dividends	3,849	-
(-) Subordinated liabilities	-	359,600
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	-	-
(-) Other payments related to financing activities	12,250	12,250
2. Receipts:	-	500,000
(+) Subordinated liabilities	-	500,000
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,827,888)**	**2,626,171**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**7,377,476**	**3,700,576**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**5,549,588**	**6,326,747**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
(+) Cash	184,242	195,619
(+) Cash equivalents at central banks	5,204,644	6,115,605
(+) Other financial assets	160,702	15,523
(-) Less: bank overdrafts repayable on demand		-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**5,549,588**	**6,326,747**

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

iberCaja

CONSOLIDATED INTERIM
MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

Ibercaja Banco, S.A. and subsidiaries

EL BANCO DEL vamos

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

CONTENTS

1 OVERVIEW OF THE GROUP AND ITS CONTEXT

EL BANCO DEL Vamos

1.1 Description and shareholder and organisational structure

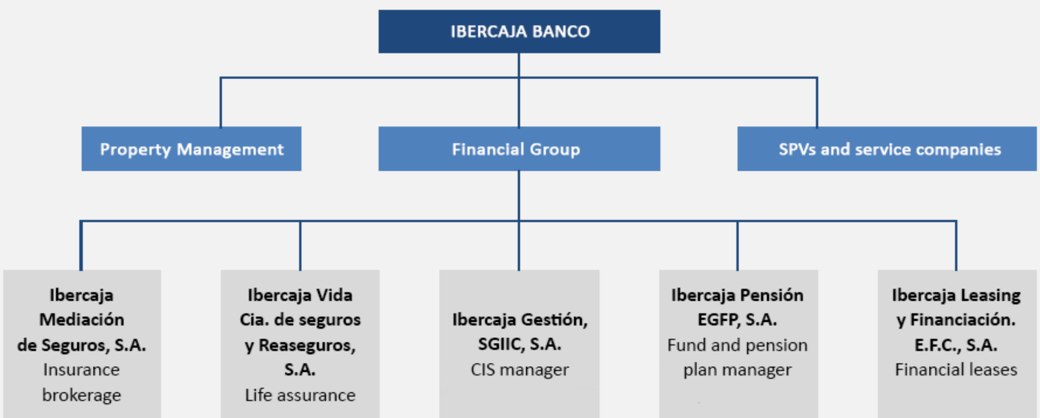
Ibercaja is a nationwide bank that specialises in services to individuals and companies. Our aim is to create value for customers, shareholders and society in general.

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

Ibercaja Banco is majority owned - 88.04% of its capital - by the Fundación Bancaria Ibercaja (Ibercaja Banking Foundation). As a result of the acquisition in June 2013 of Banco Grupo Caja3, they are also shareholders of Ibercaja: **Fundación Caja Inmaculada** (4.73%), **Fundación Caja Badajoz** (3.90%) and **Fundación Bancaria Caja Círculo** (3.33%).

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

The key companies within the scope of consolidation are:



1.2 Economic and financial landscape

The Spanish economy is entering a phase of gradual recovery on the back of an improved outlook for the pandemic.

World economic scenario

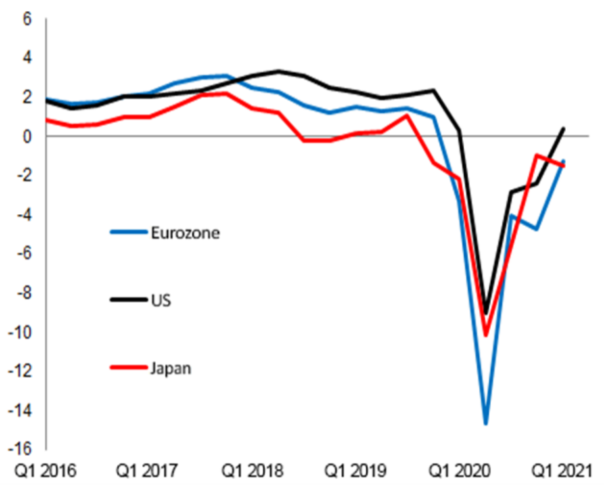
The performance of the world economy is tied to control of the pandemic. The upsurge in infections in the latter part of 2020 and early 2021 put a brake on the recovery. However, progress in the vaccination process, better health indicators and expansionary fiscal policies allow for a stronger economic take-off, although not uniformly across countries.

China, a pioneer in suffering the effects of the coronavirus, leads global growth with an **estimated GDP increase for 2021 close to 8%.** Industrial output is advancing at a faster pace than before the pandemic, while private consumption is recovering more slowly.

The **US** leads growth among developed economies through advancing immunisation, lifting of restrictions, strong fiscal stimulus and expansionary financial conditions. **GDP growth in the first quarter reached 1.6% and could reach 7% in 2021 full-year** due to rising consumption driven by the high savings rate of households and good expectations for the job market. There is concern about the 5% rebound in inflation in June, which the Fed considers to be a one-off caused by non-recurring factors.

In **Japan,** COVID-19 had an appreciable impact on economic growth. One of the causes is the ageing of the population. Aged populations are more vulnerable, and this forced more severe lockdown measures. **The fall in GDP in the first quarter reached 1.9% year-on-year**, weighed down by the -3.3% decline in household consumption, which was partly offset by the strength of exports, a key factor in the Japanese economy.

GDP PERFORMANCE BY COUNTRY (% Y/o/Y RATE)



EL BANCO DEL Vamos

In the **Eurozone**, restrictions in early 2021 prompted a **GDP decline of 0.3% in the first quarter.** However, from the second quarter onwards the outlook has improved substantially as a result of progress in population immunisation, increased mobility and the release of latent demand. Recovery across countries and sectors will be asymmetric, and uncertainty still surrounds the impact of new variants of the coronavirus. Forecasts point to GDP growth for 2021 of close to 4.5%. Unemployment remains high, especially in the southern countries, and price pressures are emerging, although to a lesser extent than in the United States. Support from the European Recovery Fund, in the form of direct transfers and loans to the Member States, is expected to begin in the summer.

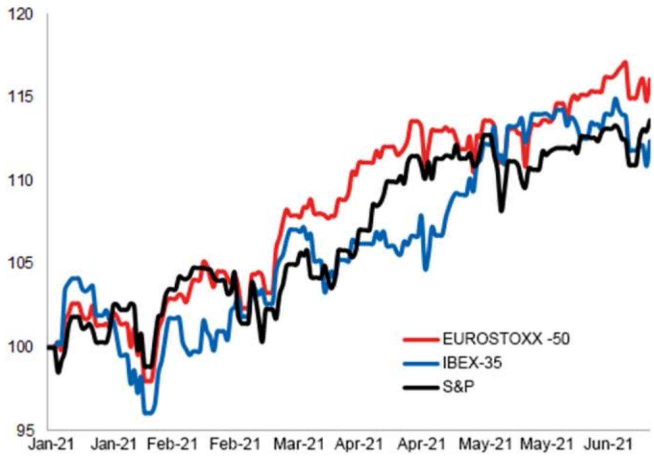
Monetary policy and financial markets

At its meeting of 11 June 2021, the **ECB** kept to its message of supporting the recovery with monetary stimulus. **The central bank believes the upturn in inflation to be transitory and intends to maintain rates at current levels:** benchmark interest rate at 0%, deposits at -0.50% and marginal lending at +0.25%. The Pandemic Emergency Purchase Programme (PEPP) will be extended unchanged until March 2022, with a maximum amount of EUR 1.85 trillion and reinvestment of maturing amounts until at least the end of 2023. The other asset purchase programme, the APP, will be maintained until March 2023. In addition, on 7 July 2021 the Bank's Governing Council adopted its **new monetary policy strategy**. It involves setting a symmetric inflation target of 2% over the medium term. The ECB also plans to add home ownership costs to the CPI basket and undertakes to address climate change risks in its policy.

Stock markets closed the first half of the year on a highly positive note, with the main indices **reaching all-time highs.** Markets were supported by strong corporate results, economic reopening, low interest rates and high available liquidity. The Eurostoxx 50 amassed a return since the beginning of the year of 14.40%, the French CAC was up 17.23% and the Ibex 35 climbed 9.26%. In the United States, gains reached 14.41% and 13.08% in the S&P 500 and Nasdaq, respectively.

STOCK MARKET INDICES PERFORMANCE

(Baseline 100 = January 2021)



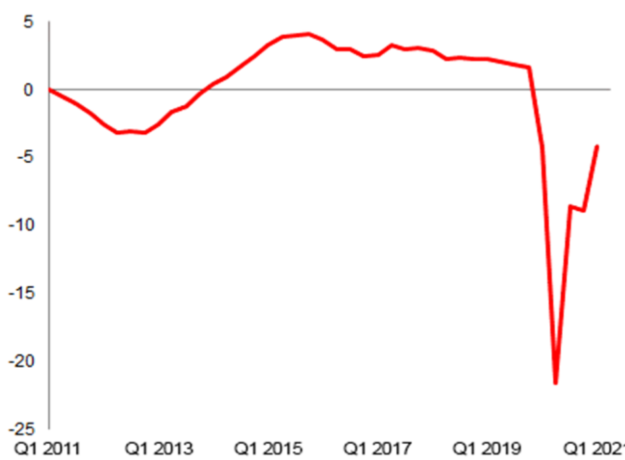
On **fixed-income markets**, **the spread on government bonds in the longer-term benchmarks widened in the face of inflation expectations**. Central bank statements mitigated the increase with the assurance that they will maintain expansionary monetary policies until the economy fully recovers. The 10-year US bond yield rose from 0.9% at the beginning of the year to 1.45% at the end of the half-year, while movements in Europe were similar. Spanish and Italian 10-year benchmark bonds started the year with yields of 0.04% and 0.57%, respectively, and climbed to close at 0.41% and 0.83%.

Spanish economy

In the first quarter of 2021, the Spanish economy returned to negative GDP growth rates, -0.4% quarter-on-quarter, in a context of an upsurge in the pandemic that prompted restrictive containment measures. Private consumption dropped by 0.6%, while public consumption fell by 0.1%. Investment fell by 0.8% due to the poor performance of construction, while the contribution of net external demand was nil. In the **second quarter**, the decrease in the incidence of Covid-19 led to a lifting of containment measures and, consequently, a **gradual improvement in activity rates**. The main drivers of growth will be the take-off of private consumption through accumulated savings and tourism as international mobility restrictions are lifted, and, on the other hand, investment, supported by European Union recovery funds. The analysts' consensus forecast puts GDP growth for 2021 at around 6.2%.

On the **job market**, **the recovery is moving faster than expected.** Social Security registrations increased in June for the second consecutive month to 19.3 million, showing a recovery of 910,000 jobs from the 1.12 million destroyed. However, 448,000 people were furloughed at the end of the half-year, a figure that is likely to increase once the summer season ends.

PERFORMANCE OF GDP IN SPAIN (% Y/o/Y RATE)



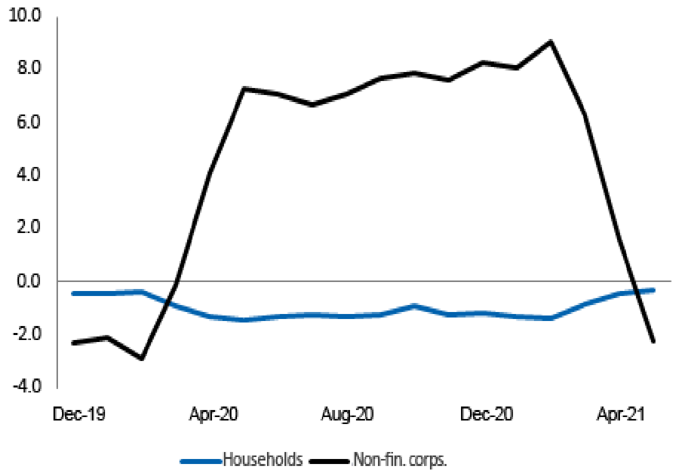
In recent months **inflation** has shown a **significant upturn**. Overall CPI stood at 2.6% in June, while the underlying rate remained at 0.2%. The increase mainly reflects the energy component, but the widespread rise in international commodity prices could gradually be passed on to the consumer due to tightening of company margins.

Banking and regulatory landscape

The **Spanish banking system** is playing a **key role in containing the adverse economic effects of the pandemic and will also do so in financing the recovery**. In this context, the banking sector faces major challenges: raising profitability in a framework of very low interest rates, progress in digitalisation, competition with technology companies, rising cyber risks, uncertainties surrounding the impact of the crisis on the creditworthiness of companies and households following the gradual withdrawal of support measures, and the management of climate risks.

Bank **credit to households and companies fell** up to May by **1.1% year-on-year**, dragged down by weaker lending to companies, which fell by 2.2%. The decrease is mainly explained by the base effect created by the increase in financing for productive activities in the first months of the pandemic via the ICO lines guaranteed by the State. Meanwhile, credit to households fell by 0.3%, with a flat performance of lending for house purchases and a 1% decline in other lending.

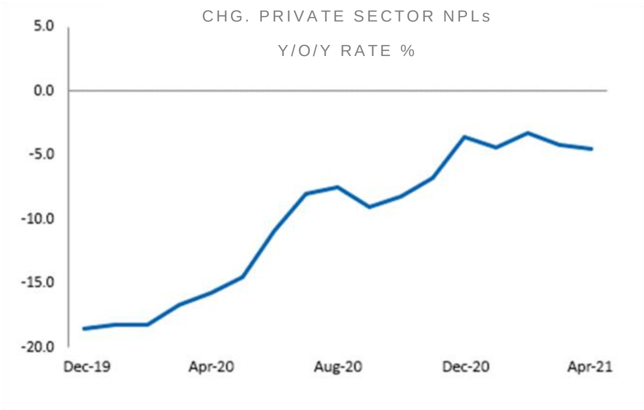
CREDIT TO HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS (% Y/O/Y RATE)



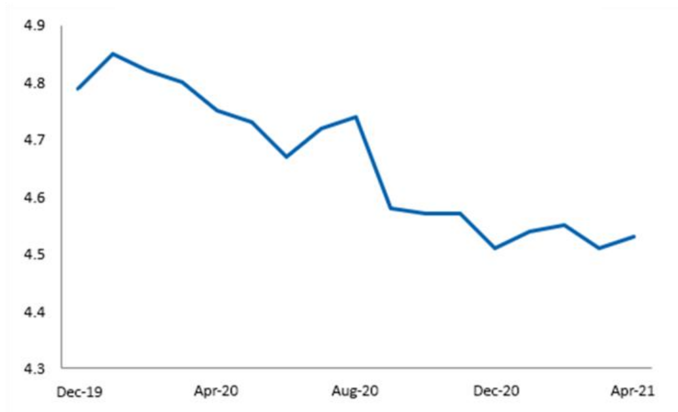
Retail deposits increased 4.7% over the past twelve months. The momentum generated by the pandemic lost pace in the early stages of 2021, particularly in terms of companies (3.2% in May v. 14.7% in December 2020), which are making use of cash accumulated in previous periods. In households the slowdown was milder (5.2% May v. 7.5% as of December 2020), due to caution in the face of uncertainty about the unfolding crisis. **Investment funds** increased assets under management by 7.5% through May, due to both positive net contributions and the strong performance of the stock markets in the first half of the year.

The impact of the pandemic on the economy is not reflected, so far, in an increase in **non-performing loans**. The outstanding balance shrank by 5.0% year-on-year, and remained stable since January. The NPL ratio of the resident private sector across all banks stood at 4.55% (-18 basis points v. May 2020). However, there is still a risk of worsening creditworthiness in the sectors hardest hit by the crisis. **Loans under special watch** increased so far this year by around 40% and the decline in **refinanced or restructured loans** slowed significantly compared to the pre-pandemic months. Asset impairment charges, after the extraordinary increase in 2020 in anticipation of future risks, decreased to pre-crisis levels.

NPL INDICATORS, BANKS



PRIVATE SECTOR NPL RATIO



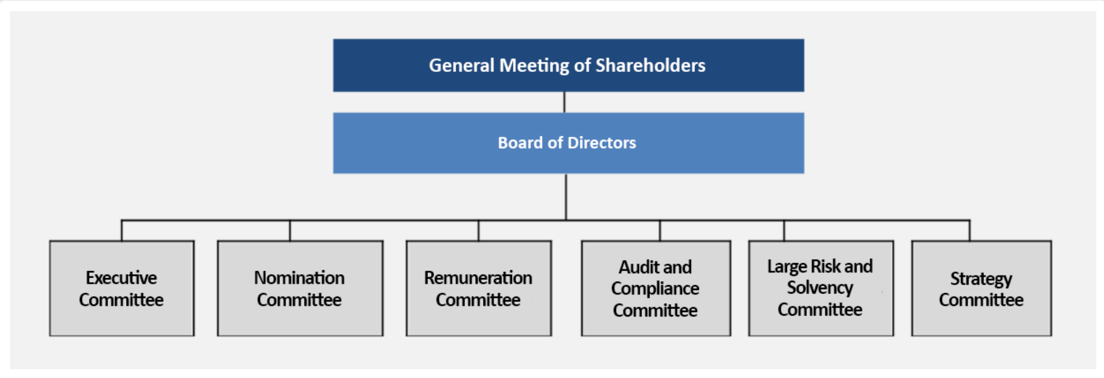
In the **regulatory area**, in February the Bank of Spain released for public consultation a draft amendment to Circular 2/2016 on supervision and solvency of credit institutions to implement a range of macroprudential instruments to create a countercyclical capital buffer requirement in specific sectors, set limits on sectoral concentration of credit in relation to bank capital, and set further requirements for granting credit.

