ANNUAL REPORT
2017

Grupo
iberCaja

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LETTER FROM THE CHAIRMAN AND CEO

G4-1, G4-2, G4-4, G4-6, G4-7, G4-8, G4-12, G4-48, G4-DMA

The **Spanish economy** has continued to grow for the fourth consecutive year, the **third year in which GDP has grown by more than 3%**. For the first time the country has come out of a recession without the construction industry playing a leading role; its place has been taken by investment in production, private consumption and the export sector in the upward trend we are currently seeing.

Macroeconomic figures in the **European Union** have also been **favourable** and, over the past twelve months, the European Central Bank has not veered from its roadmap. The Eurozone's monetary policy has been defined by **unusually low interest rates**, including negative rates, and by the albeit moderate extension of the asset purchase scheme (*quantitative easing*) originally initiated by Mario Draghi.

In turn, the Spanish **banking sector** as a whole has **shored up its capital base**, in line with the favourable economic situation, and has responded to the **new regulatory requirements** that have a significant impact on the business.

Against this backdrop, at **Ibercaja we have brought our Strategic Plan 2015-2017 to a close**, fulfilling the main objectives set, **laying the foundations to embark on a new three-year strategic cycle that will have a transformative effect**. The main objective is competing in the new economic, business and technological contexts and habits of consumers, placing customers at the heart of all processes, products and services.

To this end, the main figures for last year continued to evolve positively thanks to the **dynamism of customer activities**, both in terms of total resources managed and financing granted. There was significant growth in terms of customer funds, in particular off-balance sheet items (investment funds, pension plans and savings insurance), accounting for 45% of all funds managed by the Bank. Furthermore, efforts to formally arrange new loans focussed primarily on financing investment projects undertaken by SMEs, the segment at the centre of our strategy.

In terms of results, the **upturn in recurring income** (interest margin plus commissions), highlights the fact that we have managed to make a significant change in trend compared to previous years, demonstrating that we have returned to the core values of the banking business. Therefore, **once again, the Bank has strengthened its liquidity and solvency**, loyal to the principles that have always governed its approach to management. Once again, the phased-in CET solvency ratio is well beyond the level required by the European Central Bank, and available liquid assets plus the capacity to issue bonds provide Ibercaja with plenty liquidity.

In terms of **key milestones** to consolidate our long-term project, the most relevant are the **early repayment of 224 million euros** corresponding to contingent convertibles (CoCos) issued by Caja3 in 2013. Following this repayment, the Bank has paid off all public aid received by Caja3 in the past, whilst also achieving all the synergies proposed as per the Caja3 merger agreement in 2014.

Furthermore, the **efforts made to rid ourselves of unproductive assets** are also worth special mention. In July, we sold the so-called Fleta portfolio and in December we enforced the sale of the "Servet portfolio". Both transactions considerably strengthened the financial solidity of the Bank and allowed us to free up the funds assigned to unproductive assets.

In response to the new opportunities on the banking market, we have made progress with the **territorial development plans** launched in 2016 in Madrid, Burgos and Levante; this work is now starting to bear fruit and we are embarking on a fourth territorial growth plan, Plan+ Catalonia, with a view to increasing the business volume in Catalonia. In summary, four growth and renovation projects are in place, with new customer relation models and new office models with which Ibercaja is enhancing its capacity to adapt to a changing market.

We have also signed significant **agreements to finance Spanish SMEs**: with Mutual guarantee companies for 500 million euros; with the European Investment Bank for 150 million euros; and with the European Investment Fund, which forms part of the European Investment Bank Group for 170 million euros. These alliances underline our strategic objective in terms of diversification and provide SMEs with financing against a backdrop of favourable conditions for their activities.

Another aspect that reflects our ability to adapt to the new requirements of the banking business are our alliances with sector leaders, such as Microsoft, our partner of choice as part of our **digital transformation**. As a result of this collaboration, 200,000 Ibercaja customers used mobile banking in 2017. The application, launched in September 2016, is amongst the highest rated in the apps marketplace. In terms of digital channels we have reached 800,000 users.

At an organisational level and after finding a negotiated solution, the year has been noteworthy following the **signature of an agreement to establish paid redundancies**, proposed in order to streamline the structure, with a view to adapting the Bank to the requirements of today's new financial services distribution models. We have also rolled out our **New Leadership Model**, which has four objectives: guarantee short-term results; drive changes that guarantee future results; promote professional development and the commitment to people; and harness talent and collaboration in teams.

Externally, we have received **acknowledgement** that has filled us with satisfaction, serving as a testament to our expertise and offering coherence to our values. Last March, the Regional Chapter of Aragón at the Institute of Chartered Accountants of Spain granted us the 2016 Transparency Award for, in its words, the efforts of Ibercaja to becoming accessible and clear in its communications. Furthermore, financial newspaper, Expansión, granted the Ibercaja Finance Group its Best Fixed Income Manager, Best National Investment Fund Manager and Best Pension Plan Manager awards. It is the first time in the history of the awards that the same entity has received three awards for its management efforts.

We have also been awarded the Socially Responsible Company Seal of Aragón by the Corporate Social Responsibility Committee coordinated by the Autonomous Region, thus continuing with the achievements recorded in 2016 and incorporating progress made as per the commitments assumed in our **Corporate Social Responsibility Policy**. We are a sensitive company committed to the needs and expectations of our surroundings, which is why we work on a cross-cutting basis to implement responsible actions: we assess risks, we respect human rights, we protect the environment, we undertake social actions, we are ethically committed to our activities, satisfying the legal requirements and those that we commit to on a voluntary basis. In short, we are aware of the importance that obtaining **non-financial** milestones has on sustainability; these milestones have such an important impact on our surroundings, on society and, as a result, our business.

Finally, we cannot overlook the fact that Amado Franco has resigned from his position as Chairman of Ibercaja, after a productive life dedicated to the Bank and we would like to thank him and recognise his efforts on behalf of everybody involved. He will now serve as the Chairman of the Ibercaja Banking Foundation, at the request of its Board of Trustees. With this appointment, the Foundation, which holds an 87.8% share in the Bank, has guaranteed the continuity of the historic approaches that inspired Ibercaja's foundation more than 140 years ago: working towards economic development in its areas of activity and preserving its commitment to society.

José Luis Aguirre Loaso
Chairman

Víctor Iglesias Ruiz
CEO

FINANCIAL HIGHLIGHTS

Grupo Ibercaja contribution

Key figures

Results of the Entity

€138 million
NET PROFIT

€53,107 million
TOTAL ASSETS

9th
LARGEST BANK IN SPAIN

7.68%
NON-PERFORMING LOAN RATIO

43.12%
COVERAGE RATIO OF DEFAULTING

19.45%
AVAILABLE LIQUIDITY / TOTAL ASSETS

48.19%
COVERAGE PROBLEMATIC ASSETS

11.72%
CET1 **PHASED IN**

11.04%
CET1 **FULLY LOADED**

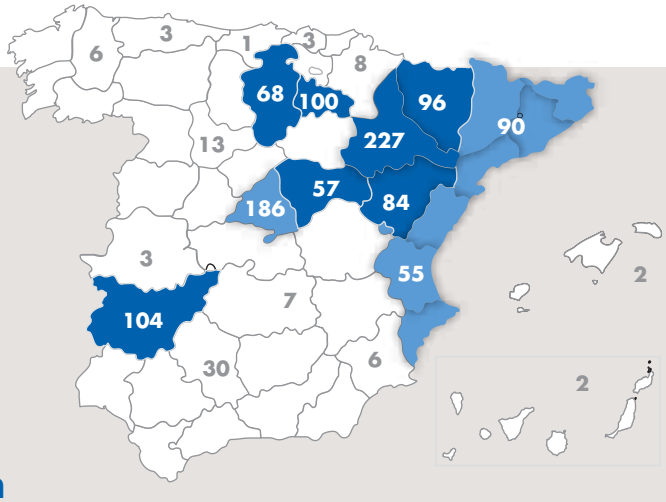
96.34%
LTD

Network distribution

National coverage

1,151
BRANCHES

- » **6** CBC
- » **31** MAP
- » **3** OFFICE +
- » **234** AGRO



- Home Markets
- Growth Markets
- Rest of Spain

1,475
ATMs

57,487
POS

1.5 million
CARDS

Ibercaja Pay

APP IBERCAJA

iberCaja

Market shares

TOTAL PENSION PLANS
5.73%
5th

LIFE INSURANCE PROVISIONS
3.72%
6th

8th
INDIVIDUAL PENSION PLANS
3.03%

7th
MUTUAL FUNDS
4.73%

3th
COMPANY PENSION PLANS
11.47%

2.8%
LOANS TO HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS

3.5%
CUSTOMER **FUNDS**

2.9%
CUSTOMER **DEPOSITS**

3.2%
LOANS + CUSTOMER **FUNDS**

6
PROVINCES WITH LOANS+CUSTOMER DEPOSITS MARKET SHARE > 15%

3.3%
POS

2.65%
CARDS

2.86%
ATMs

AWARDS AND ACKNOWLEDGMENTS

AENOR conform Asesoramiento Patrimonio Personal

AENOR Gestión Ambiental UNE-EN ISO 14001

Sello de ORO ARAGÓN EMPRESA

EXCELENCIA EUROPEA 500+ PUNTOS EFQM

Madrid Excelente

RSA

Auditores Portal del Auditor Instituto de Censores Jurados de Cuentas de España

DATA AT THE END OF 2017

SOCIAL IMPACT
Of Ibercaja Banco

Human Resources
Funsamental axis and driver of transformation

5,265
PEOPLE WORK AT IBERCAJA

36%
WOMEN IN MANAGEMENT POSITIONS

96%
PERMANENT STAFF

47%
WOMEN (>40 years → 52%)

96%
IN CONTINUOUS TRAINING

453
EMPLOYEES IN VOLUNTEERING

234
INTERSHIP STUDENTS

Society
Committed to people, society and our environment

€12.955 million
INVESTED BY SOCIAL WORK IBERCAJA

1,324,484
BENEFICIARIES OF SOCIAL WORK IBERCAJA

1,151
BRANCHES

629,973
DIGITAL CUSTOMERS

1,475
ATMs

iberCaja

Companies

Key pieces of economic development

57%
OF THE LOANS GRANTED ARE TO NON-REAL ESTATE COMPANIES

229
SPECIALIZED MANAGERS IN COMPANIES

17,000
ENTREPRENEURS ATTENDED SEMINARS

BUSINESS SATISFACTION

9.26/10
SATISFACTION WITH
EXPERT ADVICE

9.26/10
SATISFACTION WITH
YOUR MANAGER

IBERCAJA **AT A GLANCE**

ELECTRONIC BANKING
1,475 ATMs
APP IBERCAJA

NATIONAL **PRESENCE**
1,151 BRANCHES

5,265 EMPLOYEES
2.8 MILLION CUSTOMERS

LEADER IN 7
PROVINCES

FINANCIAL GROUP
100% OWNED BY IBERCAJA

MORE THAN 140
YEARS OF HISTORY

DATA AT THE END OF 2017

PRESENTATION OF THE GROUP AND ITS CONTEXT

iberCaja

PRESENTATION OF THE GROUP AND ITS CONTEXT

Description and history

Mission, Vision and Values

Shareholder and functional structure

Position in the Spanish financial system

Economic and financial environment

DESCRIPTION AND HISTORY

G4-4, G4-7

Since its foundation in 1876, Ibercaja has adapted to market's new needs and demands and has consolidated its position as the ninth largest banking group in Spain.

San Jorge Office.
Savings Day

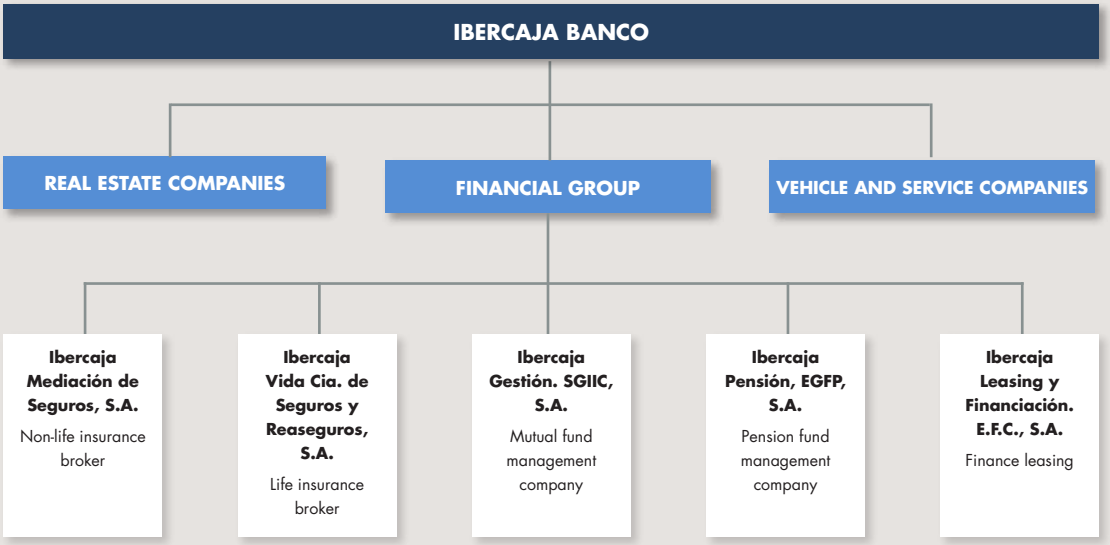
The Ibercaja Banco Group primarily engages in retail banking and carries out all of its business in Spain.

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

Ibercaja Banco was established pursuant to the provisions of Royal Decree 1245/1995, of July 14, on the incorporation of banks, transborder operations and other matters relating to legislation governing credit entities, undertaking the financial business previously performed by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja until 2011. It is registered with the Companies Register of Zaragoza under Volume 3865, Book 0, Sheet 1, Page Z-52186, Entry 1, as well as in the Special Bank of Spain Register under number 2085. Its registered office is at Plaza Basilio Paraíso, 2, Zaragoza.

The Bank is the parent of a group of independent companies. The companies that form part of the consolidated group carry out a variety of activities. **Those in the Financial Group**, which consists of companies specialising in investment funds, savings and pension plans, bancassurance and leasing-renting, **are notable** due to their importance from the standpoint of banking product diversification and profitability.

THE MOST RELEVANT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION ARE AS FOLLOWS:



HISTORY

Main milestones in Ibercaja's 140-year history

1873

Foundation of the savings bank. La Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja begins its finance activities

THE ORIGIN

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

Expansion to Madrid and along the Mediterranean Coast

1988

Creation of Finance Group

1991

Acquisition of Caja Rural de Catalunya (Lérida)

Obtains 500+ Seal of European Excellence (EFQM model)

1873 | 1933 - 1964 | 1980 -1999 | 2001 | 2007 | 2011

First expansion plan, branches opened in Aragón, La Rioja and Guadalajara

Ibercaja goes nationwide with a presence in all Spanish regions

JULY 2011

Creation of Ibercaja Banco

EXPANSION

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

IBERCAJA BANCO

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

SEPTEMBER 2012

The Bank passes stress test requirements without public aid

OCTOBER 2014

Transformation from savings bank to foundation.

Legal and technological merger with Caja3

Launch of 2015-2017 Strategic Plan

2012 **2013** **2014** **2015** **2016 - 2017**

JULY 2013

Acquisition of 100% of the capital of Banco Grupo Caja3

AQR and stress testing: passes the comprehensive assessment of the ECB

Territorial plans in Madrid, Catalonia, Levante and Burgos

MERGER

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

BANKING FOUNDATION

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

STRATEGIC PLAN

In order to consolidated its structure and lay the foundations necessary for it to become a listed bank in the short-term, in 2015 Ibercaja implemented its Strategic Plan 2015-2017.

TERRITORIAL PLANS

As part of the plan, in recent years, territorial plans have been drawn up for Madrid, Catalonia, Levante and Burgos in order to adapt the Bank's global strategy to the characteristics and specific nature of each region.

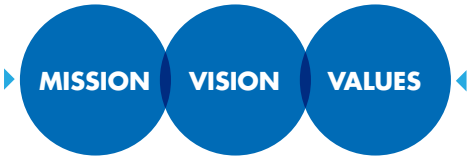
MISSION, VISION AND VALUES

G4-DMA, G4-4, G4-24, G4-25

Ibercaja's mission, vision and values are the pillars around which the Bank's culture and path are structured. Customer commitment is at the heart of all Ibercaja's day-to-day work.

Ibercaja is the ninth largest banking group in Spain, with a history of 140 years of providing quality financial services with maximum professional rigor.

Its mission and vision are based on the values that have guided the Bank since its foundation. They lay the foundations around which its strategy and business model are structured and have enabled it to establish strong and fruitful relations with customers, employees, investors and the community in general.



MISSION

To help **build better living conditions** for families and companies by helping them manage their finances using comprehensive **and customised financial services** that will help them achieve their goals.

All the Group's activities seek to help families and businesses to manage their finances with the aim of being able to provide customers with an efficient and quality service, personalised advice through continuous improvement and by offering the most innovative products, anticipating market trends. Due to its origin, Ibercaja is highly sensitive to social issues and works to generate resources that are returned, in part, to society through shareholder foundations.

VALUES

Throughout its existence, Ibercaja has demonstrated its ability to adapt to very relevant changes thanks to the solidity and strength of its founding principles, which are reflected in its corporate values:

CLOSENESS

PROFESSIONALISM

COMMITMENT

EXCELLENCE

SOUNDNESS

+ ADAPTABILITY

VISION

Customer commitment is at the heart of all Ibercaja's day-to-day work, in order to offer excellent, quality service.

CLIENTS

We aspire to **INCREASE OUR MARKET SHARE** thanks to being a bank with a **PERSONALITY OF ITS OWN** and well regarded by our clients.

EMPLOYEES

We aspire to be a **HIGH PERFOMANCE ENTITY**, which consistently achieves and exceeds its goals, thanks to a **PROFESSIONAL AND COMMITTED STAFF**.

Being and **excellent bank**, improving every day, **anticipating the needs of our stakeholders**

SHAREHOLDERS

The challenge before us in the next three years is to turn Ibercaja into an **ATTRACTIVE PROJECT**, with the ability to attract new shareholders.

SOCIETY

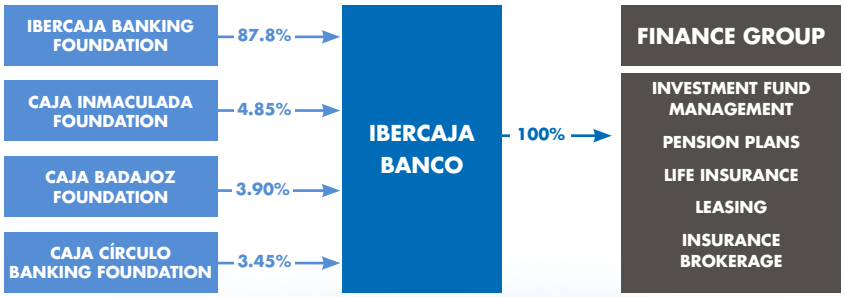
Ibercaja will develop a banking model with a **HIGH DEGREE OF SOCIAL AWARENESS**

SHAREHOLDER AND FUNCTIONAL STRUCTURE

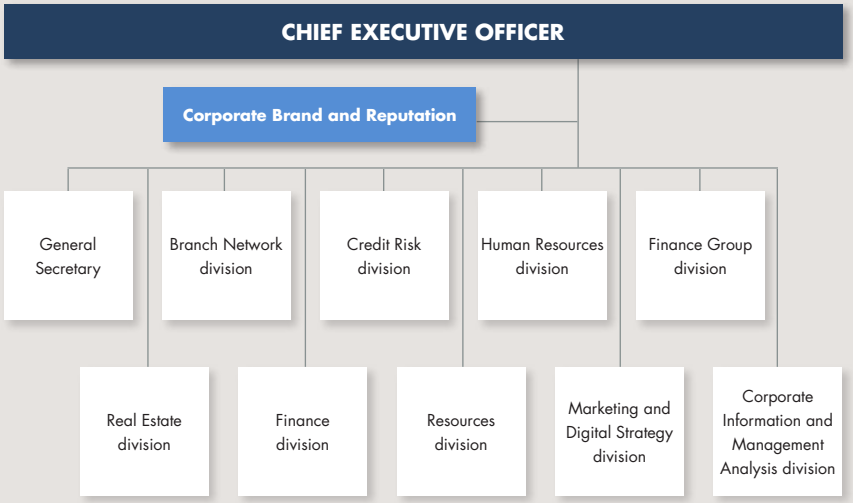
The Ibercaja Banking Foundation is the Bank's core shareholder. Through this and other foundations, it reverts to the society part of the resources generated in the banking activity.

The **majority shareholder** of Ibercaja Banco is the **Ibercaja Banking Foundation**, which owns 87.80% of its capital. Following the acquisition in June 2013 of Banco Grupo Caja3, the following companies are also shareholders of Ibercaja: Fundación Caja Inmaculada (4.85%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.45%).

OWNERSHIP STRUCTURE OF THE IBERCAJA GROUP



The Bank's **functional flow chart**, arranged through eleven Area Management units, (ten reporting to the CEO and one, Audit and Compliance Management to the Audit and Compliance Committee) is compliant with the recommendations of the Basel Banking Committee and is in line with industry best practices in internal governance.



FURTHERMORE, THERE ARE EIGHT EXECUTIVE COMMITTEES:

POSITION IN THE SPANISH FINANCIAL SYSTEM

G4-6, G4-8

The Group's activities are mainly concentrated in its traditional operating area, in addition to Madrid and the Mediterranean Basin.

The Group has **53,107 million euros in assets** and it is the **ninth largest entity by asset volume in the Spanish banking system**. It primarily engages in **retail banking**, focusing on the financing of households and SMEs, savings management and other financial services. On a national scale, the Group has a market share of 2.8% in loans and of 3.5% in customer funds (2.9% in deposits and 4.6% in asset management and life insurance).

MARKET SHARE
(NATIONAL SCALE)

ASSETS
€53,107 million

2.8%
HOME AND BUSINESS LOANS

6 PROVINCES WITH LOANS + CUSTOMER DEPOSITS MARKET SHARE > 15%

BY ASSET VOLUME
9° Spanish banking system

3.5%
CUSTOMER FUNDS

2.9%
CUSTOMER DEPOSITS

3.2%
LOANS + CUSTOMER FUNDS

LOANS AND DEPOSITS MARKET SHARE

LOANS/DEPOSITS MARKET SHARE

○ < 2% ● 2% - 5% ● 5% - 15% ● > 15%

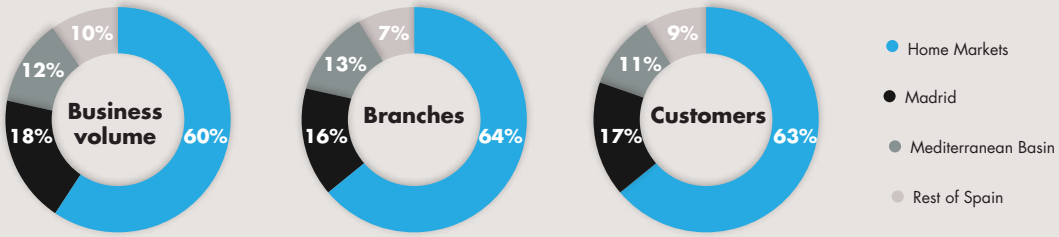
Ibercaja is **well positioned in its traditional locations** (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), which account for 64% of its network and 60% of business volume. It also has **significant operations in other areas** that are highly significant from an economic viewpoint: **Madrid and the Mediterranean Coast**. The Group has a share of 15% or more in six Spanish provinces. At December 2017, the network comprised 1,151 branches, six of which are company business centres. The **Group** has a total of **5,581 employees** of which 5,265 work in the matrix.

1,151 BRANCHES

6 CBC

5,581 EMPLOYEES

DISTRIBUTION OF BUSINESS VOLUME, NETWORK AND CUSTOMERS BY AREAS OF ACTIVITY



ECONOMIC AND FINANCIAL ENVIRONMENT

The prolonged cycle of expansion in the Spanish economy has resulted in a less hostile context for banking activities, the profitability of which is still being weighed down by very low interest rates and the burden of unproductive assets accumulated during the financial crisis.

GLOBAL ECONOMY

THE GLOBAL ECONOMY CONTINUED ITS BULLISH TONE AS ITS SHOOK OFF THE LINGERING UNCERTAINTIES SEEN EARLY IN THE YEAR.

Growth has picked up and looks set to exceed 3.5%. The strong macroeconomic upturn has been felt in both developed and emerging economies, with the International Monetary Fund estimating that only six countries will be in recession in 2018. Based on this **homogeneous performance**, expectations are that the boom will last into next year, barring unforeseen events.

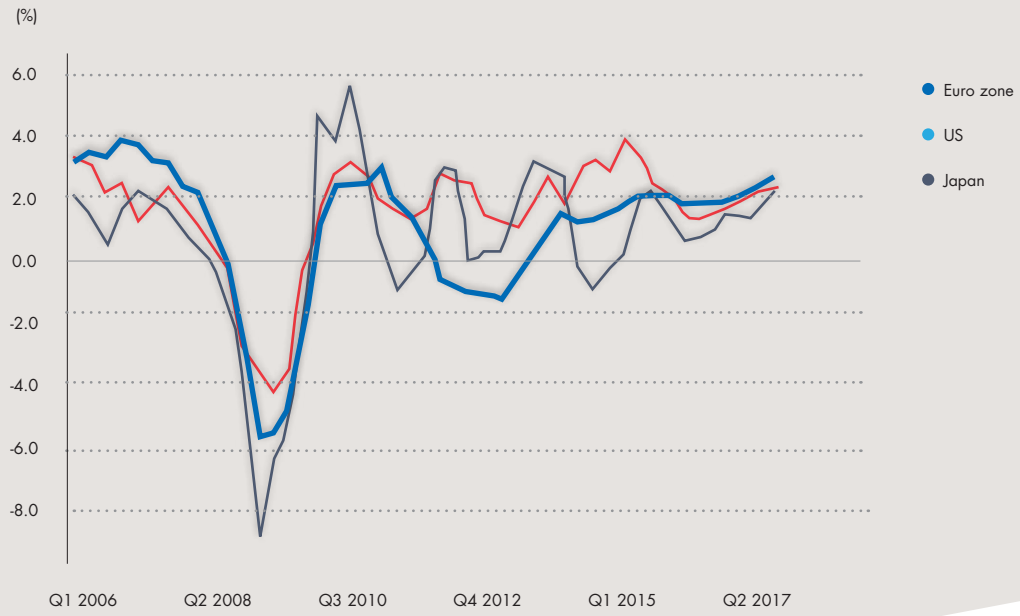
In **China GDP growth, more moderate than in previous years, rose to 7%**. Structural reforms started to take shape, with a view to: reducing dependency on exports, achieving selective growth based on services to the detriment of the manufacturing industry, obtaining a fairer distribution of wealth, containing the strong growth in borrowing and the real-estate bubble, preserving the liquidity of the financial system and slowing down environmental deterioration.

The **Japanese economy** has responded well to the BoJ's monetary stimulus measures. Growth of around 1.5% is being supported by the external sector, as well as improvements in private consumption following a lengthy period of weakness. **India**, the world's seventh largest economy, immersed in the process of transforming its economic model, has achieved growth of more than 6%, taking another step on the path to becoming the **new Asian giant**. Growth in Russia has been more modest, under 2%, with blame allocated to international sanctions whilst domestic demand has also lost steam.

In the **United States**, GDP is estimated to have grown 2.3% year on year. This solid growth is being underpinned by **buoyant levels of domestic demand**. Both private consumption and investment are growing rapidly in response to the healthy state of the labour market, which boasts full employment and rising wages. The controversial tax reform passed at the end of the year will have a positive impact, offering companies the opportunity to improve their profits, which will serve to encourage investment, whilst offering individuals the chance to increase their disposable income and thus their capacity for consumption. On the flip side, the deficit and public debt are now likely to increase.

Meanwhile, the European Commission expects growth in the **Eurozone** to reach 2.4% in 2017. The leading economies of Germany, France and Italy have all exceeded the levels of growth estimated in early 2017, while **Spain continues to lead the charge among the more developed countries**. Internal demand and especially private consumption remain the basis of the European recovery, bolstered by positive employment figures, an increase in household income, and more favourable borrowing conditions; a factor that is also attracting investors. The external sector has also made a positive contribution in response to the healthy state of the global economy and recovering levels of international trade. Amongst the risks in the short-term are the strength of the euro, which could hamper the growth in exports, Brexit negotiations with the UK and, in terms of politics, the surge in populist policies in countries like Austria and the Czech Republic, in addition to the outcome of the upcoming elections in Italy.

GDP TRENDS BY COUNTRY (YEAR-ON-YEAR RATE)



Central banks have embarked upon a process to **gradually normalise monetary policies**; this process is in a much more advanced state in the US than Europe, where the ECB has issued softer declarations than its US counterpart. The Fed has increased the benchmark interest rate by 75 b.p. and has started to reduce its balance, based on projected inflation of around 2%. The announcement of a new president of the Federal Reserve in February does not seem to have involved any substantial changes in the line taken to date.

The **ECB** **kept its reference rate unchanged at 0% and the deposit facility rate at -0.40%**. In October, it announced its plans to scale back its asset purchasing programme from 60 billion to 30 billion euros a month, starting 1 January 2018, and it reiterated its intention not to change interest rates until the asset buying programme has ended, with this due to last until September 2018 at the earliest. In December, the central bank ratified these measures, while admitting that its current approach may need to be changed as and when the economic recovery gains more momentum.

In the **fixed income markets**, yields on 10-year sovereign bonds were relatively stable in the period, with the 10-year US Treasury Note oscillating within a band of 2% to 2.5%, while in Europe the German bund performed within a 0.25% to 0.50% band.

The **main stock market indices** have been revalued in line with the strong macroeconomic data and the improved business performance, against a backdrop in which alternative investments have failed to offer attractive returns. **The US stock market has recorded historic highs**, the Dow Jones jumping by more than 25%, whilst the Nasdaq, which includes the main technology firms, broke records with gains of almost 30%. The European markets also made sizeable, albeit more modest gains. The Dax in Germany increased by 12.51%, the CAC in France by 9.26% and the FTSE in Italy by 13.61%. The **Spanish stock market** gained 7.40%, **somewhat off the pace of its European counterparts**. Following an undeniably bullish first six months, the crisis at Banco Popular marked a turning point in this excellent run of form and matters were exacerbated in the final stretch of the year by the political tensions in Catalonia.

SPANISH ECONOMY

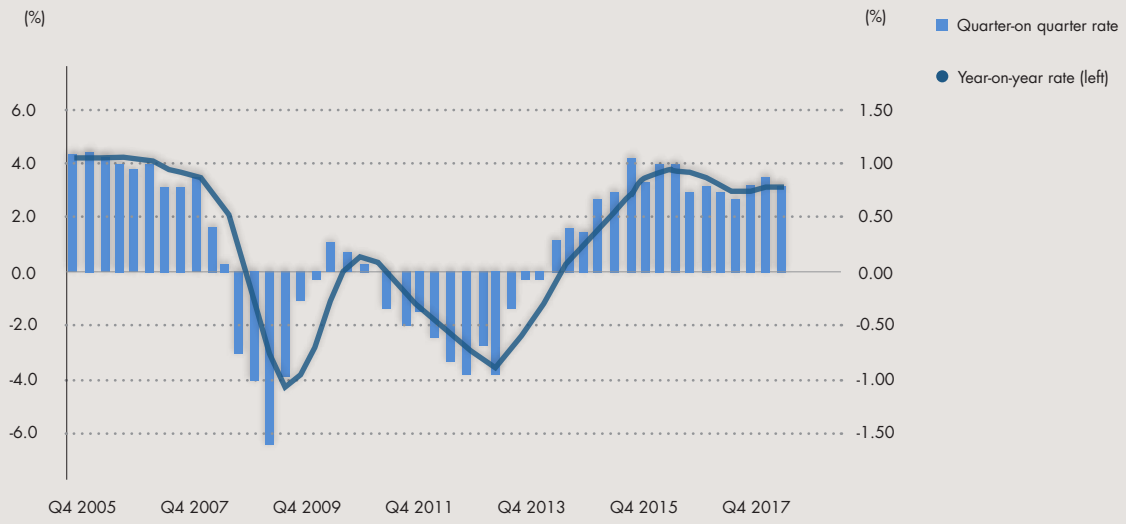
THE SPANISH ECONOMY HAS BEATEN ITS INITIAL GROWTH PROJECTIONS, WITH GDP GROWTH OF 3.2%.

This sterling performance is the product of domestic demand and a positive showing from the external sector of the economy.

Domestic demand remained buoyant in response to **robust levels of private consumption**, which gained some 2.6% year on year. This illustrates the solid performance of the labour market, the growth in financial and property wealth among families and easier access to borrowing. Investment in capital assets recovered significantly in the year to reach 5% and real estate activity is finally gaining steam. This can be seen in the more than 8% growth in investment in property, whilst new construction permits have increased significantly and prices recovering in some of Spain's main cities.

The **export sector** also played a hand in the country's GDP growth. Exports are benefitting from growth across the wider euro area (the main customer of our companies) and from healthy global macroeconomic figures, which are allowing Spanish companies to sell their goods outside Europe.

GDP PERFORMANCE IN SPAIN



The recovery of the labour market has been picking up pace. The number of workers affiliated with the Social Security system increased by more than 611,000 in the year, the best figure since 2005, bringing the total number of Social Security contributors to 18,500,000.

Progress was seen in all Autonomous Communities, in particular Madrid, Catalonia, Andalusia and the Community of Valencia. The **unemployment rate** provided by the Survey of the Working Population at the end of the fourth quarter came to **16.55%,** down 2.08 percentage points year on year. Unemployment is down in all sectors, primarily services, construction and industry.

Inflation remains in check after climbing in the early months of the year in response to rising energy prices. The CPI change was 1.1%, while core inflation (excluding unprepared food and energy products) fell to 0.8%.

The **deficit of the Spanish government** shrunk **to levels more compatible with the 3.1%** target agreed upon with the European authorities. Assuming this target is reached, Spain will be released from the excessive deficit procedure in 2018. The increase in taxation stemming from the economic growth has been decisive in moving towards a fiscal balance.

Public debt has been contained at similar levels, although it remains high at around **100% of GDP**. The ECB's monetary policy has prevented high indebtedness from putting a big strain on the Spanish economy. However, it is essential to reinforce budgetary discipline and continue with tax consolidation efforts.

After four years of consecutive growth, **early indications are that the favourable dynamics in Spain will be maintained in 2018** with GDP growth estimated at around 2.5% based on a market consensus. The moderation of growth is explained by the slower expansion of private spending due to the exhaustion of some driving factors in 2017, such as: The tax reduction in 2016, the decline in energy prices, the demand for durable goods that was deferred during the financial crisis and the fall in family savings rates. However, other expenditures support would move in the other direction such as: The strength of the job market, the recovery of real estate and financial wealth and the abundance of financing.

Foreign trade will maintain its notable contribution as a result of the growth expectations for our biggest commercial partners, increases in the competitiveness of Spanish companies, the growing diversification of export destinations and the increase in the flow of foreign tourists.

Domestically, **political tensions** due to the still uncertain outcome of the situation in Catalonia, together with the difficulty of approving the 2018 budget and, from a foreign perspective, the protectionist impulses in certain countries could put downward pressure on growth.

BANKING BUSINESS

THE BANKING SECTOR HAS BEEN AIDED BY THE HEALTHY PERFORMANCE OF THE SPANISH ECONOMY, ALTHOUGH THE PREVAILING CLIMATE OF ROCK-BOTTOM INTEREST RATES IS PLACING PRESSURE ON PROFITS.

In contrast to what was expected in early 2017, loans to households and companies **ended the year in negative territory**. However, we saw a more moderate decline of 2.02% year on year. While demand is picking up across all segments, it is still not enough to keep up with repayments on existing loans. Consumer lending was the only segment to post positive gains in the year (+13.77%).

Deposits within the system were up 3% year on year due to growth in the companies segment. The increase is compatible with the **migration from savings towards off-balance sheet products**, especially investment funds, given the relatively poor returns offered by traditional deposits and the efforts being made by banks to strengthen their range of personal and private banking services.

Turning to **asset quality, non-performing loans continued to fall**. The system's NPL ratio shed 133 basis points in the year to reach 7.85%. The reduction of NPL inflows has combined with interest amongst institutional investors for impaired loans, driving the sale of portfolios in the wholesale market to remedy balances. Real estate assets have fallen to a lesser extent than non-performing loans and are continuing to notably undermine business profits.

The ongoing **restructuring of the banking system** has led to a reduction in the number of players, following the completion of two significant mergers and attempts to **streamline the branch network and the workforce** in a bid to cut operating costs and gain efficiency.

In the regulatory realm, Bank of Spain Circular 4/2017 of 27 November was released in 2017, adapting the accounting criteria of Spanish banks to the new International Financial Reporting Standards (IFRS) due to take effect in 2018.

The main changes ushered in by IFRS9 affect the impairment of financial assets, which will now be based on expected losses rather than incurred losses, and the classification of portfolios of financial assets for measurement purposes.

The initial adoption of these new criteria could impact the Bank's capital ratios for the coming year.

GROUP ACTIVITY AND RESULTS

iberCaja

GROUP ACTIVITY AND RESULTS

Relevant facts and key figures
Customer funds
Customer loans
Asset quality
Funding and liquidity
Securities portfolio
Analysis of the income statement
Solvency

RELEVANT FACTS AND KEY FIGURES

G4-2, G4-9, G4-13, G4-DMA

The recovery of typical banking income, the core of the business, and the solvency position after returning the aid received for Caja3 are the most noteworthy factors in a year in which net profit came to 138 million euros.

Against a backdrop of rock-bottom interest rates, business at Ibercaja has focused on protecting the profitability of the business by defending margins, containing operating costs, normalising the cost of risk, reducing unproductive assets on the balance sheet and ensuring the Bank's capital adequacy and solidity.

On the commercial front, the Bank has continued to pursue the targets set out in its Strategic Plan by consolidating growth in the companies, personal and private banking segments, while strengthening the Group's position in the investment fund sector.

HIGHLIGHTS IN THE PERIOD WERE ESSENTIALLY AS FOLLOWS:

SOLVENCY

Ibercaja reported a CET1 phased-in ratio of 11.72%, after carrying out the early repayment in March of all the CoCos resulting from the restructuring of Caja3. **Meanwhile the CET1 fully-loaded ratio was 11.04%, 87 basis points up on December 2016**. Both ratios are comfortably clear of the SREP requirements for both 2017 and 2018.

NEW LENDING PRODUCTION

New lending to SMEs and individuals was up 4.59% year on year. In line with the aim of diversifying the composition of the portfolio, **57% of new transactions now relate to arrangements with companies and leases**. Meanwhile, new loans for home purchases gained 18% in the year. The progress made across all types of lending is the product of intensive commercial efforts and the roll-out of specific territorial plans to expand the Bank's presence in its target markets.

RETAIL FUNDS

Growth in retail funds is now more focused on off-balance sheet products, especially investment funds, where the Bank's assets under management increased by more than 18%, well beyond the system average. The steady migration from savings products towards assets under management, accompanied by an increase in demand savings, has generated a **more profitable mix of retail funds**.

LIQUIDITY

The **Group's liquid assets account for 19.45% of its balance sheet**. The loan to retail deposits ratio (LTD) was below 100%, reflecting Ibercaja's retail-oriented business approach, in which lending activity is funded by the savings secured by the Bank. Customer deposits account for 76% of third-party financing.

