

Grupo
iberCaja 

ANNUAL REPORT 2018



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LETTER FROM THE CHAIRMAN AND CEO

102-2, 102-4, 102-5, 102-6, 102-9, 102-14, 102-15, 102-32, 103-1, 103-2



LETTER FROM THE CHAIRMAN AND CEO

Spanish GDP rose by close to 2.5% in 2018, with **growth easing slightly** after three years above 3%. In any case, the Spanish economy grew for the fifth year running, although there were signs of a smaller contribution by external demand and consumption, but a more robust performance by investment.

In the **world economy**, **the United States stood out for its solid performance** compared to the Eurozone, China and the main emerging countries. **The deceleration of GDP in the European Union** was due to the lower contribution by external demand due, largely caused by euro appreciation, while domestic demand remained more stable.

In this context, the Federal Reserve raised interest rates repeatedly over the 12 months to bring them closer to levels considered neutral, ending the monetary policies implemented to mitigate the effects of the past recession. For its part, the European Central Bank curtailed its bond purchases, as announced, with interest rates set to rise gradually from the end of 2019.

Recurring revenue for the Spanish banking sector increased in 2018, despite negative interest rates, **while non-performing assets and operating costs** fell further in a bid to shore up profitability. Investments being made in the sector to adapt to the on-going transformations in the business' distribution and digitalisation model rose further and became increasingly significant. Likewise, most financial institutions continued to reinforce capital reserves, as provided for in regulatory requirements.

Ibercaja's activity has focused on boosting the profitability of the retail business, despite the impact of low interest rates on net interest income. To this end, it prioritised defending commercial margins, diversifying revenue sources by strengthening the asset management and insurance business, improving efficiency by containing recurring operating expenses, and reducing cost of the risk by managing on-balance sheet non-performing assets. The foundations were also laid to strengthen the Group's solvency and soundness.

In addition, this year **we launched the 2018-2019 Strategic Plan, "Plan + 2020"**, with the aim of **cementing our place among the leading players in the Spanish financial sector**. This Plan will end with Ibercaja's listing on the Stock Exchange to comply with the regulations affecting the Ibercaja Banking Foundation (Fundación Bancaria Ibercaja) and to get on a par with our competitors in Spain and Europe as a listed bank.

▶ The Plan+ 2020 was submitted to the Executives Convention held in March, which assessed the previous strategic cycle and the key lines of action in the current cycle, rolled out in **three main programmes**. The **Customer Programme**, through which Ibercaja is promoting customer acquisition, loyalty and interaction, adapting to the new banking business paradigm. The **Value Programme**, which promotes the profitable growth of operations and the efficient capital allocation. The **Transformation Driver Programme**, which indirectly affects technology, processes and people to build the Entity we wish to be when we conclude this strategic 3-year period.

As part of the Plan, the **Corporate Purpose** has been prepared: "Help people build the story of their lives, because it will be our story," and a nationwide **communication campaign** has been launched, among the most important in our recent history. "**Banco del vamos**" is the chosen theme, which will accompany us onwards and expresses the transformation undertaken to become the best bank in Spain for customer satisfaction, which develops its business strategy with the Purpose as the axis of alignment and differentiation. We are gaining visibility and we are informing society that we are a modern bank, which financially backs people and companies over their life with closeness, professionalism, commitment, excellence, soundness and adaptability; all of which are the corporate values underpinning our activity and optimised reinforced by "el Banco del vamos".

2018 witnessed three of the most significant strategic milestones.

In March, **Ibercaja issued AT1 capital, amounting to €350 million**, reinforcing the total capital ratio by over 150 basis points. Demand from institutional investors, 85% of which are international, was 2.9x the volume of this issue, underscoring the confidence of capital markets in the Bank's project.

Meanwhile, in December, **the sale of a portfolio of foreclosed assets called Cierzo** was signed, with a gross value of €641 million. This transaction, which amounted to practically half total balance of these assets on the balance sheet, is a crucial step forward in reducing non-performing assets and loans losses to boost our profitability.

Lastly, in order to complete **the preparation for the IPO, the Bank engaged Rothschild & Co as an independent financial advisor**, a firm with successful track record in executing this type of project in capital markets.

▶ We do not want to conclude without mentioning **the accolades received by Ibercaja and its teams in the course of their activity throughout 2018**. **Ibercaja Pensión** has won, for the third year in a row, the Expansión-All Funds award for **the best pension plan management company in Spain**, endorsing the quality of the management carried out. Meanwhile, Ibercaja **renewed the EFQM 500+ Seal of Excellence**, the highest award for business excellence. It marked the fifth time that the Entity has renewed the seal, at the same time as it has positioned itself at a higher level of qualification. The commitment to continuous improvement, the focus on results and, especially, on customers through differentiated experience and services has led the Entity to merit this renewal.

Ibercaja's financial advisors were also best among the best for customer satisfaction, as underscored by Stiga studies, a reference consultant in the assessment of quality in banking services, endorsing our customer relationship model based on personalisation, usefulness and mutual commitment.