In June, the Bank of Spain presented the draft amendment to Circular 4/2017, to credit institutions, on public and reserved financial reporting standards and financial statement forms to continue the convergence of Spanish accounting regulations with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

1.3 Corporate governance

Ibercaja's governance structure performs its functions efficiently and is guided by the standards and codes of good corporate governance.

Ibercaja Banco's **governance model** consists of the **General Shareholders' Meeting** and the **Board of Directors**, which in turn has six committees.



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

The **composition, independence** and mode of operation of governing bodies, the **codes of conduct and mandatory internal rules**, internal **control systems**, **communication policy and transparency**, the fight against fraud and corruption and confidentiality in the processing of **information form the bedrock of Ibercaja's corporate governance**.

General Meeting

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

Board of Directors

The Board of Directors has the **broadest of authorities to manage, administer and represent the Bank** and, other than matters reserved for the shareholders at a General Meeting, it is the supreme decision-making body at the Bank. The Board has six committees: Executive, Nominations, Remuneration, Audit and Compliance, Large Risk and Solvency, and Strategy Committees.

THE COMPOSITION OF THE BOARD OF DIRECTORS ON 30 JUNE 2021 WAS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
First Deputy Chairman	Mr. Jesús Máximo Bueno Arrese	Proprietary
CEO	Mr. Víctor Manuel Iglesias Ruiz	Executive
Director	Ms. Gabriela González-Bueno Lillo	Independent
Director	Mr. Emilio Jiménez Labrador	Proprietary
Director	Mr. Vicente Cóndor López	Independent
Director	Mr. Jesús Solchaga Loitegui	Independent
Director	Mr. Jesús Tejel Giménez	Independent
Director	Mr. Félix Santiago Longás Lafuente	Independent
Director	Mr. Luis Enrique Arrufat Guerra	Proprietary
Director	Mr. Maria Pilar Segura Bas	Independent

9.09	36.36	54.55	13
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Executive Committee

The **powers delegated** by the Board of Directors to the Executive Committee are expressly set out in the **Board of Directors' Regulations**:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions which, under the Policies and Procedures Manual to manage lending risk approved by the Board of Directors, fall within its competencies. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.
- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.), except in those cases in which the decision falls to the CEO or to the plenary Board of Directors' Meeting, since it involves employees that report directly to the CEO.
- Hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.
- The Board shall, when appropriate, grant such powers as may be necessary or expedient for the implementation of the resolutions adopted.

ON 30 JUNE 2021, THE COMPOSITION OF THE EXECUTIVE COMMITTEE WAS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
Member	Mr. Vicente Cóndor López	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr. Víctor Manuel Iglesias Ruiz	Executive
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary

16.67	50.00	33.33	12
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Nomination Committee

The Nomination Committee is responsible for **proposing appointments** to the Board of Directors. It is specifically responsible for: evaluating the suitability of directors, establishing a target for the gender less represented on the Board, making, for shareholders at a General Meeting, proposals for the appointment, re-election or removal of independent directors, reporting on motions to appoint or remove senior executives and key office holders, including the basic terms of their contracts, and examining and organising the succession of the Chairman and the CEO.

ON 30 JUNE 2021, THE COMPOSITION OF THE NOMINATION COMMITTEE WAS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Maria Pilar Segura Bas	Independent
Member	Mr. Gabriela González-Bueno Lillo	Independent

0.00	**0.00**	**100.00**	**2**
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Remuneration Committee

The Remuneration Committee **reports, advises and submits recommendations on remuneration** for directors, senior executives and similar personnel, as well as for the persons whose professional activity has a significant impact on the Bank's risk profile.

ON 30 JUNE 2021, THE COMPOSITION OF THE REMUNERATION COMMITTEE:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Maria Pilar Segura Bas	Independent
Member	Mr. Gabriela González-Bueno Lillo	Independent

0.00	**0.00**	**100.00**	**4**
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Audit and Compliance Committee

The Committee's duties are expressly stipulated in the Board of Directors Regulations. In particular: to report to the shareholders at a General Meeting on any matters raised by shareholders with respect to areas under its authority; to **supervise the effectiveness of the Bank's internal control, internal audit and risk management systems,** including tax risks; to supervise the process of preparing and presenting regulated financial reporting; to propose the appointment or re-election of the statutory auditor; to establish appropriate relations with the auditor and receive information regarding its independence; to receive annual written confirmation from the auditor as to its independence with respect to the Bank or its Group; and to issue the relevant report.

ON 30 JUNE 2021, THE COMPOSITION OF THE BANK'S AUDIT AND COMPLIANCE COMMITTEE WAS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary
Member	Mr. Vicente Cóndor López	Independent

0.00	40.00	60.00	6
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Large Risk and Solvency Committee

The Committee has the primary duty of advising **the Board on the overall current and future risk appetite** of the Bank and its Group, and strategy in this area. The Committee also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing actions for improvement.

ON 30 JUNE 2021, THE COMPOSITION OF THE LARGE RISK AND SOLVENCY COMMITTEE WAS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Vicente Cóndor López	Independent
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr. Maria Pilar Segura Bas	Independent
Member	Mr. Jesús Solchaga Loitegui	Independent

0.00	20.00	80.00	7
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Strategy Committee

The Strategy Committee has the core duty of reporting to the Board of Directors on the Company's strategy while ensuring there is a specific organisational structure in place for implementing the strategy. The Committee **regularly evaluated the Strategic Plan** approved by the Board of Directors, which is of key importance for the proper management of the Bank in the medium and long term. The Committee performs **quarterly monitoring of budgetary performance** as a concrete form of the mandates contained in the Strategic Plan, and reports its findings to the Board of Directors.

ON 30 JUNE 2021, THE COMPOSITION OF THE STRATEGY COMMITTEE WAS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Luis Enrique Arrufat Guerra	Proprietary
Member	Mr. Emilio Jiménez Labrador	Proprietary

0.00	60.00	40.00	4
% of Executive Directors	% of Proprietary Directors	% of Independent Directors	Number of meetings

Information on the **membership of the governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and is also available on the Bank's website in the section "Shareholders and Investors - Corporate Governance and Remuneration Policies".

At its meeting of 8 January 2021, the Board of Directors, at the proposal of the Chief Executive Officer, resolved **to modify the structure of the Bank's senior management**, which henceforth would consist of a Staff Division attached to the Chief Executive Officer, nine Area Divisions and two Staff Divisions reporting directly to the Chief Executive Officer.

CHIEF EXECUTIVE OFFICER **Victor Iglesias Ruiz**

STAFF OF THE CHIEF EXECUTIVE OFFICER

Rodrigo Galán Gallardo

AREA DEPARTMENTS

General Secretariat and Control Department	Francisco Serrano Gil de Albornoz
Branch Network Department	José Ignacio Oto Ribate
Finance Department	Antonio Martínez Martínez
Credit Risk Department	María Raquel Martínez Cabañero
Resources Department	José Palma Serrano
People Department	Ana Jesús Sangrós Orden
Digital Marketing and Strategy Department	Ignacio Torre Solá
Financial Group Department	Luis Miguel Carrasco Miguel
Business Banking Department	María Teresa Fernández Fortún

STAFF DEPARTMENTS

Communications and Institutional Relations Department	Enrique Barbero Lahoz
Brand, Reputation and Sustainability Department	María Campo Bernal

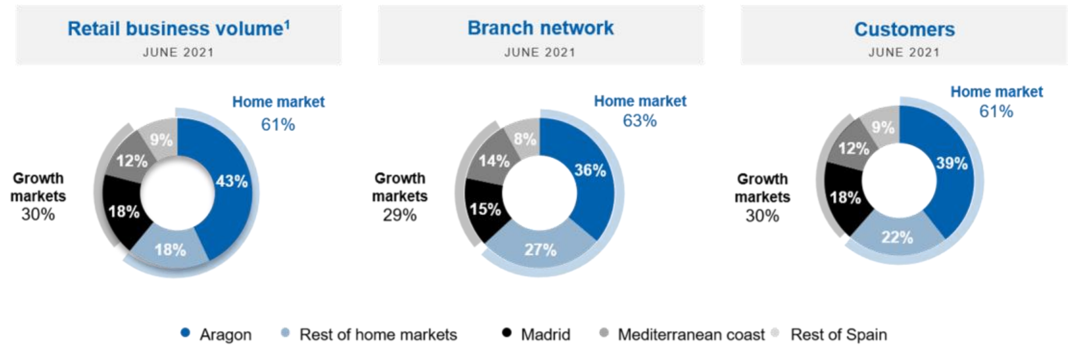
1.4 Business Model and Strategic Plan

1.4.1 Business positioning and markets in which the Bank operates

The Group, with a balance sheet of **58,121 million euros**, is **ninth-largest by assets in the Spanish banking system**. **The Bank primarily engages in retail banking,** with a focus on lending to households, particularly first home mortgages, and to SMEs, alongside savings management and other financial services. The predominantly retail nature of the business is reflected in the structure of the balance sheet, where loans to individuals and small and medium-size enterprises account for almost 90% of loans and advances to customers, and retail deposits are 77.8% of outside financing. At the national level, according to the latest information available in May, the Bank holds a market share of **2.5% in loans to households and non-financial companies** (source: Bank of Spain), reaching **3.7%** in the segment of **home purchases** by individuals (source: Bank of Spain), and **3.5% in customer funds** (source: Bank of Spain, INVERCO and ICEA), comprising household and company deposits and asset management and life insurance.

The Bank has a leading position **in its traditional area of operation** (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where **61% of customers** are concentrated and **61% of retail business volume** is transacted. Our market share in this territory, **31%** in private sector deposits and **22%** in credit to other resident sectors, stands at 43% and 31%, respectively, in Aragon (source: Bank of Spain). **The Bank also has a strong presence in other key economic areas such as Madrid and the Mediterranean coast** (Catalonia and Valencia).

DISTRIBUTION OF THE BUSINESS MODEL, NETWORK AND CUSTOMERS BY AREA

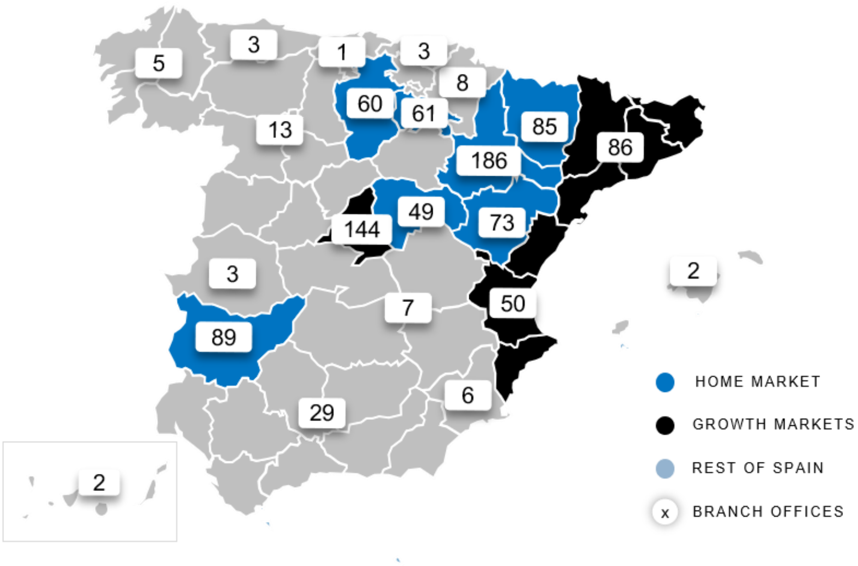


[1]RETAIL BUSINESS VOLUME IN THE NORMAL COURSE OF BUSINESS: LOANS AND ADVANCES TO CUSTOMERS EX REVERSE REPOS AND NPLS + RETAIL DEPOSITS + ASSET MANAGEMENT AND INSURANCE

In June 2021, the **network** totalled **965 branches**, of which 273 were rural. In the first half of the year, 66 sites were closed down. These site closures, in line with a policy of streamlining, was consistent in every case with our commitment to ensure business continuity, stay close to customers maintain the Bank's presence in small towns and villages.

The **distribution of branches offices by Autonomous Community** is: 344 points of sale in Aragon, 144 in the Community of Madrid, 92 in Extremadura, 86 in Catalonia, 61 in La Rioja, 73 in Castilla y León, 56 in Castilla-La Mancha, 50 in the Community of Valencia, 29 in Andalusia and 30 in other Autonomous Communities.

DISTRIBUTION OF IBERCAJA BANCO'S BRANCH NETWORK (JUNE 2021)

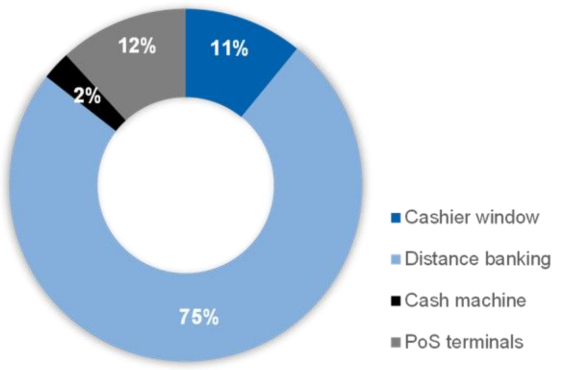


The average headcount of the Group is **5,324 people (5,071 in the parent company).** In December 2020, Ibercaja Banco's management and employee representatives, within the framework of a workforce downsizing plan, reached agreement on a severance programme. The plan will affect a maximum of 750 employees. Voluntary departure is the preferred selection basis, due to age or the closure of the site of employment. Departures, including those occurring 1 July, comprised 242 people; the remaining terminations will be staggered until June 2022.

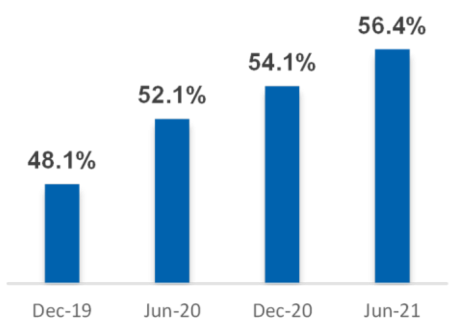
The branch network is supplemented by remote channels so that customers can carry out transactions in a practical and user-friendly remote environment, over the Internet or by mobile phone. The situation created by the healthcare crisis has accelerated the use of virtual services and digital assets. Ibercaja's digitalisation strategy of recent years enabled it to meet greater demand for *online* services while maintaining service quality. **Digital banking concentrated 75% of the number of transactions handled by the Bank during the six-month period**. The **number of digital banking customers** who used a remote channel in the past month reached **865,374**, with a year-on-year growth of 7.7%. This highlights the increase in mobile banking users (+23.1%) and mobile payment users (+98.3%).

DIGITALISATION INDICATORS

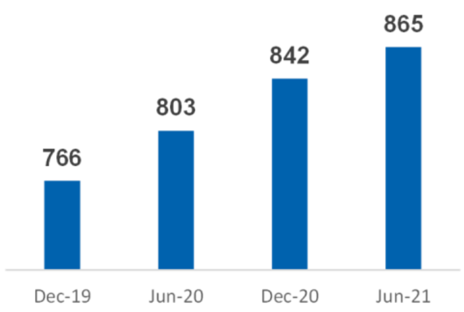
DISTR. TRANSACTIONS BY CHANNEL (%)
JUNE 2021



DIGITAL CUSTOMERS % TOTAL CUSTOMERS



MONTHLY ACTIVE DIGITAL BANKING USERS (THOUSANDS)



1.4.2 Goals and strategies

On 14 April 2021, the Chairman and CEO of Ibercaja unveiled the **new Strategic Plan 2021-2023**. Under the name **"Desafío 2023"**, the plan will be the Bank's roadmap for the coming three-year period. The new Plan focuses on two key **goals**: **to improve the Bank's competitiveness** and **profitability**.

TWO PROGRAMMES WERE SPECIFIED FOR THIS PURPOSE:

1) CUSTOMER AND PROFITABLE GROWTH

This programme is based on the **insight** that the entire organisation must **focus on customers and on satisfying their needs** by anticipating them, with a personalised value proposition, and by providing them with a comprehensive service that makes a difference. The aim is to make the customer feel closer to the Bank and perceive a unique experience regardless of the channel through which he or she interacts with us.

At the marketing level, **three major initiatives** are to be set in motion:

- **1.1. BUSINESS BANKING**
- **1.2. RISK INSURANCE**
- **1.3. PERSONAL BANKING**

and **two initiatives that cut across** the entire programme:

1.4. **PRODUCT AND SERVICE CHARGING MODEL**: this will enable us to customise product and service offerings and redesign new product lines that will help increase and diversify our range while maximising revenues.

1.5. **CUSTOMER INSIGHT AND BUSINESS INTELLIGENCE**: in-depth knowledge of each customer and optimal business intelligence will facilitate the implementation of a distinctive product range with an omnichannel approach.

2) PRODUCTIVITY AND EFFICIENCY

This seeks to ensure that the organisation can **redirect resources and focus them on value creation** by cutting unproductive operating costs so that savings can be used to speed up the Bank's transformation. The Bank is therefore implementing two major initiatives:

2.1. **EVOLVING THE OPERATING MODEL**: this focuses on four lines of work - efficiency, self-service, outsourcing and robotisation.

2.2. **BASE BUDGET 0**: implementation of a new budgeting method that efficiently allocates available resources based on advance awareness of the real costs assigned to each task and process.

IN ADDITION, TWO BLOCKS OF CROSS-CUTTING INITIATIVES ARE IN PLACE FOR THE TWO PROGRAMMES:

1) VALUE INITIATIVES

1.1 IRB MODELS: this initiative, launched under the previous Plan, seeks to achieve integrated management of the organisation's risks, bolster the Bank's competitive position and enable sectoral comparison on standardised terms.