ASSET QUALITY

Non-performing loans were down 16.22% year on year thanks to steady levels of new defaults, sound management of debt collection and sales of loan portfolios. The NPL ratio shed 125 basis points to reach 7.68%. Meanwhile, the slowdown in the volume of real estate assets being foreclosed, coupled with healthy sales of real estate assets, allowed the Bank to reduce its exposure by 9.22%. Coverage of exposure to problematic assets (non-performing and foreclosed assets) came to 48.19%.

OPERATING COSTS

The **increase in operating costs is a product of the workforce adjustment plan agreed upon with trade union representatives**. The need to trim the workforce and streamline the branch network led to the closure of 99 branches during the year and will allow the Group to reduce expenses in the coming quarters while optimising efficiency.

RECURRING INCOME

Recurring income (net interest income and fee and commission income) was up 2.23%, confirming the change of trend seen since the start of the year. Driving this recovery was the fee and commission income obtained from asset management activity and the gradual stabilisation of net interest income.

LOAN

The **performing loan portfolio fell by just 1.31%**, with loans to finance **non-real estate productive activities** worth particular mention **(+8.42%)**.

PRE-TAX PROFIT

Pre-tax profit amounted to 183 million euros, up 112 million euros year on year, showcasing the Group's capacity to generate profit despite testing conditions for the banking sector.

KEY FIGURES
Ibercaja Banco Group

		2017	2016	2015
			MILLION EUROS	
ON-BALANCE SHEET ACTIVITIES	Total assets	**53,107**	57,176	58,922
	Gross loans and advances to customers	**33,399**	34,297	34,449
	Securities portfolio	**13,304**	18,810	20,591
	Total customer funds	**62,582**	62,537	61,827
	Retail customer funds	**57,008**	54,815	53,053
	- Core deposits	**31,330**	31,430	32,228
	- Life insurance and asset management	**25,678**	23,385	20,825
	Equity	**2,999**	2,977	2,801
			PERCENTAGE	
INDICATORS AND RATIOS	NPL ratio (%)	**7.68**	8.93	8.95
	NPL coverage ratio (%)	**43.12**	44.66	53.70
	Available liquidity/total assets (%)	**19.45**	16.60	19.13
	Loan-to-deposit ratio (%)	**96.34**	97.76	96.67
	Common equity tier 1 - phased-in (%)	**11.72**	12.00	11.95
	Solvency ratio, - phased-in (%)	**13.93**	14.23	14.40
	Common equity tier 1 - fully loaded (%)	**11.04**	10.17	9.74
			THOUSANDS OF EUROS	
RESULTS	Net interest income	**561,156**	567,203	631,576
	Gross income	**1,164,244**	1,129,774	1,040,831
	Profit/(loss) before write-downs	**445,214**	477,569	384,460
	Correction of the impairment of assets and other write-downs	**263,978**	413,136	293,896
	Net profit (attributed to the parent)	**138,367**	142,897	84,123
			NUMBER	
OTHER RELEVANT INFORMATION	No. of branches	**1,151**	1,248	1,272
	Total number of parent company employees (total workforce)	**5,265**	5,527	5,486

		SHORT-TERM	LONG-TERM
CREDIT RATING	Moody's (rating for deposits)	NP	Ba3
	Standard & Poor's:	B	BB+
	Fitch Ratings	B	BB+

Quantitative data and breakdowns included to explain business performance in this Annual Report are based on criteria defined in the internal management information systems.

Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Analysis
Ideas
Success
Management

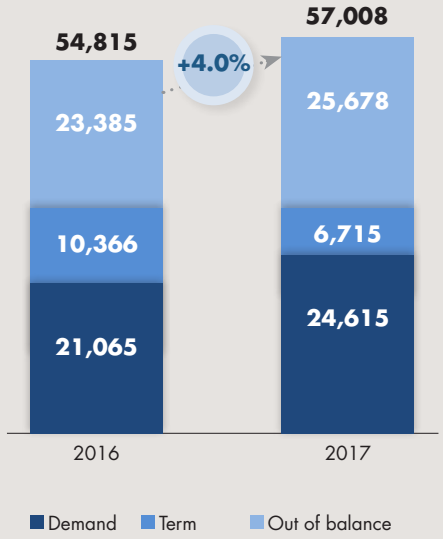
CUSTOMER FUNDS

Notable progress with off-balance sheet products, especially investment funds, which have become more important in terms of savings.

Retail customer funds, 57,008 million euros are up 4% year-on-year

The 9.81% **growth in brokerage products**, asset management and insurance is worth particular mention. The interest rate situation, with the twelve-month Euribor in negative territory, has affected its performance; as a result, Ibercaja's commercial policy has focussed on offering savers alternatives to traditional deposits, mainly investment funds, which offer better expectations in terms of profits and contribute to boosting customer loyalty to the Bank.

PERFORMANCE OF RETAIL CUSTOMER FUNDS (MILLION EUROS)

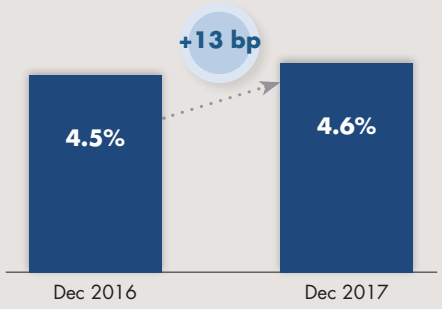


+16.9% DEMAND DEPOSITS

-35.2% TERM DEPOSITS

+9.8% LIFE INSURANCE AND ASSET MANAGEMENT

MARKET SHARE OF ASSETS UNDER MANAGEMENT AND LIFE INSURANCE



On-balance funds, which came to 31,330 million euros, dropped by 0.32%. Its composition, in line with the trend seen across the entire banking system, includes a **17% increase in the most liquid deposits**, with part of this increase attributable to term deposits, which were down more than 35%.

Brokerage deposits, investment funds, pension plans and insurance products all performed extremely well, accounting for 45% of funds, 2 basis points up on last year. In particular, this has been driven by managed investment funds, the equity of which is up more than 18%, and more moderately, pension plans and insurance. The Group's **market share when it comes to assets under management and insurance** was 4.60%, up 13 basis points on the close of 2016.

By segments, following the growth targets defined in the Strategic Plan 2015-2017, customer funds in the personal banking sector contributed 55% of the increase and its balance accounted for more than 58% of the total. At the same time, funds generated by corporate customers grew by 10.10%.

The **Mediterranean Basin and Madrid** are the most dynamic areas, up 6.86% and 5.34%, respectively. In the traditional operating area, the rate of growth, 4.11%, is considerable, given that this is a mature market where the Bank plays a leadership role and where 58 branches have been closed as part of the network restructuring process.

CUSTOMER LOANS

Loans to non-real-estate businesses lead the way in term of the recovery of lending and have gained importance in the range of financing offered, balancing the portfolio's mix.

Loans and advances to customers, gross, amounted to 33,399 million euros, down 2.62% year-on-year, similar to the decline reported by the banking system as a whole (-2.79%). Stripping out non-performing assets and reverse repurchase agreements, performing investments were down by just 1.31%.

Favourable macroeconomic and borrowing conditions prompted a **4.59% increase in new loans to reach 5,452 million euros**, of which **57% was granted to the companies and leasing segments**. Madrid and the Mediterranean Basin were the main drivers here, accounting for 50% of total new loans.

New financing for home purchases was up 18% in the year thanks to the success of the commercial campaigns targeting this segment. The strong uptake in discount-rate mortgages, the increase in mortgage loans taken out at fixed and mixed rates, more than 41% of the total volume, and the roll out of a mortgage simulator that has issued more than 65,000 reports, offering customer more personal information about the type of mortgage that best suits their needs, are all worth particular mention.

Meanwhile, consumer loans gained nearly 7%. Because of their relatively low weighting -accounting for just 4% of Ibercaja's total portfolio- they offer high growth potential, given increased demand for borrowing from households and rising levels of investment in capital and durable goods.

Performing loans used to finance non-real estate productive activities were up **8.42% year on year.** This business now accounts for 22% of total investment, up 2 percentage points in the last twelve months. This improvement is a big step towards the target envisioned in the 2015-2017 Strategic Plan of achieving a more diversified lending portfolio; one that focuses growth on the most profitable segments. The Bank's market share in this segment is 1.53%, up 10 basis points in the last twelve months. Loans for home purchases and restorations were down 2.89%. The solid improvement in new loan production is still not enough to offset the natural decline in the outstanding portfolio due to scheduled and early repayments. Meanwhile, lending to real estate developers was down 2.69%. This moderate reduction when compared with previous periods is a product of the incipient reactivation of the real estate sector following years of depression.

BREAKDOWN OF LOANS TO CUSTOMERS BY PURPOSE

MILLION EUROS	BALANCE 2017	BALANCE 2016	INCREASE 17/16 Million euros	INCREASE 17/16 %
Loans to individuals	21,653	22,278	-625	-2.81
Housing	20,398	21,004	-606	-2.89
Consumer loans and other	1,255	1,274	-19	-1.49
Loans to businesses	7,466	6,979	487	6.97
Real estate development	884	909	-25	-2.69
Non-real estate productive activities	6,582	6,070	512	8.42
Public sector and other	735	994	-259	-26.09
Normal loans and advances excluding reverse repurchase agreements	**29,854**	**30,251**	**-397**	**-1.31**
Reverse repurchase agreement	981	985	-4	-0.41
Impaired assets	2,565	3,061	-496	-16.22
Loans and advances to customers (gross)	**33,399**	**34,297**	**-898**	**-2.62**

On the subject of loan security, lending secured by collateral (i.e. secured by real property) -mainly first home mortgages granted to individuals- was down 2.91%. The slower pace of this decline is down to the increased volume of loan origination already discussed, which is in response to rising demand for homes. The **strong growth in lending to companies** can be seen in commercial lending (+17.27%), other term loans (+4.59%) and financial leases (+24.87%).

BREAKDOWN OF LOANS TO CUSTOMERS BY COLLATERAL

MILLION EUROS	BALANCE 2017	BALANCE 2016	INCREASE 17/16 Million euros	INCREASE 17/16 %
Commercial loans	515	439	76	17.27
Secured loans	22,631	23,309	-678	-2.91
Other term loans	5,319	5,085	234	4.59
Finance leases	417	334	83	24.87
Receivables on demand and others	555	575	-20	-3.40
Impaired assets	2,565	3,061	-496	-16.22
Other financial assets	357	423	-66	-15.54
Reverse repurchase agreement	981	985	-4	-0.41
Valuation adjustments	60	86	-26	-30.47
Loans and advances to customers (gross)	**33,399**	**34,297**	**-898**	**-2.62**
Impairment losses	1,090	1,350	-260	-19.26
Loans and advances to customers (net)	**32,309**	**32,947**	**-638**	**-1.94**

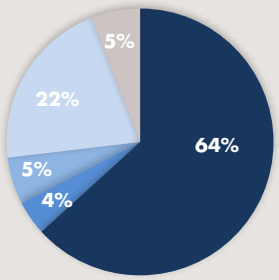
ASSET QUALITY

The Bank's prudent risk management policy is reflected in the fact that the quality of the lending portfolio is above average for the system. There has been a significant drop in problematic assets and a high level of coverage has been reached in terms of the risk profile and associated collateral.

The profile of the Group's portfolio is low risk, with mortgage financing for individuals to acquire homes relatively significant. Without compromising on this specialisation, the Bank seeks to increase its participation in business and SME loans under "Plan+".

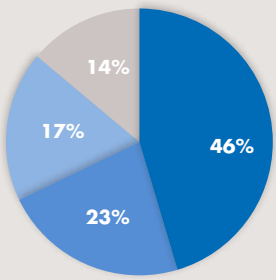
Investments are geographically diversified, even though Ibercaja's presence in its home territory means that this area and Madrid account for nearly 69% of loans.

Distribution of loans by transaction purpose (%)



- Housing
- Non-real estate production activities
- Consumer loans and other
- Public sector and other
- RED

Geographic distribution of lending (%)



- Home Markets
- Mediterranean Basin
- Madrid
- Rest of Spain

Household financing, which accounts for 68% of gross customer loans, is 94% dedicated to the acquisition of homes. Almost all of it relates to mortgage-backed loans for first homes secured by mortgage. The loan-to-value ratio, which is the value of the outstanding debt compared with the collateral using the latest appraisal, is 56.78%. The LTV ratio is less than 80% for 94% of the home loan mortgage portfolio.

Business loans represent 27% of the total. Loans and credit facilities associated with real-estate development account for 5%. The financing of production activities other than real-estate development has a relative importance of 22%, and has been preferentially granted to SMEs in very diverse sectors.

Asset quality indicators improved in the period

Non-performing loans were down 16.22% year on year to €2,565 million, thanks to steadying levels of new defaults, sound management of debt collection and sales of loan portfolios. The NPL ratio shed 125 basis points to reach 7.68%, roughly on par with the average improvement reported by all deposit entities (7.85% at December 2017). The NPL ratio in relation to loans for home purchases -the Group's largest exposure- is 4.20%.

Total provisions, including allowances for contingent risks and liabilities, amounted to 1,125 million euros, representing 43.12% coverage of non-performing loans; a high level in view of the risk profile of the exposure and the associated collateral.

The **entry into force of IFRS9** on 1 January 2018 will generate an increase of 153 million euros in provisions. This will have an estimated impact on coverage of approximately 6 percentage points to bring it to **49%**.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. Refinanced loans amounted to €2,500 million in 2017, down 14.76% on 2016 and representing 7.49% of gross lending. Meanwhile, coverage associated with non-performing risks and defaults reached 37.23%.

The Entity's encourages compliance with commitments by borrowers by renegotiating debts before entering into litigation, and foreclosure is the final solution when there is absolutely no possibility of recovering the loan amount. Additionally, Ibercaja supports the developers once the developments are finished, collaborating in the management and speeding up of sales. The ultimate goal is to obtain value from the properties in the portfolio through their sale, such that the customers to which financing is granted for these transactions are recruited by the Bank at the same time.

The **Group's portfolio of real estate assets, whether foreclosed or acquired in payment of debt, was down 9.22% in the year to** 1,566 million euros. **Coverage** of these real-estate assets was up 4.42 percentage points to **56.63%**, climbing to almost 65% in the case of land. The Bank reported a sharp reduction in new foreclosed assets (-15% vs. 2016), while sales were up 9.5%. Highlights included divestments of land and tertiary sector assets, representing more than 41% of the total. The release of provisions on sales, given the level of coverage, has had a positive impact on the income statement.

Problematic assets, meaning NPLs and foreclosed real estate assets, **were down 13.62%**. The **coverage ratio** for this exposure was **48.19%**, which will climb to approximately 52% following the application of IFRS9.

FUNDING AND LIQUIDITY

G4 - DMA

The volume of liquid assets has increased by 8.8%, whilst resorting to wholesale funding is increasingly uncommon.

Eurosystem monetary policy measures, funding operations and asset purchases, along with the increase in deposits and decrease in lending have made it possible for banks to enjoy more liquidity.

Issues by Spanish banks, down in 2016, **have recovered in 2017** not as a source of liquidity, rather as a way of preparing the anti-crisis buffer within the framework of the MREL. Thus, non-preference senior debt instruments are being issued, which cost less than CoCos and subordinated debt and which will serve to comply with the requirements established by the European resolution authorities. The issue of mortgage bonds has also dropped to levels much lower than those seen in 2016.

Recourse to Eurosystem resources amongst Spanish entities has increased by almost 23% to 170,000 million euros. The most recent TLTRO II auction in March 2017 saw a significant increase in the volume of this funding, given the more advantageous financial conditions on offer. Since then, there have been no significant changes.

Business at the Ibercaja Group's capital markets area has focused on ensuring the availability of liquid funds on the balance sheet, managing portfolios of fixed-income and equity instruments, planning placements and buy-backs of instruments and hedging structured and other deposits.

In March, after obtaining ECB authorisation, the Bank **redeemed 224 million early** thus completing the repayment of contingent convertible bonds carried out by Caja3 and subscribed by the FROB in 2013. This disbursement has been made without resorting to new sources of capital, given the Bank's position of solvency and liquidity on the balance sheet. This transaction has resulted in an important decrease in financial expenses.

The availability of liquid assets has made it possible to comfortably meet maturities in the period: 850 million euros, distributed in mortgage bonds (543 million euros), subordinated bonds (225 million euros, of which 224 million bonds were contingent convertible bonds) and securitisation bonds owned by third parties (83 million euros). Over the course of the year, issue repurchases have been undertaken for 11 million euros, instrumented in securitisation bonds.

ECB funding in the amount of 3,354 million euros relates entirely to the TLTRO II programme maturing in 2020 and accounts for 8% of the Group's external funding.

Ibercaja has been traditionally characterised by a conservative policy in terms of liquidity, limiting recourse to the wholesale markets.

Retail customer deposits are the **main source of outside funding**, accounting for 76% of the total. Over 80% of the total is classified as stable, based on Bank of Spain regulations, which illustrates the engagement and trust our customers place in the Bank. The Bank's **loan-to-deposit (LtD) ratio** of **96.34%** reflects the self-funding capacity of the retail business.

Liquid assets were up 8.80% to €10,328 million, representing **19.45% of total assets**. Virtually all of these assets are eligible as collateral with the ECB. Meanwhile, the Bank's capacity to issue mortgage covered bonds and public sector covered bonds was €6,688 million, bringing total fund availability to €17,017 million.

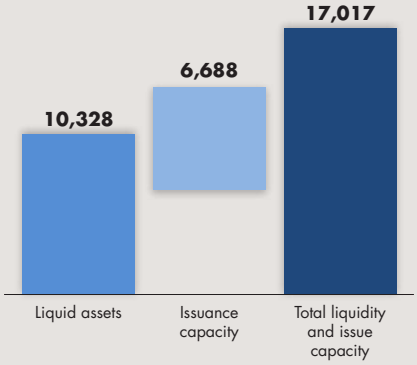
The liquidity coverage ratio (**LCR**), which measures the level of high-quality liquid assets free of charges needed to overcome a liquidity stress scenario at 30 days, stands at **281.15%**, well clear of the 80% requirement under Basel III for 2017. Meanwhile, the **NSFR**, applicable as from 2018, is **124.42%**. This indicator shows the proportion of funding for one year covered by stable liabilities, the aim being to ensure an even balance sheet structure that limits excessive reliance on short-term wholesale funding.

Available funds under the ECB facility amounted to €5,065 million. Various placements of mortgage covered bonds worth €1,500 million were completed during the year. These are held on the balance sheet as collateral before the European Monetary Institute. Almost all of the Bank's other eligible assets not pledged under ECB facilities are Spanish public debt and would allow the Bank to obtain further liquidity immediately if needed.

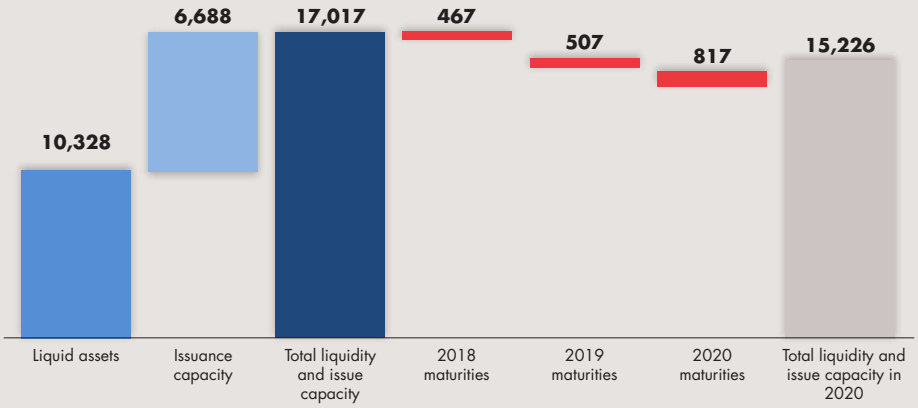
The **level of overcollateralisation**, meaning the eligible portfolio to outstanding mortgage covered bonds, stood at **236.09%**, well clear of the legal minimum of 125% and of the average level for financial institutions.

The **Bank's maturities of wholesale market issuances** present a staggered redemption schedule through to 2027. In 2018 and 2019, redemptions will total 467 million euros and 507 million euros, respectively, representing less than 1% of the Bank's assets. All these placements can be comfortably redeemed using available liquidity.

BREAKDOWN OF LIQUID ASSETS
(MILLION EUROS)



LIQUID ASSETS AND MATURITIES
(MILLION EUROS)



SECURITIES PORTFOLIO

The Group's securities portfolio is managed cautiously, with a view to obtaining appropriate financial returns that strengthen net interest income whilst helping to maintain comfortable levels of liquidity.

The portfolios exposed to market risk are characterised by their sectoral, geographic and investment term diversification, high liquidity and solid credit quality, which implies that the market risk assumed by the trading activity is insignificant as a whole.

The portfolio of fixed income securities, shares and other equity interests in companies totalled €13,304 million, of which €6,383 million relate to the Group's insurance business. The **5,506 million euros reduction**, can be traced to the financial instrument management strategy designed to adapt portfolios to the new IFRS9 criteria, sales with a view to making unrealised capital gains and the policy adopted in recent years that seeks to reduce the relative weight of these assets on the balance sheet.

BREAKDOWN OF THE SECURITIES PORTFOLIO

	BALANCE		INCREASE 17/16	
	MILLION EUROS	%	MILLION EUROS	%
Financial assets held for trading	**0**	**0.00**	**0**	**-52.98**
Debt securities	0	0.00	0	-52.98
Equity instruments	0	0.00	0	0.00
Financial assets designated at fair value through profit or loss	**53**	**0.40**	**4**	**8.17**
Debt securities	11	0.08	6	130.11
Equity instruments	42	0.31	-3	-6.20
Financial assets available for sale	**10,850**	**81.55**	**-626**	**-5.46**
Debt securities	10,524	79.11	-517	-4.68
Equity instruments	326	2.45	-109	-25.11
Loans and receivables	**2,297**	**17.26**	**-306**	**-11.74**
Debt securities	2,297	17.26	-306	-11.74
Investments held until maturity	**0**	**0.00**	**-4,546**	**-100.00**
Investees	**105**	**0.79**	**-30**	**-22.45**
SECURITIES PORTFOLIO	**13,304**	**100.00**	**-5,506**	**-29.27**
Fixed income portfolio Equity portfolio	**12,832**	**96.45**	**-5,363**	**-29.47**
Equity portfolio	**473**	**3.55**	**-142**	**-23.16**
Investees	105	0.79	-30	-22.45
Others	367	2.76	-112	-23.36

According to the accounting classification, **available-for-sale financial assets** amounted to 10,850 million euros, accounting for **81.55%** of the total. The volume of these assets fell by €626 million, mostly in the form of debt securities. A portion of the held-to-maturity investment portfolio was sold during the year as part of the process discussed previously of bringing portfolios in line with IFRS9. The remaining positions were reclassified to the available-for-sale portfolio.

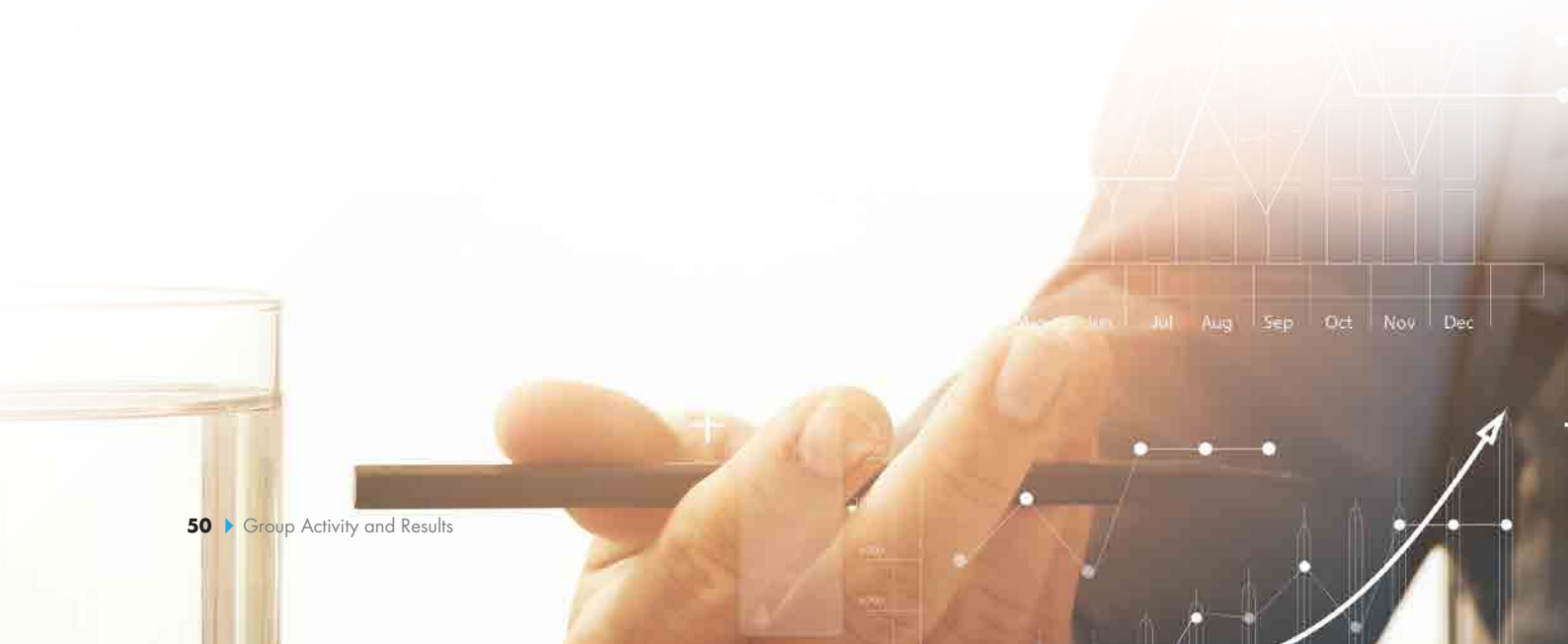
By type, fixed income (12,832 million euros) **accounted for 96.45% of the total**. The reduction of €5,363 million was a product of asset sales and the fact that various issues matured in the year. Stripping out the insurance business, the fixed income portfolio managed by the parent comprises low-risk bonds (mainly Spanish sovereign debt) with an average term of 3.4 years and a yield of 1.4% excluding Sareb bonds. 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. Meanwhile, equities (€473 million) were down by €142 million in the period. This reduction extends to listed securities and, to a lesser extent, non-strategic equity interests.

ANALYSIS OF THE INCOME STATEMENT

G4 - DMA

MAIN HEADINGS OF THE CONSOLIDATED INCOME STATEMENT

MILLIONS EUROS AND %	Dec. 2017	Dec. 2016	Change	Change %
Net interest income	**561**	**567**	**-6**	**-1.07**
Net commissions	366	340	26	7.74
Gains/(losses) on financial assets and liabilities	153	170	-17	-10.03
Other operating profit/(loss)	84	53	31	58.84
Other operating income/expense	70	30	40	130.69
Return on equity instruments and share of profit/loss of equity accounted entities	14	23	-9	-37.65
Gross income	**1,164**	**1,130**	**34**	**3.05**
Operating expenses	719	652	67	10.24
Profit/(loss) before write-downs	**445**	**478**	**-32**	**-6.77**
Provisions, impairment and other write-downs	264	413	-149	-36.10
Other profit and loss	1	6	-5	-76.41
Profit before tax	**183**	**71**	**112**	**158.20**
Tax and non-controlling interests	44	-72	116	161.51
Profit attributable to the parent company	**138**	**143**	**-5**	**-3.17**



NET INTEREST INCOME

Net interest income was €561 million, down 1.07% year on year but gradually stabilising.

The change here was down to the lower interest rates, impacting yields on the fixed income portfolio above all else, but also loans and advances to a lesser extent.

The strong performance of the retail division is worth particular mention, with income increasing by more than 8%. The return on lending (1.44%) shed 7 basis points in the year in response to the repricing of the mortgage portfolio pegged to the Euribor; although this impact was offset by the positive contribution made by new loans. The drop in lending income has been offset by the parallel drop in the cost of retail borrowing, as the Bank's rates fall in line with prevailing market rates and as demand deposits steadily account for more and more of customer savings. The customer spread of 1.37% widened by 10 basis points in respect of 2016.

Net interest income contracted by 30 million euros in the period due to the reduced contribution made by wholesale activity. The contribution of the fixed-income portfolio dropped, due to the reduction in the average balance of almost 3,200 million euros and the drop in its profitability from 1.41% to 0.94% in 2016. The reduction in income was partially countered by the lower cost on wholesale financing, since the Caja3 CoCos were redeemed early and issuances were repriced at lower rates. Reliance on income from wholesale transactions is progressively lower, accounting for just 5.15% compared to more than 17% two years ago.

In terms of average total assets, net interest income has improved by 4 b.p. year-on-year and was up by 2.18% in the fourth quarter compared to the same period in 2016.

NET INTEREST INCOME
€561 million

CUSTOMER SPREAD
1.37%
+10 bp o/ 2016

NET FEE AND COMMISSION INCOME

Net fee and commission income was up 7.74% year on year to €366 million.

Income originating from asset management gained 16.62%, largely in response to the increase in income earned from the management and sale of investment funds (21.32%) –where assets under management saw sharp growth in the last twelve months. This progress can be traced to the Group's specialisation in this business and the channelling of savings towards investment that offers greater prospects of returns than alternative savings products. In turn, those associated with pension funds have grown by 10.97% due to higher volumes under management.

Fees associated with banking services were down 2.03%. Account maintenance and administration fees were also down following the review of the commercial policy regulating services for loyal and engaged customers, and those fees arising from Sareb, following the termination of the contract to administer the assets transferred from Caja3.

Recurring income (net interest income and fee and commission income) was up 2.23%, confirming the change of trend seen since the start of the year. Driving this recovery was the fee and commission income obtained from asset management activity and the gradual stabilisation of net interest income.

NET FEES
€366 million
+7.74%

RECURRING INCOME
+2.23%

RETURN ON EQUITY INSTRUMENTS AND PROFIT (LOSS) ON FINANCIAL TRANSACTIONS

Returns on equity instruments totalled €13 million, up 17.26% in response to the increase in dividend income received from investee companies.

Meanwhile, earnings on financial transactions came to €153 million, down 10.03% on 2016 and relating almost entirely to the capital gains obtained from the rotation of the fixed income portfolio.

INCOME FROM EQUITY INSTRUMENTS
€13 million

OTHER OPERATING PROFIT/(LOSS)

Share of profit or loss at entities accounted for using the equity method totalled €1.3 million. The task of comparing this year's figures with last year's is complicated somewhat by the profit generated in 2016 from the sale of the company's stake in Visa Europe.

The heading Other operating income and expense contributed €70 million to gross income, compared with €30 million in 2016. This heading includes €80 million in extraordinary income from the novation of the agreement to assign the investment fund and individual pension plan depositary business to Cecabank, and a further €18 million under the insurance distribution agreement signed with Caser. The most noteworthy expenses in the period were as follows: the contribution paid to the Deposit Guarantee Fund and to the National Resolution Fund (€49 million and €12 million, respectively) and the charge (€3.6 million) arising from the conversion of deferred tax assets into tax credit claimable from the Spanish tax authorities.

OTHER OPERATING INCOME AND EXPENSES
€70 million

GROSS INCOME AND OPERATING EXPENSES

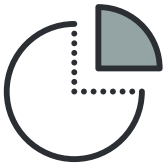
Gross income came to €1,164 million, up 3.05% year on year largely on the back of recurring income, which accounted for 80% of gross income, and also the generation of non-recurring income.

Operating expenses totalled €719 million, up 10.24% due to the expenses incurred from the workforce adjustment plan agreed upon with trade union representatives in May. Stripping out this impact, operating expense would be down 0.78%. Staff expenses stripping out non-recurring expenses were up 0.46%, while general administrative expenses and amortisation and depreciation were down 2.46% and 2.94%, respectively.

A workforce adjustment plan was signed with the workers' representatives in May. A total of 590 employees may adhere to the plan. Layoffs in 2017 have affected 346 employees, whilst other redundancies, subject to approval by the governing bodies, will take place in the first half of 2018. Furthermore, 99 branches have been closed during the year with a view to adjusting installed capacity to current needs. These initiatives, that seek to rationalise the cost structure, form part of the strategic objective of improving the Group's efficiency and productivity.

The cost-to-income ratio, meaning operating expenses to gross income, stood at 55.59%, down 2.14 percentage points. Driving this solid performance were the increase in income and the Bank's efforts to contain ordinary costs.

Profit before write-downs amounted to €445 million.



GROSS MARGIN
+3.05%

RECURRING EXPENSES
-0.78%

WRITE-DOWNS AND PROVISIONS AND OTHER PROFIT AND LOSS

Provisions and write-downs reported as losses on impairment of financial assets, non-financial assets, non-current assets held for sale and allowances for provisions totalled €264 million, down 36.10% on 2016.

Meanwhile, write-downs on loans and real estate assets came to €243 million, down 16.36%. Extraordinary provisions were used to enhance coverage, bringing the Group's cost of risk, meaning the percentage of this impairment to risk exposure, came to 0.70%, exceeding the figure reported in the third quarter but marking a significant year-on-year improvement.

Other gains and losses contributed net income of 1.5 million euros, compared with 6.3 million euros in 2016. This heading shows proceeds from sales of property, plant and equipment and business holdings, as well as payment of fees on sales of foreclosed real estate assets.

Profit before tax was €183 million, up €112 million on 2016. After deducting corporate income tax expense and earnings relating to non-controlling interests, net profit attributable to the parent came to €138 million.

The proposal to distribute dividends by charging profits for the year that the Board of Directors will present for the approval of Shareholders at a General Meeting totals 17.5 million euros.

PROVISIONS AND WRITE-DOWNS
-36.1%

NET PROFIT
€138 million

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
100000
10000
8000
6000
4000
2000
0
-2000
-4000
-6000
Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success

SOLVENCY

G4 - DMA

The Group has strengthened its solvency by internally generating capital and reducing unproductive assets.

The solvency legislation known as Basel III entered into force on 1 January 2014 as transcribed from European Regulation 575/2013 and Directive 2013/36/EU into Spanish Royal Decree Law 14/2013 and Law 10/2014 of 26 June on the organization, supervision and solvency of credit institutions. In addition, Bank of Spain Circular 2/2016 of 2 February was published in February 2016 which completed the adaptation of Spanish legislation to Regulation 575/2013 and Directive 2013/36/EU.

The ECB announced the final results of the Supervisory Review and Evaluation Process (SREP), which determines each bank's individual capital needs for 2018 on the basis of its business model, capital risk, liquidity risk, governance and internal control. The decision requires Ibercaja to maintain a phased-in CET1 ratio of 8.125% and a total capital ratio of 11.625% (8.75% and 12.25%, respectively, fully-loaded). These ratios include the minimum required for Pillar 1 (4.5% CET1 and 8% total capital), the Pillar 2 requirement (1.75%) and the capital conservation buffer (1.875%). The Group's current capital ratios are above the ECB's regulatory requirements and as such the review process by the ECB will not trigger any regulatory restriction or limitation.

Total eligible own funds came to €3,102 million, giving a solvency ratio of 13.93%. The **CET1 phased-in ratio**, which measures the relationship between Tier 1 capital and risk-weighted assets, was **11.72%**. It was down 27 b.p. in the year following the redemption of 224 million euros in contingent convertibles (CoCos) issued by Caja3 in 2013. The excess over the regulatory minimum (4.5%) was 1,608 million euros, while the excess over the ECB's requirement for 2017 (7.25%) was 996 million euros.

Applying the criteria envisaged for the end of the phase-in period prior to the full implementation of Basel III, the **CET1 fully-loaded ratio, at 11.04%, is 87 basis points** above the figure for 2016. The improvement was down to organic generation of capital through earnings, a healthier and more streamlined balance sheet following the sale of non-strategic assets, and the reduction in non-performing loans. The entry into force of IFRS9 on 1 January 2018 will have an estimated impact on solvency of 53 basis points, bringing the CET1 fully-loaded ratio to 10.51%.

At 31 December, the leverage phased-in ratio stood at 5.41%, above the minimum reference level of 3% set by the Basel Committee.

CET1 PHASED-IN
11.72%

CET1 FULLY LOADED
11.04%

LEVERAGE PHASED-IN RATIO
5.41%

KEY SOLVENCY INDICATORS

MILLIONS EUROS AND %	Dec. 2017	Dec. 2016	Year-on-year change	Year-on-year change %
Common Equity Tier 1	**2,610**	**2,799**	**-169**	**-6.08**
Additional Tier 1	0	0	0	-
Basic equity (Tier 1)	**2,610**	**2,799**	**-169**	**-6.08**
Supplementary equity (Tier 2)	**492**	**517**	**-25**	**-4.82**
Eligible equity	**3,102**	**3,296**	**-194**	**-5.88**
Risk-weighted assets	**22,266**	**23,169**	**-903**	**-3.90**
Excess CET1 over legal minimum (4.5%)	**1,608**	**1,737**	**-128**	**-7.39**
Excess CET1 over SREP decision (7.25%)	**996**	**1,099**	**-104**	**-9.41**
RATIOS (%)				
CET1	11.72	12.00	-0.27	-2.27
Tier 1	11.72	12.00	-0.27	-2.27
Tier 2	2.21	2.23	-0.02	-0.96
Solvency ratio	13.93	14.23	-0.29	-2.07
CET1 fully loaded	11.04	10.17	0.87	8.53

Based on the improvement in the financial risk in the sector, Standard & Poor's raised the Entity's long-term rating to "BB +" in February 2017, maintaining a positive outlook and ratifying the short-term rating of "B".

The rating is supported on Ibercaja's stable retail franchise, it's conservative management, a higher than average credit rating and the adequate financing and liquidity profile. The positive outlook indicates a possible raising of the rating associated with the short and medium-term improvement in the operating environment, the preservation of the value of the franchise and its profitability, within a context of higher consolidation and competition and maintaining a lower risk profile than its comparables.

The rating granted by Moody's for deposits is "Ba3", with a stable outlook.

The **increase from "B1"** took place in May 2017 when the agency's assessment of Spain's macroeconomic profile changed to "Strong -", in line with the growth of the economy, the deleveraging of the private sector and the gradual recovery of the real estate market.

The credit rating agency Fitch ratified Ibercaja's long-term rating of "BB +" last April.

Noting the strength of its regional franchise, the adequate financing and liquidity position and the contribution of the insurance business as a source of diversification and generation of recurring revenue, within a context of profitability under pressure due to the low interest rates and business volumes that are still in a recovery stage. The rating also bears a positive outlook as a result of the favourable trend in the evolution of capital and asset quality, which could give rise to further improvements in the rating in the medium-term.