1.2 PRICING AND EFFICIENT CAPITAL ALLOCATION: rollout of the RAROC pricing approach based on risk-adjusted return on capital consumption.

1.3 DATA GOVERNANCE: building on the progress achieved under the 2018-2020 Plan, this initiative aims to fill out a corporate framework that ensures data transparency and reliability, streamlines decision-making and maximises commercial and risk management performance.

2) ENABLING INITIATIVES

2.1 STRATEGIC PEOPLE PLANNING: configuration of a new people management model that supports internal development, mobilises talent and identifies staffing needs to meet the Bank's strategic challenges.

2.2 PURPOSE AND SUSTAINABILITY: to move forward with embedding sustainability (social, environmental and good governance factors) in our strategy, decision-making and risk management.

2.3 EVOLVING THE TECHNOLOGICAL MODEL to make technology a competitive advantage, improve process efficiency and agility, align ICT capabilities and services with business goals and optimise risk management and control.

Ibercaja, within its Strategic Plan 2021-2023, has set the following **financial goals**: **non-performing loans ratio of less than 5%**, **ROTE of at least 7%** and **CET1 fully loaded of 12.5%.**

NON-PERFORMING LOANS RATIO	ROTE	CET1 FULLY LOADED
<5.0%	>7.0%	12.5%

1.4.3 Impact of the COVID-19 crisis

In the context of the pandemic, the global and Spanish economies have been severely affected.

*THE GOVERNMENT, THROUGH VARIOUS ROYAL DECREES, ESTABLISHED **STATUTORY MORATORIUMS** FOR INDIVIDUALS AND THE SELF-EMPLOYED THAT TEMPORARILY STAYED THEIR PAYMENT OBLIGATIONS AS DEBTORS. FOR THEIR PART, BANKS AFFILIATED TO CECA, THE ASSOCIATION OF FORMER SAVINGS BANKS, ORGANISED A **SECTOR-SPECIFIC MORATORIUM** TO EXTEND THE SCOPE OF THE MORTGAGE MORATORIUM INTRODUCED BY THE GOVERNMENT.*

On 18 March 2020**, Royal Decree-Law 8/2020**, of 17 March 2020, on urgent measures to address the economic and social impact of COVID-19 was published, and on 1 April 2020, the Government published **Royal Decree-Law 11/2020**, of 31 March 2020, which extends and amends the previous Royal Decree-Law 8/2020. Among the measures implemented by these rules is a **moratorium on payment of mortgage and non-mortgage debts** under certain circumstances. Banks could enter into transactions of this type until 21 September 2020. Subsequently, Royal Decree-Law 3/2021, of 2 February 2021, extended the application deadline to 31 March 2021.

On 16 April 2020, the Spanish Confederation of Savings Banks (CECA) published the **sector-specific agreement** which introduced a moratorium extending the scope of the mortgage moratorium approved by the Government until 30 September 2020 and subsequently extended to 30 March 2021.

*THE GOVERNMENT PROVIDED **LENDING LINES**, PARTLY GUARANTEED BY THE STATE, THROUGH THE OFFICIAL CREDIT INSTITUTE (ICO), TO SUSTAIN ECONOMIC ACTIVITY.*

Royal Decree-Law 8/2020, of 17 March, created a **line of guarantees of 100,000 million** to meet the liquidity needs of companies and the self-employed. Banks could conclude transactions of this type until 1 June 2021. **Royal Decree-Law 25/2020**, of 3 July, approved the creation of a **new line of guarantees of 40,000 million euros** to meet the investment needs of companies and the self-employed until 1 June 2021.

Royal Decree-Law 34/2020, of 17 November, extended **the maturity and grace periods of guaranteed transactions** for all debtors who request such relief. The maturity date may be pushed back by a maximum of three years, provided that the total term of the transaction does not exceed eight years from the date of initial signing. The grace period for principal repayment is increased by up to twelve months, to a maximum of twenty-four months overall.

Royal Decree-Law 5/2021, of 12 March, **extended** the application **deadline for guarantees under the ICO liquidity and investment** lines until 31 December 2021 and **introduced the renegotiation framework for debtors with guaranteed financing**. The Decision of the Council of Ministers of 11 May 2021 established the **Code of Best Practices (CBP)** for the renegotiation. The CBP provides that debtors may request three types of measures, to be applied all at once or successively, if they prove compliance with the requirements set forth in the regulation.

1. Extension of the maturity of bank guarantees.
2. Conversion of guaranteed financing into participation loans.
3. Transfers for the reduction of outstanding principal on guaranteed loans.

Ibercaja signed up to the CBP on 20 May 2021. This reinforces our commitment and support to companies in a difficult and uncertain situation.

PROTECTION MEASURES FOR HOUSEHOLDS AND COMPANIES

By the end of the first half of 2021, the Group had entered into **9,167 transactions** benefiting from the **moratoriums** under Royal Decree-Laws 8/2020, of 17 March, and 11/2020, of 31 March, and the private-sector moratorium framed within the sectoral agreement. The total balance granted amounted to **775 million**, of which 75% or 582 million euros have fallen due. The **outstanding amount, 193 million**, represents **0.6% of gross lending**. 93% is secured by mortgages. It should be noted that the amount of outstanding stage 3 NPLs represents only 1.9% of exposure, while in the case of the past-due portfolio, the NPL balance amounts to 3.6%.

The Bank actively participates in the processing of financing transactions within the **ICO liquidity and investment lines** under Royal Decree-Laws 8/2020, of 17 March, and 25/2020, of 3 July, to support companies and self-employed workers economically affected by the pandemic. Up to 30 June 2021, **19,327 transactions were concluded** for an aggregate amount of **2,062 million euros**. 81% went to SMEs and the self-employed. The balance drawn down, 1,656 million, accounts for 20.0% of financing to companies. Only 0.8% is classified as stage 3.

IMPACT ON CREDIT RISK COVERAGE

During the first half of 2021, the pandemic continued to affect economic activity. However, the progress of vaccination and fiscal policy successfully contained the impact on the economy. The European Central Bank recently published an estimate of the macroeconomic scenario for the period 2021-2023 in the European Union. Activity was expected to return to growth in the second quarter of 2021 and to enjoy a strong recovery in the second half of the year. Therefore, current forecasts incorporate stronger growth prospects. However, the Group, despite the brighter outlook issued by the ECB, following a principle of prudence and pending coverage of existing uncertainties, has decided to maintain the scenarios and weightings used at year-end 2020 (see note 5.6.3 to the interim financial statements).

1.4.4 Lines of the Group's Business Model

Ibercaja seeks to implement a **universal banking model** that focuses on the retail business, based on advisory services, high service quality and innovation. The Bank serves a stable **base of 1.8 million customers (management units)**: comprising households, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services, other complements, such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group, whose companies it owns in full.

Ibercaja's business model is divided into **three main areas** based on the marketing strategy targeting each type of customer:

PERSONAL BANKING
Households
Personal banking
Private Banking

BUSINESSES AND INSTITUTIONS
Companies business
Stores
Institutions

OTHER LINES OF BUSINESS
Financial markets
Business shareholdings

The **management report of December 2020** includes a **detailed description of the business areas** and their segments.

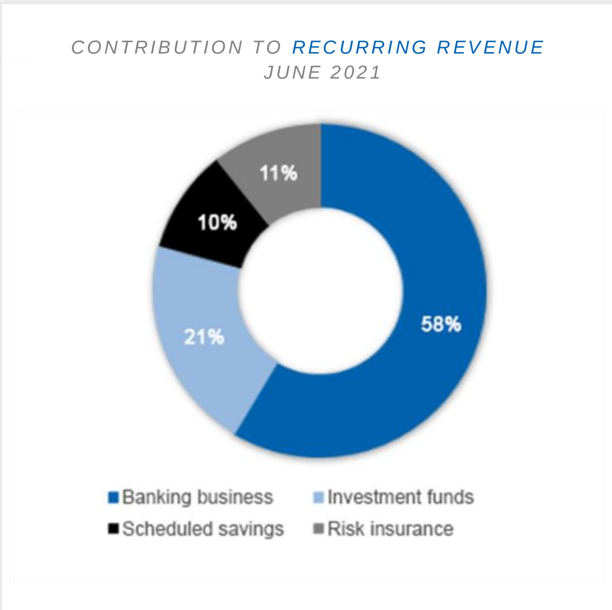
1.4.5 Financial Group

The Financial Group **diversifies the business and generates recurring revenues**. It provides the branch network with acclaimed financial products and expert support to strengthen the business relationship with customers. Created in 1988 and 100% owned by Ibercaja, it is formed by **companies that specialise in investment funds, savings and pension plans, bancassurance and vehicle leasing.** Innovation and a specialised offer place the Financial Group in a prominent position among Spanish financial institutions. The Group's products, targeted at individuals and businesses, are marketed and sold through the branch network and supplement the Bank's extensive range of banking services.

The Financial Group **has an ESG Committee**, whose objective is to promote the implementation of responsible asset management investment strategies. The Group also **forms part of the Sustainable Finance Team created by Ibercaja Banco** to design and implement the sustainability roadmap, thus supporting adaptation to the regulatory environment and a greater demand for sustainable products while abiding by the Bank's in-house goals and values.

CONTRIBUTION TO ***RECURRING REVENUE***

Assets under management and insurance provide **42% of the Group's recurring revenue and 47% of retail customer funds** administered by the Bank, which represents one of the most diversified savings mixes of the Spanish national banking sector.



THE COMPANIES WITHIN THE FINANCIAL GROUP ARE

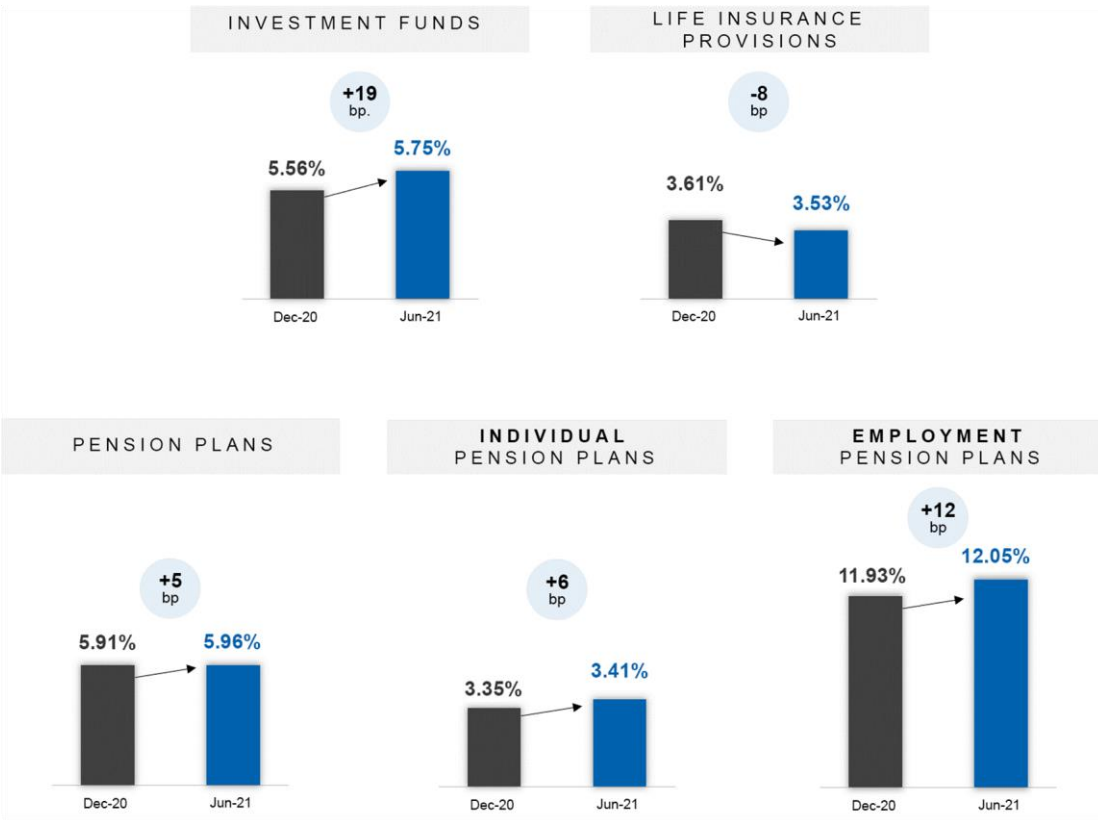
IBERCAJA BANCO

100% OWNED BY IBERCAJA

IBERCAJA GESTIÓN	CIS manager	Assets €17.2 bn	Market share 5.75%	#6
IBERCAJA PENSIÓN	Pension plan manager	Assets €7.4 bn	Market share 5.96%	#4
IBERCAJA VIDA	Life assurance	Technical provisions €6.9 bn	Market share 3.53%	#7
IBERCAJA LEASING	Leasing	Outstanding investment €0.5 bn	Market share 2.79%	#8
IBERCAJA MEDIACIÓN	Insurance broker	Premiums €0.15 bn	Alliance with Caser	caser seguros

FIGURES AS AT JUNE 2021

*IN THE FIRST HALF OF THE YEAR, IBERCAJA ACHIEVED OUTSTANDING ADVANCES IN **MARKET SHARE** IN KEY SEGMENTS*



Note: INVERCO, with the publication of the April investment fund statistics, standardised the criteria for excluding assets of funds that invest in the manager's own funds (funds of funds). This change led to a decrease in the system's overall assets and a readjustment of shares, bringing Ibercaja Gestión's share at the end of December 2020 to 5.56%.

2 BUSINESS PERFORMANCE AND RESULTS

EL BANCO DEL vamos

2.1

Highlights for the period at the Ibercaja Group

In a context still marked by the pandemic, the success of the Group's specialisation strategy and the strength of its hallmarks have become clear.

*IN THE FIRST SIX MONTHS OF THE NEW STRATEGIC PLAN, IBERCAJA'S MARKETING ACTIVITY HAS BEEN VERY DYNAMIC, ACHIEVING **FORWARD STRIDES** IN KEY SEGMENTS FOR BUSINESS STRATEGY SUCH AS **ASSET MANAGEMENT**, **INSURANCE DISTRIBUTION** AND **FINANCING FOR BUSINESSES**.*

- **Retail funds**, 67,248 million euros, grew by 2.8% in the first six months of 2021, thanks to **asset management and life insurance**, whose **volume performed strongly**, increasing by 8.8%, so that its proportion in the total managed savings, 47.3%, marked an all-time high.
- The **assets of the investment funds** managed by Ibercaja Gestión continue their upward trend, totalling 17,229 million euros, with an increase of 13.0% since December, above the Spanish collective investment schemes as a whole, which recorded a growth of 9.3%. Half-year contributions, at 1,416 million, were almost three times higher than a year earlier, and market share, at 5.75%, gained **19 basis points.**
- Managed volume in **pension plans** increased by 6.8%, hence market share, 5.96%, was up **5 basis points** by year-end 2020. In **individual and employment plans**, market share increased by **6 and 12 basis points, respectively**.
- **New lending transactions**, excluding State-guaranteed ICO lines, increased by **12.9% compared to the first half of 2020, with an outstanding increase, 18.4%, of loans intended to fund productive activities**. **Home mortgage signings** are not at pre-pandemic levels but are reviving after the sluggishness of past months. New production in the second quarter was 75.1% higher than in the first quarter.
- In lending to businesses, the **healthy credit portfolio** grew by **5.0%**, compared to the balance in December 2020. Ibercaja, in partnership with experienced consulting firms, made available to business banking clients an advisory service for accessing funds from the NextGenerationEU plan so that they can take advantage of the opportunities that these funds represent for the recovery of the economy.
- **New production** of **life and non-life premiums** rose by **63.2%** year-on-year to 32 million euros.

*THE GROUP EARNED **NET PROFIT** OF **94 MILLION EUROS**, 120.8% MORE THAN IN THE FIRST HALF OF THE PREVIOUS YEAR. RECURRING REVENUES REMAINED STABLE, WHILE PROVISIONS FOR CREDIT AND PROPERTY RISK RETURNED TO NORMAL FOLLOWING THE EXTRAORDINARY WRITE-DOWNS IN 2020 TO COVER THE POTENTIAL ECONOMIC IMPACT OF THE PANDEMIC ON THE LOAN PORTFOLIO.*

- Net interest income reflects the repricing of the mortgage portfolio, due to the decline in the yield curve, and the lesser contribution of debt securities. Fees and commissions grew at a good pace due to the strong momentum of off-balance sheet managed savings. **Recurring revenues as a whole remained stable**, in line with the forecast for the full year.
- **Operating expenses** increased 4.4% year-on-year. However, during the year **the cost base will reflect the effect of the workforce downsizing plan** agreed by the Bank with union representatives last December. Departures of the employees covered by the plan will be staggered until June 2022.
- **Profit before write-downs**, 192 million euros, improved by **6.7%** on the figure for June 2020.
- Write-offs of foreclosed loans and property, 49 million euros, decreased by 65.0%. An extraordinary provision of 70 million euros was set up in 2020 to cover the potential impact on the loan portfolio of the economic effects of COVID-19. The **cost of risk** fell to **30 basis points, below the ordinary cost of risk for 2020 overall**.

*THE REDUCTION OF NON-PERFORMING LOANS **CONTINUED. THE DETERIORATION OF THE MACROECONOMIC ENVIRONMENT**, AGAINST EXPECTATIONS, DID NOT TRANSLATE INTO A WEAKENING OF THE CREDIT QUALITY OF LOANS AND RECEIVABLES. THE BANK **UPHELD THE STRENGTH** OF ITS CAPITAL RATIOS WITH A **CET1 FULLY LOADED OF 12.73%.***

- **Non-performing loans** decreased by **11.6%, compared to zero variation in the** sector (latest information as of May), with the NPL ratio falling by 37 basis points to **2.8%.** The positive gap with respect to banks as a whole widened to 171 basis points. The contraction in non-performing loans was due to a lower volume of entries in the first half compared to a year earlier (-43.2%).
- The **aggregate of distressed exposure, non-performing loans and foreclosed assets** decreased by 156 million euros. The **distressed asset ratio**, **4.6%,** was down 48 basis points since December. The **degree of coverage** of these assets, **64.2%,** was up 2 percentage points.
- **CET1 fully loaded**, 12.73%, posted an **advance of 14 basis points**, while the **total capital ratio** stood at **17.37% (+11 bp v. December 2020)**.
- The Group has a **sound funding structure** based on retail customer deposits, which account for **77.8%** of external funding, so the retail loan-to-deposit (LTD) ratio is below 100%. **Available liquidity** accounted for **23.8% of the balance sheet** and largely covered all wholesale debt maturities.

Key data

FIGURES ROUNDED TO MILLION EUROS AND %

BALANCE SHEET	30/06/2021	31/12/2020	Chg. %
Total assets	58,121	58,401	(0.5)
Gross loans and advances to customers	31,571	31,590	(0.1)
Performing loan portfolio ex reverse repurchase agreements	29,060	28,956	0.4
Total retail funds	67,248	65,411	2.8
Equity	3,287	3,218	2.1
Retail business volume	96,308	94,367	2.1

RESULTS	30/06/2021	30/06/2020	Chg. %
Net interest income	246	268	(8.2)
Gross income	487	462	5.3
Profit before write-downs	192	180	6.7
Profit/(loss) attributed to the parent	94	43	120.8

EFFICIENCY AND PROFITABILITY	30/06/2021	30/06/2020	Change
Recurring cost-to-income ratio (ordinary expenses/recurring revenues)	65.6	62.7	2.9 pp
ROA (profit attributable to the parent company/average total assets)	0.33	0.16	0.17 pp
RORWA (profit attributable to the parent company/APR)	1.0	0.5	0.5 pp
ROE (profit attributable to the parent company/average own funds)	6.5	3.0	3.5 pp
ROTE (profit attributable to the parent company/average tangible own funds)	7.0	3.2	3.8 pp

RISK MANAGEMENT	30/06/2021	31/12/2020	Change
Non-performing balances (loans and advances to customers)	896	1,013	(11.6%)
Non-performance rate of loans and advances to customers (%)	2.8	3.2	(0.4) pp
Ratio of distressed assets (%)	4.6	5.1	(0.5) pp
Coverage of non-performing exposures	605	647	(6.5%)
Coverage of non-performing risks (%)	67.5	63.9	3.6 pp
Coverage of exposure to distressed assets (%)	64.2	62.2	2.0 pp

LIQUIDITY	30/06/2021	31/12/2020	Change
Liquid assets / Total assets	23.8	25.6	(1.8) pp
Loan-to-deposit ratio (LtD)	82.9	81.1	1.8 pp
LCR ratio (%)	455.2	468.1	(12.9) pp
NSFR ratio (%)	147.5	151.5	(4.0) pp

SOLVENCY	30/06/2021	31/12/2020	Change
CET1, phase-in (%)	13.50	13.62	(0.12) pp
Solvency ratio, phase-in (%)	18.13	18.27	(0.14) pp
Leverage ratio, phase-in (%)	6.02	6.26	(0.24) pp
CET1, fully loaded (%)	12.73	12.59	0.14 pp
Total capital, fully loaded (%)	17.37	17.26	0.11 pp
Leverage ratio, fully loaded (%)	5.72	5.85	(0.13) pp

ADDITIONAL INFORMATION	30/06/2021	31/12/2020	Chg. %
Average number of Group employees	5,324	5,371	(0.9)
No. of offices	965	1,031	(6.4)

Note: Figures for the first half of 2020 have been restated as described in Note 2.2. to the condensed interim consolidated financial statements due to the change in accounting criteria in relation to the agreement entered into with Caser in 2020.

2.2 Analysis of the main balance sheet figures

Retail funds increased, driven by asset management and life insurance, while financing for productive activities increased and asset quality indicators strengthened.

Main consolidated balance sheet captions

FIGURES ROUNDED TO MILLION EUROS

	30/06/2021	31/12/2020	CHANGE	CHANGE (%)
Cash in hand and at banks	6,111	7,884	(1,774)	(22.5)
Loans and advances to customers	30,966	30,942	24	0.1
Securities portfolio	18,041	16,465	1,576	9.6
Tangible assets	947	961	(14)	(1.4)
Intangible assets	235	237	(2)	(1.0)
Other assets	1,821	1,911	(90)	(4.7)
Total assets	**58,121**	**58,401**	**(280)**	**(0.5)**
Deposits from credit institutions and central banks	7,311	6,579	732	11.1
Customer deposits	36,547	37,881	(1,334)	(3.5)
Debt securities issued	1,309	1,341	(32)	(2.4)
Liabilities under insurance contracts	7,264	7,522	(258)	(3.4)
Provisions	335	393	(58)	(14.8)
Other liabilities	2,068	1,466	601	41.0
Total liabilities	**54,833**	**55,182**	**(349)**	**(0.6)**
Equity	**3,287**	**3,218**	**69**	**2.1**
Total equity and liabilities	**58,121**	**58,401**	**(280)**	**(0.5)**

Assets

Total assets on the consolidated balance sheet came to **58,121 million euros**, 0.5% less than at the end of 2020.

Loans and advances to customers, recorded in financial assets at amortised cost and non-trading financial assets mandatorily valued at fair value through profit or loss, amounted to **30,966 million**, 0.1% more than at the end of 2020. On a gross basis, i.e. excluding value adjustments for asset impairment, the loan portfolio stood at 31,571 million. Performing loans, at 29,060 million euros, excluding non-performing loans and reverse repurchase agreements, increased by 0.4% in the first half of the year.

New loan and credit signings totalled **2,688 million euros.** The year-on-year decrease of 22.1% is due to the base effect, as the first half of 2020 was strongly boosted by the granting of ICO credit lines guaranteed by the State to alleviate the economic effects of the pandemic. Excluding this type of financing, the volume of new transactions grew by 12.9%, with a significant increase (18.4%) in lending for productive activities. Home mortgage signings are not at pre-pandemic levels but are reviving after the sluggishness of past months. New production in the second quarter was 75.1% higher than in the first quarter. By geographical markets, the Home Markets and Madrid accounted for 36% and 33%, respectively, of lending in the year, while 15% was for the Mediterranean Basin. In addition, signings of **working capital loans** for companies totalled **3,493 million euros,** 7.5% above those of June 2020.

DISTRIBUTION OF LOANS AND ADVANCES TO CUSTOMERS BY PURPOSE

FIGURES ROUNDED TO MILLION EUROS

	30/06/2021	31/12/2020	CHANGE	CHANGE (%)
Loans to households	19,932	20,383	(451)	(2.2)
Housing	18,206	18,615	(409)	(2.2)
Consumer loans and other	1,726	1,768	(42)	(2.4)
Loans to companies	7,869	7,498	372	5.0
Real estate development	1,012	941	72	7.6
Non-real estate productive activities	6,857	6,557	300	4.6
Public sector and other	1,260	1,075	184	17.1
Gross loans, ex impairments and reverse repos	**29,060**	**28,956**	**105**	**0.4**
Reverse repurchase agreement	1,615	1,621	(6)	(0.4)
Impaired assets	896	1,013	(117)	(11.6)
Gross loans and advances to customers	**31,571**	**31,590**	**(19)**	**(0.1)**
Impairment losses and others	(605)	(647)	42	6.5
Loans and advances to customers	**30,966**	**30,942**	**24**	**0.1**

Credit in normal conditions for companies amounted to 7,869 million euros, an increase of 5.0%. Within this segment, **financing to non-real estate productive activities** was up 4.6% due to the boost given to business lending, which is key to Ibercaja's strategy. Exposure to **real estate development**, although of limited importance, increased by 7.6% in line with the recovery of this segment in the residential sector. **Loans to households** fell by 2.2%. Its main component, **home loans**, dipped by 2.2%. New production is still insufficient to offset the natural maturities of the portfolio and higher early redemptions, due to the accumulated savings pool and the level of retail deposit rates. **Consumer credit and other financing to households**, with a limited weight in overall investment, fell by 2.4% in an environment in which consumption declined due to the restrictions of the second state of emergency.

ASSET QUALITY INDICATORS (NPLS, FORECLOSED ASSETS AND COVERAGE)

€ MILLION AND %

	30/06/2021	31/12/2020
Non-performing loans and advances to customers	896	1,013
Loans and advances to customers (gross)	31,571	31,590
Non-performance rate of loans and advances to customers (%)	**2.8**	**3.2**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,476	1,632
Exposure (loans and advances to customers + repossessed assets)	32,151	32,209
Distressed asset ratio (%)	**4.6**	**5.1**
Non-performing loans and advances to customers	896	1,013
Coverage of non-performing exposures	605	647
Coverage of non-performing risks (%)	**67.5**	**63.9**
Foreclosed assets (gross carrying amount)	580	620
Coverage of foreclosed assets	343	367
Coverage ratio of foreclosed assets (%)	**59.0**	**59.3**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,476	1,632
Coverage of distressed assets	947	1,014
Coverage rate of distressed assets (%)	**64.2**	**62.2**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,476	1,632
Equity and distressed asset coverage	3,908	3,875
Texas ratio (%)	**37.8**	**42.1**

Asset quality indicators are evolving favourably without the weakness of economic activity being reflected, so far, in their performance. Impaired loans and advances to customers, at 896 million euros, decreased by 11.6% year-to-date due to a 43.2% year-on-year drop in non-performing loans. This contraction contrasts with the zero variation in the sector (latest information as of May). The NPL ratio, at 2.8%, fell by 37 basis points compared to the end of 2020, widening the favourable differential with respect to all banks to 171 basis points (130 basis points at the end of 2020). The coverage ratio of non-performing loans increased by 3.65 percentage points to 67.5%.

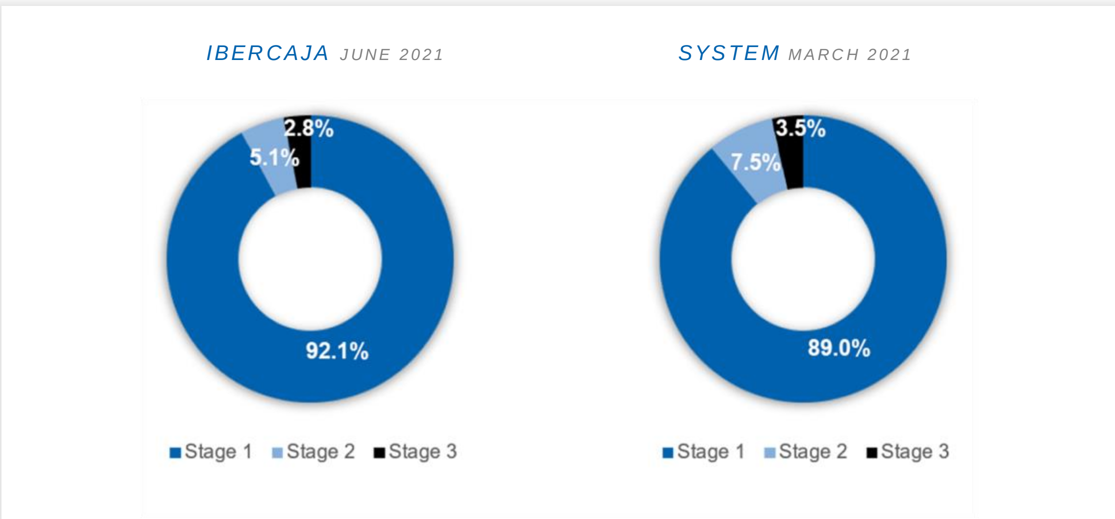
The **portfolio of foreclosed properties**, recognised under the balance sheet headings real estate investments, inventories and non-current assets held for sale, came to **580 million euros gross**, down 6.3% compared to December 2020, as a result of the recovery of sales in the real estate market after the standstill suffered in the most critical months of the pandemic. The decrease in the portfolio amounted to 39 million euros, 73% of which related to land. Coverage of real estate assets as a whole is 59.0%, with land-related coverage reaching 64.9%. The net value of foreclosed properties stood at 237.9 million euros, representing just 0.4% of the balance sheet.

Distressed assets, amounting to **1,476 million** euros, the sum of non-performing loans and advances to customers and foreclosed properties, fell 156 million euros or 9.6% in relative terms. After deducting coverage, net distressed assets, at 528.6 million euros, fell by 14.5% and accounted for 0.9% of assets. The distressed asset ratio, at 4.6%, decreased by 48 basis points and the coverage ratio rose to 64.2%, which is 2 percentage points higher than last December. The Texas ratio, which relates distressed assets to equity and coverage, fell to 37.8%, improving by more than 4 percentage points year-to-date.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. **Refinanced balances** totalled **647 million euros**, down 12.1% from year-end 2020 and representing only 2.1% of gross loans and advances to customers. 66.2% of refinanced loans are classified as non-performing and their coverage is 39.8%. On 20 May 2021, Ibercaja adhered to the Code of Best Practices (CBP) for the renegotiation of guaranteed financing provided for in Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in response to the COVID-19 pandemic. The CBP sets out the conditions under which financial institutions will provide debtors with the measures that companies and the self-employed may use to renegotiate the terms and conditions of ICO-COVID financing transactions.

Regarding the **distribution of the loan portfolio by stages** it should be noted that 5.1% of exposure is included in stage 2 (7.5% for all significant Spanish banks at the end of March; Source: Risk Dashboard EBA) and its degree of coverage is 7.9%. This low level reflects the mortgage bias of Ibercaja's portfolio and a prudent risk acceptance policy.

DISTRIBUTION OF THE LOAN PORTFOLIO BY STAGES



The **portfolio of fixed-income securities, shares and equity stakes in Group companies** stood at **18,041 million euros**, of which 7,494 million euros related to the insurance business.

The **banking sector portfolio**, 10,547 million euros, showed an increase of 1,638 million in the year.

- The ALCO portfolio managed by the parent company, 10,066 million euros, increased by 1,627 million euros, due to acquisitions - mainly of Spanish government bonds - to restore the portfolio following the sale of securities in 2020. This portfolio consists of low-risk bonds, mainly Spanish government bonds (67%) and Sareb bonds (16%), with an average duration, including hedges, of 5.6 years. The objective here is to soundly manage balance sheet interest rate risk, generate recurring earnings to strengthen net interest income and help maintain comfortable levels of liquidity. According to the accounting classification, 95% of these financial assets are stated at amortised cost.

- Equities, 445 million euros, comprises holdings in unlisted companies in strategic sectors for the Bank or for the territorial development of the regions in which the Bank operates, together with listed shares of domestic and foreign companies.

The **portfolio allocated to the insurance sector**, 7,494 million euros, decreased by 62 million euros.

- Fixed income, 6,079 million euros, mainly formed by Spanish government debt and bank borrowings, fell by 623 million euros. These assets are mainly classified as “Financial assets at fair value through other comprehensive income”.

- Equities, 1,415 million euros, rose by 560 million euros, owing to Ibercaja Vida’s increased investment in units in investment funds that are managed jointly with liabilities under insurance contracts (unit-linked) measured at fair value.

PORTFOLIO BREAKDOWN

ROUNDED FIGURES IN MILLIONS OF EUROS

BY ACCOUNTING CLASSIFICATION	30/06/2021	31/12/2020	CHANGE	CHANGE (%)
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**1,376**	**852**	**523**	**61.4**
Debt securities	0	28	(28)	---
Equity instruments	1,376	824	551	66.9
Financial assets at fair value through profit or loss	**8**	**9**	**(1)**	**(10.4)**
Debt securities	8	9	(1)	(10.4)
Financial assets at fair value through other comprehensive income	**6,809**	**7,023**	**(215)**	**(3.1)**
Debt securities	6,429	6,669	(241)	(3.6)
Equity instruments	380	354	26	7.3
Financial assets at amortised cost	**9,744**	**8,474**	**1,269**	**15.0**
Investments in joint ventures and associates	**105**	**107**	**(1)**	**(1.2)**
Total securities portfolio	**18,041**	**16,465**	**1,576**	**9.6**

FIGURES ROUNDED TO MILLION EUROS

BY ACTIVITY AREA	30/06/2021	31/12/2020	CHANGE	CHANGE (%)
Banking sector	**10,547**	**8,909**	**1,638**	**18.4**
Of which fixed income - ALCO portfolio	10,066	8,439	1,627	19.3
Of which fixed income - subsidiaries portfolio	35	40	(5)	(10.5)
Of which equities	445	430	15	3.6
Insurance business	**7,494**	**7,556**	**(62)**	**(0.8)**
Of which fixed income	6,079	6,702	(623)	(9.3)
Of which equities	1,415	855	560	65.6
Total securities portfolio	**18,041**	**16,465**	**1,576**	**9.6**

The **outstanding balance at central banks, credit institutions and cash** is **6,111 million euros**. The decrease in the year, 1,774 million euros, mainly concentrated in the "cash balances at central banks" caption, is chiefly due to purchases of fixed-income securities.

Liability positions facing central banks and credit institutions amounted to **7,311 million euros**, 732 million euros more than in December 2020. Funding from the ECB, 5,902 million euros, increased by 531 million euros, a movement explained by the allotment of 559 million euros in the TLTRO III auction in March 2021. Deposits from credit institutions, 1,409 million euros, increased by 201 million euros, mainly as a result of the increase in repurchase agreements, which offset the decrease in term deposits.