CREDIT AGENCY RATINGS

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

PUBLIC CONSOLIDATED BALANCE SHEET
Ibercaja Banco Group

THOUSAND EUROS	Balance 2017	Balance 2016	Increase 17/16 Thousand euros	Increase 17/16 %
Cash and cash balances at central banks and other demand deposits	3,512,477	1,005,986	2,506,491	249.16
Financial assets held for trading	9,378	33,124	-23,746	-71.69
Financial assets designated at fair value through profit or loss	52,247	48,997	3,250	6.63
Financial assets available for sale	10,849,926	11,476,251	-626,325	-5.46
Loans and receivables	35,019,800	36,019,328	-999,528	-2.77
Debt securities	2,296,675	2,602,217	-305,542	-11.74
Loans and advances	32,723,125	33,417,111	-693,986	-2.08
To credit institutions	414,078	470,055	-55,977	-11.91
To customers	32,309,047	32,947,056	-638,009	-1.94
Investments held until maturity		4,545,574	-4,545,574	- - -
Derivatives - hedge accounting	187,456	285,111	-97,655	-34.25
Investments in joint ventures and associates	105,313	135,798	-30,485	-22.45
Tangible assets	1,029,414	1,092,388	-62,974	-5.76
Intangible assets	199,680	198,837	843	0.42
Non-current assets held for sale	552,756	656,931	-104,175	-15.86
Other assets	1,588,522	1,677,549	-89,027	-5.31
TOTAL ASSETS	**53,106,969**	**57,175,874**	**-4,068,905**	**-7.12**
Financial liabilities held for trading	7,301	31,255	-23,954	-76.64
Financial liabilities measured at amortised cost	42,270,895	46,352,735	-4,081,840	-8.81
Deposits	39,666,819	43,499,051	–3,832,232	-8.81
Central banks	3,353,508	3,366,566	-13,058	-0.39
Credit institutions	1,236,216	3,127,312	-1,891,096	-60.47
Customers	35,077,095	37,005,173	-1,928,078	-5.21
Debt securities issued	1,827,266	2,147,252	-319,986	-14.90
Other financial liabilities	776,810	706,432	70,378	9.96
Derivatives - hedge accounting	106,702	176,172	-69,470	-39.43
Liabilities under insurance contracts	7,019,204	6,858,907	160,297	2.34
Provisions	372,779	411,329	-38,550	-9.37
Other liabilities	330,797	368,716	-37,919	-10.28
TOTAL LIABILITIES	**50,107,678**	**54,199,114**	**-4,091,436**	**-7.55**
Shareholders' equity	2,854,914	2,753,123	101,791	3.70
Accumulated other comprehensive income	144,077	223,330	-79,253	-35.49
Non-controlling interests	300	307	-7	-2.28
TOTAL EQUITY	**2,999,291**	**2,976,760**	**22,531**	**0.76**
TOTAL LIABILITIES AND EQUITY	**53,106,969**	**57,175,874**	**-4,068,905**	**-7.12**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Ibercaja Banco Group

THOUSAND EUROS	Amount		Increase 17/16	
	2017	2016	Thousand euros	%
Interest and similar income	695,983	832,867	-136,884	-16.44
Interest expense and similar charges	134,827	265,664	-130,837	-49.25
NET INTEREST INCOME	**561,156**	**567,203**	**-6,047**	**-1.07**
Return on equity instruments	12,797	10,913	1,884	17.26
Profit/(loss) at entities accounted for using the equity method	1,303	11,701	-10,398	-88.86
Net fees and commissions and exchange differences	366,369	340,058	26,311	7.74
Gains/(losses) on financial assets and liabilities	152,524	169,527	-17,003	-10.03
Other operating profit/(loss)	70,065	30,372	39,693	130.69
GROSS INCOME	**1,164,214**	**1,129,774**	**34,440**	**3.05**
Operating expenses	719,000	652,205	66,795	10.24
- Personnel expenses	458,588	384,958	73,630	19.13
- Other general administration expenses	209,606	214,900	-5,294	-2.46
- Amortisation	50,806	52,347	-1,541	-2.94
PROFIT/(LOSS) BEFORE WRITE-DOWNS	**445,214**	**477,569**	**-32,355**	**-6.77**
Provisions, impairments and other write-downs	263,978	413,136	-149,158	-36.10
Other profit and loss	1,495	6,337	-4,842	-76.41
PROFIT/(LOSS) BEFORE TAX	**182,731**	**70,770**	**111,961**	**158.20**
Income tax	44,373	-72,292	116,665	161.38
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**138,358**	**143,062**	**-4,704**	**-3.29**
Profit/(loss) attributable to the parent	138,367	142,897	-4,530	-3.17
Profit attributable to non-controlling interests	-8	165	-173	-104.85

CORPORATE GOVERNANCE AND RISK MANAGEMENT

iberCaja

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Corporate governance

Governing bodies and functions

Suitability, remuneration and conflict of interests policy

Internal rules and control bodies

Internal control system

Risk management

CORPORATE GOVERNANCE

G4-DMA, G4-2, G4-34, G4-35, G4-36, G4-38, G4-39, G4-40, G4-42, G4-44, G4-46, G4-47, G4-48, G4-56, G4-LA12

Corporate governance at Ibercaja is guided by the values employed to manage the Bank since its foundation. Its goal is to develop a sustainable and profitable business that creates value for its shareholders, customers and society.

ONE OF THE GROUP'S PRIORITIES IS TO ENSURE TRANSPARENCY AND GOOD GOVERNANCE OF THE BANK.

The governing bodies, their composition and operating rules are regulated in the Bylaws and the Board Regulations, the contents of which comply with the regulations on the organisation, supervision and solvency of credit institutions, the Spanish Companies Act, the Accounts Auditing Act, the guides released by international organisations and the Code of Good Governance of listed companies, in addition to other instruments, considered the best practices in this field.

The composition, independence and operating methods of the governing bodies, the mandatory codes of conduct and internal rules. the established control systems, the communication and transparency policy, the struggle against fraud and corruption and the confidentiality of the handling of information are the bases of corporate governance at Ibercaja.

The **information regarding corporate governance and the remuneration policy** can be accessed **online** at http://www.ibercaja.com, under the section "Shareholders and Investors".

Ibercaja posts its annual **Corporate Governance Report** on its **corporate website** and on the **CNMV's website** as a Relevant Fact.

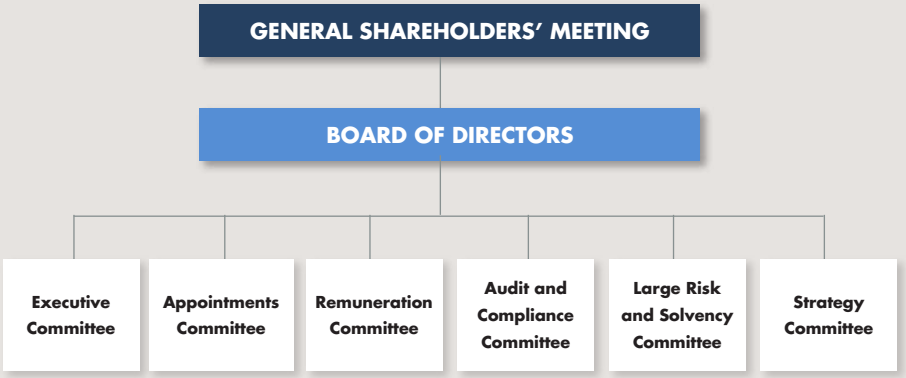
GOVERNING BODIES AND FUNCTIONS

G4-DMA, G4-34, G4-35, G4-36, G4-38, G4-39, G4-40, G4-42, G4-44, G4-46, G4-47, G4-48, G4-56, G4-LA12

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

The General Shareholders' Meeting is the most senior decision-making body at the Bank and its resolutions are binding on the Board of Directors.

The General Meeting has the broadest of authorities to govern the Entity and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Entity's own Bylaws.



BOARD OF DIRECTORS

It has the broadest of authorities to manage, administer and represent the Bank and, except for those matters reserved for the General Meeting, it is the highest decision-making body at the Bank. Both the Corporate Social Responsibility policy and report are approved by the Board of Directors. The Board has met on 14 occasions.

NAME	POSITION	CATEGORY
D. José Luis Aguirre Loaso	Chairman	Proprietary
D. Jesús Máximo Bueno Arrese	First Deputy Chairman	Proprietary
D. José Ignacio Mijangos Linaza	Second Deputy Chairman	Proprietary
D. Víctor Manuel Iglesias Ruiz	Chief Executive Officer	Executive
D. Jesús Barreiro Sanz	Member Secretary	Proprietary
Dª. Gabriela González-Bueno Lillo	Member	Independent
D. Jesús Solchaga Loitegui	Member	Independent
D. Juan María Pemán Gavín	Member	Proprietary
D. Emilio Jiménez Labrador	Member	Proprietary
D. Vicente Cóndor López	Member	Independent
D. Félix Santiago Longás Lafuente	Member	Independent
D. Jesús Tejel Giménez	Member	Independent
D. Luis Enrique Arrufat Guerra	Member	Proprietary
Dª. María Pilar Segura Bas	Member	Other External Director

All appointments to the Board of Directors have been approved by the Appointments Committee.

EXECUTIVE COMMITTEE

The permanent delegation of Board authority to the Executive Committee covers all such authorities, except for those that cannot be delegated in accordance with the law, the Bylaws or the Board Regulations.

NAME	POSITION	CATEGORY
D. José Luis Aguirre Loaso	Chairman	Proprietary
D. Jesús Máximo Bueno Arrese	First Deputy Chairman	Proprietary
D. Víctor Manuel Iglesias Ruiz	Chief Executive Officer	Executive
D. Jesús Barreiro Sanz	Member Secretary	Proprietary
Dª. Gabriela González-Bueno Lillo	Member	Independent
D. Vicente Cóndor López	Member	Independent
D. Juan María Pemán Gavín	Member	Proprietary

APPOINTMENTS COMMITTEE

This 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, together with 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, in addition to the basic terms of their contracts, and examining and organising the succession of the Chairman and the CEO.

NAME	POSITION	CATEGORY
D. Jesús Solchaga Loitegui	Chairman	Independent
D. Jesús Barreiro Sanz	Secretary (member)	Proprietary
D. Félix Santiago Longás Lafuente	Member	Independent
D. José Ignacio Mijangos Linaza	Member	Proprietary

REMUNERATION COMMITTEE

G4-51, G4-52

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

NAME	POSITION	CATEGORY
D. Jesús Solchaga Loitegui	Chairman	Independent
D. Jesús Barreiro Sanz	Secretary (member)	Proprietary
D. Félix Santiago Longás Lafuente	Member	Independent
D. José Ignacio Mijangos Linaza	Member	Proprietary

AUDIT AND COMPLIANCE COMMITTEE

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

NAME	POSITION	CATEGORY
Dª. Gabriela González-Bueno Lillo	Chairman	Independent
D. Jesús Barreiro Sanz	Secretary (non member)	N. A.
D. Jesús Máximo Bueno Arrese	Member	Proprietary
D. Vicente Cóndor López	Member	Independent
D. Juan María Pemán Gavín	Member	Proprietary
D. Jesús Tejel Giménez	Member	Independent

LARGE RISK AND SOLVENCY COMMITTEE

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

NAME	POSITION	CATEGORY
D. Vicente Cóndor López	Chairman	Independent
D. Jesús Barreiro Sanz	Secretary (non member)	N. A.
D. Jesús Máximo Bueno Arrese	Member	Proprietary
D. Jesús Solchaga Loitegui	Member	Independent
D. Jesús Tejel Giménez	Member	Independent
Dª. María Pilar Segura Bas	Member	Other External Director

STRATEGY COMMITTEE

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation. In 2017, the Committee regularly monitored the Strategic Plan approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

NAME	POSITION	CATEGORY
D. José Luis Aguirre Loaso	Chairman	Proprietary
D. Jesús Barreiro Sanz	Secretary (non member)	N.A.
Dª. Gabriela González-Bueno Lillo	Member	Independent
D. Félix Santiago Longás Lafuente	Member	Independent
D. Luis Enrique Arrufat Guerra	Member	Proprietary
D. Emilio Jiménez Labrador	Member	Proprietary

Furthermore, Ibercaja has a **management team** on which the following members sit:

CHIEF EXECUTIVE OFFICER
Víctor Iglesias

CORPORATE BRAND AND REPUTATION
María Campo

GENERAL SECRETARY	**Francisco Serrano**	Assistant General Manager
REAL-ESTATE DIVISION MANAGEMENT	**Luis Miguel Carrasco**	Assistant General Manager
BRANCH NETWORK DIVISION MANAGEMENT	**José Ignacio Oto**	Deputy General Manager
FINANCE DIVISION MANAGEMENT	**Antonio Martínez**	Deputy General Manager
CREDIT RISK DIVISION MANAGEMENT	**Raquel Martínez**	Deputy General Manager
RESOURCES DIVISION MANAGEMENT	**José Palma**	Deputy General Manager
HUMAN RESOURCES DIVISION MANAGEMENT	**María Teresa Fernández**	Deputy Manager
MARKETING AND DIGITAL STRATEGY DIVISION MANAGEMENT	**Ignacio Torre**	
FINANCE GROUP DIVISION MANAGEMENT	**Rodrigo Galán**	Deputy Manager
CORPORATE INFORMATION AND MANAGEMENT ANALYSIS DIVISION MANAGEMENT	**Ana Sangrós**	

AUDIT AND COMPLIANCE COMMITTEE

INTERNAL AUDIT DIVISION MANAGEMENT	**Ángel Serrano**	Deputy Manager

SUITABILITY, REMUNERATION AND CONFLICT OF INTERESTS POLICY

G4-DMA, G4-2, G4-41, G4-44, G4-51, G4-52

Board members carry out their mission with professionalism and honour, and have the experience and training required to undertake their duties.

SUITABILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS

All Board members must comply with honesty, experience and governance requirements in the terms required by current regulations and included in the Bank's internal governance rules.

Ibercaja has a **policy for assessing the suitability** of members of the Board of Directors and individuals performing key functions at the Bank, which establishes the **criteria and systems considered by the Bank when assessing the suitability of members** of the Board of Directors, general managers and other senior executives, the heads of the internal control function and other key posts in the daily undertakings of the Bank.

TO ASSESS THE SUITABILITY OF THE AFOREMENTIONED POSITIONS AND ROLES, WHICH IN ALL CASES MUST BE PERFORMED PRIOR TO THEIR APPOINTMENT, THE FOLLOWING MUST BE CONSIDERED:

- Their commercial and professional repute.
- Their knowledge and experience.
- In terms of members of the Board, aspects concerning good governance shall also be taken into consideration, employing indicators such as their ability to dedicate themselves, their independence and the absence of conflicts of interests.

Furthermore, it shall be ensured that the selection processes are not subject to implicit bias that would make it difficult to select female Directors and that measures are adopted that seek to include female candidates who meet the professional profiles sought.

In the event that in the performance of their corresponding duties, any of the individuals subject to the Policy is affected by circumstances that change the criteria considered as part of the favourable assessment of their suitability to perform in the role, the Bank shall take the corresponding measures and inform the competent supervision authority within a maximum period of 15 days.

PERFORMANCE ASSESSMENT

Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions allocates responsibility for oversight, control and the periodic assessment of the effectiveness of the corporate governance system to the Board of Directors. The Guidelines of the European Banking Authority (EBA) on internal governance and the Bank of Spain guidelines for the capital self-assessment process for credit institutions, provide for the management body to periodically assess the individual and collective efficiency and effectiveness of its corporate governance activities, practices and procedures, as well as the functioning of the delegate committees. This obligation is also established in the Capital Companies Act for listed companies and in the CNMV's Corporate Governance Code approved in February 2015. These legal obligations and good practices have been included in the Bank's Board Regulations which include, among the Board's competencies, the yearly preparation of a self-assessment report on its performance and that of its delegated committees.

The Bank has periodically organises the delivery of training sessions aimed at members of the Board of Directors, the content of which on various matters is determined annually in accordance with directors' training needs, regulatory developments affecting credit institutions and relevant economic and social issues.

REMUNERATION OF SENIOR MANAGEMENT AND GOVERNING BODIES

The remuneration policy for members of the Board of Directors is aimed at establishing a compensation scheme in line with the dedication and responsibility undertaken by the directors, in accordance with current legislation.

Details of director and senior management remuneration are provided in the Annual Corporate Governance Report.

CONFLICTS OF INTEREST OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The members of the administrative, management and supervisory bodies of Ibercaja Banco comply with the requirements established in the Capital Companies Act and no conflicts of interest between persons, their private interests and other duties, and their activity at the Bank, have come to light.

There are no situations of conflict of interests involving the Company's directors that could affect the performance of their duties in accordance with Article 229 of the Capital Companies Act. In specific situations in which a director has considered that a conflict of interests could be involved, such director has refrained from intervening in discussions and participating in the voting.

INTERNAL RULES AND CONTROL BODIES

G4-DMA, G4-46, G4-47, G4-56, G4-58, G4-PR3

The internal rules and control bodies established by Ibercaja ensure full and rigorous compliance with the corporate governance measures adopted by the Bank.

Ibercaja has established internal rules and control bodies that ensure full and rigorous compliance with the Entity's corporate governance measures, including the following:

- **Internal Code of Conduct** for the operations involving the securities market, applicable to the governing bodies, management and employees of the Company operating in capital markets.
- **Ibercaja Group customer protection regulations**.
- **Mandatory Rules of Conduct** which include a memorandum on operational conduct and security that affects all the Bank's employees.
- **Style manual for customer service**, which contains the general criteria for attending to customers.
- **Retail savings product marketing manual**, in accordance with MiFID regulations.
- **Conflict of interest policy**, developed under MiFID regulations, the aim of which is to objectively manage conflicts of interest that may arise between the Ibercaja Group and its customers.
- **Internal Control Committee** for the prevention of money laundering and financing of terrorism.
- **Special Committee** to coordinate compliance with regulations on personal data protection.
- **Control body** for the criminal risk prevention system.

INTERNAL CONTROL SYSTEM

G4-DMA, G4-58, G4-PR3

The Group has control and supervision mechanisms that guarantee compliance with the rules that regulate business risk.

Ibercaja Banco has established control and supervision mechanisms on different reporting levels based on three lines of defence, as recommended by the Basel Committee on Banking Supervision (BCBS):

FIRST LINE

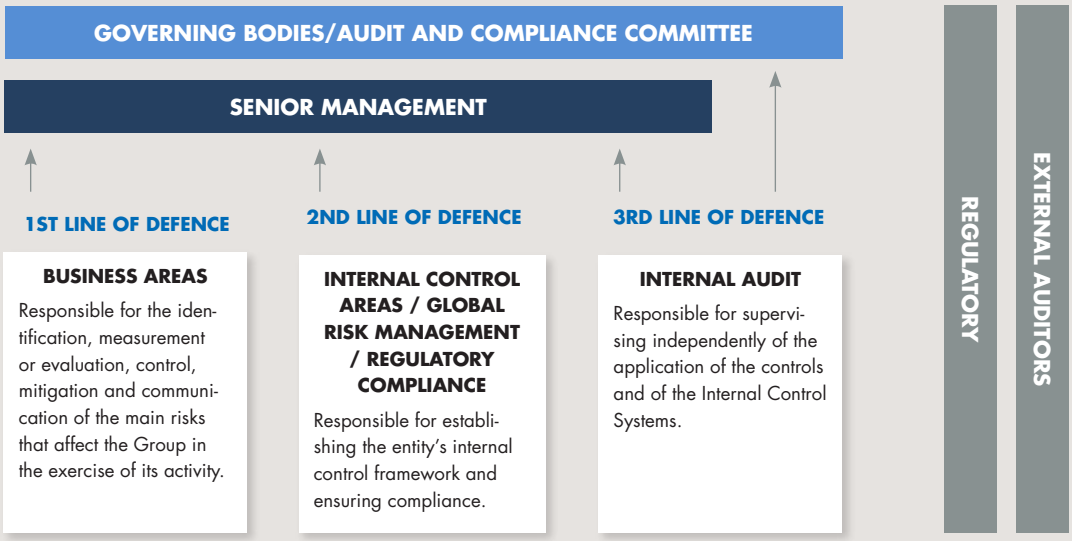
The first line of control in Business Units, Management and Support. Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

SECOND LINE

A second centralized and independent control line. Dedicated to supervising the exercising of the primary controls, and exercising specialised financial operating and management controls. It has systems that ensure: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units. Regulatory Compliance and Risk Control form part of this second line.

THIRD LINE

An Internal Audit function. This third line of defence is responsible for performing an independent review of the first two "lines of defence".



RISK MANAGEMENT

G4-DMA, G4-2, G4-58

The control, identification, measurement and monitoring of risks are key aspects of Ibercaja's undertakings.

INTRODUCTION AND REGULATORY FRAMEWORK

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.

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

Following the entry into force of the Single Supervisory Mechanism (SSM) in November 2014, European financial institutions are obliged to adapt their risk policies and procedures as well as their control environment. The "Supervisory Review and Evaluation Process" (SREP) is how the SSM performs continuous evaluations of entities.

The internal processes for evaluating the adequacy of capital and liquidity under Pillar II (known as ICAAP & ILAAP) in addition to the stress exercises organised by the European Banking Authority (EBA) and the ECB are key factor in the SREP.

Furthermore, the Ibercaja Group has a Recovery Plan, drawn up in line with the Directive for Bank Recovery and Resolution (Directive 2014/59, BRRD) and the guidelines and recommendations of the EBA that establishes the foundations for the process or restoring the Group's financial strength and viability, in the event of severe stress.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are revised and approved by the Bank's Board of Directors on an annual basis.

Furthermore, the Board of Directors has revised the other risk management manuals and frameworks and has approved new manuals in line with the entry into force of IFRS9.

- **Loan and discount risk management policy and procedure manual**
- **Manual for lines of risk**
- **Capital market management policies manual**
- **Interest rate risk management policy and procedure manual**
- **Liquidity risk management policy and procedure manual**
- **Operational risk management framework**
- **Internal control and model validation framework**
- **Model governance framework**
- **Methodological manual for the accounting classification of exposures**
- **Methodological manual for the individual classification and estimation of impairment**
- **Methodological manual for IFRS9 - collective model of provisions**
- **Manual for calculating the Internal foreclosure model**

ORGANIZATIONAL STRUCTURE

Ibercaja has a robust organizational structure that allows it to ensure effective risk management and control. The Governing Bodies are structured as follows:

BOARD OF DIRECTORS

The Board of Directors is responsible for establishing and supervising the risk reporting and control systems, approving the Risk Appetite Framework as well as the policies, manuals and procedures relating to risk management.

LARGE RISK AND SOLVENCY COMMITTEE

Among other responsibilities, the Large Risk and Solvency Committee proposes the establishment of limits by type of risk and business, reporting the Group's Risk Appetite Framework in a manner consistent with the Entity's other strategic policies and frameworks, evaluating the Group's risk management, reviewing the risk control systems and proposing measures to mitigate the impact of identified risks.

STRATEGY COMMITTEE

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee, which supervises the effectiveness of internal control, internal audit and risk management systems, regularly reviews the matters so that primary risks are identified, managed and adequately reported.

RISK CLASSIFICATION

Credit risk is of the greatest relevance in the banking business, although the RAF also takes into account the following: business and profitability risk, concentration risk, operational risk, interest rate risk, market risk, liquidity risk, reputational risk and compliance risk.

THEY ARE DEFINED AS FOLLOWS:

BUSINESS AND PROFITABILITY RISK

Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. Furthermore, this includes extraordinary threats that may pose a hazard to the continuity of the business or Bank.

CONCENTRATION RISK

Possibility of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Entity.

CREDIT RISK

Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

OPERATIONAL RISK

Risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.

INTEREST RATE RISK

The possibility that the financial margin or the Bank's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.

MARKET RISK

The possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

REPUTATIONAL RISK

An unfavourable impact that an event may have on the perception of interest groups (customers, shareholders and investors, suppliers and regulators) with respect to the Bank, which could adversely affect its capacity to maintain existing business relationships or establish new ones and therefore its results.

COMPLIANCE RISK

The risk of legal or regulatory penalties or significant financial loss suffered by a Bank due to the breach of laws, regulations, rules, standards for the self-regulation of the organization, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to ongoing supervision by the authorities.

LIQUIDITY RISK

Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

Note 3 to the Ibercaja Banco Group's 2017 consolidated annual accounts provides more extensive and detailed information on the management of each type of risk.

RISK PREVENTION

G4-12, G4-EC4

The thresholds that allow the risk profile to be placed into the following categories have been defined for each of the metrics taken into consideration in the Risk Appetite Framework:

COMPLIANCE

The risk level that the Entity is willing to assume to in accordance with its strategic and business objectives. This is a normal risk situation at the target risk level.

ALERT

This is an intermediate level of monitoring the risk appetite with the objective of detecting whether or not the risk profile is deviating from tolerance levels and, therefore, requires additional monitoring.

BREACH

Limit at which a situation commences that activates specific action plans for measures.

The Comprehensive Risk Committee is the management and control body that is responsible for establishing an action plans to attain the target risk level and must report on the monitoring of the situation at least on a quarterly basis to the Large Risk and Solvency Committee (or more frequently if considered necessary).

THE ACTION PLANS TO BE IMPLEMENTED WILL CONSIST OF ONE OF THE FOLLOWING:

- Proposal of measures aimed at reducing the risk to compliance levels.
- Evaluation of the adequacy of the limits or thresholds as a result of unexpected events or changes in the strategic targets or the Entity's business.
- Temporary approval to exceed limits.

PREVENTING OF MONEY LAUNDERING AND FINANCING OF TERRORISM

G4 - 2. G4 - DMA

The Ibercaja Group collaborates effectively in and is fully committed to the prevention of money laundering and terrorist financing, acting in accordance with best banking practices and complying with current legal requirements

To this end, it has a procedures manual approved by the Board of Directors, which applies to all entities that form part of the Group.

The Bank has an Internal Control Committee dedicated to the prevention of money laundering prevention and a specialist expert unit, which reports to the Regulatory Compliance Unit, which oversees the correct application of the due diligence prevention of money laundering and financing of terrorism measures.

The Internal Control Committee on money laundering prevention carries out control, and analysis functions, in addition to any other function that could affect the prevention of money laundering.

The Executive Service of the Money Laundering and Monetary Offenses Commission (SEPBLAC) oversees the money laundering prevention function. In addition, the Bank's money laundering prevention system is subject to an annual review by an external expert in accordance with the provisions of current legislation.

Employee training is also a key element in the management of money laundering and terrorist financing prevention, which is imparted both face-to-face and via the *online* "Paraninfo" training platform.

CODE OF CONDUCT ON MATTERS RELATING TO THE SECURITIES MARKET

In compliance with the provisions of the Securities Market Act and Articles 34 and 35 of Royal Decree 217/2008 of 15 February, on the legal system of service companies, the Group has Internal Conduct Regulations that affects the members of the Bank's governing bodies, as well as certain employees, depending on their position or relationship with the securities markets.

The Audit and Compliance Committee receives semi-annual reports from the Regulatory Compliance Unit evaluating compliance with the control measures and procedures set out in the regulations, the conclusions of which are subsequently forwarded to the Board of Directors for its information.

INVESTOR PROTECTION

The implementation of the MiFID (Markets in Financial Instruments Directive), which aims to improve the protection of small investors and achieve a single market for financial services, has led to numerous demands concerning control over the fulfilment of the obligations entailed.

In terms of investment services and ancillary services, the Annual Operational Plan of the Regulatory Compliance Unit covers the control activities for which it is responsible in accordance with the provisions of the Securities Market Act, Royal Decree 217/2008 of 15 February and, with a higher level of detail, National Securities Market Commission Circular 1/2014 of 26 February, on the internal organisation requirements and control functions of entities providing investment services.

The Bank has established internal rules and procedures for the provision of investment services in accordance with current legislation and has provided training to employees on matters regulated by MiFID.

MiFID
Markets in Financial Instruments Directive

MARKET ABUSE. COMMUNICATION OF SUSPICIOUS TRANSACTIONS

The Securities Market Act requires all entities that carry out operations involving financial instruments to report to the CNMV as quickly as possible if they consider that there are reasonable grounds to suspect that a transaction has used insider information or constitutes a practice that falsifies the free attainment of prices.

Through a service centralised via CECA, Ibercaja has a computer system to support the systematic detection of potentially suspicious operations and the corresponding manual and procedures for the detection, analysis and communication thereof.

HANDLING OF CONFIDENTIAL INFORMATION

The protection of personal data is a fundamental right of all persons. The Bank, in order to guarantee and protect this right, promotes and coordinates actions to adopt security measures in personal data processing that ensure proper regulatory compliance through the LOPD (Organic Law on Data Protection) Committee.

In terms of handling information, the Bank has a Security Document that defines the security policy related to files containing personal data, as well as a set of mandatory rules to ensure confidentiality in the handling of personal data.

BREACHES, FINES AND PENALTIES RECEIVED

During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to unfair competition, monopolistic practices or conduct contrary to free competition.

PUBLIC AID AND SUBSIDIES RECEIVED

Ibercaja Banco received no direct financial support from the Government in 2017.

The concession of risk operations to political parties and trade unions is the responsibility of the Executive Committee and the Board of Directors.

PREVENTION OF CRIMINAL RISKS

G4 - DMA

Criminal risk organisation and management has been systemised through a **Criminal Risk Prevention Manual**. It includes the procedures that must be followed to mitigate the risk of committing criminal actions that could give rise to liability for the Bank. A document has also been prepared to inform employees about behaviours that could be classified as criminal.

These procedures have been distributed through the Internal Regulations to which all employees have access.

In addition, a course on criminal risk prevention that is mandatory for all employees has been included in the catalogue of courses available on the Paraninfo platform.

STRATEGY OF THE ORGANISATION AND BUSINESS MODEL

iberCaja

STRATEGY OF THE ORGANISATION AND BUSINESS MODEL

2015-2017 Strategic Plan. "Plan +"

Business Model

Multiple channels

Finance Group

Shareholdings

Model of Excellence-based management

Technological advances

Corporate Framework and Reputation

Transparency and Communication

STRATEGIC PLAN 2015-2017. PLAN+

G4-DMA, G4-1, G4-2, G4-4, G4-12, G4-FS6

After successfully attaining most of the targets contained in its 2015-2017 Strategic Plan, Ibercaja is now preparing a new plan for the coming three years with the aim of: growing, innovating and digitalising.

The performance report of the Strategic Plan 2015-2017 makes for very good reading.

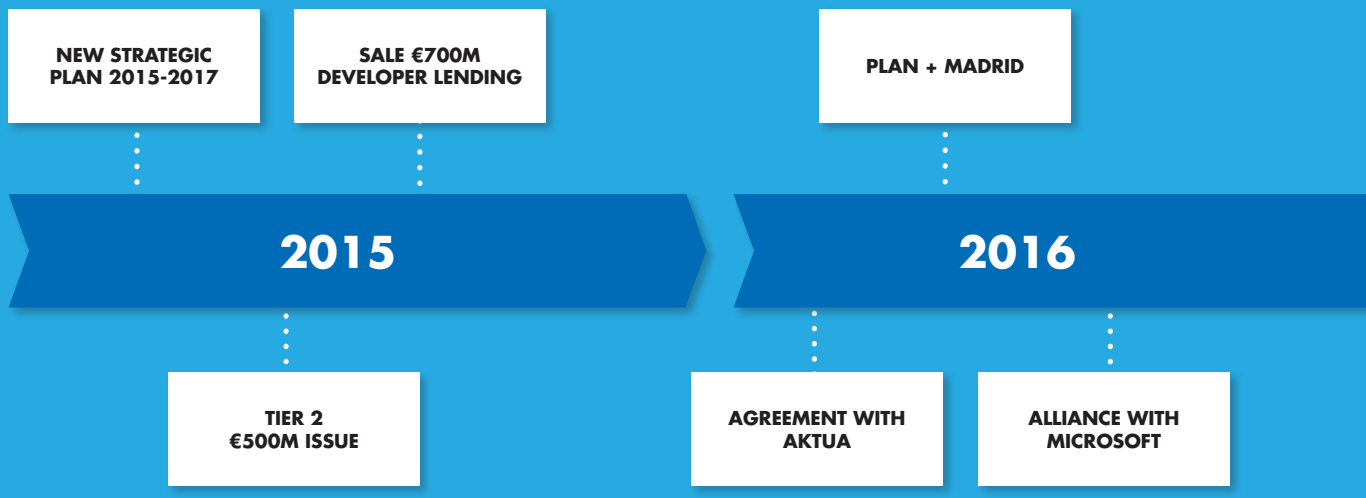
A high percentage of the Vision Dashboard targets have been met in full, whilst significant improvements are evident in terms of others targets, underlining the need to persevere with the efforts made to date.

MONITORING OF THE VISION DASHBOARD

% AND NUMBER		2014	2017	TARGET 2017
SOLVENCY	**1. CET1 "fully loaded"**	9.6	11.0	**10%**
	2. CAPITAL TOTAL "phased in"	11.8	13.9	**13.5%**
PROFITABILITY	**3. RECURRENT EFFICIENCY RATIO**	69.4	64.0	**50%**
	4. ROTE	6.1	5.3	**10%**
LEVERAGING	**5. LOANS / DEPOSITS**	99.7	96.3	**100%**
RISK QUALITY	**6. NPL VS SECTOR**	< Average	< Average	**< Average**
	7. COST OF RISK	98 bp	70 bp	**50 bp**
	7.1 NET REAL-ESTATE EXP./OWN FUNDS	112	68	**< 75%**
POSITION	**8. MARKET SHARE**			
	8.1 NON-REAL ESTATE COMPANIES	1.2%	1.5%	**10 bp year**
	8.2 LIFE INSURANCE AND ASSET MANAGEMENT	4.2%	4.6%	**10 bp year**
	9. QUALITY RANKING	6th	4th	**Top 3**
	10. REPUTATION RANKING	N/A	4th	**Top 3**

Under the Plan, a **number of significant milestones** were reached during the year: the launch of territorial development plans to drive growth in the retail business; an ambitious project to bring about the Bank's digital transformation; returning to the markets with a Tier II issue to further improve the Group's financial strength; sales of portfolios and agreements with specialised operators to reduce exposure to problematic assets on the balance sheet,; implementing a new customer relations model; and the internal adoption of an innovative leadership and team management approach.

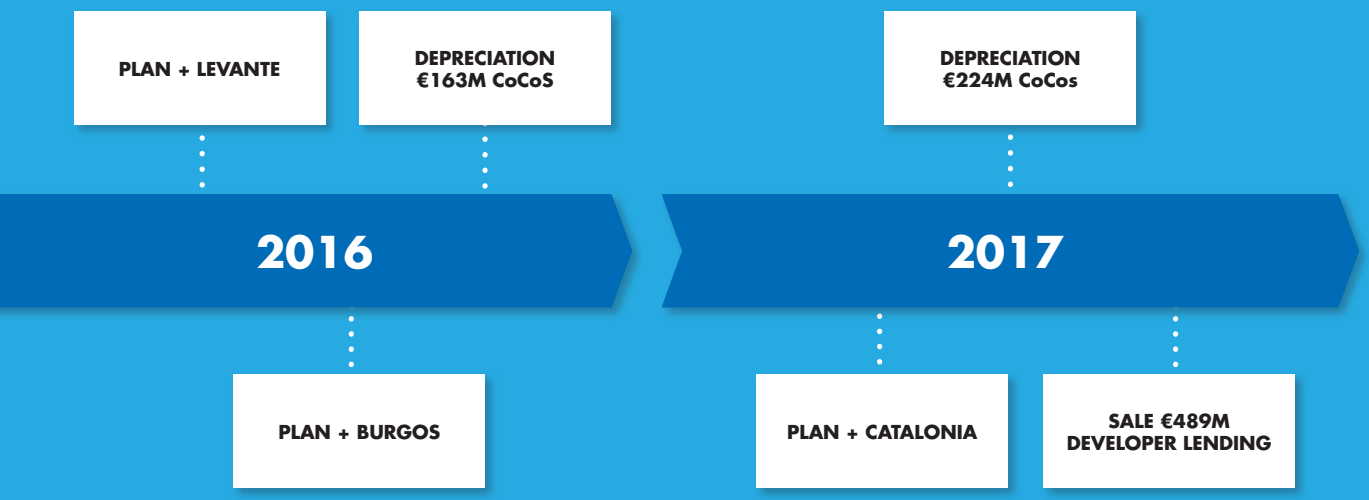
The following were particular highlights in the year:



RETURN OF PUBLIC AID. **In March, the Bank carried out the early redemption of €224 million in contingent convertibles (CoCos) issued by Banco Grupo Caja3 as part of its restructuring process.**

LAUNCH OF A NEW TERRITORIAL PLAN+ CATALONIA. **The initiative will be deployed over the coming four years and seeks to strengthen the Bank's presence in the autonomous region of Catalonia, increasing business volume by almost 2,000 million euros. Together, the four existing territorial plans (Madrid, Levante, Burgos and Catalonia) will increase funds and lending activity by more than €7,500 million through to 2020.**

SALE OF LOANS AND NON-PERFORMING ASSETS. **In July, loans and credit facilities were sold to real estate development companies as part of the Fleta transaction. Most of these items are classified as non-performing and the nominal value of all of them combined comes to €490 million. Meanwhile in December the Servet and Faro deals were completed for the gross sum of €334 million, most of which relates to non-performing loans.**



OPTIMISING EFFICIENCY. **A workforce adjustment plan was signed with the workers' representatives in May. A total of 590 employees may adhere to the plan.**

THE DIGITAL TRANSFORMATION PROCESS **has seen a notable pick-up in terms of the number of both users and transactions. The launch of the mobile banking app, as part of which a "My Finances" module has been included this year, has been a success given its uptake amongst customers, who rate it highly.**

The production of a new Strategic Plan through to 2020 is underway. The Bank's goal is to compete in a quickly changing environment, both in terms of customer habits and technology and the economic-financial framework, in addition to safeguarding the solvency and profitability required to attract capital and successfully trade on the securities market.

BUSINESS MODEL

G4-4, G4-7, G4-8, G4-12, G4-FS6, G4-DMA

Ibercaja is committed to a full-service banking model focused on the retail business and based on service quality and innovation.

It has a stable base of 2.8 million customers, comprising households, companies and public and private institutions.

It has set up specific channels and products tailored to each customer segment. Ibercaja complements its traditional banking services with products such as insurance, investment funds and pension plans, all marketed through its highly specialised Financial Group.

Retail banking is a fundamental pillar of the Group's activities.

It has a total of 2.6 million customers, who account for 84% of business volume, including the family, personal and private banking segments.

FAMILIES

Domestic economies represent the highest percentages of funds under management and of loans and receivables.

The branch network focuses on capturing new customers and strengthening ties with existing customers by developing attractive value propositions tailored to specific needs, based on the family's circumstances and income. In the past year, campaigns have been run on: home lending, consumer financing, structured deposits, investment funds, pension plans, life and risk insurance, cards and to promote digital banking. In parallel, "pre-designed plans" were prepared, consisting of commercial actions that can be launched at a branch's discretion to achieve its objectives.

"Descubrir Ibercaja" (Discover Ibercaja) is an **initiative that seeks to attract new customers**. It provides them with personalised advice and services, plus benefits relating to fees and commissions, credit cards, discounts on bills paid by direct debit, remote banking, fund transfer incentives, etc.

In order to attract young customers and build loyalty, the **"Paquete Bienvenida Joven"** ("Young Customer Welcome Package") campaign continued, which includes a gift, a savings account, a finance card and access to Ibercaja Directo. Our young customers also benefit from the European Youth Card agreement with the regional governments of Aragón, Extremadura and Castilla y León which was renewed; furthermore, an offer was announced at various universities, that covers students' financial needs while they are abroad as part of the Erasmus programme. Ibercaja has specific virtual spaces for young people in Ibercaja **Directo Joven** and its **Web Joven**. The Bank also prioritises the use of social media (twitter), together with e-mails and SMS, to communicate offers and promotions.

Iberfan is the **space created for children** so they can enjoy a broad variety of benefits in learning, leisure and free-time activities. This initiative seeks to stimulate a relationship between the financial institution and children from a young age. The scope, initially limited to Aragón, Extremadura and Castilla y León, **was expanded to La Rioja and Guadalajara in 2017**, reaching a total of 17,505 members. The club has a nationwide presence, in that members, wherever they are from, can benefit from advantages throughout Spain. Collaborating entities cover a wide spectrum of activities: theme parks and leisure centres, sports, training, shops, campsites and campuses, etc.

PERSONAL BANKING

As part of the 2015-2017 strategic cycle, the Personal Banking segment has been key to attaining the Bank's growth targets.

This area **serves over 200,000 customers with an average level of financial assets** under a model in which a personal manager proposes financial planning, advises on investments and provides detailed information on the products and services that best meet the customer's needs. The Financial Group plays a key role in product design, as well as training managers and advising on investments in the private banking area.