DETAIL OF CASH IN HAND AND AT BANKS AND DEPOSITS OF CREDIT INSTITUTIONS AND CENTRAL BANKS

ROUNDED FIGURES IN MILLIONS OF EUROS

	30/06/2021	31/12/2020	CHANGE	CHANGE (%)
Cash and cash balances at central banks and other demand deposits	5,728	7,573	(1,845)	(24.4)
Credit institutions (financial assets at amortised cost)	383	312	71	22.9
Cash and credit institutions	**6,111**	**7,884**	**(1,774)**	**(22.5)**
Deposits from central banks	5,902	5,371	531	9.9
Deposits from credit institutions	1,409	1,208	201	16.7
Deposits from credit institutions and central banks	**7,311**	**6,579**	**732**	**11.1**

Tangible assets came to **947 million euros**, a decrease of 1.4% since December due to the decrease in property, plant and equipment for own use. **Intangible assets**, **235 million euros**, comprise goodwill, other items generated from the acquisition of Caja3 and computer software.

Tax assets totalled **1,329 million euros**. Within these, monetisable assets, whose recoverability does not depend on future taxable income, amounted to 625 million euros.

Equity and liabilities

Customer deposits, **36,547 million euros**, decreased by 1,334 million euros or 3.5% in relative terms, due to the contraction of retail deposits by 2.1% and the maturity of 525 million euros of single mortgage bonds. The variation in retail deposits, demand savings and traditional term deposits without mortgage bonds or asset repos is explained by companies' use of accumulated liquidity, taking advantage of ICO guarantee lines, higher household consumption and the Bank's strategy of diversifying savings towards asset management and life insurance.

Debt securities issued, **1,309 million euros**, were down 32 million euros due to the maturity of securitisation liabilities.

Liabilities under insurance or reinsurance contracts, **7,264 million euros**, fall 3.4% as a result of the negative impact of low interest rates on the performance of savings-life insurance.

Retail funds, **67,248 million euros**, were up 2.8%. The reduction in retail deposits was amply offset by the 8.8% growth in assets under management and insurance, which reached an all-time high of 47.3% of the total, as a result of the Bank's policy of directing savings towards products with higher expected returns for customers and capital gains during the year.

Assets in the investment funds managed by Ibercaja Gestión, 17,229 million euros, rose 13.0% compared to year-end 2020. The sector's growth in the same period was 9.3%, which allowed the Bank to gain 19 basis points in market share to 5.75%. The fund manager is the fourth largest group in terms of net subscriptions, 1,416 million, almost triple the figure for the same half of the previous year.

The volume under management in **pension plans** increased by 6.8%, due both to the strong performance of the markets and to net contributions. The market share in pension plans, 5.96%, increased by 5 basis points since December. In individual plans, participation increased by 6 basis points to 3.41%, while in employment plans it reached 12.05%, after gaining 12 basis points in the first half of the year.

DETAIL OF TOTAL RETAIL FUNDS

ROUNDED FIGURES IN MILLIONS OF EUROS

	30/06/2021	31/12/2020	CHANGE	CHANGE (%)
Retail deposits	35,416	36,165	(749)	(2.1)
Demand deposits	32,684	33,014	(330)	(1.0)
Term deposits (exc. mortgage-backed bonds)	2,732	3,151	(419)	(13.3)
Asset management and life insurance	31,831	29,246	2,586	8.8
Total retail funds	**67,248**	**65,411**	**1,837**	**2.8**

Provisions on the liability side of the balance sheet, **335 million euros**, comprise funds for pensions and similar commitments, outstanding labour costs and other provisions. The net change, -58 million euros, is mainly due to the use of balances from previous years associated with workforce downsizing plans and pension commitments following the Decision of the Directorate General of Insurance and Pension Funds of 17 December 2020.

Equity came to **3,287 million euros**, which is 69 million euros more than at year-end 2020. The increase of 91.4 million euros in own funds offsets the decrease of 22.6 million euros in "Accumulated other comprehensive income".

2.3 Income statement

Ibercaja earned a profit of 94 million euros, double that of a year earlier.

Main headings of the income statement:

ROUNDED FIGURES IN MILLIONS OF EUROS	30/06/2021	30/06/2020	CHANGE	CHANGE (%)	% ATA (*) JUNE 21	% ATA (*) JUNE 20
Net interest income	**246**	**268**	**(22)**	**(8.2)**	**0.85**	**1.01**
Net fees and commissions and exchange differences	203	182	21	11.5	0.70	0.68
Gains/(losses) on financial assets and liabilities	36	2	33	---	0.12	0.01
Other operating profit/(loss)	2	10	(8)	(79.9)	0.01	0.04
Other operating income and expense	(5)	8	(13)	(163.9)	(0.02)	0.03
Dividends	7	2	5	220.4	0.03	0.01
Share in profit/(loss) of equity-accounted entities	0	0	0	---	0.00	0.00
Gross income	**487**	**462**	**25**	**5.3**	**1.69**	**1.73**
Operating expenses	295	282	12	4.4	1.02	1.06
Profit before write-downs	**192**	**180**	**12**	**6.7**	**0.67**	**0.67**
Provisions, impairment and other write-downs	56	113	(58)	(50.9)	0.19	0.43
. of which: COVID-19 write-downs	---	70	(70)	---	---	0.26
Other gains/(losses)	(1)	(1)	0	0.4	0.00	(0.01)
Profit/(loss) before tax	**135**	**65**	**70**	**107.6**	**0.47**	**0.24**
Taxes	41	22	18	82.4	0.14	0.08
Consolidated profit/(loss) for the year	**94**	**43**	**51**	**120.8**	**0.33**	**0.16**
Profit/(loss) attributable to the Parent	**94**	**43**	**51**	**120.8**	**0.33**	**0.16**
(*) AVERAGE TOTAL ASSETS	**57,733**	**53,360**	**4,373**	**8.2**		

Note: Figures for the first half of 2020 have been restated as described in Note 2.2. to the condensed interim consolidated financial statements due to the change in accounting criteria in relation to the agreement entered into with Caser in 2020.

The **net interest income**, **246 million euros**, fell by 8.2% year-on-year, due to the fall in loan income, the lower contribution of the fixed-income portfolio and the lower contribution of the Group's insurance business. Part of these impacts, chiefly due to low interest rates, were offset by the lower cost of retail and wholesale financing and the favourable terms of the financing obtained from the ECB in the TLTRO III auction. On a quarter-over-quarter basis, net interest income increased 0.6% v. 1Q21. The mortgage portfolio now reflects the change in the benchmark index almost in its entirety.

Revenues from lending fell by 13.3**%,** mainly due to lower unit yields. The average rate, 1.21%, was down 16 basis points in one year. This is a consequence of the repricing of the mortgage portfolio following the decline in 12-month Euribor, lower market rates in financing to businesses and the high volume of ICO loans entered into with a lower yield to which the cost of the guarantee is allocated. The **cost of retail savings** decreased due to the lower outstanding balance and rate of term deposits and the collection of negative interest, in certain circumstances, on credit balances in demand accounts. The **customer spread**, 1.23%, fell 14 basis points over the past twelve months.

The **return on the fixed-income portfolio**, **17 million euros**, represents 6.3% of total finance income. The year-on-year decrease, 17 million euros, reflects the decrease in average profitability (0.35% v. 0.87% in the first half of 2020) due to the rotation of securities and sales made in 2020.

The **cost of wholesale issues**, **18 million euros**, fell by 38.4% due to the maturity of non-renewed mortgage bonds and because in the first half of 2020 part of the subordinated wholesale debt issued in 2015 remained on the balance sheet. This was redeemed in full in July 2020 and replaced by another lower-cost issue.

The **spread of the Group's balance sheet** stood at **0.86%** at the end of the first half of 2021, 15 basis points lower than in the same period of the previous year.

BREAKDOWN OF NET INTEREST INCOME

(FIGURES ROUNDED TO MILLIONS OF EUROS)	FIRST HALF 2021			FIRST HALF 2020			CHANGE 1H21/1H20		
	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	EFFECT VOLUME	EFFECT RATE	CHANGE NET
Financial intermediaries	7,608	32	0.84	4,665	8	0.34	5	19	24
Loans and advances to customers (a)	28,959	175	1.21	29,509	202	1.37	(4)	(23)	(27)
Fixed income portfolio	9,967	17	0.35	7,813	34	0.87	9	(26)	(17)
Income from insurance activity	7,555	54	1.43	7,634	58	1.53	(1)	(4)	(4)
Other assets	3,644	0	---	3,739	1	---	---	---	0
ASSETS (c)	**57,733**	**279**	**0.97**	**53,360**	**303**	**1.14**	**25**	**(49)**	**(24)**
Financial intermediaries	6,650	12	0.35	3,834	2	0.10	1	8	10
Retail deposits (b)	35,784	(3)	(0.02)	33,258	(1)	0.00	0	(2)	(2)
Wholesale issues	2,753	18	1.29	3,441	29	1.68	(6)	(5)	(11)
Costs of insurance activity	7,345	3	0.08	7,674	4	0.09	0	0	(1)
Other liabilities	5,201	3	---	5,154	2	---	---	---	2
LIABILITIES (d)	**57,733**	**33**	**0.11**	**53,360**	**35**	**0.13**	**3**	**(5)**	**(2)**
Customer spread (a-b)			**1.23**			**1.37**			
Balance sheet spread (c-d)			**0.86**			**1.01**			

Note: In accordance with accounting regulations, income derived from the application of negative rates is recognised according to its nature. The financial intermediaries caption on the assets side includes negative interest on the financial intermediaries balances on the liabilities side, the most significant being the proceeds from TLTRO III. Symmetrically, the financial intermediaries caption on the liabilities side includes negative interest on the balances of financial intermediaries on the assets side.

Net fees and exchange rate differences came to **203 million euros**, 11.5% more than in June 2020. Marketing and asset management fees rose 25.9% due to the higher volume of assets under management in off-balance-sheet products and the increase in success fees, reflecting the strong performance of the markets in the first half of the year. Fees and commissions from banking activities decreased by 9.3%, mainly due to the fall in fees and commissions for collection and payment services, securities trading and contingent liabilities and commitments.

DETAIL OF NET FEES AND COMMISSIONS

FIGURES ROUNDED TO MILLION EUROS

	30/06/2021	30/06/2020	CHANGE	CHANGE (%)
Fees for contingent liabilities and commitments	6	7	(1)	(13.4)
Collection and payment services fees	54	57	(3)	(4,7)
Securities services fees	23	18	5	29,7
. Management, custody and purchase and sale of securities	4	5	(1)	(15.6)
. Wealth management	19	13	6	46,4
Non-bank financial product marketing fees	120	98	23	23,3
Other fees	9	10	(1)	(14.2)
Fees received	**212**	**189**	**23**	**12.2**
Fees paid	**9**	**7**	**2**	**26.0**
Exchange differences	**0**	**0**	**0**	**0.0**
Net fees and commissions and exchange differences	**203**	**182**	**21**	**11.5**
Fees for marketing and asset management	135	108	28	25.9
Banking fees and commissions	68	75	(7)	(9.3)

Note: marketing and asset management fees include fees for the marketing of non-banking financial products and asset management fees (included in securities service fees).

Recurring revenues, aggregating net interest income and net fees and commissions, **449 million euros**, remained virtually unchanged. Asset management fees offset the decline in net interest income, which was mainly affected by the behaviour of the yield curve, which put pressure on the performance of the credit and fixed-income portfolios.

Dividend income came to **7 million euros**. The increase, 5 million euros, is explained by the proceeds from the Caser stake (3.5 million euros) and by the fact that many companies suspended dividend distributions in the first half of 2020 for reasons of prudence in the face of the COVID-19 crisis.

The **gain or loss on financial transactions** stood at **36 million euros**, compared to 2 million euros a year earlier. This includes realised capital gains of 33 million euros on the forward sale in 2020 of a portfolio of domestic government bonds, which was completed in the first quarter of 2021.

The **net result of other operating income and expense** subtracted **5 million euros** from gross income, while in the first half of 2020 it contributed 8 million euros due to the initial recognition of an extraordinary income item of 15 million euros as part of the 70 million euros already received by Ibercaja Mediación for the signing of the amending novation of the Caser non-life insurance distribution contract.

After adding the results of entities accounted for using the equity method, **gross income** came to **487 million euros,** 5.3% higher than in June 2020.

Operating expenses, **295 million euros**, were up 4.4% year-on-year. Personnel expenses increased by 4.6% compared to a year earlier. The cost savings from the ongoing workforce downsizing plan will materialise in the coming quarters as employee terminations are being staggered until June 2022. Other general administrative expenses and depreciation and amortisation grew by 4.0%, due to the suspension of projects and activities in 2020 following the outbreak of the pandemic.

BREAKDOWN OF OPERATING EXPENSES

FIGURES ROUNDED TO MILLION EUROS

	30/06/2021	30/06/2020	CHANGE	CHANGE (%)
Wages and salaries	139	133	6	4.6
Social security contributions	35	34	1	2.0
Contribution to pension funds and insurance policies	9	8	1	11.5
Severance payments	---	---	---	---
Other staff costs	1	0	0	101.3
Personnel expenses	**184**	**176**	**8**	**4.6**
Buildings, installations and office equipment	14	13	1	5.2
Systems maintenance, licences, IT development and software	12	15	(2)	(16.3)
Communications	7	6	1	25.8
Advertising and publicity	2	2	0	(12.5)
Charges and taxes	7	7	0	(2.3)
Other management and administration expenses	36	30	6	19.3
Other general administrative expenses	**78**	**72**	**5**	**7.1**
Depreciation and amortisation	**33**	**34**	**(1)**	**(2.7)**
Operating expenses	**295**	**282**	**12**	**4.4**

The **cost-to-income ratio**, defined as the quotient of recurring operating expenses and gross income, stood at **60.5%**. **The recurring cost-to-income ratio**, measured as ordinary expenses to recurring revenues, reached **65.6%.**

Profit/(loss) before provisions reached **192 million euros**, 6.7% more than a year earlier. Total provisions and write-downs recognised under impairment losses on financial assets, non-financial assets, non-current assets held for sale and provision charges, at 56 million euros, were almost 51% lower than in June 2020. The **loan and foreclosed property write-downs**, **49 million euros**, came to 90 million euros less than in the same half of 2020 as a 70 million euros provision had been set aside in the previous year to cover the potential impact of the economic effects of COVID-19. Stripping out this extraordinary provision, the decrease was 29.0% due to a lower volume of new NPLs. The Group's **cost of risk**, calculated as the percentage of annualised credit and property impairments in relation to average exposure, is 30 basis points, which is lower than the ordinary cost, 43 basis points, for 2020 as a whole.

"Provisions" includes provisions for pensions, litigation, pending tax litigation, commitments and guarantees granted and other provisions. The caption notes a charge of 4 million euros, compared to a release of 29 million euros in the first half of 2020 for the reversal of a provision recognised in 2019 for the repurchase of subordinated bonds and the time-barring of a labour costs contingency.

"Other gains and losses" include the results of the sale of property, plant and equipment and business interests, as well as the payment of fees for the marketing of foreclosed properties. This caption detracted from profit by **1.4 million euros**, a figure similar to that of a year earlier.

The Group's **profit before tax amounted to** **135 million euros**. After deducting the corporate income tax expense, **the net profit attributable to the Parent** was **94 million euros**.

3

FUNDING AND LIQUIDITY STRUCTURE

EL BANCO DEL vamos

3

Funding and liquidity structure

Retail deposits are the main source of the Group’s external funding.

Ibercaja has traditionally followed a **conservative liquidity policy** so as to fund its lending activity with retail funds and manage liquidity and its sources of financing in a diversified, prudent and balanced way, anticipating the need for funds to meet its obligations on time and not making its investment activity dependent on the situation of the wholesale financing markets.

The key principles governing its **strategy** are: active management through a **continuous control system** based on internal limits and indicators documented in the Liquidity Manual, **specified measures and actions in the event of crisis scenarios** (Contingency Plan), leveraging **alternatives offered by the market** to diversify investment in terms and in instruments of maximum liquidity, and maintaining an ample buffer of collateral **at the ECB** to face possible stresses.

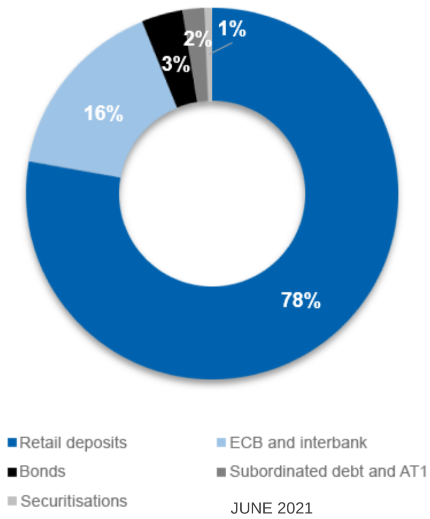
Liquidity risk assessment considers **estimated cash flows from assets and liabilities** and the **guarantees or additional instruments** available to secure alternative sources that may be required. We make **short-, medium- and long-term forecasts** to ascertain financing needs and compliance with limits, which look at the most recent macroeconomic trends, due to their impact on the performance of different assets and liabilities on the balance sheet and on contingent liabilities and derivatives. Liquidity risk is controlled through **limits on exposure**, within the levels compatible with approved policies.

The **strategy and policies for liquidity risk management** and measurement and control procedures are described in more detail in **note 3.8.** of the **financial statements for 2020.**

Breakdown of financing structure:

Retail customer deposits are the **main source of outside funds, accounting for 77.8% of the total**. The loan to deposit ratio (LTD) stands at 82.9%. During the year, it increased by 1.8 percentage points, mainly due to the 2.1% reduction in retail deposits as a result of the lesser inclination of households to save following the strong increase in 2020, the decrease in liquidity accumulated by companies at the beginning of the crisis and the transfer of savings to other products such as investment funds.

Wholesale financing supplements the funds obtained from individuals and businesses. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.



Central bank deposits, at **5,902 million euros**, were up 531 million euros. In the first half of the year, Ibercaja borrowed 559 million euros in the TLTRO III auction, in addition to 5,400 million euros borrowed at the end of 2020. As a result, its weight in total borrowed funds has risen from 11.6% in December 2020 to 13.0% at 30 June 2021.

Deposits from credit institutions, **1,409 million euros**, represented 3.1% of outside funds, compared to 2.6% at the end of 2020. Their increase, 201 million euros, is the result of growth in repurchase agreements, which offset the decrease in term deposits.

Customer deposits , 80.3% of total funding (82.1% in December 2020), fell by 3.5% from 37,881 million euros at the end of the previous year to **36,547 million euros** in June 2021. The decline in retail deposits was compounded by the maturity of 525 million euros in single mortgage bonds.

Debt securities issued, **1,309 million euros**, decreased by 2.4%, representing 2.9% of outside funds, the same percentage as in 2020. The decrease, 32 million euros, is mainly due to the maturity of securitisation liabilities.

Composition of outside funding:

ROUNDED FIGURES IN MILLIONS OF EUROS Y %.	30/06/2021		31/12/2020		CHANGE	
	BALANCE	%	BALANCE	%	BALANCE	%
Deposits from central banks	5,902	13.0	5,371	11.6	531	9.9
Deposits from credit entities	1,409	3.1	1,208	2.6	201	16.7
Customer deposits	36,547	80.3	37,881	82.1	(1,334)	(3.5)
Of which: retail deposits	35,416	77.8	36,165	78.4	(749)	(2.1)
Debt securities issued	1,309	2.9	1,341	2.9	(32)	(2.4)
AT1 issue	350	0.8	350	0.8	---	---
OUTSIDE FUNDING	**45,517**	**100.0**	**46,151**	**100.0**	**(634)**	**(1.4)**
Retail funding	35,416	77.8	36,165	78.4	(749)	(2.1)
Wholesale funding	10,101	22.2	9,986	21.6	115	1.1

Available liquidity, **13,853 million euros**, represented 23.8% of assets. The year-to-date decrease, 1,106 million euros, is explained by the decrease in the "Cash and central banks" caption. Taking into account issuance capacity for mortgage and territorial bonds, 8,789 million euros, the **total availability of liquidity** reached **22,642 million euros**.

The liquidity coverage ratio **LCR**, which measures the level of unencumbered, high-quality liquid assets to overcome a 30-day liquidity stress scenario, reached **455.2%,** well above the 100% threshold required by regulations. The **NSFR** ratio reached **147.5%.** This indicator shows the proportion of funding for one year covered by stable liabilities, the aim being to ensure an even balance sheet structure that limits excessive reliance on short-term wholesale funding.

Liquidity Indicators:

ROUNDED FIGURES IN MILLIONS OF EUROS Y %.	30/06/2021	31/12/2020
Cash and central banks	5,390	7,320
Available in policy	1,074	892
Eligible assets not included in the policy	6,906	6,421
Other assets not eligible for ECB	484	327
AVAILABLE LIQUIDITY	**13,853**	**14,959**
Issuance capacity for mortgage covered and public sector covered bonds	8,789	8,380
TOTAL AVAILABLE LIQUIDITY	**22,642**	**23,339**

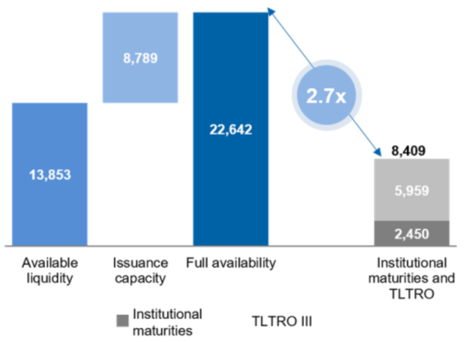
Available liquidity / total assets (%)	23.8	25.6
Loan-to-deposit ratio (%)	82.9	81.1
LCR (%)	455.2	468.1
NSFR (%)	147.5	151.5

The amount of the facility available facing the ECB is 1,074 million euros following the drawdown of 5,959 million euros from TLTRO III. Together with the excess balance in the treasury account, Ibercaja holds other eligible assets outside the facility, almost entirely Spanish government debt, which in case of need would enable it to obtain additional liquidity immediately.

The **maturities of issues in wholesale markets** are staggered over a redemption schedule that extends to 2027. There are no major maturities in the next 18 months. Total liquidity availability, 22,642 million euros, provides coverage of 2.7 times debt maturities and the amount drawn down in the TLTRO III auction.

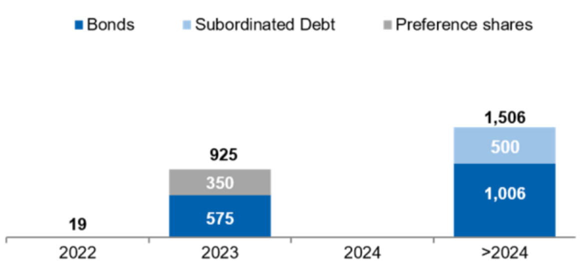
LIQUID ASSETS AND FUNDING CAPACITY

€ MILLION - JUNE 2021



INSTITUTIONAL MATURITIES

€ MILLION - JUNE 2021



In the short and medium term, the Group has adequate liquidity levels in line with both internal and regulatory management limits.

Likewise, it is necessary to take into account the high weight of retail financing, the scant significance of wholesale emissions and their staggered maturity. However, if, due to the uncertainties arising from the Coronavirus crisis, liquidity tensions rise or the loan market contracts, which affects liquidity and the deposit base, the Group, aside from its current comfortable liquidity position, has various financing sources (issuance of senior debt and mortgage-backed bonds, and the recourse to ECB financing through the pledge of fixed income, own issues and asset securitisation) and, where appropriate, it would implement the specific Contingency Plan established for crisis situations.

4 CAPITAL MANAGEMENT

EL BANCO DEL vamos

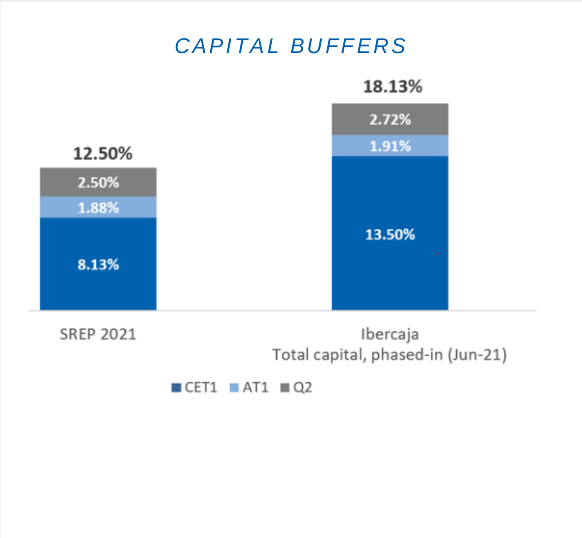
4 Capital management

Strong solvency ratios that comfortably exceed regulatory requirements.

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

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, Ibercaja Banco will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11 of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity.

On 8 April 2020, the ECB notified Ibercaja of its decision on the prudential requirements applicable to 2020 established under the Supervisory Review and Evaluation Process (SREP). The ECB has not notified any subsequent modifications to this decision, so these requirements remain in force for 2021. Based on the above, the Bank must maintain a **Common Equity Tier 1 (CET1) ratio** of **8.125%** and a **total capital ratio** of **12.50%**. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

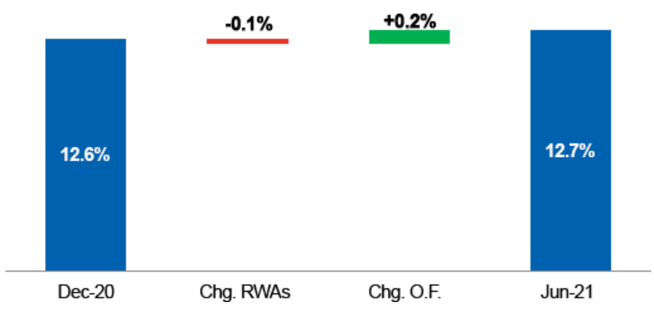


At 30 June 2021, the total capital of the Ibercaja Group amounts to 3,330 million euros and represents a **total capital ratio** of **18.13%.** The **CET1 phased-in ratio**, which measures the ratio of Tier 1 capital to risk-weighted assets, stood at **13.50%.** These capital levels imply, based on the SREP requirements communicated by the Supervisor, an excess of CET1 and total Capital of 5.37 and 5.63 percentage points, respectively.

(MILLIONS OF EUROS AND %)	PHASED IN		FULLY LOADED	
	30/06/2021	31/12/2020	30/06/2021	31/12/2020
Tier 1 capital	2,830	2,835	2,682	2,640
Common equity tier 1	2,480	2,485	2,332	2,290
Additional Tier 1 Capital	350	350	350	350
Tier 2 capital	500	500	500	500
Total capital	3,330	3,335	3,182	3,140
Risk-weighted assets	18,364	18,248	18,320	18,191
RWA density (RWAs/total assets)	31.60	31.25	---	---
CET1 (%)	**13.50**	**13.62**	**12.73**	**12.59**
AT1 (%)	**1.91**	**1.92**	**1.91**	**1.92**
Tier 1 (%)	**15.41**	**15.53**	**14.64**	**14.51**
Tier 2 (%)	**2.72**	**2.74**	**2.73**	**2.75**
Total capital ratio (%)	**18.13**	**18.27**	**17.37**	**17.26**
Leverage ratio (%)	**6.02**	**6.26**	**5.72**	**5.85**
Ratio MREL to RWAs (%)	**18.13**	**18.27**		
Ratio MREL to LRE (%)	**7.08**	**7.36**		

In terms of fully loaded, the **total capital ratio** gained 11 basis points to reach **17.37%,** while **CET1** came to **12.73%,** representing a year-to-date growth of 14 basis points**.** The following graph shows a breakdown of the change in CET1 in the first half of the year.

BREAKDOWN OF
CET1 FULLY LOADED RATIO (%)



The **fully loaded leverage ratio**, **5.72%**, is well above the benchmark requirements.

In accordance with the definition of Distributable Items contained in the CRR regulations, the balance of such items, at the individual level of Ibercaja Banco at 30 June 2021, came to **348 million euros.**

The new Bank Recovery and Resolution Directive (BRRD2) sets the date for compliance with **MREL requirements** as 1 January 2024 and an intermediate requirement to be met by 1 January 2022. Both are to be expressed as a percentage of risk-weighted assets and leverage ratio exposure. **From 1 January 2024**, the Group must have a percentage of own funds and eligible liabilities of **18.42% of RWAs (20.92% including the combined capital buffer requirement).** The requirement **in terms of leverage ratio was 5.24%**. The intermediate requirement at 1 January 2022 is 15.38% with respect to RWAs (17.88% including the combined capital buffer requirement) and 5.24% in terms of leverage ratio. The Ibercaja Group's MREL ratio at June 2021 stood at **18.13%** of risk-weighted assets and **7.08%** of leverage ratio exposure, **these levels being above those required by 2022**. The requirements established for 1 January 2024 are aligned with the Bank's financing and capital plan.

5 RISK MANAGEMENT

5 Risk management

Risk management, both financial and non-financial, is key in Ibercaja's business development strategy.

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

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

While **credit risk** is the most significant threat to the Bank's business, risk management also covers counterparty, concentration, market, liquidity, interest rate, operational, business, reputational and insurance risks.

In addition, the Bank established a range of measures and procedures to minimise those **non-financial risks**, such as reputational and compliance risk, and took into consideration those related to social, human rights and environmental issues, analysing them for their progressive incorporation within the Risk Appetite Framework.

Among the general principles of sustainability enshrined in the **Sustainability Policy** approved in December 2020, Ibercaja observes in its activity the prudent and global management of all financial and non-financial risks, including **ESG risks** (environmental, social and good governance). In addition, the Bank undertakes to analyse the **risks arising from climate change and environmental deterioration**, their impact on customers and on its financial activity, for gradual integration into risk management procedures, in compliance with supervisory expectations. In this regard, Ibercaja has prepared an **Action Plan**, approved by the Board of Directors last 11 May, to meet to the **expectations** of the Guide on climate-related and environmental risks of the **European Central Bank**. This Plan is to be implemented within the framework of the "Purpose and Sustainability" Strategic Initiative of the "Desafío 2023" Strategic Plan.

AMONG THE FORWARD STRIDES ACHIEVED IN THE FIRST HALF OF THE YEAR WAS THE DESIGN OF THE ***QUALITATIVE MAP OF CLIMATE AND ENVIRONMENTAL RISKS*** *WITH THE GOALS OF:*

Moving forward with understanding the **characteristics and specific features** of climate and environmental risks.

Identifying the main **climate risks** that may affect the financial sector and how they fit into the current risk categories.

Advancing in the establishment and consolidation of the **management model** for these risks based on three lines of defence at the Bank.

In January, the Reputation and Sustainability Committee approved the **SRI Exclusion Policy for the management companies** (Ibercaja Gestión and Ibercaja Pensión), which are signatories of the United Nations Principles for Socially Responsible Investment (UNPRI), which operates as the first barrier in the management of sustainability risks by excluding from the investment universe those companies that significantly damage the environment or do not respect the ethical criteria espoused by the management companies. Likewise, in accordance with Regulation 2019/2088 of the European Parliament and of the Council on the disclosure of information relating to sustainability in the financial services sector, the **ESG Risk Integration Policies** of Ibercaja Pensión, Ibercaja Gestión, Ibercaja Vida and Ibercaja Banco were approved by their respective Boards of Directors.

The **relevant information on the management of the different types of risk** is presented in more detail in **note 3 to the Ibercaja Banco Group financial statements for 2020** and in **note 2.5 of the interim financial statements as at June 2021.**

6

RESEARCH, DEVELOPMENT AND TECHNOLOGY

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6 Research, development and technology

The new Strategic Plan reinforces the Bank's commitment to digital transformation and ongoing improvement of operational processes.

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

Technology is a **decisive lever** to underpin the competitive advantages of the Bank's operational and business model, while complying with regulatory guidelines on governance, security and risk and in alignment with industry best practices. In the 2021-2023 Strategic Plan, the development of the operational model stands as an initiative that deepens the transformation undertaken in the previous three-year period. The new Plan maintains the **four fundamental vectors of work of the previous programme**: **efficiency**, **self-service**, **outsourcing** and **robotisation**. To implement the Plan, a map of the Bank's processes will be established as a guide for optimisation and ongoing evaluation, thus completing the process reengineering carried out in the past few years.

AMONG THE MAIN ACTIONS AND PROJECTS ON WHICH WORK WAS DONE IN THE FIRST HALF OF THE YEAR ARE THE FOLLOWING:

"SISTEMA PENSIÓN POR CONSUMO" IMPLEMENTED BY IBERCAJA AND PENSUMO. This project, presented at the first edition of the Financial Sandbox, was one of 18 selected out of a total of 67 submitted. The "Pension by Consumption System" is based on linking retirement savings with consumption, thus redirecting the economic flows generated by day-to-day spending towards the future pension. A digital service was created and is available in a new mobile application or in Ibercaja's own app. Under agreements with third parties - retail establishments and companies - they apply a percentage of the purchase, rebates, discounts or promotions to the user's savings plan. In addition, the customer him/herself will be able to allocate to savings a fixed amount each month or the rounding of the purchase made. This service improves on the mechanisms available so far for savings contributions and is a further step that consolidates the Bank as an innovative leader in the savings and investment field.

DIGITAL TRANSFORMATION. New functionalities and changes to existing applications were extended to all channels to facilitate use and improve the customer experience.

STREAMLINING OF TASKS AND ENHANCED EFFICIENCY to optimise low value-added processes through digitalisation and mechanisation. These include processes related to bancassurance, collection of signatures at branch offices, document archiving, obtaining duplicates and extending answers to frequently asked questions from the "chat bot" implemented last year.

SELF-SERVICE PLAN. The range of payments that can be made at cash machines (bills issued by Madrid City Council) was increased.

CYBERSECURITY. Improvements in cybersecurity continued, with best practices such as the NIST framework and ISO 27001 specifications.

7

COMMITMENT TO SUSTAINABILITY

EL BANCO DEL vamos

7 Commitment to sustainability

Ibercaja's commitment to sustainability takes centre stage in the framework of the new Strategic Plan and in the product offering for this profile.

Since it was formed 145 years ago, the Bank has maintained a sustainability commitment, which is reflected in the social, economic and environmental approach of its activities. The Group is aware that financial institutions have a key role in sustainable development, mobilising the necessary capital flows and integrating environmental, social and corporate governance risks and opportunities into management. This purpose has been reinforced by the pandemic and the concomitant economic crisis we are experiencing. In 2019, the Bank created a **cross-cutting Sustainable Finance team**, involving all business areas, to work on the **Sustainability Roadmap** and incorporate ESG aspects into its strategy, decision-making and risk management. In December 2020, the Board of Directors approved the Group's **Sustainability Policy**, a document that reflects our commitment to sustainable growth and establishes the framework for global action in sustainability.