Personal banking customers generated a **business volume** of **36,411 million euros**. In a customer segment in which the significance of lending is residual, the **customer funds plus securities** amounted to 33,171 million, up 4.15% on 2016, **more than 58% of the retail network total**. During the three years in which the Strategic Plan has been run, different actions have been taken that have contributed to these results, including: the implementation of 31 branches operating under the Personalised Care Model, the increase in number of specialised managers to 447 and the roll-out of territorial growth plans.

The **Integrated Commercial Orientation System** (SIOC) is the support tool employed in financial planning by the Personal Banking service. It features five modules: advice, commerce, alerts, reports and tools, helping customers to grow their investment, calculate the profitability of their portfolio and offer investment and tax optimisation proposals. SIOC is an application that is in constant expansion and its functionality has been improved over the course of the year, reducing waiting times in terms of access and report generation, with new alerts introduced over indices and to unwind positions.

Personal banking customers are the main parties to investment fund **portfolio management agreements**. As part of this model, the investor delegates active management of the fund portfolio to the Financial Group's specialists, following an investment proposal based on insight into the customer and his or her risk profile, objectives and experience with financial products. The appeal of this arrangement is still growing, with the volume under management for Personal Banking customers up by 25% to 3,800 million euros.

Advice for personal banking customers is **ISO 22222:2010 certified**. **For the fifth year running, the Bank has renewed this AENOR certification**, which endorses a high level of specialisation in personal asset management, as well as the suitability of investment proposals, the information periodically furnished to customers on the market and performance of their portfolios. On this occasion, the

assessment team highlighted the efforts made to improve the abilities of managers, that managers from Caja3 have adapted well and the innovation and success as part of portfolio management agreements against a backdrop of low-interest rates.

Our personal banking managers are training in-house and externally. The majority have obtained specific qualifications such as the EIP (European Investment Practitioner) and EIA (European Investment Assistant) awarded by the European Financial Planning Association (EFPA). In 2017, training was imparted to financial advisers to ensure they are prepared and certified pursuant to the new MiFID II regulations that came into force on 1 January 2018.

PRIVATE BANKING

In March 2017, portfolio management company Ibercaja Patrimonios S.A. was merged and absorbed into Ibercaja Banco, with Ibercaja therefore taking over the company's private banking business.

This merger, in addition to representing a change to the organisational structure, marked the start of an ambitious growth plan, harnessing the synergies with other areas like personal banking and corporate banking and the interrelations between the managers of these segments.

The private banking service offers investment advice to high-wealth customers by providing a premium, bespoke service. Customers receive advice from a dedicated manager and access to a whole range of financial assets: securities traded on national and international markets, investment funds offered both by Ibercaja and external suppliers, SICAVs, structured deposits, etc.

Equity under management, **of 5,500 million euros, from more than 8,424 family groups** has increased by 9.35%. The maintenance of low interest rates has made it necessary to look for profitable investment alternatives. Formulas such as discretionary portfolio management and personal advice are highly valued by savers, which, combined with strong portfolio returns, explains the growth seen in the year. Discretionary portfolio management accounts for 47% of the total and 5,830 management agreements are in place for an average volume of 455,000 euros.

The private banking **workforce** has increased to **61 employees**, spread across different offices in Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, with customer care offices in Huesca, Teruel and Pamplona.

Private banking area managers impart financial market training to the network of branches and help personal banking managers to offer investment advice to customers.

CORPORATE BANKING

Business development for companies, particularly SMEs, is one of the "Plan+" priorities for 2018.

The aim is to improve the Group's positioning in this business sector while providing companies with personalised services tailored to their needs in such a way that the relationship is comprehensive, profitable for both parties and sustainable over time.

Highlights of the year include the **consolidation of activities** and the **complete roll-out of "Plan+"** actions, with a view to making Ibercaja a benchmark institution for SMEs and other companies. As part of the Plan, a **new specialised business centre was opened in Alcobendas (Madrid)**, which now joins the five existing centres in Zaragoza, Madrid, Valencia and Barcelona, all designed to manage high-turnover customers that require more specialised banking products and services. The Bank is planning to open another of these centres in Alicante in 2018.

Corporate Banking has 229 managers dedicated to companies with high levels of turnover and more complex operational structures.

Fifty-three percent of new loans and credit lines arranged during the year, for the sum of 2,896 million euros, were granted to finance non-real estate business activities. In reaching this goal, agreements have been concluded with public bodies and guarantee companies. The **collaboration agreement entered into with the Spanish Confederation of Savings Banks and CERSA (Compañía Española de Reafianzamiento, S.A.)** has generated a line of credit of 500 million euros to cover the needs of companies. The **agreement with the European Investment Bank** has provided guarantees for the financing granted by Ibercaja, thanks to which over the course of the coming two years, around 170 million euros will be made available to almost 2,000 SMEs under favourable conditions. Furthermore, from February onwards, credit was formally arranged under a line of financing worth 150 million euros, originally agreed with the European Investment Bank in December 2016.

The Group has positioned itself as a **specialist in international operations**. It provides companies with specific advice on transactions related to foreign business and the financing thereof. Over the course of the year, a range of conferences have been help on these matters imparted by specialists and cosponsored by the ICEX.

Ibercaja has sponsored several events relating to the corporate world. Experts in different fields have analysed the economic situation and debates strategies that may favour the growth and competitiveness of the business world. These include: "Liderando la transformación de los modelos de negocio" (Leading the transformation of business models) in cooperation with the Business Confederation of Navarre, "Empresas con Futuro" (Businesses with a Future) held in Zaragoza with the support of Microsoft, "Digitalización pymes. Experiencias de éxito en un entorno cambiante" (SME Digitalisation. Success stories in a changing climate) organised by Expansión and the 8th ADEA Directors Convention.

INSTITUTIONS AND OTHER GROUPS

Ibercaja cooperates with national and regional public and private institutions.

Relationships continue to growth through the renewal of agreements and arrangement of commercial offerings targeting new groups.

In the public sector, Ibercaja cooperates with central, regional and local administrations under financing agreements, youth programmes and sponsorships. Furthermore, it actively participates in the implementation and dissemination of electronic administration and agreements are in place to collect taxes, manage taxes, process university enrolment, etc.

In the private sector, members of professional associations, associations of public employees and of large companies, owners' associations, etc. have benefited from specific offers. At the same time, agreements have been signed with reciprocal guarantee companies in different regions to offer financing to SMEs.

AGRICULTURAL SECTOR

Ibercaja's strong presence in essentially agricultural areas, particular in its traditional zone, means that this business segment contributes a high number of customers: individuals, cooperatives, agricultural companies engaged in transformation activities and agro food industries.

Products and services have been extended progressively, together with agreements with relevant institutions and operators in the primary sector.

The **number of Agro branches**, created under the 2015-2017 Agro Plan, has increased to **234**. They serve as a forum for clients from the food and agriculture industry and Ibercaja's managers specialising in responding to their needs.

Work has continued to train a group of employees on topics such as: Common Agricultural Policy aid, agricultural insurance, etc. with the number of specialists increasing to 13.

The Bank provides support for crop and livestock farmers when they request public aid under the **Common Agricultural Policy (CAP), over 36,200 requests** in its main areas of action having been processed in 2017.

In line with the ongoing renewal of the product catalogue for, a special food and agriculture industry loan has been created to fund improvements in farms or production processes. Furthermore, Ibercaja has fulfilled on of its commitments, the promotion of the economic development of regions in which it is present and, in particular, areas that have suffered adverse natural phenomena, by dedicating special financing under advantageous conditions to help customers that have borne the brunt of these events.

Ibercaja has entered into a number of agreements with the main players in the food and agriculture industry: cooperatives, farming organisations, regional departments of agriculture, etc. The most noteworthy are designed to create jobs for young crop and livestock farmers, improve farms and develop rural areas to revitalise the territory. The Group has sponsored numerous events related to the food and agriculture industry: These include, the "Innovation and Success Workshop" held in Burgos, the "Spanish-Chinese Agricultural Forum", the "Competitiveness challenges for food industry SMEs in Aragón"… Whilst participating at fair such as: the International Agricultural Machinery Fair in Zaragoza., Agroexpo de Don Benito, Agricultural Machinery Fair in Lerma and the Sant Micquel Fair in Lérida.

MULTIPLE CHANNELS

G4-DMA, G4-6, G4-8, G4-FS14

Ibercaja is firmly committed to technical innovation in order to improve its relationship with customers and offer faster responses to their requirements.

Ibercaja brings services closer to customers so they are available any place any time. The aim is to integrate traditional and new channels while maintaining the ongoing, trusting relationship made possible through personal contact.

Progress in the information society is quickly bringing new forms of customer care to the forefront. Technological innovation and content addition are constant, facilitating access to banking operations in the latest devices such as tablets and smartphones.

The **Technological Transformation Project**, one of the transformational milestones of Strategic Plan 2015-2017, seeks to anticipate new demands from society and assure success in an increasingly competitive market. **The agreement concluded with Microsoft to drive the digital transformation** forms part of this process.

Efforts being made in this regard have received recognition, with Ibercaja **one of the winners at the first edition of the Netexplo Change awards**, an initiative promoted by the CEOE and driven by the Netexplo observatory based in Paris. This award recognises the fact that the digital transformation at Ibercaja is structured around offering an excellent user experience. In granting this award, digital assets that are highly valued amongst users have been taken into consideration, such as: mobile banking, the Ibercaja Pay application and the personal financial management service.

BRANCH NETWORK

Branches are the basic instrument of customer relations, providing a close, personalised, quality service.

Ibercaja's network is broad, with high capillarity, and is supported by other alternative channels. In recent years, traditional customer service has adapted to new market requirements, which has involved incorporating material, technological and management changes to streamline the relationship with our customers and provide them with a pleasant user environment.

The network structure includes full-service branches and branches that provide personalised services, along with specific business centres, private banking centres, Branches+ and Agro. Managers specialising in corporate, personal and private banking support the network, provided a high-added value service.

At the end of 2017, the Bank had a total of **1,151 branches located across Spain**. The strategic closure of 99 branches in the last twelve months was intended improve business continuity and customer proximity and maintain the Bank's presence in small towns and villages. The distribution of branches by autonomous regions is as follows: 407 points of sale in Aragon, 186 in the Community of Madrid, 107 in Extremadura, 100 in La Rioja, 81 in Castile and León, 90 in Catalonia, 64 in Castilla-La Mancha, 55 in the Community of Valencia, 30 in Andalusia and 31 in the other autonomous regions of Spain.

After the 2016 roll-out of 5 **Company Business Centres** located in Madrid, Barcelona, Valencia and Zaragoza, an additional centre has been opened in Alcobendas (Madrid). These centres boast multidisciplinary teams and are dedicated to improving the position of Ibercaja in this business segment by means of specialisation and quickly satisfying the financing needs of companies.

The evolution of the distribution mode, following a pilot experiment, involved implementing a new branch concept known as the **Personalised Care Model**; this initiative has already been rolled out at **31 centres**. These branches are characterised by two distinctive, complementary spaces. One provides fast customer care for basic, non-complex operations and the other offers a comprehensive advisory service.

"Planes Territoriales+" for Madrid, south-east Spain and Burgos were launched to increase business volumes in key territories for the Bank's expansion. They include **the "Ibercaja+" branch concept** that is to be rolled out in markets showing high business potential in the corporate, personal and private banking segments. In 2017, a new branch was opened on Paseo de la Habana, which joins the two existing offices in Madrid, with seven existing branches adapted to this model, all in the Spanish capital. Their task is to enhance specialisation and brand image positioning, build synergies between managers and, above all, be of greater use to the highest value customers.

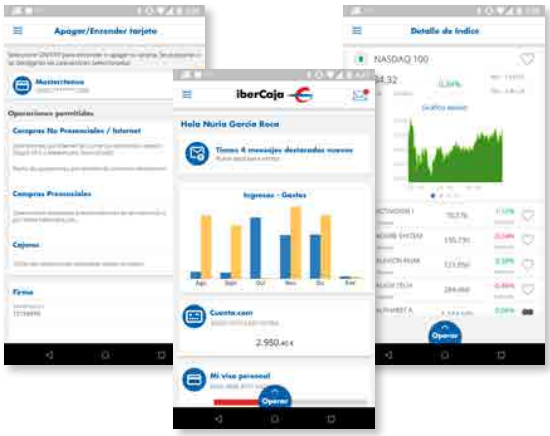
The food and agriculture industry is one of the most relevant for Ibercaja. With the aim of increasing the Bank's presence in this industry, the Agro Plan has been drawn up, known as **"Agro"**, for branches in which the agro food business is most significant. To date, **234 branches** offer this expert service, under a distinctive image, in addition to professionals capable of providing advice and specific financial solutions.

ELECTRONIC BANKING

Customers are provided with remote channels to complete their operations in a remote scenario in a more practical, simple way, whether online, using Ibercaja Directo or over the phone.

The Entity is strategically committed to developing multichannel customer care. **The number of users of the different channels comes to 800,000 and the goal for 2018 is to reach the one million mark**. Distance banking accounts for 57% of all transactions, PoS terminals for 13% and ATMs for 7%, while transactions carried out over the counter fell almost 5% during the year.

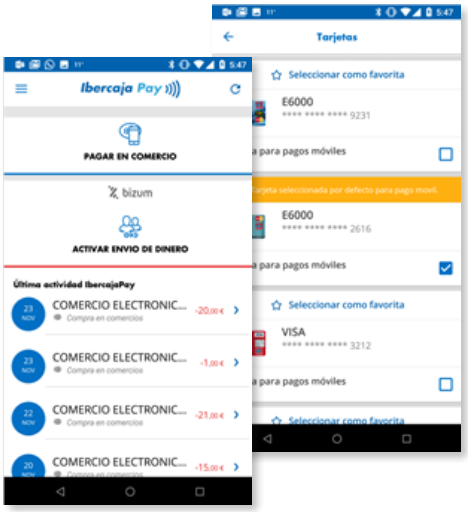
Ibercaja Banco's commercial public website (www.ibercaja.es) contains a catalogue of products and services, providing support for commercial communications distributed through a variety of channels where additional space is available. It also provides visitors with a space to interact and obtain further information in the form of comparative tables, simulators and calculators, as well as to sign up to alerts and newsletters. In 2017, a monthly average of over 7,900,000 pages were visited. New developments include the transformation of online spaces for two of the products for which Ibercaja is best known, investment funds and pension funds, placing an emphasis on responding to the information needs that current and potential customers may have.



The mobile **Ibercaja App**, launched at the end of 2016 in alliance with Microsoft, is **one of the most popular in the industry**; users have been positive about their experiences using the App in their feedback on iOs and Android markets. The **number of customers** using this app, a little over a year after it was launched, **sits at 200,000**. In 2017, personal finance management software has been included in the tool, helping to speed up the finance management experience of savers. At the same time, the roll-out of new functions in terms of methods of payment and security transactions has been streamlined.

The mobile banking App is complemented by the **Ibercaja Pay** application, which boasts a distinctive and innovative design. It forms part of the purchase process at physical outlets and P2P payment via the Bizum interbank system. Furthermore, the use of Chatbot has been included to allow us to interact with users using digital assets, with no need for human intervention.

The Bank has developed **a commercial portal** to be used by employees in order to manage the commercial relationship both within branches and elsewhere; work is ongoing on a Dashboard tool that will incorporate customer information in 2018.



ATMs AND METHODS OF PAYMENT

The ATM network boasts 1,475 units and a market share of 2.86%. The ATMs allow the most common operations with least added value to be performed, freeing up the branch network to dedicate more time to commercial activities.

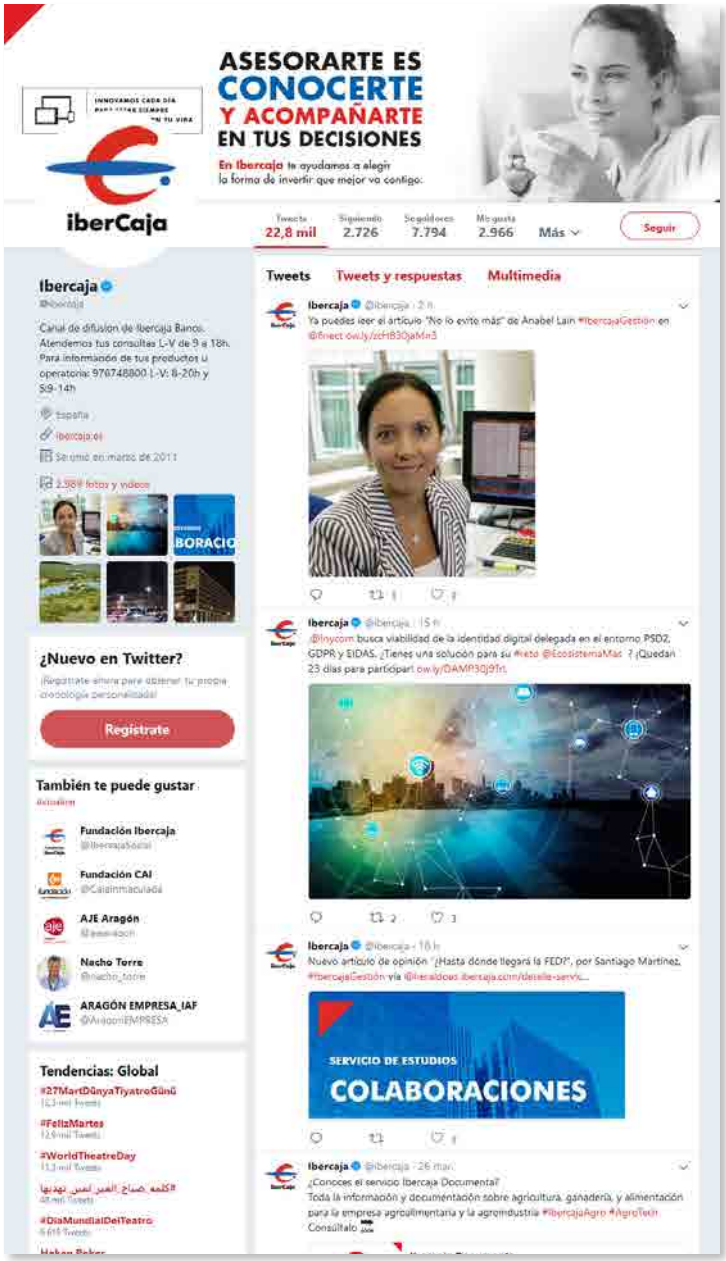
Cards issued total **1.5 million, 4.19% up on 2016**. They have generated 116 million transactions with a volume of close to 6,500 million euros. The Bank has a market share of 2.65% in this business segment.

In 2017, the Payment Methods Business Plan was drawn up, which seeks to increase the number of cards, promote the division of payments into instalments, facilitate the migration of debit cards to credit cards and increase PoS terminal billing.

The Bank has **57,487 point-of-sale** (PoS) terminals in stores all around the country. Their number rose by over 13.16% during the year, with the number of transactions and billed volume increasing by 12.97% and 8.24%, respectively. The Bank's PoS market share stands at 3.3%. Currently, more than 80% of Ibercaja's PoS are adapted to operate with Contactless technology.

SOCIAL NETWORKS

Ibercaja has accounts in the main social media to promote stakeholder communications, providing information on the Group and its services, and responding to demands from customers and the general public. Over the course of the year, a range of actions has been taken to strengthen this presence: production of a social media use policy, creation of a Facebook profile and promotion of Ibercaja's digital framework on LinkedIn.



FINANCE GROUP

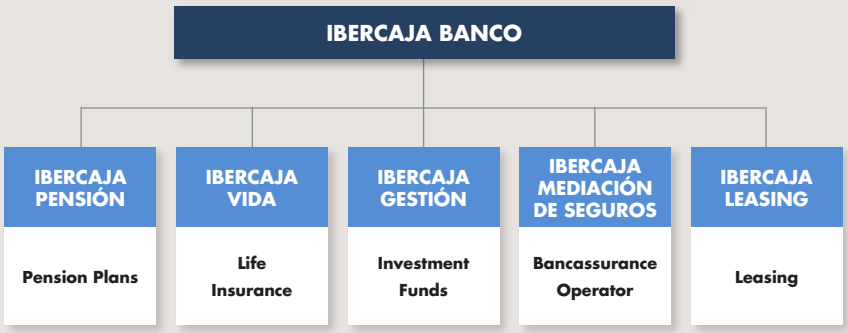
G4-15, G4-FS6

Source of business diversification and generation of recurring income. Provides the branch network with a top-quality commercial weapon, designing and managing financial products that are very popular amongst customers.

Created in 1988 and wholly owned by Ibercaja, this group is formed by companies specialised in investment funds, savings and pension plans, bancassurance and leasing or renting.

The Group's capacity to innovate and its range of specialised products and services **make it a key player within the Spanish banking sector**. Its products, aimed at both private and business customers, are marketed and sold through the branch network and supplement the Bank's extensive range of banking services.

In **March 2017**, portfolio management company **Ibercaja Patrimonios S.A. was merged and absorbed into the Bank** with Ibercaja therefore taking over the company's private banking business.

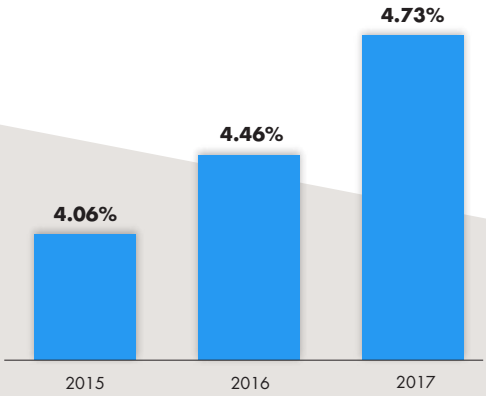


MANAGEMENT OF COLLECTIVE INVESTMENT UNDERTAKINGS

Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's collective investment undertakings (CIUs).

The investment fund industry in Spain grew by 11.64% over the course of the year, the fifth consecutive year of growth. The volume of managed assets has surpassed the peak seen in 2007 before the financial crisis. This positive performance can be traced to the improvement in the equity markets and poor remuneration offered on traditional deposits, encouraging the transfer of savings to assets with better prospects in terms of returns.

The investment fund management company administers equity of **12,367 million euros, up 18.88% year-on-year**. This represents a **new records in terms of the volume of assets managed**, as has been the case for the past four years. The **growth rate**, the **highest of the 10 largest Spanish investment fund management companies**, has resulted in an increase in market share in terms of assets managed and sold by 27 basis points to 4.73%, with the company up one position in the sector ranking to **seventh position**.



EVOLUTION OF THE MARKET SHARE IN THE INVESTMENT FUNDS MARKET

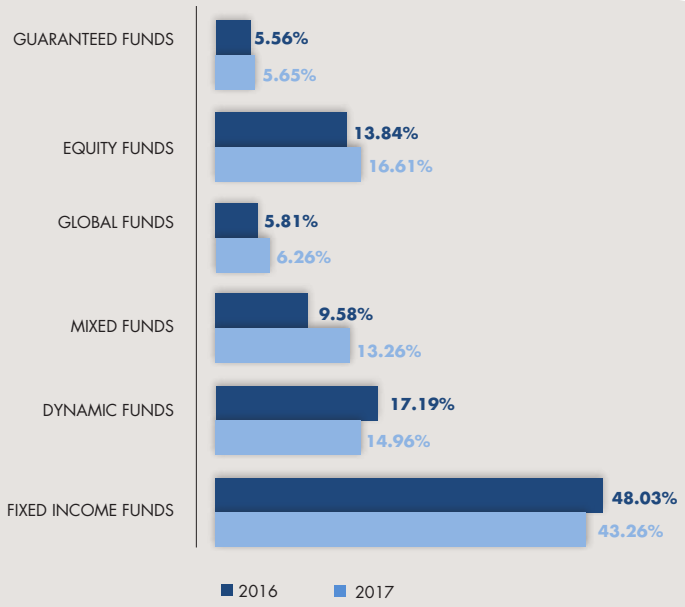
The increase in assets under management can be put down to the Group's strategic commitment to asset management, the work carried out by the branch network, the healthy returns on Ibercaja's funds and the consolidation of portfolio management agreements as a means of diversifying its customers' savings.

Net contributions, 1,822 million euros, represent **8.5% of funds captured in the sector**, positioning Ibercaja Gestión in fifth place in terms of inflows in the year.

Portfolio management agreements accounted for almost **47% of the year's contributions**. Assets are up 26.6% year on year, representing 35% of the volume administered by the management company. More than **78,000 members** benefit from this service, in which the Financial Group's professionals select the funds that most suit the customer's risk profile based on the risk they are willing to assume. All options have recorded profits over the course of the year.

Ibercaja Gestión has 54 investment funds tailored to each investor and capable of obtaining returns in any market situation. In the last twelve months, it has streamlined its range of funds in a bid to become more efficient internally and make its catalogue of funds more readily understandable for customers. New this year was the launch of two guaranteed fixed-income funds maturing in 2025. **The fund structure has taken on a somewhat more risk-oriented profile of late**, with an increased weighting of equity and mixed-income funds at the expense of fixed income and dynamic equity funds. Savers are looking for greater potential returns in a less risk-averse climate.

STRUCTURE OF INVESTMENT FUND ASSETS



The 13 **sociétés d'investissement à capital variable** (SICAVs) managed by Ibercaja has a volume of assets just in excess of **72 million euros**. Activities in this segment have been affected by uncertainty in terms of tax that lingers over these investment vehicles.

Ibercaja Gestión has held workshops for the first time, in Zaragoza and Madrid, to provide customers with an analysis of the main factors that affect the economy and financial markets, in addition to proposing investment solutions suited to the current financial environment. Communication with customers has been reinforced through videos posted on Ibercaja's website.

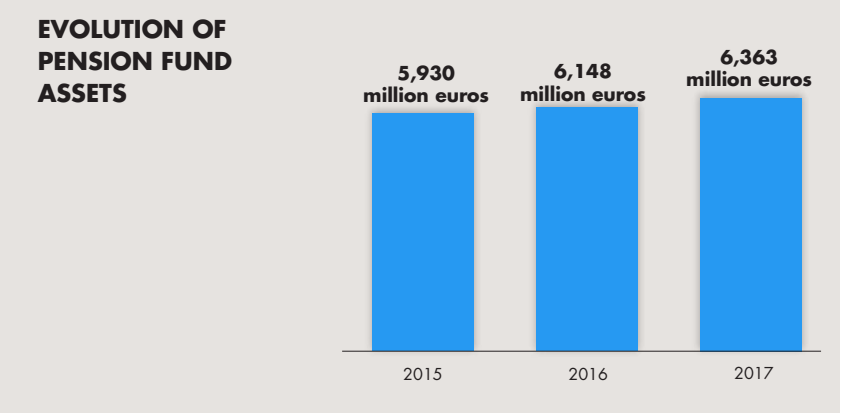
The management company's funds have received **external recognition** endorsing their quality. Ibercaja Gestión was named the **best national investment management company** and the **best fixed income management company** at the **Expansión-AllFunds awards**. Furthermore, the Ibercaja Dinero fund was a finalist in the monetary investment funds category. These awards reaffirm the prestigious image of Ibercaja and the management company.

PENSION PLAN MANAGEMENT

G4 - DMA

Ibercaja Pensión, EGFP, S.A. is the Group company engaged in managing different kinds of pension plans.

Assets managed by Ibercaja Pensión amounted to 6,363 million euros at year-end, marking a year-on-year increase of 215 million euros (+3.50%). The company is ranked fifth in its sector in Spain, with a market share of 5.73%.



Savings managed under **personal plans** amounted to 2,257 million euros, up 7.85% to reach a **market share of 3.03% (+6 basis points year on year)**. The company has risen two places to **eighth** in the sector ranking. Meanwhile, the number of fund investors gained 5.84% to reach 183,639. Contributions increased by more than 48% thanks to commercial activities at the branch network and the ongoing information and advice for customers on aspects that must be considered when arranging plans tailored to their needs that will complement their public pension when they retire. In November, **the pension plan section of the website was overhauled** to include improvements, such as evolution charts, historic yields and a simulator to estimate pensions, the savings that retirees require to complement these pensions and the tax credit obtained.

The purpose of the reorganisation of the range of pension plans was to build simpler products that adapt to current needs, making it easier for customers to choose the right choice for them whilst renewing the range of mixed pension plans, enhancing investment flexibility. **Two new products have been launched**: PIP Flexible Europa 30-50, a mixed plan that invests in variable income in the Eurozone, and PIP Alpha, which replicates the global investment fund of the same name.

Active management plans, where assets in which investments are made are managed dynamically and flexibly, account for a greater volume of savings, 35% of the fund structure.

Most plans have recorded **noteworthy yields**, with variable and mixed income worth particular mention. All active management plans, launched in 2015, have positive yields.

Under **employment plans**, assets totalled 4,107 million euros, up 1.25% on 2016. The company is ranked **third** nationwide, with a **market share of 11.47%**. The 19 plans have 71,122 participants and beneficiaries working at companies and public administrations across all of Spain. **Profitability** on the whole has been **higher than the sector average** (2.75%).

For the second consecutive year, Ibercaja Pensión has been named as the **"Best Pension Plan Management Company"** at the **Expansión All Funds** awards. In addition, the Endesa Group Employee Fund and the Aragón Public Employee Fund were finalists at the most recent edition of the IPE-Investment and Pensions Europe Magazine awards.

In Madrid, Ibercaja sponsored a new edition of the pension plan congress under the title "Pensions plans in Spain: the big agreement still to be reached". In front of a large audience, leading industry personalities and professionals analysed the challenges and possible solutions facing the public pension system. Presentations on employment plans were held in Zaragoza and Barcelona under the heading "Manage today to enjoy tomorrow. Ideas on the future of pensions", with strong attendance amongst those interested in pension planning.

The company is a **signatory of the United Nations Principles for Responsible Investment and forms part of the governing board of Spainsif**, the Spanish forum for socially responsible investment. The annual report to the Secretariat of the United Nations Principles for Responsible Investment the Socially Responsible Investment Policy of Ibercaja Pensión were posted on the corporate website during the year.

Signatory of:

PRI | Principles for Responsible Investment

In collaboration with Spainsif, Ibercaja Pensión organised an event in Zaragoza **titled "Green bonds and Social bonds: Financing sustainable projects"** at which experts described the features of these assets, their advantages and challenges. The outcome of the session was published in the form of videos on social media.

The equity of the **Ibercaja Sustainable Solidarity Pension Plan**, launched in 2015 to target savers committed to sustainability, has grown by fivefold and around 2,000 people participate in the plan. The commitment to allocating 20% of management fees to social and environmental projects has taken the form of a donation to a conversion project in the Peruvian Amazon, amounting to 9.3 thousand euros, equivalent to 999.35 tonnes of CO_2. Furthermore, the management company has donated 10,000 euros to an initiative aimed at vulnerable people or those at risk of social exclusion, selected by a vote carried out amongst Ibercaja Banco employees.

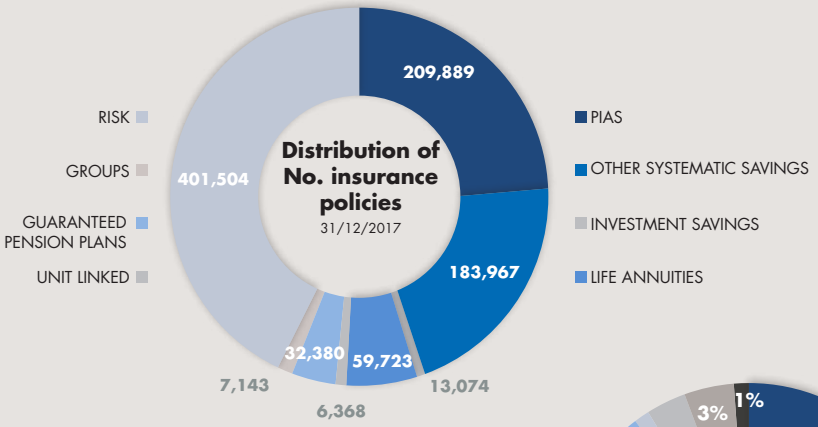
GROUP'S INSURANCE ACTIVITIES

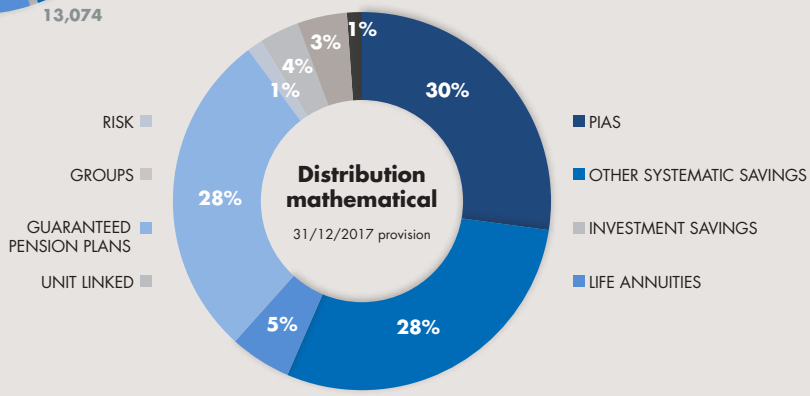
The Group's insurance business is carried on by companies operating in the life and non-life lines, providing products and specialised support for Ibercaja Banco's branch network.

Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U. focuses on investment savings insurance and life insurance. It offers a wide range of products, which include systematic savings insurance, investment savings plans, annuity and temporary income insurance, individual systematic saving plans, long-term individual savings policies and insured pension plans. It also offers assurance of pension commitments externalised by various companies.

Technical reserves gained **3.65%** in the period to reach 6,835 million euros and the market share was up 1 basis point to reach **3.72%**. The insurance firm is **ranked six in its sector**. Premiums received amounted to €1,145 million while the number of policies came to 914,066.

In the catalogue of products managed, the **most significant growth was achieved in insurance policies related to retirement and the elderly**. Personal systematic savings plans grew by 16%, the insurer having consolidated its leadership in this business segment with a 16% market share. Lifetime annuity plans also performed excellently, having risen 5% during the year.





By range of Savings Insurance and Life Risk premiums

Ibercaja Mediación de Seguros, S.A.U. is engaged in general insurance brokerage. It markets and sells risk and retirement savings insurance for individuals and companies through the Ibercaja branch network.

Premiums on risk insurance activity gained 5% to €254 million, divided between life risk (+7.6%) and non-life risk (+4.1%). Growth comfortably outpaced the average growth reported by the wider system of 0.04% and 3.9%, respectively. The outperformers were Civil Liability (+27%), Health (+8.9%) and Auto (+8.1%). Meanwhile, the number of policies climbed to 1,095,217. This healthy performance can be put down to the efforts made across Ibercaja's branch network, the strategy of diversification into types of insurance that meet customers' new needs, the distribution agreement reached with Caser and the deployment of the Risk Project in association with Ibercaja Vida to improve sales of life-risk insurance.

Commercial activities consisted of various campaigns and promotions. These include the creation of packages for individuals and companies, the presentation of new Cyber Protection and Travel insurance policies and the redesign of insurance for food and agriculture operations in the agricultural industry.

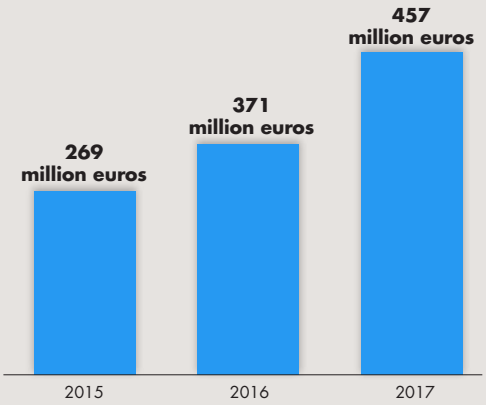
LEASING AND RENTING

Ibercaja Leasing y Financiación S.A. specialises in financing for production activities through leasing and renting arrangements.

It provides the branch network with products to allow SMEs and professionals to finance their fixed-asset investments and use equipment under operating leases.

In 2017, **the company hit historical highs in outstanding risk, new investment and formally arranged transactions.** The **outstanding investment** figure, of 457 million euros, rose by 23.15% year-on-year, which compares very favourably with the average industry growth of 1.63%, based on September figures.

EVOLUTION OF OUTSTANDING INVESTMENT



New **loan taken out** amounted to 232 million euros, **8.53% up on 2016**. Of this amount, 40.8% was invested in financing for industrial vehicles, 27.6% for non-industrial vehicles, 24.5% for machinery, 4.3% for buildings and the remainder for computer equipment, furniture and other fittings.

From February onwards, transactions were formally arranged under the **agreement** signed in December 2016 with the **European Investment Bank.** The sum of 150 million euros has been allocated over a period of two years to fund the purchase of new productive assets and the renewal of facilities in micro-enterprises, SMEs and midcaps. Furthermore, in May, Ibercaja signed a collateral **agreement** with the **European Investment Fund** aimed at providing companies with access to loans under preferential conditions.

The **NPL ratio**, at 2.63%, **is very low compared** having fallen by nearly 43 basis points in the past twelve months. In turn, the coverage ratio stands at 86% of doubtful loans.

The outstanding fleet of vehicles under operating leases (**renting**) stands at 1,653 units, of which more than 50% are considered ecological on account of their low CO2 emissions.

The positive performance of technology renting has resulted in has provided customers with access to 832 state-of-the-art devices including smartphones, tablets and computers.

SHAREHOLDINGS

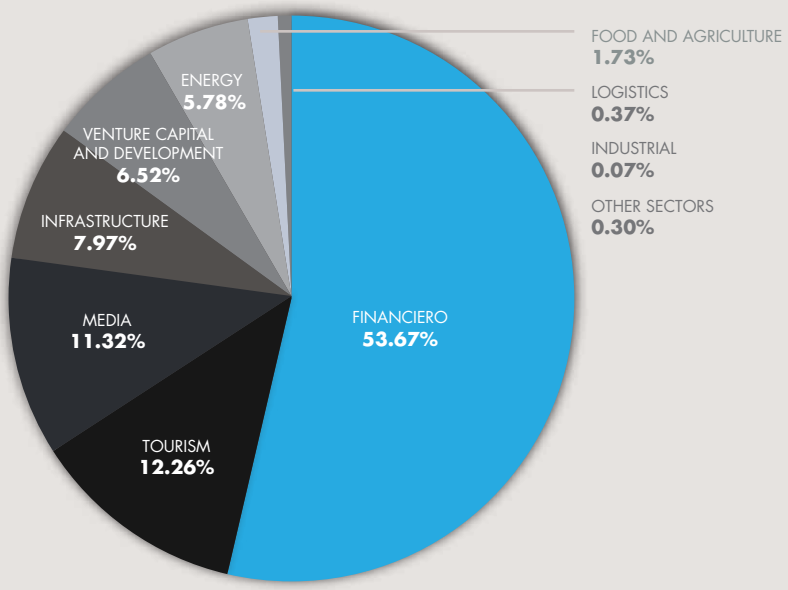
G4 - DMA. G4 - EC7

Ibercaja invests in business projects that complement its main activities, that promote the economic development in the areas in which it is present and that are guided by socially and environmentally responsible criteria.

The Group has business interests in several sectors, including: tourism, real estate, media, logistics and services. Its **shareholdings** are intended to **support the nation's productive sectors** (preferably SMEs) **through projects that help to create wealth and employment** across the Bank's areas of influence, **support entrepreneurs** and **diversify the Group's sources of income**.

Ibercaja has direct or indirect interests in 79 non-real estate companies for a consolidated net value of 301 million euros. In terms of industry distribution, companies related to financial and parafinancial activities are most relevant, accounting for 54% of the portfolio. Other investments are in: tourism (12%), media (11%), infrastructure (8%), venture capital (7%), energy (6%), and other sectors.

SECTORAL DISTRIBUTION OF THE PORTFOLIO OF INVESTEES



Ibercaja's investees **contribute to the generation of wealth** and **to populate** regions with problems of depopulation and ageing, in such a way that the economic benefits that the Company may experience are accompanied by social gains. Furthermore, **Ibercaja encourages investments in sustainable projects with environmental value** and in companies **with high levels of corporate social responsibility**. The investment in companies to develop renewable energies, increase energy efficiency or to implement environmental measures is worth particular note.

Under the terms of its 2015-2017 Strategic Plan, the Group has continued to pursue a **policy of selling holdings in non-strategic sectors** and in businesses that fail to generate a suitable return based on the volume of capital they consume. It also seeks to divest in those business projects and ventures that have become sufficiently developed and mature and sees to it that the business remains in the capable hands of qualified managers. A total of 21 full divestments and 13 partial divestments from investees were completed in 2017, generating a capital gain and releasing equity in the process. Thus, over the past three years, the Bank has decreased its portfolio by 43% after selling its shares in more than 90 companies for a sum worth over 150 million euros. Over the course of 2017, Ibercaja invested in six business projects considered strategic or linked to its parafinancial business.

The new 2018-2020 Plan, pending approval, is expected to ratify the divestment policy in companies that have completed their maturity period, although investments may be maintained in others considered stable.

The **real-estate group** is formed by **two holding companies**: Cerro Murillo S.A. and Residencial Murillo S.A. In 2016, signed a services provision agreement with the Aktua Group whereby the latter will administer, manage and market the Ibercaja Group's real-estate assets on an exclusive basis.

MODEL OF EXCELLENCE-BASED MANAGEMENT

G4 - DMA

Ibercaja strives continuously to improve the customer experience by means of service excellence.

Ibercaja Banco has its own Management Model to promote excellence in all its business processes.

The Bank aspires to provide customers with a personalised service that is innovative and tailored to their needs. The European Foundation for Quality Management (EFQM)'s model has been used as a reference, since it foments the ongoing improvement of management systems, methods and practices, as well as the implementation of new ones.

In 2016, Ibercaja renewed the **"EFQM 500+ Seal of Excellence"**, the ultimate European quality award. On this occasion, the strengths highlighted were its strategic focus, the successful integration of Caja3 and the commitment from employees. **The Bank is working on the new bi-annual certification due to occur in 2018.**

Ibercaja has been granted the **"Madrid Excelente"** guarantee mark awarded by the Regional Government of Madrid. It recognises companies that are committed to innovation and continuous improvement, social responsibility and customer and employee satisfaction. Furthermore, the **"Sello de Oro Aragón Empresa"** seal, the ultimate award for business excellence in the Aragón Region, was also given to the Bank by the Aragón Development Institute (IAF).

For the fifth consecutive year, the personal banking advisory service certification under ISO 22222:2010 **"Personal financial planning. Requirements for personal financial planners"** was renewed. This certification endorses Ibercaja's commitment to a customer-oriented approach through its Personal Banking service, one of the Bank's strategic focuses. It specifies requirements relating to the ethical conduct, skills and experience required of a personal financial planner.

SINCE 2007

SINCE 2010

1st ENTITY SINCE 2012

SINCE 2015

CUSTOMER EXPERIENCE AND SERVICE QUALITY

G4-PR5

During 2017, work was carried out to achieve the highest level of quality in management by gaining insight into customers and their needs and experience in relation to the Bank. These lines of action are undertaken to anticipate customer needs and assess the quality of the service, identifying strong points and areas in which efforts are required to optimise the service offered.

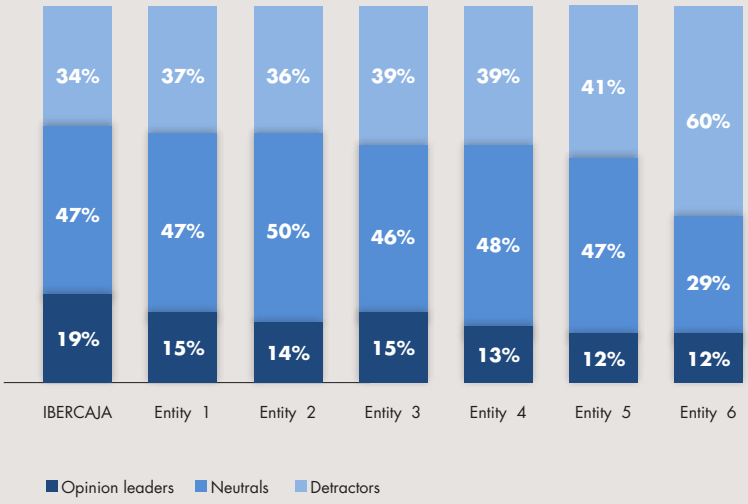
Traditional **satisfaction surveys** were conducted among individuals and companies to identify their perception of the Bank, assess services offered and determine aspects that could be improved. The findings reflect high scores in satisfaction, recommendation and loyalty.

In addition to these surveys, quality is measured by means of **"expert observation"**, a quality audit that observes and evaluates the Bank's appeal to potential customers, the suitability of our offering, the level of information in response to a specific need and other indicators such as: friendliness, closeness, waiting time and discretion. Improvements can be undertaken based on the findings of these studies.

PERCEIVED SUBJECTIVE AND OBJECTIVE QUALITY DATA	2017
Customer Satisfaction Personal Banking	
Satisfaction with the branch (out of 10)	**8.58**
Satisfaction savings advice (out of 10)	**8.86**
NPS	**23.8%**
Individual Customer Satisfaction	
Satisfaction with the branch (out of 10)	**8.36**
Satisfaction most recent advice (out of 10)	**8.81**
NPS	**11.8%**
Business Customer Satisfaction	
Satisfaction with dedicated specialist (out of 10)	**9.26**
Satisfaction with specialist advice (out of 10)	**9.26**
General satisfaction with Ibercaja (out of 10)	**8.87**
Expert Observations	
Welcome	**9.69**
Examination of customer needs	**7.25**
Offer and explanation	**8.04**
Goodbye	**9.56**

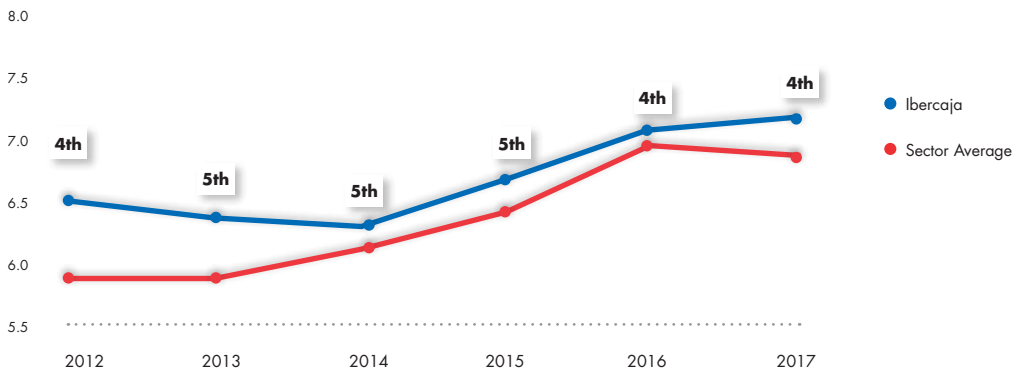
NPS = Net Promoter Score = % promoters - % detractors. A ratio that measures the customer's inclination to recommend a company. It is determined by asking customers to rate aspects from 0 to 10, where 0 is "Highly improbable" and 10 is "Definitely recommendable". On the basis of the findings, customers are classed as promoters, passive or detractors: Customers that give a score of 9 or 10 points: promoters; Customers that give a score of 7 or 8 points: passive; Customers that give a score of 6 points or less: detractors

According to the **industry study conducted by Inmark**, which analyses the financial behaviour of individuals in Spain, **Ibercaja is ranked first amongst the main Spanish banks**.



The **EQUOS study conducted by Stiga ranks Ibercaja fourth nationwide**.

OUTCOME STIGA EQUOS STUDY
SPANISH INSTITUTIONS WITH NATIONAL PRESENCE



TECHNOLOGICAL ADVANCES

Response times, innovation and technology are the key factors of the company's sustainability.

The need for flexibility and the ability to adapt to meet society's needs and expectations increase on a daily basis.

That's why customers, the adaptation of the organisation and innovation remain at the heart of the technological transformation process in collaboration with Microsoft; after the success of the programme since 2016, it will be aligned with Ibercaja's new Strategic Plan for the coming three years.

2017 has been a year shaped by transformation, both in terms of technological innovation and the developments required to adapt to new regulatory requirements.

In terms of **commercial innovation**, it should be noted that in 2017, a two-yearly project to develop a new commercial system was embarked upon. Consistent with the changes in customer preferences, the new regulatory context in terms of digital relations and transformations requires significant changes to both the dynamics and philosophy of commercial tools, providing the Bank with new commercial capacities, leading to greater customer satisfaction. The main objective of the project is to respond to customer needs proactively and through processes that form part of an efficient commercial flow.

Innovation in the fields of operations and management has continued in 2017, as part of the transformation process to improve effectiveness, supported by the consolidated analysis methods. Internal business process management capacities have been improved and initiatives to concentrate, improve, eliminate and transfer administrative processes promoted. Different frameworks have been set up to outsource specific back-office functions to specialist partners (BPO). These include external partners in different geographic regions that have specialised to provide support with specific administrative tasks, which, based on their characteristics (specialisation, changing volume, service demands), are particularly well suited to these outsourcing models.

Conference "Debate on cybersecurity" organized in Zaragoza in June 2017

Some of the other most relevant actions this year, whether already operational or in progress, include:

Two significant outstanding portfolios: Markets in Financial Instruments Directive (MiFID II) and Packaged Retail and Insurance-Based Investment Products (PRIIPs). These projects and actions, grouped together to facilitate their effective management and accomplish their purpose, correspond to the changes to the requirements of the **MiFID II** Directive and those resulting from the application of the regulation on packaged retail and insurance-based investment products (**PRIIPs**). Both portfolios, accompanied by the adaptation to the last phase of the Securities Market Reform Law and the Insurance Distribution Directive, will change the face of the commercial relationship with customers, establishing a process that offers high quality, protection, added value and precision in the different aspects of the sale and advice process, for both simple and complex products.

In the developing guidelines of these projects, Ibercaja has committed to providing the greatest added value possible to its customers and providing the organisation with the greatest capacities and the best management tools.

Furthermore, the Company has successfully completed the process of adapting to the **financial reporting standard** International Financial Reporting Standard 9, known as IFRS9, which entered into force in 2018. Its implementation has resulted in significant changes to the risk strategy, accounting developments and management intelligence.

Thanks to this process, a new generation of expected loss models are available to us, with significant changes made to the data environment and supports for their integration and management.

The new European **data protection** regulation (GDPR) has resulted in another Group-wide project being undertaken, scheduled to end in May 2018, which will entail relevant changes in the use of data and the customer-specific dialogue in terms of these data.

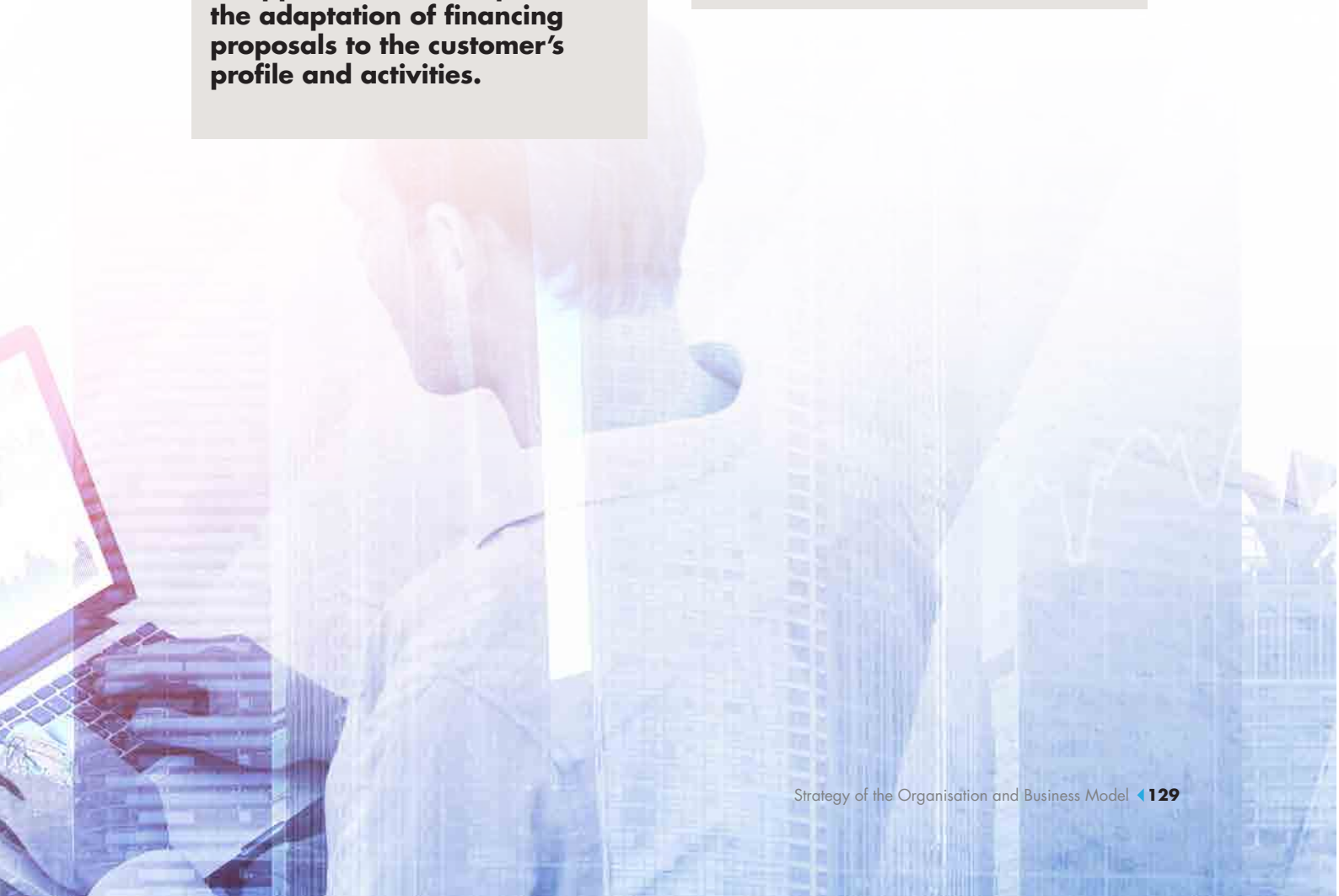
Strict and well-organised functionality will help the Bank and its companies quickly adapt to the change.

Inclusion of **new commercial and rating tools** in the **business** banking model.

This strategic improvement will continue to be developed in the coming year in the pursuit of approaches that improve the adaptation of financing proposals to the customer's profile and activities.

Different initiatives have been rolled out to facilitate operations with customers such as the new mobile banking App, contactless cards and an innovative commercial portal that makes it possible for employees, as part of their commercial responsibilities, to perform operations with customers on the go, without them having to travel to the branch to provide their sign off.

The Organisation Department has also started to revise the business continuity plan (BCP) in line with **cyber security and technology risk management efforts that began in 2016 and that will continue in 2018.**



BRAND AND CORPORATE REPUTATION

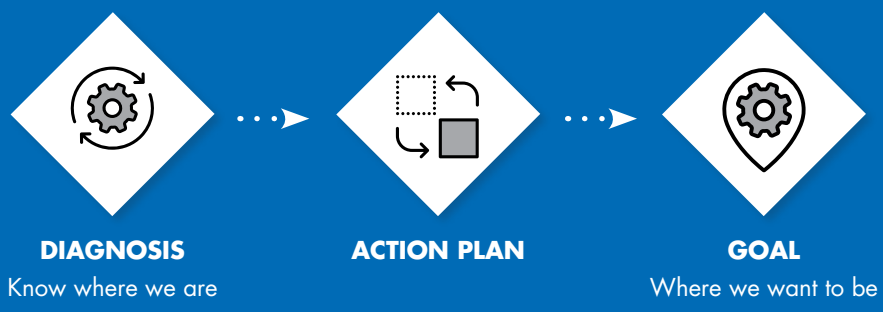
G4 - DMA

The perception projected by a brand influences its profitability, development and sustainability. That's why focussing on promoting a corporate reputation that generates value is key to obtaining competitive advantage.

The brand and corporate reputation are the main intangible assets of the Bank.

They are vulnerable assets that must be measured, monitored and managed and were enshrined in the 2015-2017 Strategic Plan as a cross-cutting project.

In 2017, periodic measurements have been taken to manage these assets, demonstrating the perception of customers and society in terms of these intangible assets; these measurements have then served as a basis for drawing up action plans to ensure continuous improvement.



CORPORATE BRAND

The brand is the Bank's internal and external identity. It is one of Ibercaja's most valuable intangible assets: it represents its values and makes them visible at each point of contact with stakeholders.

In 2017, periodic measurements aimed at monitoring the brand in its main areas of influence were redesigned, bringing them in line with advances in digitalisation at the Bank, placing a focus on brand notoriety and identifying synergies with the other internal studies undertaken.

By measuring this asset and monitoring its performance, it has been possible to draw up the **2017 Brand Action Plan**, an **annual activities plan** in all regions in which the Group has a presence, **contributing to the maintenance, reinforcement and development of the brand**. The objective of these actions is threefold:

REPUTATION

Bolster corporate reputation and institutional relationships

BRAND

Help to strengthen the brand

BUSINESS

Support the strategic business plan

In 2017, **232 training and informative actions targeted individuals and companies throughout Spain were undertaken, attended by over 17,000 people** and widely covered in the media.

"1st Spanish-Chinese Agricultural Forum" held in Extremadura in September 2017

CORPORATE REPUTATION

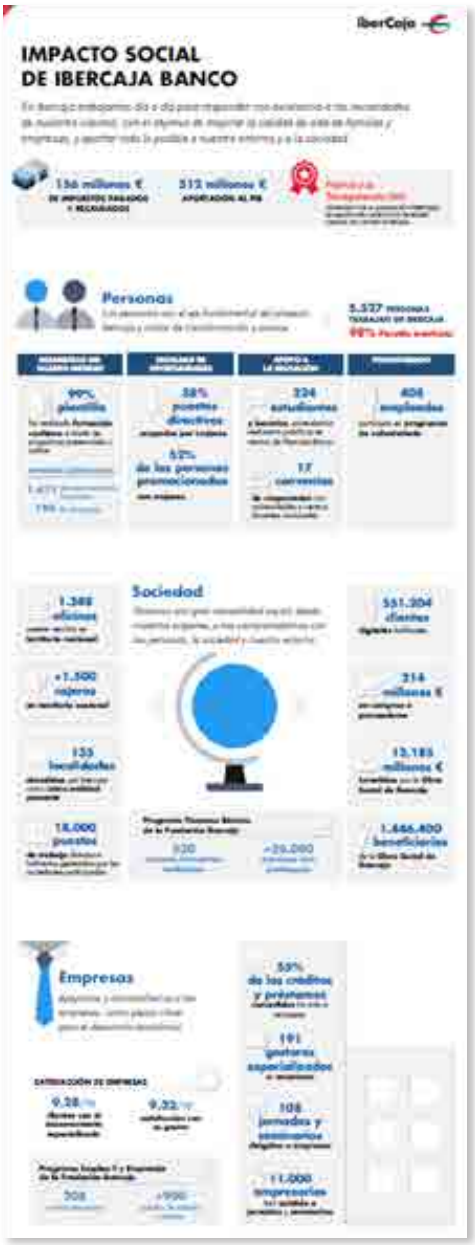
Over the course of the year, the action plans identified in the first reputation enhancement action plan in 2016 were put into motion.

Amongst the activities set out in these plans, the measurement and publication of **Ibercaja's Social Impact** and the campaign focussing on "Capacity to Adapt" are worth special mention.

In terms of **monitoring** our reputation, measurements have been taken and analysed in terms of the perception of the Banks three priority stakeholders: employees, customers and society. The results have served to **identify levers to improve our reputation**, used in order to prioritise objectives and design the **second reputation enhancement action plan**.

This second plan has focussed on **"Capacity to Adapt"** and has been drawn up by individuals at central services and the branch network in different regions, using the DesignThinking method in the process.

Work session on the second reputation enhancement action plan: "Capacity to Adapt"



As a result of the second plan, 4 new actions to be undertaken have been established, validated by the Corporate Responsibility and Reputation Committee, which are due to be rolled out in full over the course of 2018.

ACTION PLAN PROCESS

Roll out of "Capacity to Adapt Team": Identification of the challenge

↓

Examination

↓

Visual Map of "Capacity to Adapt":

↓

Creation Action Plans

↓

Feedback REPUTATION TEAM Identification of projects in place and prioritisation of actions Design Reputation Enhancement Action Plan

↓

Corporate Responsibility and Reputation Committee

↓

Corporate Responsibility and Reputation Committee

→

Using the TOOLS

- **Empathise**
- **In-person interviews**
- **Expert opinion**
- **Individual analysis**
- **Presentation**

TRANSPARENCY AND COMMUNICATION

G4 - DMA

Transparency, truthfulness, diligence and neutrality are key criteria employed in the flow of information generated by the Bank.

Ibercaja has a communication mode, which systematises the flows of information generated by the Bank. It sets out the four key criteria present in its communications:

CRITERIA OF COMMUNICATIONS

TRANSPARENCY
In all matters of public interest that do not undermine the necessary business confidentiality.

TRUTHFULNESS
In order to respond accurately to stakeholder information requests.

DILIGENCE
To furnish information that is of the utmost use to recipients on a timely basis.

NEUTRALITY
All stakeholders are entitled to the information generated by Ibercaja on equal terms.

In terms of communication, it is important to define its three different forms:

INTERNAL COMMUNICATION. Designed to transmit the Bank's strategy and encourage employee participation, while stimulating a sense of belonging to the organisation. It takes on three different forms: daily publications, four-monthly magazine, employee portal, management proximity plans, etc.

The main internal communication actions in 2017 include:

» Presentation of the territorial growth Plan +Catalonia by the Chairman of Ibercaja Banco to the workforce in this region, as had occurred the previous year with the territorial growth plans for Madrid, Levante and Burgos.

» CEO video transmitting key strategic messages, alliances with relevant suppliers and progress with the digital transformation.

» Meetings attended by management and employees. Over the course of the year, 25 meetings have been held, attended by 250 people.

EXTERNAL COMMUNICATION. Ibercaja has a smooth relationship with local and national media when responding to information requests and announcing the Group's relevant events.

The main external communication activities are as follows:

» Institutional presentation that collates the Bank's most important data, in addition to the main aspects of the Strategic Plan 2015-2017.

» Calling press conferences and releasing news containing the information and actions that the Bank believes should be passed on to its different stakeholders.

» Collaboration with external experts from the different areas of the Bank with the media, by creating think pieces, interviews and responses to questions on economic and financial issues and topics

» Promotion of social media presence, disseminating news related to the Bank, participating in events, sponsorships, collaborations, etc.

INSTITUTIONAL PRESENCE PLAN. The purpose is to position Ibercaja's brand as a reference in the Spanish banking system, encouraging participation in the main economic and industry forums and conferences, as well as increasing contributions from the executive team. The launch of territorial plans has been boosted by numerous activities designed to enhance the Bank's institutional presence in each zone.

Presentation of Plan + Catalonia
February 2017

Concerning transparency, the Bank received recognition in 2017 from the Regional Chapter of Aragón at the Institute of Chartered Accountants of Spain in the form of the 2016 Transparency Award.

This recognition sought to acknowledge the accessible communication mechanisms put into place via the Bank's website, the annual Corporate Social Responsibility information made available, the transparency portal and the adherence to the United Nations declaration on good governance and anti-corruption.

Transparency Award 2016

GRANTED BY "La Agrupación Territorial de Aragón del Instituto de Censores Jurados de Cuentas de España"

SUSTAINABLE DEVELOPMENT AND MANAGEMENT

iberCaja

SUSTAINABLE DEVELOPMENT AND MANAGEMENT

Corporate Social Responsibility Policy

Commitment to customers

Commitment to people

Commitment to suppliers

Commitment to our shareholders and investors

Commitment to the environment

Commitment to society

SUSTAINABLE DEVELOPMENT AND MANAGEMENT

G4-24, G4-25

Ibercaja is aware of its impact on the environment, on society and on the different groups with which it interacts, in addition to the effects of the environment and stakeholders on the organisation itself.

Stakeholders are regarded as groups or individuals that must be taken into account to the extent that they may affect or be affected by the Entity's activities. Its main stakeholders are: customers, employees, investors and shareholders, suppliers, the environment and society.

Ibercaja promotes **listening to and dialogue with** stakeholders to identify and anticipate their needs and expectations, developing specific channels and tools to favour bidirectional, continuous communication.

ITS MOST SIGNIFICANT CHANNELS OF COMMUNICATION INCLUDE:

- Customer satisfaction surveys
- Employee satisfaction surveys
- Meetings and focus groups with employees, customers and the general public
- Active listening and social media
- Reputation measurement surveys by means of through customer and society surveys
- Customer care service
- Freephone numbers and query inboxes
- Newsletters and online assessment questionnaires
- Corporate website, commercial website and social media
- Communiqués and collaborations in the press and other media
- Systematic, ongoing relationships with bodies, institutions and social agents to identify trends and expectations, and exchange good practices (AEC, CEOE, Chambers of Commerce, Forética, Cecabank, etc.).

CORPORATE SOCIAL RESPONSIBILITY POLICY

G4-DMA, G4-2, G4-26, G4-27, G4-35, G4-36, G4-37, G4-42, G4-44, G4-46, G4-47, G4-LA2, G4-FS6

We approach Corporate Social Responsibility, our responsible performance, with a long-term focus in the pursuit of continuous improvement and a willingness to make a better world.

Therefore, we are committed to sustainability to contribute towards the generation of wealth, satisfying the needs and expectations of our customers, colleagues and employees, protecting the environment and our surroundings. We keep future generations in mind.

Based on the foregoing, Corporate Social Responsibility **initiatives seek to contribute towards the long-term sustainable development of the Ibercaja Group**, promoting well-balanced economic growth, social cohesion and environmental protection. We recognise the need to consider corporate social responsibility in the same way that we recognise the efforts of those that form part of Ibercaja and the organisation in achieving it.

The phrase that we use and that summarises this approach is "by caring for our surroundings, we take care of our future", with "our surroundings" interpreted in the widest sense, considering all stakeholders

SUSTAINABILITY PRINCIPLES

The **principles of sustainable action** (sustainability principles) that are part and parcel of the Bank's internal management model and that frame all its business activities and decisions are:

Good governance and ethics

Clarity and transparency

Service quality and close customer relations

Contribution to social integration, development and regional cohesion

Prudent, comprehensive management of all financial and non-financial risks

Employment, professional and personal development, and talent management

Defence of human rights in accordance with the UN Global Compact's principles

Respect for the environment

Ibercaja is highly sensitive bank from a social perspective and is committed to sustainability by balancing business profit, social contribution and care for the environment.

Corporate Social Responsibility is driven from the Banks' governing bodies and projects are included in each area's plans and activities. CSR management is headed by the Chief Executive Officer, stretching across the entire organisation, it forms an integral part of the Strategic Plan.

The Board of Directors is responsible for validating and supervising the Bank's corporate social responsibility policy and the programmes and initiatives in place to monitor and fulfil that policy. It is provided with information by the Corporate Responsibility and Reputation Committee, which is headed by the CEO and on which members of the main functional areas sit; it is tasked with proposing the Corporate Social Responsibility Policy and Action Plan, in addition to other aspects.

The bank has a **Corporate Social Responsibility Policy**, approved by the Board of Directors at the end of 2016, which sets out the principles guiding the Bank's actions and responsible management and its commitments with stakeholders, responding explicitly by means of:

» **Internal distribution:** so that commitments are acknowledged, shared and integrated into the daily undertakings of everybody that forms part of Ibercaja.

» **External distribution:** communicated to ensure the firm commitment and transparent management of actions, responding to the expectations and needs of stakeholders and regulatory requirements (for example, the provisions of the CNMV's Code of Good Governance).

This year, Ibercaja validated the **Socially Responsible Organisation Seal** awarded in Aragon, awarded by the Corporate Social Responsibility Committee of the region, in coordination with the regional government through the Aragón Development Institute (IAF). This recognition involves **compliance with and the upholding of certain criteria**, whose philosophy is linked to the daily functioning of the organisation in terms of its **people and its willingness and commitment in terms of the environment and society**; in other words, the **creation of shared value within a transparent, ethical framework**.

The commitments established in the policy are reflected in a **Corporate Social Responsibility Action Plan**, which identifies the internal and external actions to be undertaken by the Bank. The plan's launch and effective communication help to enhance the Group's corporate reputation.

The approach to the relationship with priority stakeholders that guide all actions undertaken in 2017 are described below.

▶▶▶

COMMITMENT TO CUSTOMERS

G4-DMA, G4-2, G4-8, G4-9, G4-26, G4-27, G4-37, G4-FS6

Needs and expectations change, which is why the connection with customers and their experience are at the heart of Ibercaja's strategy.

Ibercaja is committed to a universal banking model focused on the retail business, with customers at the heart of its strategy and with quality service and sound advice as its hallmarks.

The Bank promotes interconnectedness and dialogue with customers, aligning the business model with their expectations and needs. Understanding their interests and retaining information on their experience helps us to adapt. Therefore, this information and the connection with customers serves as a point of reference, a way to make us more dynamic and helps us to collaborate in the development of the digital strategy that drives us forwards.

IN RESPONSE TO THE VALUE PROPOSAL FOR CUSTOMERS, BASED ON PERSONALISATION, USEFULNESS AND MUTUAL COMMITMENT, IBERCAJA TAKES ON THE FOLLOWING COMMITMENTS:

DEEP INSIGHT. Work actively, constantly and systematically to gain deep insight into each customer, offering them products, services and information that are useful in view of the moment in their life and their needs.

EXCELLENCE AND PERSONAL SERVICE. Drive excellence in management and quality, personalised, professional care.

TRANSPARENCY. Pay special attention to transparency in communication and in the marketing of products, providing the information necessary for customers to be in a position to take informed decisions.

FINANCIAL ADVICE. Help customers to be familiar with the aspects of their finances that are most important to them at all times in their life, offering them advice and information so they can plan, control and make their own decisions.

PERSONALISATION **USEFULNESS** **MUTUAL COMMITMENT**

ADEQUATE PRODUCTS. Design and make available to customers products that suit their characteristics and needs, ensuring that the product range includes solidarity and sustainable products.

EFFICIENT CHANNELS OF DIALOGUE. Put in place efficient dialogue channels that allow customers to be listened to in order to improve the aspects that are most relevant to them, as a basis for mutual commitment, through a top-quality service.

CONFIDENTIALITY. Protect at all times the confidentiality of the customers' data, assuring the highest security standards.

Presentation of office on Paseo La Habana. Customer-facing initiative

Ibercaja's management model is oriented towards Excellence: customer experience and service quality are the premises that must guide all activities.

Customer knowledge, an appropriate range of products, their appropriate advertising and marketing, and a careful relationship with them are the key aspects of Ibercaja's strategy. The Bank follows internationally renowned excellence standards and promotes continuous improvement as being systematically essential in terms of change management.

Customer experience falls within the remit of the Marketing and Digital Strategy Division, harnessing its proximity to the business to define advisory strategies that are progressively more tailored to customers, whilst driving a commercial structure associated with the different financial needs that arise over the course of their life (savings, financing, insurance, etc.).

This year, and in collaboration with other units, the department has actively participated in on-going projects associated with new regulatory requirements (for example, MiFID II), thus harnessing synergies, extending the focus beyond regulatory and compliance aspects. Therefore, at the same time transformation efforts have been made **to improve the service and customer experience when offering value investment services**.

Sector benchmarking studies during the year have also demonstrated an **improvement in experience**, with the main indicators showing a positive trend both from in terms of the objective provision of our services and satisfaction and likelihood of our customers to recommend the Bank.

To facilitate the **management and professionalisation** of those in customer-facing roles, different supports and guides for internal use and for delivery to customers are drawn up and updated on a regular basis.

OBJECTIVE

We aim to provide the best care at all times and for all financial needs, thereby helping to improve the internal experience.

Thus, 2017 has seen an acceleration in the implementation of new mobile banking functions, including continuous improvements to facilitate use of the application. One of the most relevant milestones has been the launch of the Personal Finance Management service; it is expected that new functions adapted to the financial needs of users will be rolled out on a gradual basis.

COMMITMENT TO PEOPLE

G4-DMA, G4-2, G4-9, G4-10, G4-13, G4-15, G4-26, G4-27, G4-37, G4-58, G4-LA2, G4-LA10, G4-LA12

The dedication and professionalism of the people who work for Ibercaja and their implication and commitment to its essence and strategy make them the key players of its sustainability.

The people who work at Ibercaja are the fundamental pillar on which Ibercaja supports its project.

As an organisation that is aware of the value of people and in order to construct an efficient organisation that is able to respond to future challenges, Ibercaja proudly and happily assumes its commitment to people.

DIVERSITY AND EQUALITY. Defend diversity and equal opportunities through commitment, results and behaviour, rejecting all forms of discrimination and offering development opportunities.

SAFETY AND PROTECTION. Commit to the safety and protection of our employees, assuring their wellbeing and health in the workplace, minimising risks and allocating the resources required to carry out preventive actions.

VOLUNTEERING. Promote corporate volunteering to contribute actively to society and stimulate pride in belonging to the Bank.

IBERCAJA ASSUMES THE FOLLOWING COMMITMENTS TO OUR PEOPLE:

KNOWLEDGE AND ACCOMPANIMENT. Get to know and accompany our people throughout their career, particularly at the most relevant moments.

LIFE WORK BALANCE. Promote a life-work balance, applying flexibility measures, reflecting the needs of our people and the company.

CONTINUOUS DEVELOPMENT. Encourage continuous development of their capabilities and skills as part of the talent management model, identifying and responding to current and future training needs, and allowing access to knowledge.

LEADERSHIP MODEL. Promote an inspiring leadership model, demanding as regards results but close and empathetic.

OPEN AND TRANSPARENT COMMUNICATION. Maintain open, transparent communication, establishing the necessary channels and tools, and fomenting upward and downward communication in the interests of participation.

OPEN AND TRANSPARENT DIALOGUE. Encourage an open, transparent dialogue with employee representatives as an essential basis for employer-employee relations.

Ibercaja Banco has a human team made up of 5,265 professionals (as of December 2017), 96% of whom are on permanent contracts. In total, 751 work at central services, meaning that 85% of the workforce perform their duties within the branch network.

5,265 employees
IBERCAJA BANCO TEAM

Changes in workforce over the past year (net departure of 262 employees during the year) have not changed its demographic structure, with average age and time of service remaining stable.

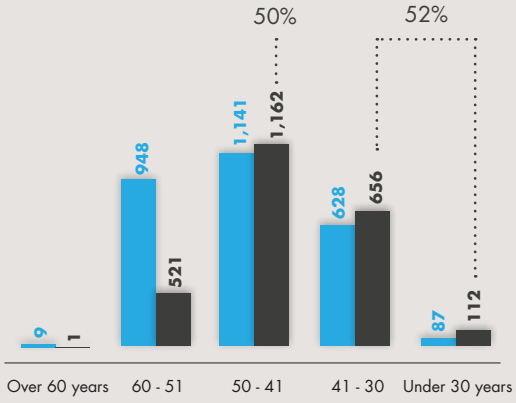
Women currently account for 47% of the workforce, having increased significantly (10%) since 2005. Below the age of 40, women account for 52% of the workforce. **Both genders are equally represented in the age range in which the Bank's average age falls.**

Within the framework of the 2015-2017 Strategic Cycle and in parallel to it, the Human Resources Department has drawn up a specific plan, culminating in 2017 with the rollout of a **new people management model**.

	MEN	WOMEN	TOTAL
PEOPLE	2,813	2,452	5,265
AVERAGE AGE	46 years	44 years	45 years
AVERAGE LENGTH OF SERVICE	20 years	18 years	19 years

53% MEN

47% WOMEN



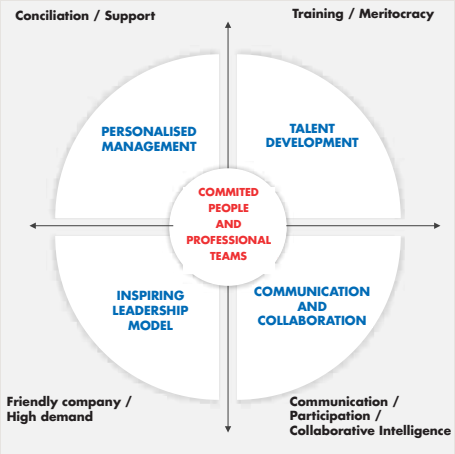
Ibercaja's current People Management Model is structured around 4 pillars:

PERSONALISED MANAGEMENT

Get to know each person, identify their talents, their capabilities, their interests and circumstances to personalise their career development and accompany them at key moments in their career.

INSPIRING LEADERSHIP MODEL

We aspire to be a highly-demanding company that is a pleasant place to work. A leadership style that foments a new culture in customer and people management.



TALENT DEVELOPMENT

People must have the opportunity to tackle individual and team challenges in order to prove their worth. We must prepare them adequately. Training is one of the most important commitments in this new cycle.

360° COMMUNICATION AND COLLABORATION

Progress towards a more transparent and participative communication policy. Promote channels that help employees to share their ideas. Put in place mechanisms to allow people to contribute beyond their work post.

COMPUTER TOOL FOR THE HR INTEGRATED MANAGEMENT → HR INTEGRATED DASHBOARD

2017's main transformational milestones linked to these lines and projects are as follows:

Roll out of Leadership Model amongst 180 TOP Leaders at the Bank

Launch of **Paraninfo**, a new platform for the integrated management of training, talent connection and development of Ibercaja's employees

imPULSO is born. A new participation and active listening channel structure around a system of challenges. The heartbeat of the Ibercaja community that makes us better.

Transformation, people and culture and the three axes of the 2017-2018 Development Plan, reflected in Paraninfo via its 6 concepts: Transform, Collaborate, Lead, Advance, Specialist and Ibercampus +

We have rolled out **People-Met**, a cloud platform for integrated human resources and salary management, which has made it possible to automate and integrate most HR processes

We have completed our network of **HR Delegates** in all regions. "Understanding people is essential to act on commitments".

In terms of the first three:

ROLLOUT OF THE LEADERSHIP MODEL:

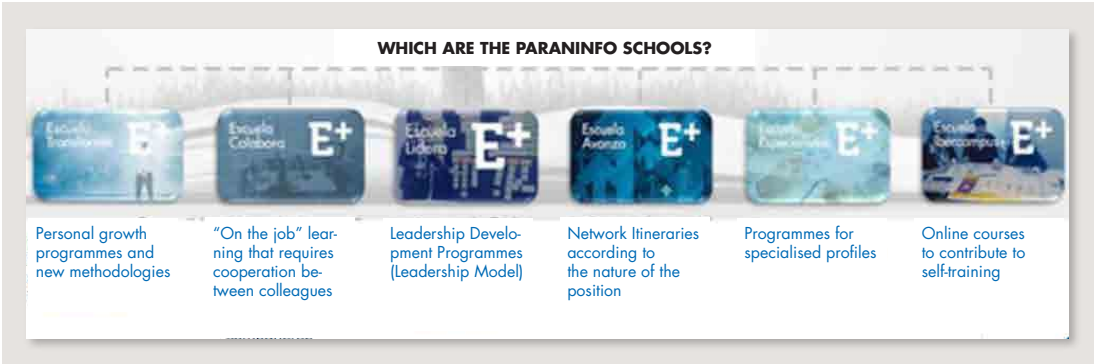
This model was defined in 2016 with a view to establishing it as a point of reference for those recognised as leaders, so that they can **influence their teams in a homogeneous way in line with the strategy.**

Work began to roll out the Model in 2017, starting with the Management Committee and then 180 managers at Ibercaja. Beforehand, bottom-up diagnostics were performed in terms of the four dimensions of the model, which served as a basis for a training plan being drawn up. This plan is supported by individual virtual sessions, workshops and an individual work plan.