THE MAIN FORWARD STEPS IN THIS AREA DURING THE FIRST HALF OF 2021 CAN BE SUMMARISED AS:

1) PRESENTATION OF THE STRATEGIC PLAN 2021-2023

The Plan includes a cross-cutting sustainability initiative that meets the ECB's expectations in the four groups established by the Supervisor: strategy and business model, governance and risk appetite, risk management and disclosure. The lines of work in which the initiative is materialised, and its goals, are as follows:

1. **ESG RISK MANAGEMENT**: incorporate climate-related and environmental risks into cross-cutting risk processes and into existing risk policies and procedures.
2. **SUSTAINABLE BUSINESS STRATEGY**: aligning the Group's business strategy with the principles of responsible banking and accompanying customers in the transition to a sustainable future and a low-carbon economy.
3. **COMMUNICATION AND REPORTING**: creating a permanent and transparent communication framework that reinforces the Organisation's commitment to sustainability.
4. **SYNERGIES WITH SHAREHOLDER FOUNDATIONS**: implementing lines of cooperation with shareholder foundations to meet the main social and environmental needs of the Bank's territories of operation.

2) IBERCAJA'S PARTICIPATION AS A FOUNDING MEMBER OF THE UNITED NATIONS NET ZERO BANKING ALLIANCE

The Bank is one of the founding members of this alliance, comprising 43 banks from 23 countries. The **goal** is **to lead the transition to a low-carbon global economy**. Signatories are required to achieve emissions neutrality in their lending and investment portfolios by 2050, with interim targets to be set every five years.

3) CREATION OF THE SUSTAINABILITY DEPARTMENT AND THE SUSTAINABLE FINANCE UNIT

At the beginning of the year Ibercaja created the new **Brand, Reputation and Sustainability Department** that, reporting directly to the Chief Executive Officer, is responsible for **specifying, developing, implementing and coordinating Ibercaja Banco's sustainability strategy** in partnership with the areas involved in its implementation. At the same time, the **Sustainable Finance Unit** was created, under the Marketing and Digital Strategy Department, in order to align business strategy with ESG criteria.

4) PERFORMANCE OF ASSETS IN INVESTMENT FUNDS AND PENSION PLANS MANAGED ACCORDING TO ESG CRITERIA

Ibercaja Gestión, as an entity that is committed to sustainable development, has expanded the range of products of this profile with the incorporation of two new funds, Ibercaja New Energy and Ibercaja Renta Fija Sostenible, which join the existing ones - two investment funds and three pension plans - thus completing the range of sustainable solutions offered by the Group's management companies. The excellent returns, together with the warm reception among customers, meant we had more than **1,600 million euros of assets under management under sustainability premises by the end of the first half of the year.**

(MILLIONS OF EUROS AND NUMBER)		ASSETS AS AT 30 JUNE	Δ ASSETS	UNITHOLDERS
PENSION PLANS		**404**	**84**	**26,284**
Confianza Sostenible	*Mixed fixed income*	98	9	7,939
Sostenible y Solidario	*Mixed equities*	264	73	15,814
Europa Sostenible	*Equities*	42	2	2,531
INVESTMENT FUNDS		**1,209**	**638**	**67,090**
Sostenible y Solidario	*Mixed equities*	694	418	31,986
Megatrends	*Equities*	416	161	31,274
New Energy	*Equities*	53	13	3,024
Renta Fija Sostenible	*Sustainable fixed income*	46	46	806
	Total	**1,613**	**722**	**93,374**

5) DEVELOPMENT OF SUSTAINABLE FINANCING PRODUCTS AND SERVICES

5. 1. HOME PURCHASE FINANCING:

- The ***Edificio + Sostenible y Vivienda + Sostenible*** loans are aimed at promoting more sustainable housing by improving energy efficiency and accessibility conditions to the property.

5.2. FINANCING FOR PRODUCTIVE ACTIVITIES:

- The ***Préstamo Inversión + Sostenible*** loan provides financing to improve the energy efficiency of fixed assets, property and vehicles of businesses and the self-employed.
- The **Next Generation EU Recovery Funds** will become one of the most important vehicles for economic transformation. To help customers, Ibercaja signed an agreement on 16 June with the Mazars-Silo consulting firm so that companies can receive advice on projects eligible for Next Generation EU Funds. The drafting of such projects can be financed through the *Préstamo Ayuda Next Generation*, while with the *Préstamo Anticipo Next Generation* companies can receive in advance the funds granted to them.
- ***Leasing de Energía Renovables*** offers the possibility of financing investments in alternative energies, such as photovoltaic energy, to save energy and contribute to reduce emissions, thus providing benefits for the environment. ***Leasing Cultivos Sostenibles*** is a specific product for financing irrigated tree crop projects such as almond trees, pistachio trees, etc.

- **Ibercaja signed partnerships agreements** with several entities and companies within the framework of the PREE Program (Energy Rehabilitation of Buildings) of the IDAE (Institute for Energy Diversification and Saving) for aid for energy rehabilitation actions and promotion of the sustainability of existing buildings in Spain.

6) CARBON FOOTPRINT OFFSET

In 2020 total emissions, in Tn CO_2 eq (Scope 1 and 2) were 1,281.4, a reduction of 88% compared to 2016. In 2021, 2020 emissions were offset, reaching **Scope 1 and 2 emissions neutrality.**

8 OWN SHARES

EL BANCO DEL VAMOS

8 Own shares

During the first half of 2021, there were no transactions with own shares or treasury shares.

9 OTHER INFORMATION

EL BANCO DEL Vamos

9.1 Dividend policy

The distribution of dividends is determined at the General Meeting of Shareholders on the basis of the proposal made by the Board of Directors.

In view of the effects of the COVID-19 pandemic on economic performance, on 15 December 2020 the European Central Bank (ECB) issued **Recommendation (ECB/2020/62)**, addressed to all significant credit institutions in the Eurozone, regarding profit distributions for 2019 and 2020, which runs until 30 September 2021, urging that shareholder remuneration be kept below 15% of accumulated profit in both years and that, in any case, it should not exceed 20 basis points of CET1.

On 23 July 2021, the ECB, by means of **Recommendation (ECB/2021/31),** decided not to extend its recommendation regarding profit distributions beyond 30 September 2021.

At the General Meeting held on 15 April 2021, shareholders approved the **distribution of a dividend of 3,849 thousand euros, out of profit earned by the Bank in 2020**, which was paid on 16 April 2021.

The Bank is subject to no legal restriction or limitation on the payment of dividends and, except for extraordinary circumstances such as the health crisis in which it has followed the ECB's recommendation, it intends to continue its shareholder remuneration policy. In any event, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining an adequate capital buffer, even if there is an impairment of the economic situation and financial conditions.

9.2 Credit ratings

The following change in the Bank's credit rating occurred during the first half of the year:

On 24 June 2021, **Standard & Poor's** raised the outlook from negative to stable, affirming all ratings at existing levels. This change reflects the agency's expectation of the Bank's asset quality and capitalisation over the next 12 to 18 months.

CREDIT AGENCY RATINGS:

	LONG-TERM	SHORT-TERM	OUTLOOK
Standard & Poor's	BB+	B	Stable
Moody's (rating for deposits)	Ba3	NP	Stable
Fitch Ratings	BB+	B	Negative

10 BUSINESS OUTLOOK AND PROJECTIONS

EL BANCO DEL VAMOS

10

Business outlook and projections

Macroeconomic scenario:

In a context of restricted activity due to successive waves of the pandemic within the framework of the second state of emergency, GDP in the first quarter fell by 0.4%. The drop affected all demand components except investment in capital goods.

Provisional indicators for the second quarter show a marked change in the trend of the Spanish economy. The **foreseeable return to positive growth rates could accelerate in the second half of the year, to end 2021** with a **GDP growth estimated by the European Commission at 6.2%.** The levers of this rebound are to be found in the increase in household spending, due to the release of pent-up demand, the improvement in investment and the contribution of foreign trade in a more benign international environment. However, risks persist, among which the following stand out: the spread of new variants of the virus, at a time when the percentage of the vaccinated population is not yet sufficient to achieve herd immunity, the negative impact this could have on inflation and, consequently, on demand, the sharp increase in commodity prices seen in the first half of the year, the implementation of the European Recovery Funds and the lack of specifics on the structural reforms to be addressed in the coming years.

Overview and prospects of the Ibercaja Group

In a weak economic environment, **Ibercaja has responded to the demands of its customers** and met the financial needs of both companies and individuals. Hence the Group is contributing to the recovery from the crisis, to the recovery of the economy and to the protection of the most vulnerable segments of society.

Business activity continued at a good pace, as evidenced by the progression of the strategic business lines for the Bank: Business Banking, Personal Banking and Asset Management and Insurance. There was an uptick in new lending for productive activities and a notable increase in the market share for investment funds and pension plans. **The quality of the balance sheet strengthened**, with a **further reduction in the volume of non-performing loans and, at the same time, the Group's solvency was reinforced**. The digital transformation of the Bank, its operational model and its customer relationship model moved forward at a time when the importance of continuing to invest in the digitalisation of processes and in the provision of remote financial services is evident.

The acceleration of the vaccination programme should allow a gradual return to normality and economic recovery in the second half of 2021. Ibercaja will continue to work on boosting business dynamism and maximising the Group's competitiveness and profitability, within the guidelines set by the "Desafío 2023" Strategic Plan.

THE KEY ASPECTS AND GOALS THAT WILL BE THE FOCUS OF ACTIVITY ARE:

Provide liquidity to businesses and work with them in obtaining Next Generation funds.

Make mortgage loans available to individuals on advantageous terms for home purchases.

Consolidate the plans of **Business Banking, Personal Banking and Private Banking**, which are strategic segments in the Bank's activity, thus strengthening the asset management and risk insurance distribution business.

Maximise profitability by increasing revenue from lending, with risk-adjusted rates, and generating fees for services that provide added value to the customer, mainly through asset management and insurance.

Managing non-performing assets with the objective of further bolstering the quality of the balance sheet.

Enhance excellence in customer service as a guideline for management and an edge in an increasingly competitive market.

Increase efficiency and productivity by optimising the allocation of resources and maintaining strict cost control.

Make decisive progress in the digitalisation of the business in order to boost business activity and meet customer expectations.

Support the transition to a more sustainable economy by allowing the flow of savings to go, as a priority, into sustainable investments.

The recently approved Strategic Plan puts the **focus** on **improving the Bank's competitiveness** and **profitability** and outlines a range of initiatives that will contribute to achieving Ibercaja's goals for the three-year period 2021-2023.

11

EVENTS AFTER THE REPORTING PERIOD

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11 Events after the reporting period

On 13 July 2021, Moody's Investors Service, as a result of an internal review of its methodology, upgraded Ibercaja Banco's long-term deposit rating to "Ba2" from "Ba3", maintaining a stable outlook.

12 ALTERNATIVE PERFORMANCE MEASURES

12 Alternative Performance Measures

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

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

Note: Figures for the first half of 2020 have been restated as described in Note 2.2. to the condensed interim consolidated financial statements due to the change in accounting criteria in relation to the agreement entered into with Caser in 2020.

APMs related to the income statement

RECURRING REVENUES

Definition: sum of net interest income plus net fee and commission income and net exchange differences (APM defined and calculated below).

Importance of its use: measures the performance of income directly related to typical banking activity.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Net interest income [1]	246,123	268,140
+	Net fees and commissions and exchange differences [2]	202,917	182,020
=	**Recurring revenues**	**449,040**	**450,160**

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

NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES

Definition: Fee and commission income minus fee and commission expense plus net exchange differences.

Importance of its use: measures the income generated via fees and commissions.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Fee and commission income	212,187	189,162
-	Fee and commission expenses	9,395	7,457
+	Net exchange differences	125	315
=	**Net fees and commissions and exchange differences**	**202,917**	**182,020**

Source: consolidated income statement in the interim financial statements.

NET INCOME FROM FINANCIAL TRANSACTIONS

Definition: sum of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and liabilities held for trading, gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, gains/losses on financial assets and liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting.

Importance of its use: to determine the amount of income related to financial activity but which, by their nature, cannot be considered as recurring revenue.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	34,714	11,744
+	Gains/(losses) on financial assets and liabilities held for trading	361	698
+	Gains/losses on non-trading financial assets		
	mandatorily measured at fair value through profit or loss	227	(10,460)
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	-	-
+	Gains/(losses) from hedge accounting	300	139
=	**Gains/(losses) on financial assets and liabilities**	**35,602**	**2,121**

Source: consolidated income statement in the interim financial statements.

OTHER OPERATING INCOME AND EXPENSE

Definition: sum of the net amount of other operating income and expenses and income and expenses on assets and liabilities covered by insurance or reinsurance contracts.

Importance of its use: to measure income and expense that are not wholly derived from financial activity but which are related to our business.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Other operating income	18,690	30,346
-	Other operating expenses	23,548	22,344
+	Income from assets covered by insurance and reinsurance contracts	519,900	558,536
-	Liability expenses covered by insurance or reinsurance contracts	520,067	558,680
=	**Other operating income and expense**	**(5,025)**	**7,858**

Source: consolidated income statement in the interim financial statements.

OPERATING EXPENSES

Definition: sum of staff costs, other administration expenses and depreciation/amortisation.

Importance of its use: indicator of expenses incurred in our activity.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Personnel expenses	184,194	176,028
+	Other administration expenses	77,622	72,459
+	Amortisation/Depreciation	32,815	33,726
=	**Operating expenses**	**294,631**	**282,213**

Source: consolidated income statement in the interim financial statements.

RECURRING OPERATING EXPENSES

Definition: operating expenses (APM defined and calculated above) excluding non-recurring items.

Importance of its use: to measure the performance of ordinary expenses generated by our activity (banking business, asset management and bancassurance).

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Operating expenses [1]	294,631	282,213
-	Non-recurring expenses	-	-
=	**Recurring operating expenses**	**294,631**	**282,213**

(1) APM. See definition and calculation above.

PROFIT BEFORE WRITE-DOWNS

Definition: gross income less operating expenses (administrative expenses and depreciation and amortisation).

Importance of its use: to show profitability before write-downs.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Gross income	486,610	462,059
-	Administrative expenses	261,816	248,487
-	Amortisation/Depreciation	32,815	33,726
=	**Profit before write-downs**	**191,979**	**179,846**

Source: consolidated income statement in the interim financial statements.

RECURRING PROFIT BEFORE WRITE-DOWNS

Definition: recurring revenue less recurring operating expenses (APMs defined and calculated above).

Importance of its use: to measure the recurring profitability of the business before write-downs.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Recurring revenues [1]	449,040	450,160
-	Recurring operating expenses [1]	294,631	282,213
=	**Recurring income before write-downs**	**154,409**	**167,947**

(1) APM. See definition and calculation above.

PROVISIONS, IMPAIRMENTS AND OTHER WRITE-DOWNS

Definition: sum of provisions, impairment of financial assets not measured at fair value through profit or loss, impairment of investments in joint ventures and associates, impairment of non-financial assets and gains or losses on non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations, corresponding to impairment losses on other non-current assets held for sale.

Importance of its use: indicator of the cost of allowances made during the year to cover the impairment of the value of our assets.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Provisions or (-) reversal of provisions	3,854	(28,872)
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	38,036	133,077
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	-	-
+	Impairment or (-) reversal of impairment of non-financial assets	3,040	1,069
+	Impairment losses on other non-current assets for sale	10,834	8,202
=	**Provisions, impairment and other write-downs**	**55,764**	**113,476**

Source: consolidated income statement and note 15.12 to the interim financial statements.

OTHER GAINS AND LOSSES

Definition: sum of gains/(losses) on the disposal non-financial assets and shareholdings and gains/(losses) on disposal of other non-current assets and held for sale within gains/(losses) on non-current assets and disposal groups of items classified as held for sale and not eligible for classification as discontinued operations.

Importance of its use: indicator of the impact on our income statement of the derecognition/disposal of assets not related to ordinary activity.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	(1,806)	(655)
+	Gains/(losses) on disposal of other non-current assets for sale (2)	366	(791)
=	**Other gains/(losses)**	**(1,440)**	**(1,446)**

(1) Source: consolidated income statement in the interim financial statements.
(2) Source: note 15.12 to the interim financial statements.

APMs related to profitability

CUSTOMER SPREAD (%)

Definition: difference between the average loan portfolio performance and the cost of retail deposits.

Importance of its use: profitability indicator of our retail business.

	(%)	1H2021	1H2020
+	Yields from consumer loans	1.21	1.37
	Ratio of interest income from the loan portfolio during the year to the average balance of loans and advances to customers.		
-	Cost of retail deposits	(0.02)	0.00
	Ratio of interest expense on retail deposits recognised in the year to the average balance of retail deposits		
=	**Customer spread (%)**	**1.23**	**1.37**

Source: internal Bank information.

NET INTEREST INCOME OVER ATA

Definition: net interest income (annualised) as a percentage of consolidated average total assets.

Importance of its use: put net interest income in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Net interest income (1)	246,123	268,140
Denominator	Average consolidated total assets (2)	57,733,077	53,359,781
=	**Net interest income (% on ATA)**	**0.85**	**1.01**

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

(2) The total average asset balance was calculated as a simple average of the monthly asset balances.

WEIGHT OF THE FIXED-INCOME PORTFOLIO IN INTEREST INCOME

Definition: income from the fixed-income portfolio divided by interest income.

Importance of its use: to measure the contribution of the fixed income portfolio to our interest income.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Fixed income portfolio revenue [(1)]	17,480	34,164
Denominator	Interest income [(2)]	278,963	303,444
=	**Weight of fixed income portfolio in interest income (%)**	**6.27**	**11.26**

(1) Source: internal Bank information. Calculated as the income from the Group's debt portfolio excluding the insurance activity of Ibercaja Vida.

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

NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES OVER ATA

Definition: ratio of net fees and commissions (annualised data) and exchange differences (APM as defined and calculated above) to consolidated average total assets.

Importance of its use: to put fee income in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Net fees and commissions and exchange differences [(1)]	202,917	182,020
Denominator	Average consolidated total assets [(2)]	57,733,077	53,359,781
=	**Net fees and commissions and exchange differences (% of ATA)**	**0.70**	**0.68**

(1) APM. See definition and calculation above.

(2) See Net interest income over ATA.

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NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES OVER RECURRING REVENUES

Definition: net fees and commissions and exchange difference divided by recurring revenue (APMs defined and calculated above).

Importance of its use: to measure the contribution of fees and commissions to recurring revenue.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Net fees and commissions and exchange differences [1]	202,917	182,020
Denominator	Recurring revenues [1]	449,040	450,160
=	**Net fees over recurring revenues**	**45.19**	**40.43**

(1) APM. See definition and calculation above.

RECURRING REVENUES OVER ATA

Definition: ratio of recurring revenue (APM defined and calculated previously) to average consolidated total assets.

Importance of its use: to put recurring revenue in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Recurring revenues [1]	449,040	450,160
Denominator	Average consolidated total assets [2]	57,733,077	53,359,781
=	**Recurring revenues (% of ATA)**	**1.56**	**1.69**

(1) APM. See definition and calculation above.

(2) See net interest income over ATA.

RECURRING OPERATING EXPENSES OVER ATA

Definition: ratio of recurring operating expenses (APM defined and calculated above) to average consolidated total assets.

Importance of its use: to put recurring expenses in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Recurring operating expenses (1)	294,631	282,213
Denominator	Average consolidated total assets (2)	57,733,077	53,359,781
=	**Recurring operating expenses (% of ATA)**	**1.02**	**1.06**

(1) APM. See definition and calculation above.

(2) See net interest income over ATA.

COST-TO-INCOME RATIO

Definition: recurring operating expenses (APM defined and calculated above) divided by gross income.

Importance of its use: to measure our operating efficiency.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Recurring operating expenses (1)	294,631	282,213
Denominator	Gross income (2)	486,610	462,059
=	**Cost-to-income ratio (%)**	**60.55**	**61.08**

(1) APM. See definition and calculation above.

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

RECURRING COST-TO-INCOME RATIO

Definition: recurring operating expenses divided by recurring revenue (APMs defined and calculated above).

Importance of its use: to measure the efficiency of our recurring activity.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Recurring operating expenses (1)	294,631	282,213
Denominator	Recurring revenues (1)	449,040	450,160
=	**Recurring cost-to-income ratio (%)**	**65.61**	**62.69**

(1) APM. See definition and calculation above.

RECURRING INCOME BEFORE WRITEDOWNS ON AVERAGE TOTAL ASSETS

Definition: the difference between recurring revenue and recurring operating expenses in relation to the consolidated average total assets.

Importance of its use: to put profit before provisions in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Recurring income before write-offs [1]	154,409	167,947
Denominator	Average consolidated total assets [2]	57,733,077	53,359,781
=	**Recurring income before write-offs (% of ATA)**	**0.53**	**0.63**

(1) APM. See definition and calculation above.

(2) See net interest income over ATA.

ROA

Definition: Profit attributable to the parent (annualised figure) divided by consolidated average total assets.

Importance of its use: to measure the profitability of our assets.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Profit/(loss) attributed to the parent[1]	94,060	42,597
Denominator	Average consolidated total assets [2]	57,733,077	53,359,781
=	**ROA (%)**	**0.33**	**0.16**

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

(2) See net interest income over ATA.

RORWA

Definition: parent company profits (annualised figure) divided by risk-weighted assets.

Importance of its use: to measure the profitability of our risk-weighted assets.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Profit/(loss) attributed to the parent[1]	94,060	42,597
Denominator	Risk-weighted assets phased in[2]	18,364,194	18,681,938
=	**RORWA (%)**	**1.02**	**0.46**

(1) Source: consolidated income statement in the interim financial statements.
(2) Source: note 2.8 to the interim financial statements.

ROE

Definition: Parent company profits (annualised figure) divided by average consolidated shareholders' equity. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Importance of its use: to measure profitability in relation to shareholders' equity.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Profit/(loss) attributed to the parent [1]	94,060	42,597
Denominator	Average consolidated shareholders' equity [2]	2,913,828	2,842,404
=	**ROE (%)**	**6.46**	**3.00**

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

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

ROTE

Definition: ratio of profit/(loss) attributed to the parent company (annualised) to consolidated average tangible equity. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Importance of its use: to measure profitability in relation to tangible equity.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Profit/(loss) attributed to the parent[1]	94,060	42,597
Denominator	Average tangible consolidated shareholders' equity [2]	2,677,928	2,631,593
=	**ROTE (%)**	**7.02**	**3.24**

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

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

Solvency-related APM

RWA DENSITY

Definition: Risk-weighted assets divided by total assets.

Importance of its use: to measure our balance sheet's risk profile.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Risk-weighted assets phased in[1]	18,364,194	18,248,449
Denominator	Consolidated total assets [2]	58,120,530	58,400,790
=	**RWA density (%)**	**31.60**	**31.25**

(1) Source: note 2.8 to the interim financial statements.

(2) Source: consolidated balance sheet in the interim financial statements.

APMs related to asset quality

DISTRESSED ASSETS

Definition: the aggregation of impaired assets from loans and advances to customers and the gross value of foreclosed assets.

Importance of its use: to evaluate the size of our portfolio of non-performing assets in gross terms.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Impaired assets loans and advances to customers [1]	895,560	1,012,938
+	Gross value of foreclosed assets[2]	580,437	619,527
=	**Distressed assets**	**1,475,997**	**1,632,465**

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

(2) Source: note 2.7.4 to the interim financial statements.

NPLs TO LOANS AND ADVANCES TO CUSTOMERS

Definition: non-performing loans on the consolidated balance sheet divided by gross loans and advances to customers.

Importance of its use: monitor the rating of the credit portfolio.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Impaired assets loans and advances to customers[1]	895,560	1,012,938
Denominator	Gross loans and advances to customers[1]	31,570,966	31,589,582
=	**Non-performing loans to loans and advances to customers (%)**	**2.84**	**3.21**

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

DISTRESSED ASSET RATIO

Definition: ratio between distressed assets (APM defined and calculated above) and the value of the exposure.

Importance of its use: to evaluate the size of our portfolio of non-performing assets in relative terms.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Distressed assets [1]	1,475,997	1,632,465
Denominator	(a) Gross loans and advances to customers	31,570,966	31,589,582
	(b) Gross value of foreclosed assets	580,437	619,527
	(a) + (b) Value of exposure [2]	32,151,403	32,209,109
=	**Distressed asset ratio (%)**	**4.59**	**5.07**

(1) Source: APM. See definition and calculation above.

(2) (1) Source: notes 2.7.4, 5.2.1 and 5.4.1 to the interim financial statements.

COST OF RISK

Definition: percentage of write-offs associated with loans and advances to customers and foreclosed real estate (annualised) in relation to the average exposure, understood as the sum of gross loans and advances to customers and foreclosed real estate.

Importance of its use: to monitor the cost of allowances for the loan portfolio and foreclosed assets.

	(THOUSANDS OF EUROS)	30/06/2021	30/06/2020
Numerator	Write-downs of loans and foreclosed properties [1]	48,502	138,440
Denominator	Average exposure (gross credit and real estate) [2]	32,330,571	33,091,414
=	**Cost of risk (%)**	**0.30**	**0.62**

(1) Source: internal Bank information. The write-down of the loan is the sum of the impairment of financial assets at amortised cost and the provisioning (reversal) of provisions for commitments and guarantees given. Foreclosed properties are classified according to their nature as non-current assets held for sale, investment property or inventories. Its impairment is recorded under “impairment or reversal of impairment of non-financial assets (investment property and other)” (note 15.10 in the interim financial statements) and “impairment losses on non-current assets held for sale” (note 15.12 in the interim financial statements) The provision for COVID-19 as of June 2020, 70 million, has not been annualised in the calculation of the cost of risk for the first half of 2020.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

COVERAGE OF NON-PERFORMING EXPOSURES

Definition: sum of impairment losses on loans and advances to customers and negative cumulative changes in fair value due to credit risk on non-performing exposures. Includes impairment losses of stages 1, 2 and 3.

Importance of its use: to monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Impairment losses on loans and advances to customers [1]	603,601	644,937
+	Accumulated negative changes in fair value of doubtful exposures [2]	1,278	2,241
=	**Coverage of non-performing exposures**	**604,879**	**647,178**

(1) Source: note 5.4.1 to the interim financial statements.

(2) Source: note 5.2.1 to the interim financial statements.

COVERAGE RATIO FOR NON-PERFORMING EXPOSURES

Definition: ratio of provisions for impairment of assets (APM as defined and calculated above) to impaired loans and advances to customers.

Importance of its use: to monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Coverage of non-performing exposures [1]	604,879	647,178
Denominator	Impaired assets loans and advances to customers[2]	895,560	1,012,938
=	**Coverage of non-performing risks (%)**	**67.54**	**63.89**

(1) Source APM. See definition and calculation above.

(2) Source: notes 5.2.1 and 5.4.1 to the interim financial statements.

COVERAGE RATE OF FORECLOSED ASSETS

Definition: Impairment losses on foreclosed assets (since loan origination) divided by the gross value of foreclosed assets.

Importance of its use: We use this APM to monitor the extent to which the provisions associated with foreclosed properties cover the gross value of those properties.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Correction of the impairment of foreclosed assets (1)	342,562	367,413
Denominator	Gross value of foreclosed assets(1)	580,437	619,527
=	**Coverage of foreclosed assets (%)**	**59.02**	**59.31**

(1) Source: note 2.7.4 to the interim financial statements.

COVERAGE RATE OF FORECLOSED LAND

Definition: Impairment losses on foreclosed land (since loan origination) divided by the gross value of foreclosed land.

Importance of its use: to monitor the extent to which provisions associated with land cover the gross value of these properties.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Land value adjustments (1)	244,453	266,206
Denominator	Gross value of land(1)	376,396	404,800
=	**Foreclosed land cover rate (%)**	**64.95**	**65.76**

(1) Source: note 2.7.4 to the interim financial statements.

COVERAGE RATIO OF DISTRESSED ASSETS

Definition: coverage of non-performing exposures and foreclosed assets divided by distressed asset exposure (APM defined and calculated above).

Importance of its use: to monitor the extent to which provisions associated with non-performing loans and foreclosed properties cover the gross value of such exposure.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	(a) Coverage of non-performing exposures [2]	604,879	647,178
	(b) Correction of the impairment of foreclosed assets [1]	342,562	367,413
	(a) + (b) Coverage of distressed assets	947,441	1,014,591
Denominator	Distressed assets [2]	1,475,997	1,632,465
=	**Coverage ratio of distressed assets (%)**	**64.19**	**62.15**

(1) Source: note 2.7.4 to the interim financial statements.

(2) Source: APM. See definition and calculation above.

NET DISTRESSED ASSETS TO TOTAL ASSETS

Definition: ratio of distressed assets net of coverage (APM defined and calculated above) to total assets.

Importance of its use: to measure the weight of distressed assets, after deducting the provisions linked to those assets, on the balance sheet.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	(a) Distressed assets[1]	1,475,997	1,632,465
	(b) Coverage of distressed assets [1]	947,441	1,014,591
	(a) - (b) Distressed assets net of coverage	528,556	617,874
Denominator	Total assets[2]	58,120,530	58,400,790
=	**Net distressed assets to total assets (%)**	**0.91**	**1.06**

(1) Source: APM. See definition and calculation above.

(2) Source: consolidated balance sheet in the interim financial statements.

TEXAS RATIO

Definition: distressed assets (APM defined and calculated above) divided by shareholders' equity and coverage. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Importance of its use: to measure the capacity of absorption of potential losses of our distressed assets with the coverage in place and shareholders' equity.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Distressed assets [1]	1,475,997	1,632,465
Denominator	(b) Coverage of distressed assets[1]	947,441	1,014,591
	(b) Shareholders' equity[2]	3,252,009	3,160,630
	(c) Equity instruments issued other than capital[2]	350,000	350,000
	(d) Other reserves from the issue of equity instruments other than capital[2]	58,442	49,870
	(a) + (b) – (c) + (d)	3,907,892	3,875,091
=	**Texas ratio (%)**	**37.77**	**42.13**

(1) Source: APM. See its definition and calculation explained above.

(2) Source: consolidated balance sheet in the interim financial statements.

APMs related to business volume

RETAIL DEPOSITS

Definition: sum of demand savings and term deposits except mortgage-back bonds or repurchase agreements of assets recognised in customer deposits of consolidated balance sheet.

Importance of its use: indicator of retail funding on the balance sheet.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Demand deposits [1]	32,684,088	33,014,125
+	Term deposits [1]	3,759,932	4,688,146
-	Mortgage-backed bonds (including nominal amount and share premium)	1,027,605	1,536,960
	Nominal amount of mortgage-backed bonds [1]	1,100,470	1,625,470
	Mortgage-backed bond issue premium[2]	(72,865)	(88,510)
=	**Retail deposits**	**35,416,415**	**36,165,311**

(1) Source: note 19.3 in the 2020 financial statements for December 2020 and internal information of the Bank in the case of June 2021.

(2) Source: internal Bank information.

ASSET MANAGEMENT AND INSURANCE

Definition: Sum of the assets managed by investment firms and funds (including third-party funds but excluding the assets of funds that themselves invest in Ibercaja Gestión funds), pension plans and insurance.

Importance of its use: this indicator is significant because of the importance for Ibercaja of off-balance sheet savings as a source of the Group's income.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Investment companies and funds [1]	18,550,844	16,234,844
+	Pension funds[1]	6,309,234	5,907,074
+	Insurance products [2]	6,971,150	7,103,732
=	**Asset management and insurance**	**31,831,228**	**29,245,650**

(1) Source: note 27.4 in the consolidated financial statements 2020 for December 2020 and internal information of the Bank in the case of June 2021.

(2) Source: note 24.4 in the separate financial statements 2020 for December 2020 and internal information of the Bank in the case of June 2021.

TOTAL RETAIL FUNDS

Definition: sum of retail deposits and asset management and insurance (APMs defined and calculated above).

Importance of its use: indicator of the volume of retail savings managed by Ibercaja.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Retail deposits(1)	35,416,415	36,165,311
+	Asset management and insurance(2)	31,831,228	29,245,650
=	**Total retail funds**	**67,247,643**	**65,410,961**

(1) Source: APM. See its definition and calculation explained above.

RETAIL BUSINESS VOLUME

Definition: sum of gross loans and advances to customers ex repurchase agreements and total retail funds (APM defined and calculated above).

Importance of its use: indicator of the savings and credit of our retail customers managed by Ibercaja.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Loans and advances to customers ex impaired assets and reverse repos (1)	29,060,364	28,955,787
+	Total retail funds (2)	67,247,643	65,410,961
=	**Retail business volume**	**96,308,007**	**94,366,748**

(1) Source: notes 8 and 11.4 in the consolidated financial statements 2020 for December 2020 and internal information of the Bank in the case of June 2021.

(2) Source: APM. See its definition and calculation explained above.

APMs related to liquidity

CREDIT-TO-RETAIL FUNDING RATIO (LTD)

Definition: net loans and advances to customers less repurchase agreements divided by retail deposits (APM defined and calculated above).

Importance of its use: to measure the proportion of loans and advances to customers financed by retail deposits.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	(a) Net loans and advances to customers[(1)]	30,966,087	30,942,404
	(b) Reverse repurchase agreements [(2)]	1,615,042	1,620,857
	(a) – (b) Net loans ex reverse repos	29,351,045	29,321,547
Denominator	Retail deposits[(3)]	35,416,415	36,165,311
=	**LTD (%)**	**82.87**	**81.08**

(1) Source: consolidated balance sheet in the interim financial statements.

(2) Source: 11.4 in the consolidated financial statements 2020 for December 2020 and internal information of the Bank in the case of June 2021.

(3) Source: APM. See definition and calculation above.

AVAILABLE LIQUIDITY

Definition: Sum of cash and central bank accounts, collateral available for ECB operations, collateral available for ECB operations outside of ECB guarantee pool and other marketable assets not eligible for ECB, in accordance with Banco de España statement LQ 2.2.

Importance of its use: to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Cash and central banks	5,389,591	7,319,717
+	Available in policy	1,074,439	891,981
+	Eligible assets not included in the policy	6,905,727	6,421,078
+	Other marketable assets not eligible by the Central Bank	483,538	326,665
=	**Available liquidity**	**13,853,296**	**14,959,441**

Source: note 3.8.2 in the consolidated financial statements 2020 for December 2020 and internal information of the Bank in the case of June 2021.

AVAILABLE LIQUIDITY TO TOTAL ASSETS

Definition: ratio of available liquidity (APM as defined and calculated above) to total assets. **Importance of its use:** to calculate the available liquidity to total assets.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
Numerator	Available liquidity [1]	13,853,296	14,959,441
Denominator	Total assets[2]	58,120,530	58,400,790
=	**Available liquidity to total assets (%)**	**23.84**	**25.62**

(1) Source: APM. See its definition and calculation explained above.

(2) Source: consolidated balance sheet in the interim financial statements.

TOTAL AVAILABLE LIQUIDITY

Definition: aggregation of available liquidity (APM defined and calculated above) and mortgage-backed bond issuance capacity.

Importance of its use: to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(THOUSANDS OF EUROS)	30/06/2021	31/12/2020
+	Available liquidity [1]	13,853,296	14,959,441
+	Capacity to issue mortgage bonds [2]	8,789,060	8,379,866
=	**Total available liquidity**	**22,642,356**	**23,339,307**

(1) Source: APM. See its definition and calculation explained above.

(2) Source: note 3.8.2 in the consolidated financial statements 2020 for December 2020 and internal information of the Bank in the case of June 2021.

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