LAUNCH OF PARANINFO:

In 2017, a new **integrated training, development and talent connection management platform** was launched in order to boost Professional Development Plans in an individual manner from a single outlet, in addition to providing information on time lines. It offers new learning methods and innovative social functions, making it possible to interact with trainers, participate in chats, forums and video conferences that promote interaction and participation to provide a more collaborative learning experience. It also facilitates "on the job" learning, which requires collaboration between colleagues and involves different training programmes imparted via different "schools".

In addition to Paraninfo, a new learning channel has been rolled out: **the synchronised virtual classroom**, which, employing new technologies, makes it possible to share a virtual space at the same time, connecting talent throughout the organisation.



imPULSO IS BORN:

In 2017, Ibercaja took another step forwards in its transformation process with the slogan **"the beat that makes us better"**. It comprises a **new listening and active participation tool** that seeks to involve all employees in the search for innovative ideas and solutions to challenges that are periodically proposed with a shared objective: IMPROVE. The new participatory platform makes it possible for employees to submit their proposals and publish them on a wall that can be read and voted on by their colleagues.

Two types of challenges will be considered:

INNOVATIVE imPULSO. Every four months, a challenge will be proposed to **get employees involved in specific innovation and improvement processes at the Bank**. The entire workforce can participate actively, proposing ideas and solutions to the challenge proposed. The ideas proposed will be published on the Ibercaja imPULSO platform so that they can be assessed by their colleagues. A multidisciplinary Innovation Committee (created for each challenge) analyses the feasibility of the most popular projects and will select the winning initiative from amongst those selected.

SOLIDARITY imPULSO. It provides people that form part of the entity with the opportunity to **strengthen and enhance our raison d'etre: our social commitment.** At the end of 2017, the first solidarity challenge was launched in conjunction with the platform: a call for social projects. The goal: **promote active and participatory Social Responsibility**, as part of which employees are responsible for proposing and voting for social projects that they believe are most worthy of support. In total, 95 social projects were submitted as part of the first edition, with the three highest scoring initiatives receiving financial support.

This year, in addition to these three challenges, the following are worth special mention:

» **Professional Development Plan**, culminating in 2018. It seeks to increase skills and strengths in order to improve the experience of our customers, placing a focus on the transformation of our people and the organisational culture.

» **Integrated HR Management System** Implementation of a system that makes it possible to automate and enhance process efficiency, decreasing the administrative burden in addition to sharing and linking data, improving channels of communication.

» **HR Delegate Network**, completed and consolidated, now comprising seven delegates covering all regions. Its goal, **proximity**, is considered essential in order to ensure **personalised and proactive management, thus making it possible to learn about people, their skills, interests and expectations** in addition to offering them made-to-measure proposals, listening to them and accompanying them on their journey.

This year, 405 employees have received recognition as part of the meetings organised as part of the new **culture of recognition** mainly in association with two schemes: "25 years together Meeting. Thank You" and "Excellent Teams".

The people model features new lines of communication with innovative campaigns created with a view to extending our value proposition to families.

Thus, with a view to **bringing the organisation its brand and values closer to the children of its employees**, Ibercaja has organised the **"Draw Ibercaja at Christmas"** campaign for the second year running. This edition placed a particular focus on one of the values that most defines us, **commitment**, with 370 drawings received; after an initial selection process and an online voting system open to all employees, prizes were awarded to 20 finalists.

In terms of the main areas of action in 2017, worth particular mention are:

TALENT DEVELOPMENT

Ibercaja considers **the professional and personal development of its employees as a strategic goal as part of its People Management framework**. It seeks to train and internally promote a greater number of employees each year, actively contributing to the development of internal talent as a response to the dynamism required to perform our activities and meet the expectations and needs of our surroundings.

As part of the training imparted, worth particular mention is that 900 people received training in 2017 as European Investment practitioners (EIP), obtaining accreditation as a result, and work has begun on the accreditation of 200 people as European Investment Assistants (EIA). Thus, at the end of the year, the Bank has **2,000 accredited professionals to provide customers with advice and information** on financial products, as required under MiFID II regulations as of 2018.

At Ibercaja, 66% of its employees have a university degree, mainly in economics and law.

EMPLOYEE COMMUNICATION AND EXPERIENCE

The Bank maintains **open** and **transparent communication** with people, providing information on actions led by HR, disclosing general interest topics amongst the workforce, providing and **promoting channels** that ensure appropriate communication with employees and encourage their participation.

The main internal communication resources include:

	DESCRIPTION
EMPLOYEE ADVICE SERVICE	Employees and retired personnel may channel their doubts, queries, requests, etc. through this service.
LABOUR CLIMATE SURVEY	Upward communication channel that allows employees to express opinions on different aspects of their professional lives.
"HR REPORTS" MONTHLY NEWSLETTER	Published by HR management, this newsletter contains all kinds of HR management indicators (appointments, promotions, new joiners, etc.), as well as general interest issues for the workforce through different sections: Did You Know? FAQs, Cultural Group, Conduct and Ethics, Prevention Recommendations, Corporate Responsibility, Environment, etc.
"HR MANAGER RESPONDS" INBOX	Through the Employee Portal, Human Resources Management may be contacted to express doubts, suggestions, concerns...
CULTURAL AND RECREATIONAL GROUP	Recreational activities are encouraged to favour involvement and socialising among the employees.
CRÓNICA IBERCAJA MAGAZINE	The Human Resources area collaborates in each issue of the "Crónica Ibercaja" magazine with people-related articles.
EMPLOYEE PORTAL	Another of the main channels for communication with employees, promoting the upward and downward flow of communication.
REGULATIONS-DAILY INFORMATION	Main downward communication channels that make it possible to provide information on new developments in Human Resources (tenders, appointments, labour agreements, legislative changes, administrative procedures, etc.).

A number of factors worth special mention are the fact that the employee portal was accessed more than 1.6 million times, the high level of participation amongst employees in activities organised by the cultural group, almost 17%, and the ease of access to raise queries with the HR department. Thus, the Employee Care Service received 93 enquiries over the course of the year, with a further 43 enquiries sent directly via the "HR Director Replies" inbox.

Elsewhere, the **huge efforts in terms of dissemination** promoted in 2017 via the different **Conduct and Ethics Standards** are worth particular mention; these efforts focussed on aspects associated with: integrity, the handling of information, data protection, security market regulations, money laundering prevention, etc.

DIVERSITY, EQUALITY AND WORK/LIFE BALANCE

G4 - DMA. G4 - LA2

Ibercaja actively promotes equal opportunities, rejecting all forms of discrimination, and is committed to a work-life balance for the Bank's employees.

The positioning of women in positions of responsibility is continually advancing. In 2017 around 30% of Bank Manager positions, 61% of Assistant Manager positions and 51% of Personal Banking Manager positions have been awarded to women. Women received 51% of the promotions in 2017.

Ibercaja employees can opt into work/life balance measures, such as maternity leave, care leave, shorter working hours and unpaid leave, some of which extend or improve the aspects covered by prevailing legislation and in the collective bargaining agreement. During the year, 284 employees have taken advantage of these measures (239 employees on shorter working hours, 43 on maternity leave and 2 on leave to care for relatives).

Directivas españolas piden medidas públicas y privadas para la igualdad

This year, Ibercaja collaborated with Expansión at the event "Leadership on the Rise", where a group of executives met at the Female Director Observatory to reflect on the current presence of women in companies.

REMUNERATION POLICY

Employees' **salaries** are made up of the fixed remuneration stipulated in the collective agreement for each professional level and by target-based variable remuneration received by branch network personnel. Wage supplements are paid to certain groups of employees who have specific functions and responsibilities.

The **fringe benefits** provided by Ibercaja to its employees supplement legally stipulated coverage, beyond the limits and benefits established in collective bargaining agreements. They include study grants, pension plans, assistance with nursery fees and training for employees' children.

SOCIAL DIALOGUE

Labour relations are based on open and transparent dialogue with employee representatives. Two hundred employees represent the Bank across six different trade unions.

These relations seek to foment mutual commitment in order to improve the working conditions of Ibercaja's professionals.

On 10 April 2017, a **formal redundancy negotiation** process began, as part of which the Bank informed labour representatives of the economic, organisation and production grounds responsible for the need to reduce and optimise the Bank's current structure. On 9 May 2017, a negotiated solution was identified that made it possible to satisfy adjustment needs and minimise the impact on jobs. The process has been undertaken prioritising voluntary redundancies. As part of this process, Ibercaja will improve its levels of efficiency, productivity and profitability.

INDICATORS

TOTAL DEPARTURES AGREED UPON
590

SITUATION IN 2017

DEPARTURE
346 employees
(314 DUE TO AGE AND 32 REDUNDANCIES)

BRANCH CLOSURES
98 branches
357 employees affected
(39 TRANSFERS, 32 REDUNDANCIES)

SITUATION FORECAST FOR 2018

DEPARTURE
244 employees
(227 DUE TO AGE AND REMAINING QUOTA)

OCCUPATIONAL HEALTH AND SAFETY.

Ibercaja is committed to the safety and protection of its employees to ensure their well-being and occupational health, by minimising risks and assigning the resources that are necessary to implement preventive actions.

Ibercaja also **promotes a healthy lifestyle** from its cultural group, with a high level of dedication amongst individuals to sporting activities; this is reflected by the fact that more than 12 sports are actively played and participation in different marathons organised locally is high.

Furthermore, a special section in one of the internal monthly newsletters is dedicated to healthcare recommendations, such as how to prevent cold, good cardiovascular habits and information on the importance of having a healthy diet.

HOW IS THIS POLICY ENFORCED AT IBERCAJA?

Through the In-House Prevention Service to provide specialist technical support throughout the organisation on Occupational Risk Prevention, occupational medicine and ergonomy, promoting health monitoring through periodic medical examinations, vaccination and information campaigns.

Through the **Occupational Health and Safety Committee**, whose main duty, in addition to ensuring compliance with regulations, is regularly and periodically verifying Risk Prevention at the Bank.

Employees participate in this aspect through the **Prevention Delegates**. In total, 13 delegates are appointed by and between workers' representatives.

Through the creation and application of the **Occupational Risk Prevention Plan**, and the corresponding risk assessments and reassessments.

Training and informing employees about the risks of the work they undertake, by imparting prevention courses and dissemination campaigns via different channels. |

4th ESIC Race

COMMITMENT TO SUPPLIERS

G4-DMA, G4-2, G4-12, G4-13, G4-26, G4-27, G4-56, G4-EN32, G4-LA14, G4-HR10, G4-SO9

Interaction and dialogue with suppliers are key aspects for enhancing stable and enriching relationships, based on ethics, transparency and strict compliance with commitments undertaken.

Ibercaja promotes mutual commitment with its suppliers and provides them with its responsible management principles. Interaction and dialogue are key aspects to build a stable, enriching relationship based on ethics, transparency and strict fulfilment of commitments.

COMMITMENT TO SUPPLIERS:

TRANSPARENCY. Guarantee transparency in contracting.

QUALITY AND COMPETENCE. Work to establish economic relationships that, while respecting both parties' interests, allow a maximum level of quality and competence in the products served and services rendered.

POLICIES. Assess approaches and policies developed by businesses in relation to social, environmental and human rights issues (endorsement of international agreements, quality and environmental certification, special employment centres, etc.).

SUPPORT TO COMPANIES. Support small- and medium-sized enterprises, social enterprises and those that favour territorial cohesion in the Bank's zones of influence.

IBERCAJA BASES SUPPLIER ASSESSMENT AND SELECTION ON THE FOLLOWING PRINCIPLES:

Maximum product and service quality

Economic conditions, response capacity and incident resolution

Experience in the relationship and market reputation

Competition and transparency in selecting suppliers

Diversification of suppliers

In order to guarantee that suppliers observe the Bank's socially responsible practices and favour the application of the Global Compact principles, Ibercaja has a Code of Conduct that must be taken on board by its suppliers during the Supplier Assessment and Approval process.

In 2017, assessments were carried out on 149 suppliers, with 98 suppliers having their approval renewed and 46 obtaining approval for the first time. It is worth noting that approved suppliers account for 88% of the total volume of purchases managed.

Almost all **approved suppliers** are located in Spain and their contracts are regulated internally, in line with standardised criteria, objectives and procedures. In turn, control mechanisms are in place to ensure compliance and guarantee that commitments assumed are carried out.

Administration tasks resulting from these processes are handled electronically, speeding up the payment of invoices and reducing the consumption of paper.

In May 2016, **the Suppliers Portal was opened**. Over the course of 2017, work has been undertaken on the standardisation process, in addition to performing a supplier risk assessment to evaluate and put proactive measures in place for their mitigation.

SUPPLIERS

149	98	46
SUPPLIERS	RENEWED	FIRST TIME

OTHER NOTEWORTHY ASPECTS IN 2017 INCLUDE:

» Centralisation of appraisal management for foreclosed properties and those securing transactions in compliance with Circular 4/2016.

» Increase in contracting of products/services from Special Employment Centres.

» Increase in procurement of renewable energy

COMMITMENT TO OUR SHAREHOLDERS AND INVES

G4-DMA, G4-2, G4-26, G4-27, G4-58

The challenge in responding to the needs and expectations of shareholders and investors involves building trust based on transparent and honest communication and information.

Undertaking important actions and providing sufficient, precise information for assessment are key strategies in our relationship with current and potential shareholders and investors.

Over the course of 2017, Ibercaja has continued to strive to obtain more in-depth knowledge of the Bank from all financial market agents.

The Bank remains committed to **transparency**, periodically publishing **corporate presentations** on its website, analysing the main financial data and strategic progress. The corporate website includes a section for investors and shareholders containing stakeholder information on corporate governance, relevant facts, economic and financial highlights, credit rating, issues, etc. in line with the most recent requirements under Spanish law in terms of companies and best corporate governance practices; furthermore, it has an enquiries and suggestions channel dedicated to this group to which interested parties can write: **investors@ibercaja.es.**

On the **corporate website**, information is now also provided on a periodic basis in Excel format on the Bank's main **financial and operational indicators**, including financial statements, the balance sheet, the performance of funds and customer loans and solvency. Visits to the website over the course of the year come to 3.2 million, up by 20% on the **previous year**.

In addition, Ibercaja has participated at different **international investment forums**, such as the Barclays European Financials Capital Summit, at which information on recent business performance and the outlook at the Bank was provided.

COMMITMENTS TO SHAREHOLDERS AND INVESTORS:

EQUALITY. Guarantee shareholder and investor equality as regards access to the Bank's relevant information, avoiding imbalances and assuring the utmost transparency so they receive full, clear and accurate information at all times.

ADEQUATE DIALOGUE. Put in place adequate dialogue channels to assure fast, quality and personalised responses.

CONFIDENTIALITY. Comply with confidentiality clauses applicable to any data provided by shareholders and investors.

THE MOST IMPORTANT ACTIONS TAKEN DURING THE YEAR, FROM AN INVESTORS PERSPECTIVE, WERE:

» The sale of a 489-million euro portfolio of developer loans, resulting in a 36% decrease (compared to March) in the total balance of non-performing loans to real-estate developers.

» The early repayment of the public loan received for Caja3, without capital increases or selling strategic assets.

As a result of these achievements, and in spite of the uncertainty on financial markets in terms of the Spanish finance system, the perception of investors in terms of Ibercaja Banco's risk profile will improve, with Ibercaja Banco's Tier II issue spread reducing by almost 250 basis points over the course of 2017.

COMMITMENT TO THE ENVIRONMENT

G4-2, G4-14, G4-26, G4-27, G4-35, G4-36, G4-42, G4-44, G4-46, G4-47, G4-EC2, G4-DMA

Conscious and aware of its environmental impact, Ibercaja assumes its commitment, undertaking environmental protection in a systematised and transparent manner.

As a company that is aware of its environmental impact, Ibercaja has committed to preserving and protecting the natural environment as one of its most important contributions, required to facilitate sustainable development and as a means of safeguarding the quality of life of future generations.

Since 2007, the bank has enforced an **Environmental Management System** structured around **ISO 14001.** The system has been fully inspected in 2017 and adapted to the 2015 update (ISO 14001:2015).

COMMITMENTS MADE TO THE ENVIRONMENT:

ENVIRONMENTAL POLICY. The Bank's environmental action principles are contained in our Environmental Policy, which is public and may be found in our corporate website and internal regulations.

PRINCIPLES. These principles address environmental protection, compliance with regulations and voluntary commitments made, and continuous improvement of the organisation's environmental effectiveness and performance.

The **certification** of our head office is a testament to the Management System implemented in line with the updated standard. The System features an **Environmental Committee** (made up of managers at the main units involved in environmental management), which is responsible for implementing, maintaining and optimising the system.

All system processes have been revised over the course of the year, with particular focus on environmental **protection**, with an emphasis on the following aspects: the undertaking of the **context analysis** and identification of the needs and expectations of stakeholders, the assessment of environmental aspects considering the **lifecycle** in addition to environmental **risks and opportunities.**

AENOR

Certificado del
Sistema de Gestión Ambiental

GA-2007/0451

IBERCAJA BANCO S.A.

In terms of **internal communication**, worth particular note is the information published in the internal **newsletters**, **Crónica** and **Human Resources Reports**. Furthermore, an **Environmental Best Practices Guide** is in place, which contains a series of simple indicators and guidelines with a view to promoting respect for the environment in the performance of professional duties.

When it comes to **external communication**, worth particular mention is the **corporate website dedicated to this topic, on which the Environmental Policy in addition to** initiatives and actions undertaken are published. Once a year, coinciding with this **Annual Report** externally audited indicators in line with the **Global Reporting Initiative (GRI)** are published.

In terms of the Environmental Management System, the **Environmental Team** dedicated to driving initiatives; it is made up of around 20 volunteers from different units who suggest and compile possible environmental protection activities, promoting their implementation. As part of a cross-cutting vision and with support from the Environmental Committee, this year a project divided between teams has been embarked upon with three primary focuses:

» **Environmental disclosure**: to identify new channels of dissemination, new content and ways of communicating internally and externally.

» **Green corner**: to improve the separation and recycling of waste, pursuing possible synergies with social aspects.

» **Paper consumption**: with a view to making significant process in changing habits in terms of paper consumption to achieve large-scale reductions.

Teams are responsible for their own management, with a coordinator streamlining their functionality and escalating specific proposals for assessment. The organisation is informed of the actions rolled out via the different internal channels of communication.

In terms of the main areas of action in 2017, worth particular mention are:

WASTE MANAGEMENT

- Waste management is centralised. In the interests of operational efficiency, the role of **Waste Management Coordinator** was created a year and a half ago.
- Work has continued on **awareness raising** activities amongst employees to promote the selective collection of waste generated at new facilities.
- In order to enhance efficiency, work is under way to minimise travel linked to waste management. One example is the refurbishment of two existing warehouses that have been recognised in the corresponding regions as **new waste production centres**: one in Burgos and another in Badajoz.
- Operational, document and administrative **control and monitoring** have been ramped up with waste management firms. Furthermore, agreements required to handle the transfer of waste have been entered into or updated with management firms.
- **New waste management firms** have been identified and selected. New service providers have also been selected as part of a call to tender, with all obligations associated with adequate waste management included in the bidding specifications.
- **Furniture** is reused by adapting it and thus avoiding unnecessary waste.

ENERGY EFFICIENCY

- Use of **more energy efficient lighting.**
  - At headquarters: in the main office and also at doorways and on light posts.
  - In the offices: Work continues to replace signage with LED signs and backlit billboards with unlit alternatives.
- Highly energy efficient **air-conditioning** equipment was installed to renew existing equipment or in new facilities and blinds installed on some windows to optimise the use of energy.
- Work has been undertaken to increase the use of **clean energy**, ensuring that all energy consumed at headquarters will be sourced from renewable, green energy.

EMISSIONS

With a view to joining the carbon footprint, compensation and carbon dioxide absorption project registry organised by the Ministry of Agriculture, Fishing, Food and Environment in the medium-term, we use the calculator created by this institution to calculate scope 1+2 CO2 emissions. **Carbon Footprint.**

Activities undertaken in 2017 to reduce the volume of emissions:

- We have continued to work on the optimisation of travel undertaken by waste management firms, thus minimising travel to pick up waste.
- The downward trend in the number of bags transported first seen last year has continued.
- Attendance at video or audio conferences has increased.

OTHER ASPECTS RELATING TO ENVIRONMENTAL MANAGEMENT:

» **Emergency signage** has been changed at the Head Office.

» Large-scale **work** has been undertaken at branches including, on the one hand, improvements and the opening of new units, and on the other, closures and the refurbishments of branches.

» With the environment in mind, **access to some branches** has been adapted to remove **architectural barriers**, whether in the form of construction work or using ramps or elevator platforms.

» **Donations**: As part of the organisation and classification of material at our warehouses, small donations of furniture and photocopiers have been made in response to requests received from non-profit associations. (Often, all furniture and IT material is reused to equip the Bank's branch network.)

» Ibercaja has participated in "Earth Hour" and the Climate Community initiatives.

» An awareness raising campaign has been launched to remind people of the **importance of responsible water use "H2OFF"** to mark International Water Day.

Furthermore, Ibercaja, understanding that consumers are progressively more environmentally, socially and sustainably aware and seek products that response to these criteria, has products in its portfolio that contribute to environmental and the development of society, including the following:

» **Ibercaja Sustainable and Solidarity Pension Plan**, which, in addition to pursuing sustainable investment strategies, donates part of the corresponding management fee to social and environmental projects. Currently, the Plan supports a Conservation project in the Amazon and the development of local communities in Madre de Dios, in Peru.

» **Ecological renting**, the purpose of which is to encourage the use of vehicles that promote energy efficiency.

COMMITMENT TO SOCIETY

G4-DMA, G4-2, G4-26, G4-27, G4-EC8, G4-SO1

A consolidated culture structured around its social awareness and a long-standing commitment to contributing to the social and economic development of the areas in which we are active are the bases of a Bank that is aware of society's needs and the development of its surroundings.

COMMITMENT TO SOCIETY

TERRITORIAL DEVELOPMENT. Contribute towards territorial development, supporting the productive fabric and creating channels for collaboration and dialogue with local agents.

ADAPTATION TO NEEDS. Respond to social demands (employment, training, housing, etc.), through its financial activity, with products and services tailored to society's needs.

FINANCIAL INCLUSION. Support financial inclusion by providing a comprehensive service and favouring access to financial services for groups that may be experiencing the most difficulties.

ACCESSIBILITY. Facilitate face-to-face or distance financial solutions to maximise the accessibility of products and services.

FINANCIAL EDUCATION. Favour a financial education in society, transferring the know-how of the Entity's professionals to support informed decision-making and help to manage personal finances.

VOLUNTEERING. Promote and support employee involvement in corporate volunteering initiatives that have a positive impact on society.

COLLABORATION. Collaborate with organisations, entities and regulators engaged in socially responsible activities, build awareness and disseminate good practices.

COMMITMENTS. Responsibly assume commitments recommended by international organisations that oversee sustainable development, human rights, good governance, ethical commitment and the fight against corruption.

The most significant social activities undertaken by Ibercaja in 2017 are as follows:

FINANCIAL EDUCATION

Since 2013, the **Financial Education Programme** undertaken by the Ibercaja Foundation has offered a response to the Bank's commitment to the National Financial Education Plan, coordinated by Banco de España and the Spanish National Securities Market Commission. It seeks to promote "basic financial literacy for all citizens".

This programme, which seeks to raise awareness and impart training, is in force across all provinces in which Ibercaja operates and is available nationwide via the **aulaenred.ibercaja.es platform**. All activities related to the programme are free of charge. The programme has received a wide range of acknowledgements and more than 70% of its actions are undertaken in person, with more than 26,000 people participating in activities organised since it was launched.

The key to its success and covering all age ranges is based on establishing **collaboration agreements**, specifically with the School of Economics of Aragón (in the case of actions aimed at University students); the Association of Secondary School Teachers of Aragón (ADESDAR) and the Association of Secondary School Teachers of Madrid (ADESMAD) (for those imparted to secondary school, A-Level and vocational training students, in addition to training offered to teachers) and the Piquer Foundation (activities aimed at primary and secondary school students).

The main milestones in 2017 are:

» The magazine **Actualidad Económica** has granted the **1st Prize in the Adults category** for the initiative titled "Financial Education: How to impart financial education and entrepreneurial initiatives at secondary schools". The initiative seeks to provide teachers with the tools and content to complement the syllabus of the Organic Law for the Improvement of Academic Quality in the classroom.

» **Financial Education Day**: Ibercaja's Welfare Projects commemorated this occasion with activities for schools and the general public over the course of a week.

» **"Ibercaja Volunteering Workshops"** have also been organised in Madrid this year, to prepare volunteers that want to impart Basic Finance Workshops aimed at the general public. The list of in-person activities was rounded off with the "Course for NGO trainers".

VOLUNTEERING

Corporate Volunteering, managed as part of Ibercaja Foundation's Welfare Projects, includes all employees that wish to participate in the different activities organised on a voluntary basis: workshops, emotional assistance, recreational activities and awareness raising.

In 2017, 453 volunteers participated in the Volunteering programme, up by 11% on the previous year. Most of the new volunteers were serving employees.

The most significant activities undertaken over the course of the year include:

- Collaboration in the Give and Gain "7th International Corporate Volunteering Week" organised by Forética.
- Participation in Madrid, along with volunteers from 44 companies, in the "Company Solidarity Day" awareness raising initiative for businesses and volunteers, organised by Cooperación Internacional.
- Implementation of the "Acompáñame" Programme at Hospital Santa Mª de Gracia in Zaragoza. This volunteering initiative seeks to provide elderly or disoriented or vulnerable people with a chaperone to their consultation at the hospital.
- Participation in and collaboration with the promotion and organisation of the First Regional Volunteering Conference in Aragón promoted by the regional government of Aragón in order to promote, raise awareness and recognise volunteering work, in addition to updating knowledge and improving management.
- Great food drive: more than 275 Ibercaja employees volunteered at "The Great Food Drive" organised by food banks in Zaragoza, Huesca, Teruel, Guadalajara, Logroño and Madrid.

MEDIO AMBIENTE

The **Environmental Education Programme** conducted by Red Natural de Aragón focuses on four lines of activity: information, advice, awareness raising and experimentation. Its goal is to promote an interest in the conservation of nature and ensure respect for the environment through knowledge of Aragón's cultural heritage and its protected natural spaces. It is managed through 20 centres of interpretation.

EMPLEA-T AND EMPRENDE

This highly regarded programme, which has been running for six years, has secured its position as a **point of reference for individuals looking to undertake a business idea or project from beginning to end assuring a high level of excellence.**

Around 30 employees and mentors bolster the five levels of training imparted in 2017: Inicia-T, Desarrolla-T, Acelera-T, Capacita-T, and Especializa-T. More than 275 entrepreneurs have participated in other projects such as training, mentoring, financing and acceleration, the four pillars of the programme. The projects have been developed especially in Zaragoza, La Rioja and Guadalajara and have assisted with the consolidation of more than 95 new companies. Since the start of the programme, 57 projects have been financed with total investment of 1.4 million euros.

The most noteworthy aspects of this project include:

» **La Terminal:** a space for business incubation and acceleration provided by Zaragoza City Council and managed by consultancy firm Hiberus Tecnología, collaborating strategically with Ibercaja. Around 120 entrepreneurs work at La Terminal every day, entailing a 100% occupancy level. The programme offers training content, strategic monitoring, consultancy, mentoring, financing and an exclusive acceleration programme for incubated projects. In 2017, approximately 750 children aged between 10 and 12 from the Aprendiendo a Emprender Programme visited the facilities.

» **Aprendiendo a Emprender** (Aragón y Rioja): the Ibercaja Foundation has been involved in this project for the past 7 years. The programme is intended for Year 5 and 6 students, promoting an entrepreneurial spirit, autonomy and personal initiative with the creation of school cooperatives. Teachers and students participate in an entrepreneurial training process as part of which Ibercaja assumes responsibility for organisation and providing support materials. Around 2,200 students from 43 schools have participated in the programme.

» **Ibercaja Transnnova**: second year of the training programme resulting from the experience gained working with entrepreneurial models applied to start-ups. The programme targets companies that need to redesign and innovate in their business model and aspire to be as agile and nimble as a start-up. Prestigious Spanish and international business specialists took part in this edition, including expects from the business world.

OTHER MILESTONES IN 2017:

» Agreement with the Young Entrepreneurs Association of Aragón

» Agreement with the regional government of La Rioja: Development Agency – Emprenderioja

» Agreement with the CEEI Guadalajara Foundation

» Agreement with the Emprender Foundation in Aragón

» Organisation of the First Innovative Young Company Award in collaboration with Etopía y Centro de Arte y Tecnología

» Organised of the "TendUP workshop" in collaboration with AJE Zaragoza

» Participation on the Expert Committee of the Cultural and Creative Industries Entrepreneurial Programme, organised by the IAF.

» Support with the launch of the fourth edition of the Expert University Degree in Entrepreneur Consultancy, organised by the Emprender Foundation in Aragón via the Emprender Chair at the University of Zaragoza.

YEAR-END CAMPAIGNS

SOLIDARITY CAMPAIGN

"The Power of Helping" was the slogan of the third solidarity campaign organised by Ibercaja's Welfare Project to collaborate with the labour insertion programme "Sumando Empleo", run by Cáritas, to **enhance the employment situation of individuals at risk of social exclusion** in addition to the quality of life of these individuals and their families. The amount raised by initiative over the course of three and a half weeks, 60,395 euros, surpassed last year's sum thanks to donations made by Ibercaja employees and customers.

Furthermore, the campaign involved actions managed from Ibercaja's Welfare Project Units in Aragón, La Rioja and Guadalajara. During the month of December, a range of solidarity activities on behalf of NGOs and social associations in different towns and cities were carried out, including donations of food, clothing, toys and school materials.

"A SMILE FOR CHRISTMAS" CAMPAIGN

In December 2017, Ibercaja participated in the campaign organised by non-profit organisation Cooperación Internacional, titled **"A Smile for Christmas"**, which sought to collect toys for children with limited resources at Christmas.

During the campaign, **more than 400 presents** donated by Ibercaja employees were collected. Presents were collected in Madrid, Burgos, Badajoz and Zaragoza and Ibercaja volunteers participated giving the presents to children in risk of exclusion in these cities in cooperation with other local social associations.

ENABLED TO WORK

Through its Foundation, Ibercaja has supported the **labour integration of differently-abled individuals** to achieve a more equal, inclusive society. This year, more than 375,000 euros have been donated to support 24 projects throughout Spain, such as: the ATADES Zaragoza fruit and vegetable transformation plant; the ASISPAZ ecological vegetable garden/greenhouse for the disabled; the Brújula project to train and care for disabled individuals run by Fundación Juan XXIII; the employment support service of the Down Huesca Association; or aid to the Dolores Bas Foundation to recruit a disabled person at the social commissary in Badajoz, amongst others.

SOCIAL PROJECTS

The Ibercaja Foundation has launched the **12th Call for Social Projects** to achieve a more balanced society with greater equality of opportunities and that is particularly concerned for the most disadvantaged through support for programmes that defend their right to housing, healthcare, food, work and education. Through the twelve editions to date, the Ibercaja Foundation has granted aid to 2,678 associations for the sum of almost 31 million euros.

In 2017, the Ibercaja Foundation has joined forces with other Shareholder Foundations as part of a national call divided into four parts:

» 2017 Ibercaja Call for Social Projects (Spain less Aragón, Extremadura and Castilla y León)

» 2017 CAI-Ibercaja Call for Social Projects (Aragón)

» 2017 Caja de Badajoz-Ibercaja Call for Social Projects (Extremadura)

» 2017 Cajacírculo-Ibercaja Call for Social Projects (Castilla y León)

In addition, the Bank has implemented an employee participation system for the first time to undertake an internal social support campaign.

In total, 95 candidates were submitted by employees to participate in the project, called **Solidarity imPULSO**, which involved social projects linked to disadvantaged individuals at risk of exclusion or health problems.

The three successful projects, which receive economic aid of 10,000 euros, were chosen by a system of voting as part of which more than 65% of the workforce took part. The three projects with the highest number of votes will receive, as established in the Call, economic aid of 10,000 euros each; these funds have been provided by Ibercaja Banco, the Ibercaja Foundation and Ibercaja Pensión (in partnership as part of the Ibercaja Sustainable and Solidarity Pension Plan).

imPULSO Solidario

DIGITAL SERVICES

The Ibercaja Foundation seeks, through its digital services, to **provide tools and content to achieve a more digitally inclusive society**. Thus, it fulfils the mission to contributing towards the economic, social and cultural development of society. A society heavily influenced by the presence of Information and Communication Technologies, which allows our users to decide where, how and when they participate in our services and activities.

The services offered include:

» **IBERCAJA ORIENTA.** A platform offering educational guidance with everything needed to choose training plans and university studies.

» **IBERCAJA AULA EN RED.** The web service offered to the educational community, through which teachers, parents and students can enhance classroom work using the activities, resources and applications made available.

» **EMPRESA COMPETITIVA DE IBERCAJA.** A platform to improve the competitiveness of our companies with information on best business practices, articles, seminars, etc.

» **IBERCAJA DOCUMENTA - FOOD AND AGRICULTURE BUSINESS.** Information and documentation service for the agricultural and livestock industry.

IBERCIDE BUSINESS DEVELOPMENT CENTRE

The Welfare Project's point of reference for the business world, placing an emphasis on promoting the capacity of innovation, transformation and continuous learning at companies. It does so from different perspectives: **people development** via leadership and coaching programmes, emotional learning or mindfulness programmes and, in the field of **innovation in business models** with the Transnnova Ibercaja programmes, intended for management teams.

In terms of **senior management and strategy**, the Ibercaja Business Development Centre imparts courses via the IE Business School and International San Telmo Institute, whilst when it comes to **digital transformation** Ibercide imparts training from the ESIC Business and Marketing School and ICEMD.

Furthermore, workshops are organised with different experts and businesses with different focuses. These include the **2nd Ibercide CSR Workshop** "CSR, total management and sustainable profitability" at which leader organisations from different industries shared their CSR management experience, exchanging best practices.

AGREEMENTS WITH THE UNIVERSITY OF ZARAGOZA

The Ibercaja Banking Foundation, in collaboration with the Caja Inmaculada Foundation, has signed two collaboration agreements with the University of Zaragoza **to promote research and student mobility.** Between the two foundations, 265,000 euros have been set aside to promote social and economic development through the financing of research projects and placements abroad.

SPONSORSHIPS AND COLLABORATIONS:

Ibercaja is a noteworthy **sponsor** of different activities, many focussing on **raising cultural awareness** and promoting **healthy habits** amongst the general population and amongst young people in particular.

SPORT. In 2017, the Bank participated at a range of sports events, such as:

- The City of Zaragoza Trophies (under an agreement entered into with the Zaragoza municipal sports department across 26 different disciplines at which 32,000 people were in attendance)
- High turnout events such as the Atapuerca Cross race, the Skating Marathon in Madrid, Quebrantahuesos road race, the Madrid and Zaragoza marathons, the Zaragoza and Seville half marathons, the Valencia 10K race, the Cursa dels Nassos race, amongst others.
- More than 13,500 people have participated in **Ibercaja's People's Races for Integration**. In addition to organising and sponsoring the events, the Bank donates one euro per participant to the food banks in Zaragoza and Huesca and Cáritas in Teruel
- Collaboration in the sale of tickets to charitable events: the ASPANOA football match, the AMACGEMA concert, the concert at the General Military Academy in support of Santa Hermandad del Refugio
- Award as the Sponsor of the Aragonese Regional Sports Gala
- Sponsorships relating to the promotion of grassroots and school sports: federations, lower levels and academies, ski schools, school age sports activities, mini-basketball days and street sports days.
- Sponsorship ski schools in Candanchú, Cerler, Valdelinares, Formigal, Panticosa and Sierra de Gúdara, with customers benefitting from discounts on services provided.
- Corporate Race (ESIC Zaragoza). Sponsorship, record participation of Ibercaja employees and prize for the third most represented company at the event.

CULTURE. Ibercaja plays an active role in the promotion of culture and this year, through its ticket sale service, has sold 850,000 tickets to more than 500 events.

OTHER COLLABORATIONS. Ibercaja has collaboration agreements in place with:

- Different public administrations to improve the way in which they manage aspects such as university enrolment, the collection of different taxes, fee management and agreements to improve production amongst young people, etc.
- The General Secretary of Industry and SMEs, Cersa and Cesgar to establish a 500 million euro line of financing to fund SMEs.
- Mutual Guarantee Companies in different regions to offer financing to the industry via SMEs (Avalia, Avalan, Sonagar, etc.)
- The agreement for the provision of financial services with the regional government of Valencia has been renewed.
- Sponsorship of the ECOMAR Foundation to promote care for Spain's coasts and the marine environment.

CONCLUSIONS AND OUTLOOK

iberCaja

CONCLUSIONS AND OUTLOOK

In a demanding year for the banking sector, both from a business perspective and on account of regulatory pressure and significant competition between Banks, the Group progressed with its "strategic road map" defined in the 2015-2017 Plan.

Attainment of objectives set out three years ago has been **satisfactory**, many of the milestones have been met in full and significant progress has been made on others.

As part of this now complete cycle, public aid received for Caja3 has been returned, using own funds, an ambitious plan has been put in place to digitalise internal processes and promote cutting-edge customer relations channels, commercial growth plans are being run in regions with high business potential with a particular focus on the SME segment and the Group's renowned position in the asset management industry has been enhanced.

During the year Ibercaja has demonstrated its capacity to generate profits in a scenario of extremely low interest rates, which has a negative effect on financial margins. Recurring revenue has grown, a change in trend compared to previous years, unproductive assets have notably decreased and liquidity and solvency are stronger through the application of the prudence policy that has traditionally been in place at the Entity.

Work will continue in 2018 to further improve the Group's competitive position, improving profitability by working towards the levels required by the market and strengthen solvency ratios, whilst bearing customer service excellence as a roadmap for management in mind. The main levers to achieve these goals are:

ACCELERATE THE GROWTH OF BUSINESS:

» Improve the market share of retail resources, particularly in off-balance sheet products, with different strategies for each geographic region and type of customer.

» Territorial plans will continue to be developed to support areas with the highest growth potential and actions will be implemented to improve in those where the Entity has a consolidated position.

» The Corporate, Personal and Private Banking Plans will continue as these are the segments that generate the highest levels of profitability.

» The loan portfolio will continue to be broadened and diversified, especially in the area of small and medium-sized businesses and consumer loans, while maintaining a notable presence in the residential mortgage business.

MAXIMIZE PROFITABILITY:

» Adapt the loan and resource structure, together with the price-setting strategy, to optimize their contribution to results given the current situation and outlook for interest rates.

» Supplement the retail margin with income from the wholesale business.

QUALITY OF THE BALANCE SHEET AND REDUCTION OF UNPRODUCTIVE ASSETS:

» Minimize the impact of irregular assets in the income statement through ordinary management and extraordinary sales transactions.

» Achieve the progressive normalization of the cost of risk, supported by the efforts already made through write-downs, the reduction of delinquencies as a result of the more benign macroeconomic environment and the prudent management of risk.

EFFICIENCY AND PRODUCTIVITY:

» Maintain strict cost controls, receiving the positive effect of the measures adopted in previous years and implementing other actions that contribute to the improvement of efficiency and productivity.

» Optimize the operating costs of the retail network and central services, taking into account the changes that are taking place in the consumer habits and the growing penetration of new technologies.

To take on the new phase that is now starting, Ibercaja is preparing a new Strategic Plan with a time horizon of 2020.

Its objectives are summarized as follows: Prepare to compete in a rapidly changing scenario affecting consumer habits, technology, the economic and business context as well as the regulatory framework. **The goal is for the Entity to occupy a relevant position within the Spanish banking system,** providing it with the profitability and solvency that is necessary to attract capital and to successfully support its listing on the stock market.

APPENDIX

FURTHER INFORMATION

A. 2017 Annual Report Highlights

G4-17, G4-18, G4-32, G4-33

INTRODUCTION

Ibercaja Banco's 2017 Annual Report responds to the undertaking started last year to include all relevant **financial and non-financial** information in a single document, structured around our commitment to accurately and transparently informing stakeholders in line with their needs and expectations. In line with the organisation's interest to provide appropriate access and content, the Annual Report addresses the most important aspects, which are developed upon and complemented with the information provided in this Appendix. The goal is also to address aspects in the that must also be considered in the **Sustainability Report** according to **Global Reporting Initiative (GRI)** criteria, the guidelines of which have been used as a reference when drawing up Ibercaja's annual reports since 2005.

Moreover, the Annual Report, together with this appendix, more up the **"Progress Report"** in accordance with **Global Compact** reporting requirements in respect of the UN Global Compact's 10 Principles.

It must be noted that, as a public-interest company which employees more than 500 individuals and that fulfils the corresponding requirements, the recently approved **Royal Decree-Law 18/2017, of 24 November**, amending the Code of Commerce, the restated text of the Corporate Enterprise Act. approved by Royal Legislative Decree 1/201, of 2 July, and Law 22/2015, of 20 July, on Accounts Auditing, on non-financial information and diversity, applies to the Group. We have produced this year's Management Report, which contains consolidated information on the Ibercaja Banco Group and which is complemented by the Annual Report that this Appendix forms part of, in line with this Royal Decree-Law.

SCOPE

The information contained in this Report and Appendix cover the financial and non-financial activities of the Ibercaja Banco Group and it is presented in such a way to enhance comparability in terms of relevance insofar as possible. Taken as a whole, the Report presents an overall view of the Group's strategic lines, activities, business model, financial performance and sustainability commitment (environment, society, staff, human rights, the fight against corruption and bribery). Its content will be published on the corporate website (**www.ibercaja.com**).

RIGOR IN PREPARATION

The criteria used to prepare this report and this appendix are based specifically, and for the third consecutive year, on the **G4 Guidelines under the Core "in accordance" option** for the preparation of sustainability reports of the **Global Reporting Initiative (GRI)**, including the content required in the Financial Services **Sector Supplement**.

Throughout the process of gathering and presenting information, Ibercaja took into consideration the principles of **balance, accuracy, clarity, timeliness and reliability** to ensure the quality of the reported information.

Lastly, the principles followed in the preparation of this Report and appendix, as well as the contained included therein, were examined as part of an **external assurance** process by audit firm **PricewaterhouseCoopers Auditores, SL (PwC)**. The Ibercaja Banco Group's legal documentation for 2017 details the contractual relations between Ibercaja and the independent auditor. The Assurance Report is included in the final section of this appendix.

OTHER CONTENT

This appendix also includes additional sections, such as the degree of compliance with last year's commitments and the new challenges for 2018. It also provides information on the materiality study and actions related to Human Rights and the Sustainable Development Goals.

Information relating to the Global Compact principles is associated with the GRI indicators themselves and, in turn, further quantitative information is provided to address a number of the indicators not mentioned in the text, grouping them together at the end of the appendix in the form of a data table.

To expand content, information is available on the corporate website: **Legal Documentation and Corporate Governance Report**.

B. Commitments in 2017 and Challenges in 2018

G4-1, G4-2, G4-14, G4-EC2

In the following tables, information is provided on the degree to which commitments assumed in 2017 have been attained and the new challenges presented, which provide the basis for a Strategic Plan, which will define the next steps to be taken to ensure they are achieved.

FULFILMENT OF 2017 COMMITMENTS

ATTAINMENT	CHALLENGE 2017	RESULTS	%
CUSTOMERS	**European Excellence.** Renew EFQM 500+ gold level excellence for the fifth straight year.	During 2017, work has been undertaken to produce the report to obtain certification in the first half of 2018.	**80%**
	Personalised Management. Pass the AENOR review of the Personal Wealth Management Advice Management System.	The AENOR review was passed.	**100%**
	Customer Experience. Continue to improve customer service, so that customers view their dealings with Ibercaja as a unique experience that creates satisfaction.	We have objectively improved the service provided, which has a positive impact on satisfaction with the company and the likelihood of customers to recommend Ibercaja.Se han mejorado los datos de satisfacción y observación experta.	**100%**
	Products. Promote and develop products that are clearly socially- and environmental-friendly.	Work has been undertaken to disseminate the Ibercaja Sustainable and Solidarity Pension Plan, which has considerably increased the equity under management and a service to lease environmentally-friendly hybrid vehicles launched.	**80%**
HUMAN RESOURCES	**Personalised Management** Continuar realizando visitas a oficinas y entrevistas personales con el objetivo de alcanzar al 75% de la plantilla y afianzar el valor de la cercanía y el conocimiento integral de las personas que forman la organización.	In 2017, the HR Delegate Network was consolidated, now comprising 7 delegates covering all regions. At the end of 2017, 2931 personal interviews were carried out (57% of the workforce) and 348 branch diagnoses carried out. (30% of all branches).	**75%**
	Talent Development. Roll out a new Development Platform that includes training courses, learning content, other content of interest, videos and articles of interest, etc. This should be a comprehensive tool for internal talent development.	In 2017, Paraninfo, a new platform for the integrated management of training, talent connection and development of Ibercaja's employees, was launched. It provides new learning methodologies and innovative social functionalities.	**100%**
	Leadership. Start up a model, under the framework of the Inspiring Leadership Model, for evaluating leaders and, subsequently, a training plan for top executives in the organisation (Department Managers, Unit Leaders, Regional and Area Managers) with a view to establishing leadership that is consistent and coherent with the value proposition for employees, encouraging new ways of running the business through employees.	Once the new Model was presented, in 2017, work began on its rollout, starting with the Management Committee and then 180 managers at Ibercaja this year. More than 2,000 assessments have been carried out, which has made it possible to establish the starting point for the defined model and identify aspects on which subsequent training must focus. A virtual and individual reflection session and in-person workshops were held over 3 days in Huesca. After the in-person phase, the next step consists of an individual work plan that helps them to implement the model, with employees sharing their experiences with other participants via social tools.	**100%**

ATTAINMENT	CHALLENGE 2017	RESULTS	%
HUMAN RESOURCES	**Communication.** Carry out internal HR campaigns to enhance employee experience and create new 360 degree feedback channels.	In 2017, we incorporated a new line of communication with innovative campaigns created with a view to extending our value proposition to employees and their families. We have implemented a new listening and active participation tool, imPULSO Ibercaja, that seeks to involve all employees in the search for innovative ideas and solutions to challenges that are periodically proposed with a shared objective: IMPROVE. Furthermore, the "Draw Ibercaja at Christmas" campaign promoting bringing Ibercaja closer to the children of its employees, addressing one of the values that we most identify with: "commitment". 370 drawings were received as part of this edition. This year featured a new development: an online voting system, with more than 1000 employees choosing the winners.	**100%**
ENVIRON MENT	**Environmental Management System.** Update the EMS in accordance with the new requirements of ISO 14001:2015.	The Group has adapted to ISO 14001:2015. Over the course of the year, all the system's processes and documents have been updated. AENOR was responsible for auditing the system and granting the corresponding certification. As part of this transition, the high rate of participation of all those involved in the system and the involvement of the Property Management Unit team in the management, coordination and adaptation of the system to ISO 14001:2015 have been particularly noteworthy.	**100%**
	Energy Efficiency. Reduce electricity consumption (kw/person) at the Zaragoza headquarters by 2% in two years (2015-17) as set out in the Environmental Management System (EMS).	Quantitatively speaking, there has been a drop of 1%, measured in kWh/person. However, over the course of the year, we have considered changing the indicator used for electrical consumption at the Building to m2, as this divider never changes.	**The target 2% reduction established in the Environmental Management System has not been attained.**
	Paper Consumption. Meet the EMS target of a 2% reduction in paper usage (DIN A4) in peripherals in two years (2015-17).	A quarterly comparison of the A4 paper consumption indicator, measured in units/employee is carried out and the results analysed The "Environment Team", comprising volunteers from different units, has created a work group responsible for putting forward proposals and actions that seek to accomplish a significant reduction in the consumption of paper.	**100%**
	Waste Management. Achieve noticeable improvement in operational efficiency in waste management, in accordance with the EMS objective for 2015-17.	Appointment of an individual responsible for coordinating waste management and the keeping and filing of environmental documentation as part of said waste management process. Inform INAGA of the change of ownership of Ibercaja Banco S.A. in the register of small hazardous waste producers and amendment of waste data, adapting to the new regulations on electrical and electronic waste. Selective waste collection: Improve waste organization and storage. Establish waste treatment agreements between Ibercaja Banco S.A. and the usual waste management companies. The system for creating and monitoring waste generation environmental indicators remains in place.	**100%**

ATTAINMENT	CHALLENGE 2017	RESULTS	%
ENVIRON MENT	**Carbon Footprint.** Progress in the calculation of emissions and publication of data. Also consider actions to promote or raise awareness about emissions reduction or offsetting.	MAPAMA's Carbon Footprint calculator is still being used to calculate emissions. Awareness-raising actions are promoted to reduce emissions deriving from the assessment of environmental aspects linked to the life cycle.	**100%**
	Awareness-raising Initiatives. Distribute internal and external communications related to the EMS, and participate in environmental protection forums and initiatives.	The Group has participated and internally and externally promoted in the following initiatives: • International Water Day- Implementation of the "H2OFF" initiative to promote the responsible consumption of water. • Participation in "Planet Hour 2017", turning lights off at Ibercaja's most representative buildings and promoting dissemination. of the initiative. • Participation in "Socially Responsible Investment Week" - Organization of "Green and Social Bonds" workshop with Spainsif. • Registration with the "Climate Community" and participation in public acts. • Internal and external creation and dissemination of the Annual Report. • Creation and dissemination of the Guidelines for the responsible use of resources at work. • Distribution of the "Efficient Driving Manual" during "The city without my car" day.	**100%**
SUPPLIERS	**Suppliers Portal.** Initiate contracting through this channel, facilitating communication and transparency in calls for bids.	A test period was carried out and improvements requested from suppliers. Pending receipt of new version.	**66%**
	Supplier Policy. Continue reviewing criteria and standards of conduct.	New regulations have been published that round off processes with suppliers.	**66%**
SOCIETY	**Corporate Volunteering.** Increase the overall number of volunteers, and especially in areas where there is no support from cultural centres. Promote new alternatives for participation of volunteers and encourage participation in an event or corporate volunteering cooperation.	The number of volunteers has increased from 408 to 453, which represents an increase of 11%. In Madrid, where there is no Cultural Centre, the number of volunteers has increased by 28% (from 83 to 106). We have actively participated in the 1st Corporate Volunteering Congress and we have also formed part of the "Company Solidarity Day" and the Acompáñame programme at Hospital Santa María de Gracia in Zaragoza.	**100%**
	Financial Education. Continue driving financial education, supporting promotional events. Hold a Financial Education Day at all cultural centres with which Ibercaja Foundation is involved. Achieve cooperation from regional offices in promoting the programme overseen by the Ibercaja Banking Foundation. Work internally on employee awareness and training to meet the financial education demands of our sales points.	Participation in Global Money Week and Financial Education Day. Activities throughout the week at our centres in Zaragoza, Huesca, Teruel, La Rioja and Guadalajara. Collaboration of the branch network in the dissemination of our activities, particularly those intended for adults.	**100%**

ATTAINMENT	CHALLENGE 2017	RESULTS	%
SOCIETY	**Entrepreneurship.** Launch a joint initiative to promote the Employ Yourself and Enterprise (Foundation) and + Enterprises (Ibercaja Banco) programmes. Extend the entrepreneurship support model to Guadalajara: incorporate the Employ Yourself and Enterprise programme to an incubator belonging to a public institution.	The Ecosystem + Business programme was developed over the course of 2017; however, on commercial grounds it won't be launched until March 2018. At the start of this year, an agreement was entered into with CEEI Guadalajara, which involves a business incubator that can be used by entrepreneurs registered with the "Empleate y Emprende" programme under preferential conditions.	**100%**
SHAREHOLDERS AND INVESTORS	**Visibility.** Raise Ibercaja's profile in financial markets through agile, efficient and transparent communication, staging events and giving regular presentations.	Ibercaja has improved, in 2017, its visibility within the financial markets, taking part in events such us the Barclays European Financials Capital Summit and reporting periodically information about its financial results.	**70%**
OTHER COMMITMENTS	**Code of Ethics.** Draw up a Code of Ethics to guide the organisation and provide a tool that sets out the prevailing ethical fundamentals, principles and rules in the organisation.	Work has been undertaken on the analysis and gathering of internal information to produce the Code of Ethics and Conduct. Its approval and dissemination is expected for the first half of 2018.	**50%**
	SRC (Socially Responsible Company) Seal. Renew the Aragon RSA Seal by cooperating with and/or participating in applications promoted by the Aragon Development Institute in this respect.	In 2017, the Aragon SRC seal was renewed and we participated in activities promoted by the Aragon Development Institute.	**100%**
	Alliances. Become involved and support initiatives and/or associations and foundations in areas related to social responsibility.	Alliances are in place with key CSR associations, for example, Forética or the United Nations' Global Compact.	**100%**
	Distribution. Increase internal and external communication and awareness on Corporate Social Responsibility.	Internal and external distribution of all activities and initiatives implemented in terms of CSR has been increased, harnessing the tools available and thus helping to increase awareness of environmental and social issues.	**100%**

CHALLENGES IN 2018

ATTAINMENT	COMMITMENTS IN 2018
CUSTOMERS	**European Excellence.** Renew EFQM 500+ gold level excellence for the fifth straight year. **Personalised Management.** Pass the AENOR review of the Personal Wealth Management Advice Management System. **Customer Experience.** Improve customer satisfaction with advisory services.
HUMAN RESOURCES	**Employee experience.** 2018 represents the start of a new strategic cycle. As a result, we are committed to performing a new opinion survey aimed at the entire workforce to ascertain the organisation's overall perception of Ibercaja and the main aspects that influence employee satisfaction. **Communication.** Proposed internal awareness-raising campaign with a view to employees understanding the main corporate advantages of working at Ibercaja for them and their families. **Health, Well-Being and Sports Programme.** We propose implementing new programmes that improve the health and quality of life of our professionals by promoting healthy habits, such as: physical activity via sport, food or concern for health. **Professional development.** In 2018, we propose developing the Skills Assessment model, including a diagnosis of the digital skills of Ibercaja employees, which makes it possible to draw up tailor-made training plans.
ENVIRON MENT	**Awareness-raising Initiatives.** Continue promoting internal and external environmental protection awareness-raising initiatives. As in previous years, individual letters were sent to offices to raise awareness about energy saving. **Carbon Footprint.** Continue to use the calculator. The MAPAMA calculator was used to calculate CO2 emissions. Data are provided in the GRI table. **Toner.** Ensure the correct classification and handling of toner waste relating to pouches. At pouch collection facilities, work has started to classify, separate and store toner waste by type and final destination for the purposes of handling. **Internal Protocol for Waste Management.** Produce a protocol that serves to coordinate and correctly manage waste at each of the Bank's storage facilities in Spain.
SUPPLIERS	**Suppliers portal.** Validate the new version and decide on the next steps to be taken. **Supplier Section on the website.** Create a supplier section on the website, which explains our commitments and code of conduct.
SHARE HOLDERS AND INVESTORS	**Visibility.** Continue enhancing the visibility in Ibercaja among the institutional investors, increasing the number of events, face-to-face meetings and conference calls.

ATTAINMENT	COMMITMENTS IN 2018
SOCIETY	**Corporate Volunteering:** • New volunteers (active employees) participate in training programs in order to give basic finance courses, according to the bank digital strategy (online banking, safety in banking transactions, new apps and payment devices). • Starting Ibercaja Volunteering activities in hospitals in cities other than Zaragoza, such us: Teruel, Huesca and Madrid. • Developing at least one Ibercaja Volunteering activity in each province of the traditional area (Huesca, Teruel, La Rioja, Guadalajara and Madrid) together with the cooperation in the Great Food Collection. **Financial Education:** • Enlarge the scope of Financial Education by means of face-to-face activities in Madrid, aimed to students and general public, focused on new digital skills needed in the financial world. • Increase the number of training programs for College students. • Ibercaja Banco will enhance the dissemination of the program through its branches network. • Public visits to the main bank corporate buildings will be promoted, together with training activities carried out by the Fundación, making employees aware of such relevant activity. **Entrepreneurship:** • Development of new activities called Idea-T and Transforma-T helping companies to apply agile methodologies and turning ideas into new business solutions. • Reinforcing the starting up of new services (Corporate Lab) and new cooperation agreements.
OTHER COMMITMENTS	**Ethical Code.** Agreement and approval of the Organization Ethical Code, as a framework and a tool in order to collect the current foundations, principles and ethical rules. Design and launch of its disclosure plan and activation. **Organizational Purpose.** Identification, approval and activation of the Organizational Purpose, as an essential issue for the alignment of objectives and starting the performance to create sustainable value and develop trustee, loyalty and recommendation. **RSA + Seal.** RSA Seal ratification and achievement of the RSA+ Seal, promoting conciliation, equal opportunities, volunteering and culture. **Alliances.** Keep going on alliances and cooperation, in accordance with the SDG 17, in order to join forces in aspects related to Social Responsibility and achieve, all together, a greater scope.

C. HUMAN RIGHTS AND SDG COMMITMENTS

G4 - 15. G4 - DMA

COMMITTED TO HUMAN RIGHTS

Ibercaja is aware of the role played by companies to preserve and ensure respect for Human Rights and considers this role as an essential part of all economic activities. Companies must act as agents for progress and change in this regard. Ibercaja performs our banking activities responsibly, in accordance with prevailing legislation and in line with international principles:

» **The principles of the UN's Universal Declaration of Human Rights.**

» **Signatories of the UN Global Compact.**

To this end, compliance with human rights is reflected in the Bank's Corporate Social Responsibility Policy, which states that the following is one of the main sustainable guiding principles: "The defence of human rights in accordance with the UN Global Compact's principles". This represents an essential priority and compliance standards are always above the established requirements.

This guiding principle covers the entire Bank and forms part of the organisation's way of doing business and its management model.

The **people** who work at Ibercaja are the fundamental pillar on which Ibercaja supports its strategy and activities. To this end, the Bank is committed to understanding them and accompanying them throughout their career, promoting the continuous development of their skills, defending diversity and equal opportunities, rejecting all forms of discrimination. Participation, communication and open and transparent dialogue with employee representatives are encouraged. The foregoing applies against a backdrop of commitment to the safety and protection of everybody that works for the Bank, assuring their well-being and health in the workplace.

Furthermore, this approach is extended to companies with which the Bank operates: as part of the **supplier** procurement, the CSR Policy requires the commitment to specifically assessing approaches and policies developed by businesses in relation to social, environmental and human rights issues (endorsement of international agreements, quality and environmental certification, special employment centres, etc.).

In particular, to promote socially responsible practices and promote the application of the UN Global Compact principles, Ibercaja has a **Code of Conduct** for suppliers, which is articulated in 10 points, addressing the values underpinning responsible procurement at the Bank, many of which are directly related to respect for human rights:

» **Support and respect the protection of internationally proclaimed human rights** and make sure we are not complicit in any infringement or illegality in this respect.

» Maintain an environment in which **all workers are treated with dignity and respect**, prohibiting any kind of forced labour, slavery or indentured labour contracts.

- **Prohibit the hiring of minors below the legal minimum** working age and, in no case, before they complete compulsory schooling.

- **Avoid discrimination** based on sex, race, colour, age, social origin, nationality, sexual orientation, political opinion, physical or mental disability, or trade union membership, establishing equal opportunity programmes and encourage methods of eliminating discrimination in the workplace or its area of influence.

- **Uphold the rights of employees to associate** freely, run their own organisation, or participate in collective bargaining in accordance with prevailing legislation.

- Comply with all laws regarding **wages and working hours, respecting prevailing legislation**.

- Offer our employees a **safe and healthy working environment** which complies with all applicable laws and regulations, develop occupational health and safety programmes and provide Ibercaja Banco, S.A. with all aspects of health and safety.

- **Comply with prevailing environmental legislation** in a bid to:
  - Reduce emissions and harmful waste and encourage the recycling and reuse of materials and products.
  - Securely handle, store and remove all harmful waste.
  - Use environmentally-friendly technologies.

- **Apply a zero tolerance policy to bribery and corruption**, banning employees from offering, promising, giving, requesting or demanding gifts, bribes or any other non-contractual payment with a view to securing or preserving business relationships. No such gifts shall be passed on.

- **Uphold commitment to the principles contained in this code** by accepting compliance as a contractual requirement.

MAIN ACTIVITIES CONCERNING SUSTAINABLE DEVELOPMENT GOALS (SDG)

The 2030 Agenda of the United Nations, calls companies worldwide to action: we play an essential role in making progress with the accomplishment of the Sustainable Development Goals, which includes the Agenda as the main issues facing the world to end poverty, reduce inequality and combat climate change. We must spare no efforts in ensuring our business strategies are compatible with "development that responds to current needs, without affecting the ability of future generations to respond to their own needs".

Therefore, Ibercaja is particularly concerned for the sustainable development goals, and explores these topics and their application each year, as the principles that guide the Bank's responsible undertakings. With a view to enhancing our focus to ensure maximum effectiveness, we are particularly concerned for areas that are most directly related to the Bank's activity or its shareholders' convictions.

Therefore, **Ibercaja Banco has given priority to goals 3, 4, 5, 8, 13 and 17.** Below are some of the most noteworthy activities we carry out in these areas:

Ibercaja promotes healthy lifestyle habits, both internally and externally, through its own prevention service and sports sponsorship and organising popular and specialist sporting events that promote the widest possible participation. People at the organisation are encouraged to participate, reinforcing the values of effort and teamwork, in addition to the health benefits that participation involves.

The Ibercaja Foundation collaborates with parents and teachers as part of the "Educa Initiative" which is intended to complement the education received in schools and actively encourages its performance. At the same time, it also actively promotes the "Basic Finance Programme", which is available to the general public to promote financial knowledge.

Ibercaja defends diversity and promotes equal opportunities through commitment, results and behaviour. In 2017, 51% of promotions at the Bank involved women and 36% of management positions are held by women. We promote the continuous development of skills and abilities, managing talent, which does not discriminate on gender grounds.

Ibercaja is committed to the safety and protection of its employees assuring their well-being and health in the workplace. Beyond this, it promotes an inspirational leadership model, which promotes communication and participation, creating an attractive environment to retain and attract talent. Amongst its foundational purposes, Ibercaja promotes growth across the country, participating in the main projects and developing entrepreneur programmes.

Ibercaja has an accredited Environmental Management System and an Environmental Team made up of professionals at the Bank, which promotes environmental projects and best practices, aligned with the Bank's commitments to respect and preserve the environment. It also advocates internal and external awareness campaigns.

Cooperation and alliances are key in today's mega connected world in order to achieve any corporate objective. Aware of this, Ibercaja actively collaborates through agreements with the main economic and social stakeholders in the regions in which it is present. Furthermore, the Ibercaja Group has specialist alliances to promote progress in CSR and socially responsible investment. A selection of these is described below:

Red Pacto Mundial España

PRI Principles for Responsible Investment

finanzas para todos

Miembro de Forética

Forética
CLÚSTER TRANSPARENCIA, BUEN GOBIERNO E INTEGRIDAD

D. MATERIALITY STUDY

G4-18, G4-19, G4-20, G4-21, G4-26, G4-27, G4-37, G4-DMA

INTRODUCTION

According to the GRI" Materiality is the threshold at which Aspects become sufficiently important that they should be reported. Our Report covers those aspects which: a) reflect significant economic, environmental and social impacts (in our scope of influence, both positive and negative to achieve our vision and strategy) and b) influence the decisions of our stakeholders.".

Using this approach, in 2015 a materiality study was undertaken to detect those issues which affect Ibercaja's ability to create value and which affect the people and/or groups we deal with.

For the 2017, this materiality study has been preserved to coincide with the last year of the Strategic Plan for which it was produced.

These aspects have been included in the materiality matrix, triggering the need to report on those which are highly important for Ibercaja Banco and our stakeholders.

Transparency is one of the main objectives and in section A below we have included information on the scope, principles and other aspects which should be considered.

METHODOLOGY

Taking the Strategic Plan 2015-2017 as a starting point, the material issues were identified in the 2015 Corporate Social Responsibility Report and are the result of our Materiality Analysis Project which has five phases:

The first four phases identified the list of material issues and the progress made in prioritising these.

The most relevant information used in this methodology comes from surveys and analysing reports and publicly-available information:

CRITICALITY AND IDENTIFICATION OF MATERIAL ISSUES

The result of the Materiality Analysis Project was rounded off by a prioritisation matrix, identifying three areas of consideration: experts, external materiality with all the agents involved and internal materiality.

CRITICAL INFORMATION ISSUES

	External materiality							Internal materiality	
Material issues identified	Individual customers	Corporate customers	Employees	Shareholders	Suppliers	Society	Peers	Ibercaja Banco areas	Ibercaja
Mission, Vision and Values		●	●	●				●	●
Entity's strategy									●
Financial strength							●		●
Good corporate governance		●	●	●				●	●
Code of Ethics		●	●	●	●			●	●
Management of investees									
Support for business tissue								●	●
Contribution to social integration, development and regional cohesion		●	●	●				●	●
Generating wealth for society		●		●				●	●
Ibercaja Banco social action activities		●	●	●					●
Quality of service and proximity to customers	●		●						●
Commercial transparency		●	●	●			●	●	●
Commercial model and customer advice							●		●
Socially responsible investment		●		●	●				
Accessibility to financial services				●			●		●
Management of human resources				●					●

MATERIALITY MATRIX AND MATERIAL ISSUES

1. Mission, Vision and Values
2. Entity's strategy
3. Financial strength
4. Good corporate governance
5. Code of Ethics
6. Entity's structure
7. Stakeholder management (channel, dialogue system etc.)
8. Management of investees
9. Entities and Institutions it belongs to
10. Support for business tissue
11. Contribution to social integration, development and regional cohesion
12. Generating wealth for society
13. Ibercaja Banco social action activities
14. Quality of service and proximity to customers
15. Commercial transparency
16. Commercial model and customer advice
17. Socially responsible investment
18. Accessibility to financial services (non-exclusion)
19. Employment and professional training
20. Management of human resources
21. Environmental Management System
22. Management of suppliers and collaborators

LIST OF MATERIAL ISSUES, ASPECTS AND GRI INDICATORS

ASUNTOS MATERIALES IDENTIFICADOS	ASPECTOS GRI RELACIONADOS
Mision, Vision and Values	Strategy and analysis Governance
Entity's strategy	Strategy and analysis
Financial strength	Strategy and analysis Economic performance
Good corporate governance	Governance Fight against corruption
Code of Ethics	Governance Ethics and integrity
Management of investees	Strategy and analysis Local communities
Support for business tissue	Market presence Local communities Product portfolio
Contribution to social integration, development and regional cohesion	Local communities Indirect economic impacts
Generating wealth for society	Local communities Indirect economic impacts
Ibercaja Banco social action activities	Local communities Indirect economic impacts
Quality of service and proximity to customers	Product portfolio Innovation
Commercial transparency	Health and safety of customers Compliance Marketing communications
Commercial model and customer advice	Health and safety of customers Product portfolio Compliance
Socially responsible investment	Environmental performance Product portfolio
Accessibility to financial services	Local communities Product portfolio
Management of human resources	Employment Training and education Equal remuneration for men and women Diversity and equal opportunity Labour/management relations

The materiality matrix shall remain in place during the current Strategic Plan and the communication channels with our stakeholders shall stay open to compile their expectations.

Over the course of 2017, different consultations have been carried out with customers and non-customers to discover the information they consider most important in terms of Ibercaja's responsible activities.

The results of these studies are consistent with the materiality study carried out and have made it possible to focus on different sections in order to appropriately respond to the needs of customers and non-customers. Furthermore, they will be considered when the materiality matrix is fully updated in 2018, in line with the start of the new Strategic Plan.

E. ADHERENCE TO THE UN GLOBAL COMPACT

G4 - DMA

INTRODUCTION

Ibercaja Banco remains a signatory to the UN Global Compact, as has been the case since 2006, thereby ratifying that its activities are carried out while at all times respecting the Compact's principles and it reports annually on its performance.

The 2017 Annual Report describes the entity's progress in implementing the 10 Principles of the Global Compact concerning human and labour rights, anti-corruption measures and the fight against climate change.

By providing this additional information our **Progress Report** has been awarded the **Advanced level**, the highest granted by the **Global Compact** for Reporting.

We therefore wish to report on three key issues:

- **Sustainability Corporate Governance and Leadership.** In 2017, we IMPLEMENTED the Ibercaja Corporate Social Responsibility Policy and promote the New Leadership Model within the organisation (issues addressed in the Report).
- **UN goals and problems.** Section C of this appendix includes information on our stance on the SDG Commitments and the major actions carried out.
- **Implementation of the 10 Principles in Strategies and Operations in the fields of Human Rights, Work, the Environment and Anti-corruption.** Below we describe the progress made in each of these principles.

THE 10 PRINCIPLES AND RELATED INFORMATION

The following table links each of the Global Compact Principles with the content and information included in this Report and its relationship with the relevant GRI indicator. All GRI related information can be found in this table.

	GLOBAL COMPACT PRINCIPLE	RELATED CONTENT IN REPORT	PAGE	CORRESPONDING GRI
HUMAN RIGHTS	**1. Businesses should support and respect the protection of internationally proclaimed human rights.**	Opening letter, Financing and Liquidity, Income statement analysis, Solvency, Governing bodies, Internal control, Suitability policy, Anti-money laundering, Risks, Business plan, Transparency and strategic communication, CSR policy, Business stakes, Employee commitment, Equality and work-life balance, Occupational health and safety, Social dialogue, Suppliers, Customers, Shareholders, Environment, Society, Other adaptations carried out.	5, 45, 50, 56, 66, 76, 72, 84, 87, 94, 134, 142, 120, 148, 160, 145, 163, 165, 171. Appendix Additional Disclosures Appendix C	G4-10, G4-11, G4-LA4, LA14, G4-HR3, G4-HR12, G4-SO1, G4-SO3, G4-SO4, G4-SO5 y G4-SO6
	2. Businesses should make sure that they are not complicit in human rights abuses.	Opening letter, Financing and Liquidity, Income statement analysis, Solvency, Governing bodies, Internal control, Suitability policy, Anti-money laundering, Risks, Business model, Transparency and strategic communication, CSR policy, Suppliers' commitment, Customers, Shareholders, Environment, Society.	5, 45, 50, 56, 66, 76, 72, 84, 87, 94, 134, 142, 160, 145, 163, 165, 171	G4-HR1, G4-HR10, G4-SO3, G4-SO4 y G4-SO5
LABOUR	**3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.**	Employee commitment, social dialogue.	148	G4-11, G4-LA4
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	Business Model, Transparency and strategic communication, CSR policy, Employee commitment, Equality and work-life balance, Remuneration policy, Suppliers, Society.	94, 134, 142, 148, 160, 171 Anexo Información Complementaria, Anexo C	Ibercaja does not operate in developing countries.
	5. Businesses should uphold the effective abolition of child labour.	Business model, Transparency and strategic communication, CSR policy, Employee commitment, Suppliers, Society.	94, 134, 142, 148, 160, 171 Appendix Additional Disclosures, Appendix C	Ibercaja does not operate in developing countries.
	6. Businesses should uphold the elimination of all forms of forced and compulsory labour.	Governing bodies, Internal control, Suitability policy, CSR policy, Commitment to customers, Employees-Equality and work-life balance-Remuneration policy, Occupational health and safety, Environment, Society, Other actions.	66, 5, 72, 142, 145, 148, 165, 171	G4-10, G4-11, G4-LA1, G4-LA9, G4-LA11, G4-LA13, G4-HR3

	GLOBAL COMPACT PRINCIPLE	RELATED CONTENT IN REPORT	PAGE	CORRESPONDING GRI
ENVIRONMENT	**7. Businesses should support a precautionary approach to environmental challenges.**	Risk prevention, Breaches, fines and sanctions, Sustainable management and development, Business stakes, CSR policy, Commitment to environment, Society.	83, 86, 140, 120, 142, 165, 171	G4-EN2, G4-EN3, G4-EN5, , G4-EN8, G4-EN15, G4-EN16, G4-EN18, G4-EN23, G4-EN29, G4-EN31
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	Ibercaja does not carry out its activities in areas or spaces which affect natural ecosystems. Opening letter, Business stakes, Transparency and strategic communication, Sustainable management and development, CSR policy, Suppliers' commitment, Customers, Shareholders, Environment, Society	5, 120, 134, 140, 142, 160, 145, 163, 165, 171	G4-EN2, G4-EN3, G4-EN5, , G4-EN8, G4-EN15, G4-EN16, G4-EN18, G4-EN23, G4-EN29, G4-EN31
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	2015-2017 Strategic Plan- Technology project, Technological advances, Sustainable management and development, CSR policy, Commitment to environment, Society.	90, 126, 140, 142, 165, 171	G4-EN2, G4-EN3, G4-EN5, , G4-EN8, G4-EN15, G4-EN16, G4-EN18, G4-EN23, G4-EN29, G4-EN31
	10. Businesses should work against corruption in all its forms, including extortion and bribery.	Opening letter, Financing and Liquidity, Income statement analysis, Solvency, Governing bodies, Internal control, Suitability policy, Anti-money laundering, Risks, Business model, Omnichannel approach, Financial Group, Business stakes, Excellence model, Brand and Reputation, Transparency and strategic communication, CSR policy, Suppliers' commitment, Customers, Shareholders, Environment, Society.	5, 45, 50, 56, 66, 76, 72, 84, 87, 94, 102, 108, 120, 122, 130, 134, 142, 160, 145, 163, 165, 171 Appendix Additional Disclosures, Appendix E	G4-56, G4-58 G4-SO4, G4-SO5 G4-SO6

F. GRI G4 CONTENT INDEX. 'IN ACCORDANCE' OPTION

G4-20, G4-21, G4-32, G4-33

Content Index
GRUPO IBERCAJA

GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES	PAGE	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS		
G4-1	Page 5 Appendix Additional Disclosures: Appendix B. Commitments in 2017 and Challenges in 2018, page 192	√
G4-2	Page 5, 34, 64, 72, 78, 84, 90, 142, 145, 148, 160, 163, 165, 171 Appendix Additional Disclosures: Appendix B. Commitments in 2017 and Challenges in 2018, page 192	√
THE BANK'S PROFILE		
G4-3	See Note 1.1 of the consolidated financial statements for the year ended 31 December 2017 (available at the following link on Ibercaja's corporate website: http://www.ibercaja.es/informacioncorporativa/accionistas-e-inversores/informacion-economico-financiera).	√
G4-4	Page 5, 14, 18, 90, 94	√
G4-5	See Note 1.1 of the consolidated financial statements for the year ended 31 December 2017 (available at the following link on Ibercaja's corporate website: http://www.ibercaja.es/informacioncorporativa/accionistas-e-inversores/informacion-economico-financiera).	√
G4-6	Page 5, 22, 102	√
G4-7	Page 5, 14, 94	√
G4-8	Page 5, 22, 94, 102, 145	√
G4-9	Page 34, 145, 148	√
G4-10	Page 148 Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, pages 227-228 Ibercaja Banco carries out the majority of its activity with its own employees, and also works together with investee companies that collaborate in works of maintenance, edition, logistics and others. There have been no significant changes in the organization's workforce.	√
G4-11	100% of employees at Ibercaja Banco are covered by the collective bargaining agreement and represented on formal committees.	√
G4-12	Page 5, 90, 94, 160	√
G4-13	Page 34, 148, 160	√
G4-14	Page 165 Appendix Additional Disclosures: Appendix B. Commitments in 2017 and Challenges in 2018, page 192	√
G4-15	Page 108, 148 Appendix Additional Disclosures: Appendix C. Human Rights and SDG Commitments, page 198 http://www.ibercaja.com/responsabilidad-corporativa/alianzas-e-iniciativas Ibercaja Banco is committed to the Plan de Responsabilidad de Aragón, Plan RSA, having obtained recognition in 2016 as founder of the Plan, with the Seal that accredits the follow-up and development of the initiative directed by the Instituto Aragonés de Fomento.	√
G4-16	Ibercaja participates in the sectoral associations representing the financial activity and other reference associations: Cecabank, AEC, Forética, Comisión de Integridad del Sistema Financiero de los Bancos, GREF, etc.	√

GENERAL STANDARD DISCLOSURES	PAGE	EXTERNAL ASSURANCE
MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Appendix Additional Disclosures: Appendix A. 2017 Annual Report Highlights, page 190	√
G4-18	Appendix Additional Disclosures: Appendix A. 2017 Annual Report Highlights, page 190 Appendix D. Materiality Study, page 202	√
G4-19	Appendix Additional Disclosures: Appendix D. Materiality Study, page 202 Ibercaja Banco defined and standardized the materiality analysis process in 2015 (see 2015 Annual Report, Pages 49-54). The 2017 Annual Report maintains and contemplates the results of the analysis carried out in 2015.	√
G4-20	Appendix Additional Disclosures: Appendix D. Materiality Study, page 202 Appendix F. GRI G4 Content Index. In accordance Option, page 209 Ibercaja Banco defined and standardized the materiality analysis process in 2015, (see 2015 Annual Report, Pages 49-54) The 2017 Annual Report maintains and contemplates the results of the analysis carried out in 2015.	√
G4-21	Appendix Additional Disclosures: Appendix D. Materiality Study, page 202 Appendix F. GRI G4 Content Index. In accordance Option, page 209 Ibercaja Banco defined and standardized the materiality analysis process in 2015, (see 2015 Annual Report, Pages 49-54) The 2017 Annual Report maintains and contemplates the results of the analysis carried out in 2015.	√
G4-22	When potential changes in the criteria applied with respect to the previous report are significant, these are reflected in the corresponding section of the report and in the GRI Content Index.	√
G4-23	There have been no significant changes in scope, boundary or calculation methods. 2017 is the third year reporting under GRI G4 and there is an in-depth materiality analysis in this regard.	√
STAKEHOLDER ENGAGEMENT		
G4-24	Page 18, 140 In 2015, the Entity's Stakeholders Map was designed. See 2015 Annual Report, page 47	√
G4-25	Page 18, 140 In 2015, the Entity's Stakeholders Map was designed. See 2015 Annual Report, page 47	√
G4-26	Page 142, 145, 148, 160, 163, 165, 171 Appendix Additional Disclosures: Appendix D. Materiality Study, page 202	√
G4-27	Page 142, 145, 148, 160, 163, 165, 171 Appendix Additional Disclosures: Appendix D. Materiality Study, page 202	√
REPORT PROFILE		
G4-28	2017	√
G4-29	2016	√
G4-30	Annual	√
G4-31	rsc@ibercaja.es	√
G4-32	Appendix Additional Disclosures: Appendix A. 2017 Annual Report Highlights, page 190 Appendix F. GRI G4 Content Index. In accordance Option, page 209 Appendix H. Independent Audit Report, page 232	√
G4-33	Appendix Additional Disclosures: Appendix A. 2017 Annual Report Highlights, page 190 Appendix F. GRI G4 Content Index. In accordance Option, page 209 Appendix H. Independent Audit Report, page 232	√

GENERAL STANDARD DISCLOSURES	PAGE	EXTERNAL ASSURANCE
GOVERNANCE		
G4-34	Page 64, 66	√
G4-35	Page 64, 66, 142, 165	√
G4-36	Page 64, 66, 142, 165	√
G4-37	Page 142, 145, 148 Appendix Additional Disclosures: Appendix D. Materiality Study, page 202	√
G4-38	Page 64, 66	√
G4-39	Page 64, 66 In 2017, the Chairman of Ibercaja Banco has no executive functions	√
G4-40	Page 64, 66	√
G4-41	Page 72	√
G4-42	Page 64, 66, 142, 165	√
G4-44	Page 64, 66, 72, 142, 165	√
G4-46	Page 64, 66, 75, 142, 165	√
G4-47	Page 64, 66, 75, 142, 165	√
G4-48	Page 5, 64, 66 This Report was approved by the Board for the Accounts' Formulation held on 1/3/2018	√
G4-51	Page 69, 72	√
G4-52	Page 69, 72	√
ETHICS AND INTEGRITY		
G4-56	Page 64, 66, 75, 160	√
G4-58	Page 75, 76, 78, 148, 163	√

SPECIFIC STANDARD DISCLOSURES

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: ECONOMY			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Page 34, 50		√
G4-EC1	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 220		√
G4-EC2	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 231		√
G4-EC3	100% of the active employees are affiliated to the Pension Plan		√
G4-EC4	Page 83		√
MATERIAL ASPECT: MARKET PRESENCE			
G4-DMA	Page 5, 134		√
G4-EC5	The range of ratios of standard entry level wage compared to local minimum wage at locations of significant operations: 117%.		√
G4-EC6	Recruitment at Ibercaja Banco is 100% for the Spanish territory; all Senior Officials are Spanish nationals.		√
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS			
G4-DMA	Page 120, 171		√
G4-EC7	Page 120 Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 120		√
G4-EC8	Page 171		√
MATERIAL ASPECT: PROCUREMENT PRACTICES			
G4-DMA	Page 94, 160		√
G4-EC9	The percentage of expenditure corresponding to local suppliers in 2017 is 98%		√
CATEGORY: ENVIRONMENT			
MATERIAL ASPECT: MATERIALS			
G4-DMA	Page 165		√
G4-EN1	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 221		√
G4-EN2	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 221 The amount of recycled paper consumed compared to the Bank's total paper consumption is 47%.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	EXTERNAL ASSURANCE	VERIFICACIÓN EXTERNA
MATERIAL ASPECT: ENERGY			
G4-DMA	Page 165		√
G4-EN3	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 221		√
G4-EN5	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 221		√
MATERIAL ASPECT: WATER			
G4-DMA	Page 165		√
G4-EN8	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 221		√
MATERIAL ASPECT: EMISSIONS			
G4-DMA	Page 165		√
G4-EN15	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 222		√
G4-EN16	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 222		√
G4-EN17	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 222		√
G4-EN18	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 222		√
MATERIAL ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Page 165		√
G4-EN23	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 223		√
MATERIAL ASPECT: REGULATORY COMPLIANCE			
G4-DMA	Page 78		√
G4-EN29	During 2017, no significant sanctions or fines have been received for non-compliance with legislation and environmental regulations.		√
MATERIAL ASPECT: GENERAL			
G4-DMA	Page 165		√
G4-EN31	Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 224		√
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-DMA	Page 160 Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-EN32	Pág. 160. Ibercaja Banco has evaluated 149 suppliers in 2017, having renewed the approval of 98, incorporating 46 new suppliers. In total these suppliers represent 88% of purchases. 5 suppliers have not passed the process.		√
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-DMA	Page 78, 165		√
G4-EN34	During 2017, no significant sanctions or fines have been received for non-compliance with legislation and environmental regulations.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: SOCIAL PERFORMANCE			
SUB CATEGORY: LABOUR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA	Page 142, 148 Appendix Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-LA1	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 225		√
G4-LA2	Page 142, 148, 157		√
MATERIAL ASPECT: LABOUR/MANAGEMENT RELATIONS			
G4-DMA	Page 142, 148, 157		√
G4-LA4	Concerning the minimum notice period(s) regarding operational changes, including whether they are specified in collective agreements, the provisions of the legislation in force are fulfilled.		√
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Page 148		√
G4-LA5	100% of employees at Ibercaja Banco are represented on formal health and safety committees.		√
G4-LA6	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 225		√
MATERIAL ASPECT: TRAINING AND EDUCATION			
G4-DMA	Page 142, 148		√
G4-LA9	Average hours of training per year per employee in 2017 is 65 hours. Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 226		√
G4-LA10	Page 148		√
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITIES			
G4-DMA	Page 142, 148 Appendix Additional Disclosures: Appendix C. Human Rights and SDG Commitments, page 198 Appendix E. Adherence to the UN Global Compact, page 206		√
G4-LA12	Page 64, 66, 148 Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 227-228		√
MATERIAL ASPECT: EQUAL REMUNERATION FOR MEN AND WOMEN			
G4-DMA	Page 142, 148 Appendix Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-LA13	The ratio of basic salary and remuneration of women to men by employee category is 1/1.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOUR PRACTICES			
G4-DMA	Page 160 Appendix Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-LA14	Page 160 Ibercaja Banco has evaluated 149 suppliers in 2017, having renewed the approval of 98, incorporating 46 new suppliers. In total these suppliers represent 88% of purchases. 5 suppliers have not passed the process.		√
MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR LABOUR PRACTICES			
G4-DMA	Page 142, 148 Appendix Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-LA16	Suggestions, complaints and concerns of the employees are channelled through the "HR Manager Responds" Inbox		√
CATEGORY: SOCIAL PERFORMANCE			
SUB CATEGORY: HUMAN RIGHTS			
MATERIAL ASPECT: INVESTMENT			
G4-DMA	Page 112, 120, 142, 160 Appendix Additional Disclosures: Appendix C. Human Rights and SDG Commitments, page 198 Appendix E. Adherence to the UN Global Compact, page 206		√
G4-HR1	All new contracts include human rights' clauses and references in accordance with the Code of Conduct and in relation to the principles of the UN Global Compact. During 2017, contracts have been updated with the new references.		√
MATERIAL ASPECT: NON-DISCRIMINATION			
G4-DMA	Page 148, 157 Appendix Additional Disclosures: Appendix C. Human Rights and SDG Commitments, page 198 Appendix E. Adherence to the UN Global Compact, page 206		√
G4-HR3	In 2017, there have been no incidents of discrimination and therefore no corrective plans.		√
MATERIAL ASPECT: SECURITY PRACTICES			
G4-DMA	Page 148, 157, 160		√
G4-HR7	100% of the security personnel of Ibercaja are in possession of the appropriate accreditation according to Art.18 of the Spanish Constitution on Fundamental Human Rights.		√
MATERIAL ASPECT: ASSESSMENT			
G4-DMA	Page 94, 142, 148, 160 Appendix Additional Disclosures: Appendix C. Human Rights and SDG Commitments, page 198 Appendix E. Adherence to the UN Global Compact, page 206		√
G4-HR9	No such assessments of this type have been carried out during the year, since no risks of this nature have been identified at Ibercaja Banco units.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA	Page 160 Appendix Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-HR10	Page 160 Ibercaja Banco has evaluated 149 suppliers in 2017, having renewed the approval of 98, incorporating 46 new suppliers. In total these suppliers represent 88% of purchases. 5 suppliers have not passed the process.		√
MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	Page 142, 145 Appendix Additional Disclosures: Appendix C. Human Rights and SDG Commitments, page 198		√
G4-HR12	During 2017, no significant claims have been received for human rights regulations.		√
CATEGORY: SOCIAL PERFORMANCE			
SUB CATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-DMA	Page 5, 18, 102, 142, 171		√
G4-SO1	Page 171		√
FS13	At the end of 2017, 50.65% of Ibercaja's offices were located in population areas with less than 10,000 inhabitants.		√
FS14	Page 102 Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 229		√
MATERIAL ASPECT: ANTI-CORRUPTION			
G4-DMA	Page 5, 64, 66, 75, 76, 78, 84, 142		√
G4-SO3	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 229		√
G4-SO4	95% of the workforce at Ibercaja Banco has received training on compliance, including anti-corruption and bribery regulations.		√
G4-SO5	During 2017 no corruption incidents have occurred.		√
MATERIAL ASPECT: PUBLIC POLICY			
G4-DMA	Page 64, 66, 75, 76, 78		√
G4-SO6	Association, membership or collaboration with entities, institutions or associations for public purposes are carried out in accordance with Internal Standards and Control Bodies.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOUR			
G4-DMA	Page 78, 87		√
G4-SO7	During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to unfair competition, monopolistic practices or conduct contrary to free competition.		√
MATERIAL ASPECT: REGULATORY COMPLIANCE			
G4-DMA	Page 45, 56, 66, 72, 76, 78, 84		√
G4-SO8	During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to unfair competition, monopolistic practices or conduct contrary to free competition.		√
MATERIAL ASPECT: MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-DMA	Page 160		√
G4-SO9	Page 160 Ibercaja Banco has evaluated 149 suppliers in 2017, having renewed the approval of 98, incorporating 46 new suppliers. In total these suppliers represent 88% of purchases. 5 suppliers have not passed the process.		√
MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-DMA	Page 142, 145, 171		√
G4-SO11	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 229		√
CATEGORY: SOCIAL PERFORMANCE			
SUB CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA	Page 75, 76, 94, 142, 145		√
G4-PR2	During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to unfair competition, monopolistic practices or conduct contrary to free competition.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING			
G4-DMA	Page 75, 76, 94, 122, 142, 145		√
G4-PR3	Page 75, 76		√
G4-PR4	During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to health and safety impacts of products and services during their life cycle nor their information and labelling.		√
G4-PR5	Page 124		√
MATERIAL ASPECT: MARKETING COMMUNICATIONS			
G4-DMA	Page 75, 76, 134, 142, 145		√
G4-PR6	In 2017 there were 14,259 claims relating to "floor clauses" and 25,939 claims relating to mortgage formalization expenses.		√
G4-PR7	During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to marketing communications.		√
MATERIAL ASPECT: CUSTOMER PRIVACY			
G4-DMA	Page 75, 76, 134, 142, 145		√
G4-PR8	During 2017 there have been 1,803 procedures related to the Organic Data Protection Law. 57 requests for the erasure of data and 1,746 to enforce other rights. During 2017 no significant penalties or fines have been received on a definitive basis for Data Protection.		√
MATERIAL ASPECT: REGULATORY COMPLIANCE			
G4-DMA	Page 66, 75, 76, 134, 142, 145		√
G4-PR9	During 2017 no significant penalties or fines have been received on a definitive basis for failure to comply with legislation or regulations, nor has there been any knowledge of claims, files, lawsuits or disputes relating to health and safety impacts of products and services during their life cycle nor their information and labelling.		√

DISCLOSURE ON MANAGEMENT APPROACH AND INDICATORS	PAGE	OMISSIONS	EXTERNAL ASSURANCE
CATEGORY: PRODUCT AND SERVICE IMPACT			
MATERIAL ASPECT: PRODUCT PORTFOLIO			
G4-DMA	Page 5, 90, 142, 145, 148, 160, 165, 171		√
G4-DMA	-	Not currently available. Ibercaja will establish the necessary procedures to evaluate and select this type of risk in the medium term.	√
G4-DMA	-	Not currently available. Ibercaja will establish the necessary procedures to evaluate and select this type of risk in the medium term.	√
G4-DMA	Page 142, 148		√
G4-DMA	Page 142, 145, 148, 160, 163, 171 Appendix Additional Disclosures: Appendix E. Adherence to the UN Global Compact, page 206		√
G4-FS6	Page 90, 94, 108, 142, 145		√
G4-FS7	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 230		√
G4-FS8	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 231		√
MATERIAL ASPECT: AUDIT			
G4-DMA	The Environmental Management System applies to the entire organisation, ensuring operations comply with ISO 14001: 2015. Headquarters at Plaza Paraíso 2, in Zaragoza, are also ISO certified in terms of environmental management. In 2017, the Environmental Management System was updated.		√
MATERIAL ASPECT: ACTIVE OWNERSHIP			
G4-FS10	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 231		√
G4-FS11	Appendix Additional Disclosures: Appendix G. Appendix to GRI G4 Contents, page 231		√
G4-DMA	-	Currently, no official voting policies in relation to environmental or social issues are in place. For the adoption of agreements related to social or environmental aspects, no reinforced majorities are required in decision-making bodies.	√
MATERIAL ASPECT: PRODUCT AND SERVICE LABELLING			
G4-DMA	Page 75, 76, 94, 134, 142, 145, 171		√
G4-DMA	Page 171		√

G. APPENDIX TO GRI G4 CONTENTS

G4-EC1

€ THOUSANDS	2017	2016
Gross income	1,164,214	1,129,774
Net result from discontinued operations	0	0
Gains or losses when derecognizing non-financial assets and net interests/shares	8,068	5,332
Result from non-current assets held from scale	-6,573	1,005
Economic value generated	**1,165,709**	**1,136,111**
Dividends	17,500	35,725
Other administration expenses	186,033	189,863
Personal expenses	458,588	384,958
Taxes on income, contributions and other levies	67,946	-47,255
Economic value distributed	**730,067**	**563,291**
Economic value retained	**435,642**	**572,820**

G4-EC7

€ THOUSANDS

BUSINESS PARTICIPATIONS	INVESTMENT DISBURSED € THOUSANDS	DIRECT WEALTH GENERATION € THOUSANDS	DIRECT AND INDIRECT CREATION OF JOB POSITIONS
Tourist sector	66,647	28,513	13,602
Logistics sector	8,629	11,800	111
Processed food sector	1,306	7,775	544
Other sectors	6,600	1,100	5,847
TOTAL	**83,182**	**49,188**	**20,104**

Investments in sectors considered strategic

€ THOUSANDS	2015	2016	2017
AMOUNTS	**113,713**	**100,063**	**93,633**

G4-EN1, G4-EN2, G4-EN3, G4-EN5, G4-EN8

NAME AND DESCRIPTION OF THE INDICATOR	2015	2016	2017
CONSUMPTION			
WATER CONSUMPTION (m3)			
Water consumption (Headquarters)	10,696	12,240	11,172
Water consumption (Branches)	38,325	32,085	30,892
Average water consumption per employee and year (Entity)	6.61	5.77	5.57

Specific comments: The water collected from the well isn't included in the tablet because it isn't consumed. Water consumption in Branches has been estimated from an average consumption ratio per unit area. This calculation has also been applied for the years 2015 and 2016.

ENERGY CONSUMPTION (GJ)			
Electricity (Headquarters)	30,926	30,439	31,140
Electricity (Branches)	124,923	120,360	105,824
Average electricity consumption per employee and year (Entity)	27	27	24.68
Diesel Fuel (Headquarters)	37	55	101.92
Diesel Fuel (Branches)	5,160	4,446	3,637.26
Natural Gas (Branches)	0	3,425	3,162.39
Average diesel fuel and natural gas consumption per employee and year (Entity)	0.9	1.42	1.24
PAPER CONSUMPTION (metric TN)			
DIN A4 type White (Entity)	20.35	14.99	15.83
DIN A4 type Recycled (Entity)	304.07	306.31	285.17
Total DIN A4 type (Entity)	324.42	321.30	301.00
DIN A3 type (Entity)	0.59	0.74	0.65
Envelopes	64.31	69.54	59.62
Reels (insert)	225.23	259.63	242.71
Average total paper consumption per employee and year (Entity)	0.105	0.12	0.11
TONER CONSUMPTION (units)			
Units (Entity)	2,732	2,437	2,038
Average toner consumption per employee and year (Entity)	0.47	0.44	0.36
PLASTIC CONSUMPTION (units)			
Total Bags (two sizes)	138,828	131,953	94,712
Beacon Tape (three colours)	505	440	279

General Observations
Entity = Headquarters + Branches
For the number of Headquarters' employees the average workforce is considered: 768 for 2015, 726 for 2016, 770 for 2017
For the number of Branches' employees the average workforce is considered: 5,798 for 2015, 5,562 for 2016, 5,551 for 2017

G4-EN15, G4-EN16, G4-EN17, G4-EN18

	2015	2016	2017
GHG EMISSIONS*			
Emissions from diesel fuel consumption, in TN of CO2 (Total Entity)	400.80	345.30	282.50
Emissions from natural gas consumption, in TN of CO2 (Total Entity)	0.00	192.20	177.44
Emissions from electricity consumption , in TN of CO2 (Headquarters)	3,264.72	2,874.79	2,941.00
Emissions from electricity consumption , in TN of CO2 (Branches)	13,187.41	11,367.30	10,000.23
Emissions in TN of CO2 from employee commuting by car	998.08	1,006.66	1,006.96
Emissions in TN of CO2 from vehicles displacement (Total Entity)	39.37	48.30	71.02
Emissions in TN of CO2 from Messenger Service (Total Entity)	6,766.04	4,906.20	4,304.99
Emissions in TN of CO2 from leakage of refrigerant gases (Total Entity)	2,562.28	1,053.10	1,515.79
Emissions in TN of CO2 from leakage of refrigerant gases (Headquarters)	0.00	0.00	0.00
Total of GHG emissions, in TN of CO2	**27,218.71**	**21,793.85**	**20,299.93**
*Average GHG emissions per employee in TN of CO2***	4.69	3.92	3.66

(*) Information obtained from the carbon footprint tool of the Ministerio de Agricultura y Pesca, Alimentación y Medioambien¬te (MAPAMA, previously known as MAGRAMA), Scope 1&2. For the calculation of emissions from transportation the last factors published by the GHG Protocol (Greenhouse Gas Protocol) and I.D.A.E. have been used, internationally most widely used methodology for GHG emissions calculation. The GHG emissions from natural gas consumption are considered from 2016, due to the non-availability of data from previous years because of the integration of Caja3.

(**) The average workforce is taken into account: 5,798 for 2015, 5,562 for 2016, 5,551 for 2017.

MAPAMA calculator updated for 2015, 2016 and 2017.

G4-EN23

	2015	2016	2017
TOTAL NON-HAZARDOUS WASTE	**84,408**	**73,959.00**	**68.058.65**
Low density polyethylene waste	6,049	6,032.00	6,227
Paperboard	61,950	51,300.00	48,975
Obsolete furniture and metal elements	0.00	0.00	0.00
Recording media	575.00	1,300.00	223
Waste from electrical and electronic equipment	10,804.00	11,071.00	9,888.15
Polyester and plastics	500.00	1,240	660
Mixed materials	4,530	2,830.00	1,540.00
Toner cartridges used	0.00	186.00	545.5
Mixed materials relative to close branches	26,890	58,000	37,000
TOTAL HAZARDOUS WASTE	**6,217.40**	**7,217.60**	**3,136.30**
Waste from used oil	0.00	0.00	101
Waste from batteries	791.10	2.00	105
Waste from contaminated empty containers	72.00	58.00	37
Contaminated absorbents	0.00	40.00	0.00
Waste from fluorescents	736.00	1,351.00	616
Waste from liquefied refrigerant gas	0.00	86.00	29
Waste from CRT and non-LED monitors and displays	1,173.90	1,808.00	929.7
Waste from toner cartridges used with hazardous substances	603.00	290.00	0.00
Waste with chrysotile residues	2,826.00	3,573.00	1307
Waste from medical equipment (in litters)	15.40	9.60	9.60
PAPER CONFIDENTIALLY DESTROYED	**611,050.00**	**327,148.00**	**298,335.57**

G4-EN31

Total Entity's removal costs:	2016	2017
TOTAL COSTS FROM PAPER AND PLASTIC WASTE REMOVAL (EUROS)		
Destruction and recycling Headquarters	49,678.85	50,663.77
Certified pouch and trituration (*)	83,536.60	73,278.12
Transportation	25,815.08	26,255.38
Total costs from paper and plastic waste removal (euros) ENTITY	**159,030.53**	150,207.27
TOTAL COSTS FROM OTHER NON-HAZARDOUS WASTE REMOVAL (EUROS)		
Transbusa	1,234.13	728.45
Maprusa	1,250.54	1,659.11
Jesús Buey transportation	822.00	1,620.00
Material removal cost relative to close branches	**11,650.12**	**3,068.12**
Total costs from other non-hazardous waste removal (euros) ENTITY	**14,956.79**	**7,075.68**
TOTAL COSTS FROM NON-HAZARDOUS WASTE REMOVAL (euros)	**173,987.32**	**157,282.95**
TOTAL COSTS FROM HAZARDOUS WASTE REMOVAL (EUROS)		
Authorized loading and hauling for removal of used oil waste, contaminated absorbents, refrigerant gases, contaminated empty containers	3,627.24	502.81
Waste from encrypted pillars Headquarters	49,399.91	32,493.45
Loading and unloading, handling, cleaning, selective collection and labelling of material Headquarters	673.37	184.35
Empty toner cartridges	6,215.07	1,680.80
Toner cartridges used	283.01	297.25
TOTAL COSTS FROM HAZARDOUS WASTE REMOVAL (euros) ENTITY	**60,198.60**	**35,158.66**
TOTAL COSTS FROM HAZARDOUS AND NON-HAZARDOUS WASTE REMOVAL (euros) ENTITY	**234,185.92**	**192,441.60**

(*) The cost includes a clearance purge of confidential documentation (27,256.98 € corresponding to 104.543 kg)

PREVENTIVE EXPENSES (€)		
New air conditioning machines	740,614.72 €	424,288.09 €
New billboards bought	11,343.75 €	8,483.59 €
New façade signs installed or changed	373,688.76 €	72,972.30 €
TOTAL PREVENTIVE EXPENSES	**1,125,647.23 €**	**505,743.97 €**

G4-LA1

Number and rate of new employee hires (HIRES)

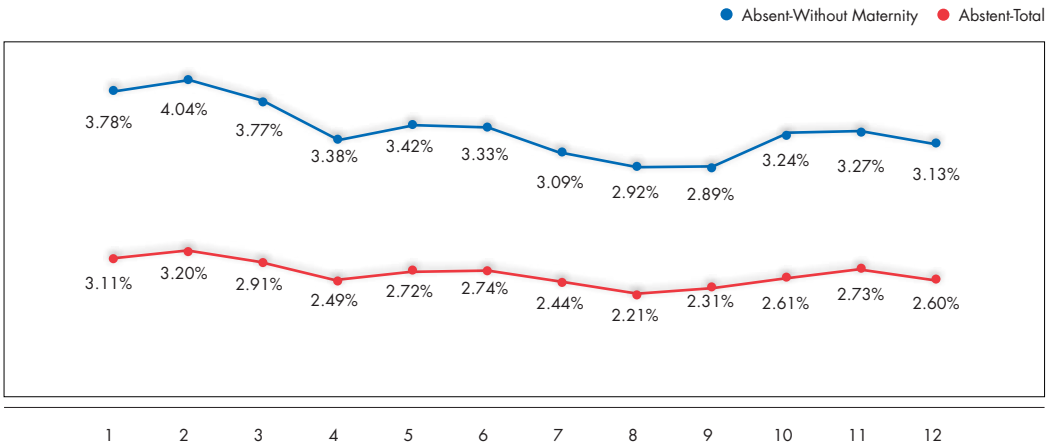
AGE	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
Aged <= 30	3	0.10%	3	0.12%	6	0.11%
Aged 31-40	14	0.47%	14	0.55%	28	0.51%
Aged 41-50	11	0.37%	6	0.24%	17	0.31%
Aged 51-60	6	0.20%	4	0.16%	10	0.18%
TOTAL	**34**	**1.13%**	**27**	**1.07%**	**61**	**1.10%**

Number and rate of employee turnover (HIRES and SUSPENSIONS)

AGE	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
Aged <= 30	3	0.10%	4	0.16%	7	0.13%
Aged 31-40	20	0.67%	43	1.70%	63	1.14%
Aged 41-50	22	0.73%	26	1.03%	48	0.87%
Aged 51-60	244	8.14%	82	3.25%	326	5.90%
Aged > 60	8	0.27%	2	0.08%	10	0.18%
TOTAL	**300**	**10.00%**	**157**	**6.22%**	**457**	**8.27%**

G4-LA6

Evolution of absenteeism rate

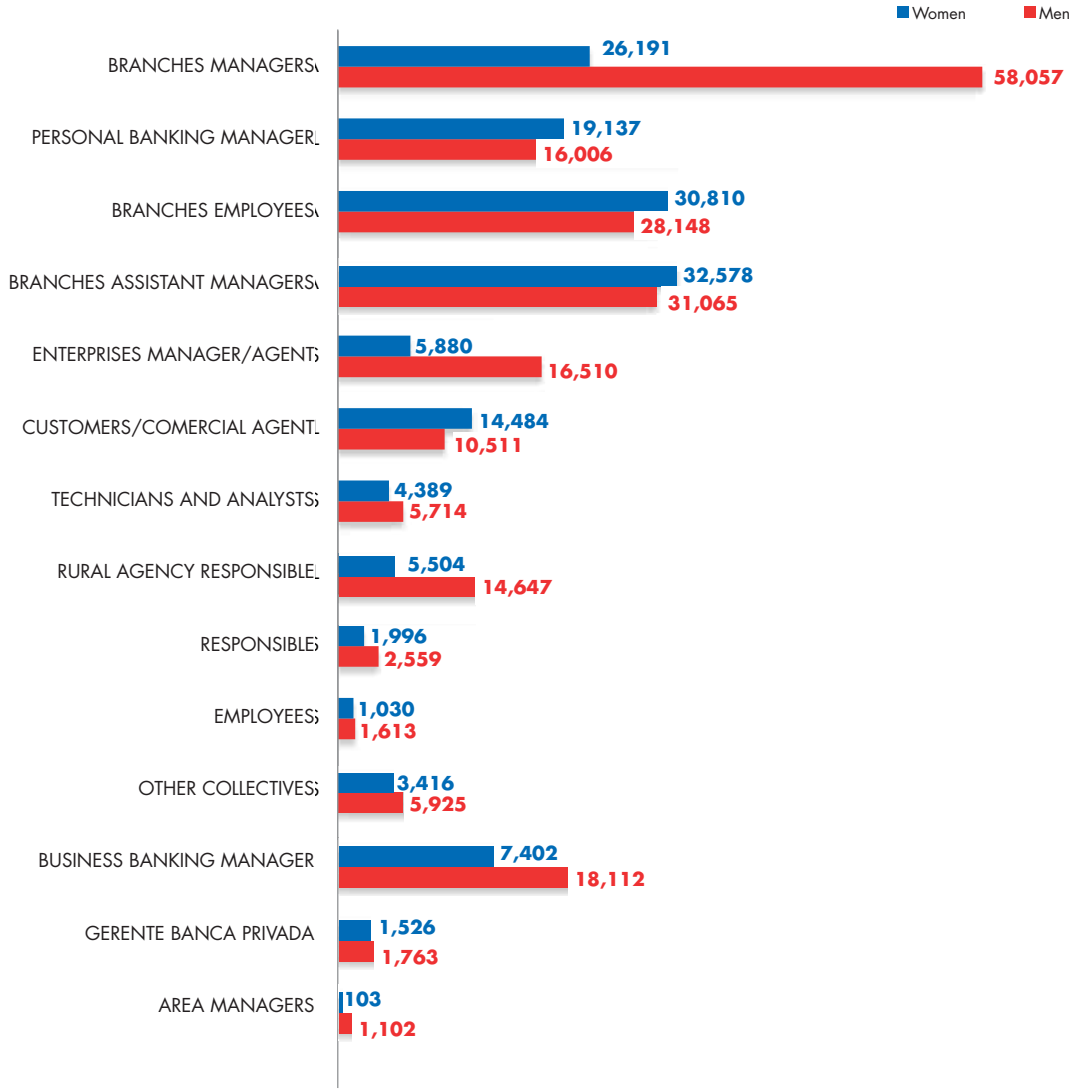


» Monthly, absenteeism indicators are calculated so that we can effectively monitor and control the absenteeism rate in our Entity.

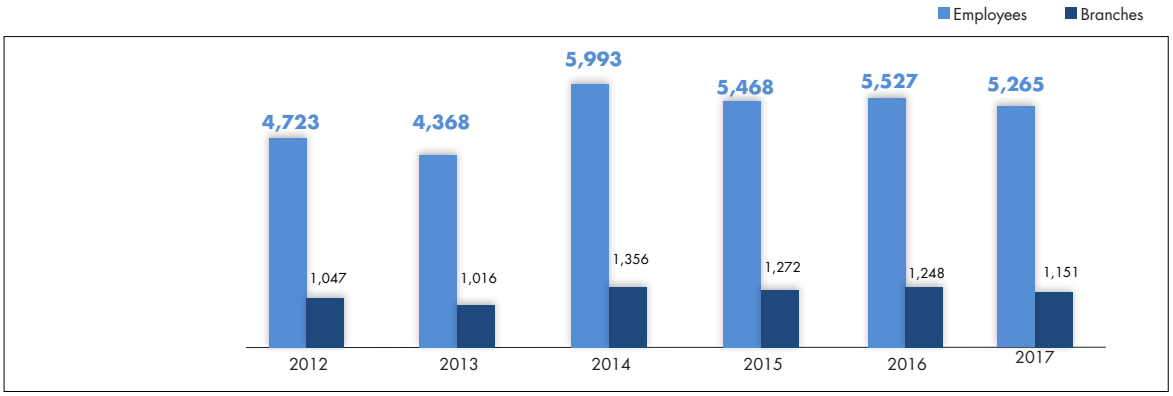
» Compared to the previous year, there was an improvement 2.669% (+0.163 points, excluding maternity), being below the Services Sector.

G4-LA9

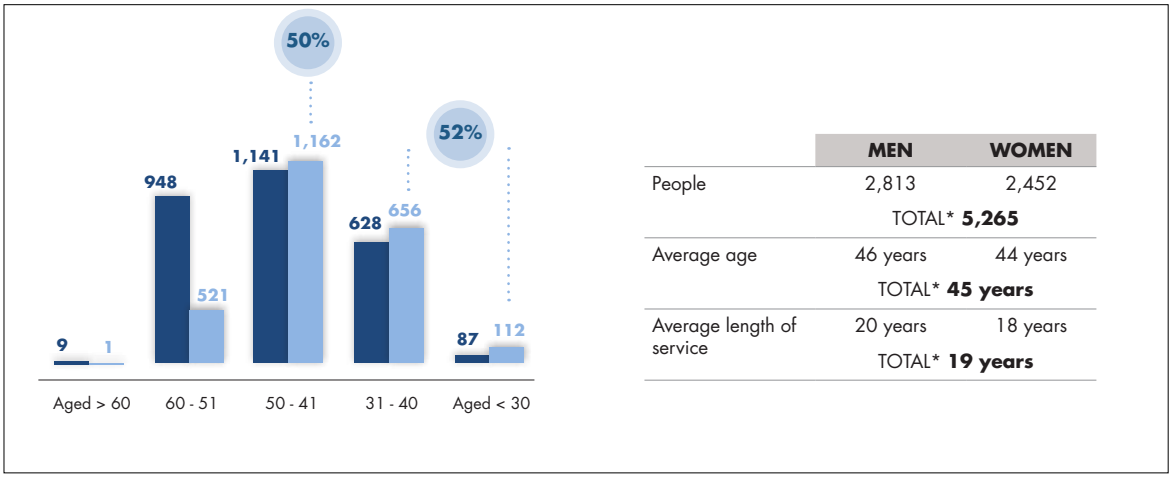
Total training hours



G4-10, G4-LA12



» Ibercaja has a team of 5,265 professionals.
» 96% had an indefinite contract at the end of 2017.
» During 2017 the net workforce increased by 262 professionals.



	MEN	WOMEN
People	2,813	2,452
	TOTAL* **5,265**	
Average age	46 years	44 years
	TOTAL* **45 years**	
Average length of service	20 years	18 years
	TOTAL* **19 years**	

G4-10, G4-LA12

Distribution by Levels

LEVEL	GENDER		TOTAL
	MEN	WOMEN	
GR.1 LEVEL I	16	4	20
GR.1 LEVEL II	53	13	66
GR.1 LEVEL III	305	97	402
GR.1 LEVEL VI	562	238	800
GR.1 LEVEL V	485	343	828
GR.1 LEVEL VI	240	193	433
GR.1 LEVEL VII	356	315	671
GR.1 LEVEL VIII	345	592	937
GR.1 LEVEL IX	135	221	356
GR.1 LEVEL X	163	212	375
GR.1 LEVEL XI	50	111	161
GR.1 LEVEL XII	41	67	108
GR.1 LEVEL XIII	21	23	44
GR.1 LEVEL XIV	15	19	34
SPECIAL CATEGORY	1		1
GR.2 LEVEL I	3		3
GR.2 LEVEL II	23	4	27
TOTAL	**2,813**	**2,452**	**5,265**

Grouping of Categories

LEVEL	GENDER		TOTAL
	MEN	WOMEN	
MANAGEMENT TEAM	17	4	21
HEAD CENTRAL	41	18	59
CENTRAL RESPONSIBLE	92	74	166
TECN./ANALYST.EXP./INFORM./OTHER TECN	190	229	419
ADMINISTRATIVES CENTRAL	62	61	123
ASSISTANTS/DRIVERS/CONCIERGES/OTHERS	18	3	21
TERRITORY MANAGERS	4	0	4
TERRITORY TEAMS	64	33	97
AREA MANAGERS	40	4	44
HEAD MANAGEMENT/SERVICES	2	7	9
DTOR/GERENTE B.PRIV	37	22	59
GERENTE/GESTOR EMPR	157	64	221
COMERCIAL AGENTS	33	28	61
BRANCHES MANAGERS	577	238	815
RURAL AGENCY RESPONSIBLE	102	48	150
BRANCHES ASSISTANT MANAGERS	307	366	673
PERSONAL BANKING MANAGERS	195	252	447
CUSTOMERS AGENTS	156	223	379
BRANCHES EMPLOYEES	719	778	1,497
TOTAL GENERAL	**2,813**	**2,452**	**5,265**

» The Professional Group 1 consists of 5,235 professionals directly linked to the Bank's financial, executive, commercial, technical or administrative activity. Another 30, belonging to the Professional Group 2, and perform functions in support of Ibercaja's own activity (concierges, assistants, etc.)

» The Ibercaja Banco Business Model requires the configuration of a very diverse Jobs' Map that brings together the different roles necessaries to achieve the strategic challenges.

G4-FS14

	2015	2016	2017
CHANNELS OF RELATIONSHIP WITH CUSTOMERS			
Number of Branches	1,272	1,248	1,151
Number of ATMs	1,550	1,537	1,475
% transactions performed on-site	33%	29.8%	22.25%
% transactions performed by remote banking	42%	46.1%	56.51%
% transactions performed at ATMs	10%	8.8%	7.32%
% transactions performed by POS	15%	14.6%	13.5%
% transactions performed at updater	1%	0.6%	0.47%
Number of transactions by remote channels	257,959,159	298,068,779	465,189,003
Monthly number (average) of consulted websites	6,519,515	6,549,175	7,975,696
Level of availability of Telephone Banking (%)	95%	94%	93%

G4-SO3

	2015	2016	2017
NUMBER OF AUDITS			
Distribution Network Audits	497	483	464
Credit Risk Audits	8	9	11
Financial Audits	26	34	35
Computer Processes Audits	21	29	30
Total	**552**	**555**	**540**
BRANCHES AUDITS			
Revised branches	463	457	451
Percentage over the average of branches	35.6%	36.6%	39.2%

G4-SO11

	2015	2016	2017
COMPLAINTS, SUGGESTIONS AND CLAIMS			
Complaints and suggestions (without € impact)	1,506 (20%)	1,558 (20%)	2,207 (32%)
Claims (with € impact)	5,886 (80%)	6,241 (80%)	4,731 (68%)
TOTAL COMPLAINTS, SUGGESTIONS AND CLAIMS	**7,392 (100%)**	**7,779 (100%)**	**6,938 (100%)**

G4-FS7

€ THOUSANDS	2015	2016	2017
YOUNG LINE			
Scholarships, postgraduate, etc,			
Number of transactions	26	44	30
Amount of financing	63,147	106,798	103,269
Housing acquisition			
Number of transactions	1,596	2,678	2,476
Amount of financing	126,146	244,064	220,971
Promotion of employment			
Number of transactions	32	4	0
Amount of financing	232	28	0
Driving license			
Number of transactions	246	147	48
Amount of financing	274,053	170,566	55,789
PRIVATE CUSTOMERS			
Zaragoza's Citizen Card			
Number of transactions	3,819,811	3,626,691	3,828,394
Amount of financing	2,461	2,374	2,466
Guadalajara's Citizen Card			
Number of transactions	15,820	36,402	35,827
Amount of financing	7	16	16
ENTERPRISES			
ICO Lines-Enterprises and Entrepreneurs			
Number of transactions	1,921	889	639
Amount of financing	86,447	41,588	26,712
BEI Agreements			
Number of transactions	2,045	2,436	2,443
Amount of financing	77,621	142,234	116,221
FARM SECTOR			
Rural Development Agreement			
Number of transactions	3,662	4,344	5,091
Amount of financing	148,895	220,060	206,211
Young Farmers and Ranchers			
Number of transactions	128	42	70
Amount of financing	10,215	2,486	4,395

G4-FS8

€ THOUSANDS

COMPANY PARTICIPATED	FUNDED ENVIRONMENTAL PROJECT	INVESTMENT FINANCED BY IBERCAJA
Rioja Nueva Economía, S.A.	Biodiesel Plant located in Calahorra	7,858
	Wind Farm	431
Solavanti	9 Photovoltaic projects	8,510
Biocom Pisuerga	Biodiesel Plant located in Burgos	94
Proyecto Foresta	Forest plantations located in Extremadura	4,105
Zaragoza's Tram	Construction and operation of the line	8,629
Tourolense del Viento	Wind energy explotation	260
Teruel's alternative energy	Wind energy explotation	54
Praves	Conditioning of Montañana	816
TOTAL IBERCAJA'S INVESTMENT (FS8)		**30,756**

G4-EC2, G4-FS10, G4-FS11

Investments of Ibercaja in companies where CSR is relevant

€ THOUSANDS	2015	2016	2017
AMOUNTS	**162,309**	**137,654**	**125,903**
COMPANIES	**26**	**24**	**22**
% of total shares	**37%**	**33%**	**34%**

H. INFORME DE REVISIÓN INDEPENDIENTE

G4-32, G4-33

Free translation from the original in Spanish.
In the event of a discrepancy, the Spanish language version prevails

INDEPENDENT LIMITED ASSURANCE REPORT
ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS

To the Management of Ibercaja Banco S.A.,

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in Appendix "Further Information" of the 2017 Annual Report (hereinafter "CSR Indicators") of Ibercaja Banco S.A. and its subsidiaries (hereinafter "Ibercaja") for the year ended 31 December 2017, prepared in accordance with the content proposed in the Guidelines for the Preparation of the Sustainability Report of the Global Reporting Initiative (GRI) version G4 (hereinafter GRI G4 Guidelines) and the Financial Services Sector Supplement.

Responsibility of the Management

The Management of Ibercaja is responsible for the preparation, content and presentation of the Annual Report in accordance with the Core option of the GRI G4 Guidelines and Financial Services Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

The Management of Ibercaja is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators is obtained.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Ibercaja's personnel from various departments who have been involved in the preparation of the 2017 Annual Report of Ibercaja.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

- Analysis of the Ibercaja's CSR indicators adaptation to the requirements established by the GRI G4 Guidelines for the preparation of reports and to the Financial Services Sector Supplement.

- Verification, through random sampling tests revisions, internal control tests and substantive tests on the information used to determine Ibercaja's CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Ibercaja's sources of information.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited assurance conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Ibercaja's CSR indicators, for the financial year ending 31st December 2017, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards and with the Financial Services Sector Disclosures.

Use and Distribution

Our report is only issued to the Management of Ibercaja, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Ibercaja's Management.

PricewaterhouseCoopers Auditores S.L.

Mª Luz Castilla

April 19th, 2018

Grupo
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