Ibercaja continued to carry out its activity with a triple management approach: economic, social and environmental, sensitive to its surroundings, as part of its essence. In 2018, reinforcing its commitment to responsible actions, **the Board of Directors approved the Entity's Code of Ethics**, which reflects the ethical principles involved in the procedures of all those forming part of Ibercaja, implemented under the internal regulations in force. Our Code represents a modus operandi that is close, professional, committed and aimed at excellence: a way of doing things that has always made Ibercaja stand out.

It must also be highlighted that, in acknowledgement of the promotion by the Entity of key aspects of Corporate Social Responsibility, such as equality, work-life balance, volunteering and the promotion of culture, this year **Ibercaja received the RSA+ Seal (Aragón Social Responsibility Seal)**, in the framework of the Social Responsibility Plan promoted by the Aragón government.

In short, **2018 was a year of significant progress in the transformation of Ibercaja's business model**, laying the foundations to be a listed bank in the course of the current 2018- 2020 Strategic Plan: a solid entity committed to its environment, which works day by day, true to its values, to help people build their life story.



José Luis Aguirre Loaso
Chairman



Víctor Iglesias Ruiz
CEO

ECONOMIC IMPACT

OF IBERCAJA BANCO

KEY FIGURES

RESULTS OF THE ENTITY



€41 MILLION
NET PROFIT

6.74%
NPL
RATIO

49.19%
NPL
COVERAGE RATIO



€52,706 MILLION
TOTAL ASSETS

20.71%
AVAILABLE LIQUIDITY /
TOTAL ASSETS

51.48%
COVERAGE
PROBLEMATIC ASSETS



9th
LARGEST BANK
IN SPAIN

11.67%
CET1
PHASED IN

98.12%
LOAN-TO-DEPOSIT
RATIO

10.53%
CET1
FULLY LOADED

14.50%
TOTAL CAPITAL
FULLY LOADED

AWARDS AND ACKNOWLEDGMENTS



NETWORK DISTRIBUTION

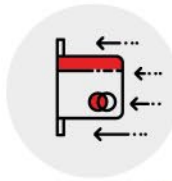
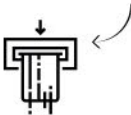
NATIONAL COVERAGE



1,115
BRANCHES

- ▶ 6 CBC
- ▶ 14 Office+
- ▶ 31 MAP
- ▶ 287 Agro

1,476
ATMs



63,236
POS

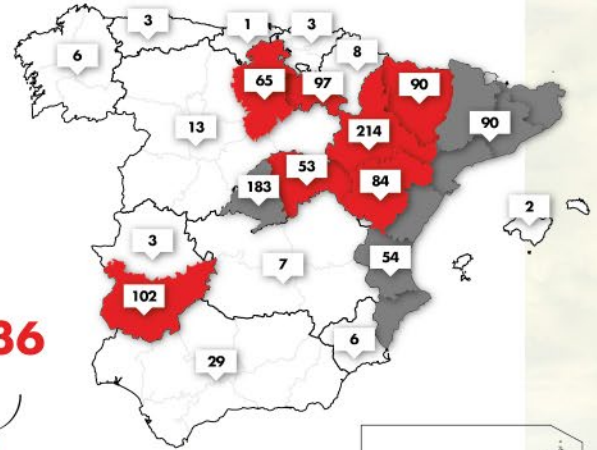
1.5 MILLION
cards



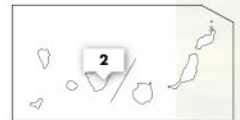
677,000
DIGITAL BANKING
customers



64%
OPERATIONS
through online banking



- ▶ HOME MARKETS
- ▶ GROWTH MARKETS



MARKET SHARES

2.75%

LOANS TO HOUSEHOLDS
AND NON-FINANCIAL CORPORATIONS



7 PROVINCES

WITH LOANS+CUSTOMER DEPOSITS
MARKET SHARE > 10%

3.48%

CUSTOMER FUNDS

2.85%

CUSTOMER DEPOSITS

3.18%

LOANS + CUSTOMER FUNDS

3.41%

POS

2.67%

CARDS

2.86%

ATMs

5th
TOTAL
PENSION PLANS

5.80%

6th
LIFE INSURANCE
PROVISIONS

3.91%

8th
INDIVIDUAL
PLANS

3.11%

7th
MUTUAL
FUNDS

4.80%

3th
COMPANY
PENSION PLANS

11.65%

SOCIAL IMPACT

OF IBERCAJA

PEOPLE

THEY ARE THE SOUL AND DRIVING FORCE,
WORKING TO BOOST IBERCAJA'S PROJECT



5,061

PEOPLE

work in Ibercaja



96.5%

PERMANENT CONTRACTS



99%

TRAINED

through online and
onsite programs



48%

WOMEN



36%

MANAGEMENT POSITIONS

are held by women



225

UNIVERSITY STUDENTS

have done their internship in Ibercaja



533

VOLUNTEERS

in different programs



SOCIETY AND INNOVATION

WE ARE PART OF SOCIETY: WE WANT TO CONTRIBUTE AS MUCH AS POSSIBLE TO OUR ENVIRONMENT, ALSO THROUGH TECHNOLOGY



€16.18 MILLION
INVESTMENT IN SOCIAL INITIATIVES
by Fundacion Ibercaja

998,850
beneficiaries



64%
OPERATIONS
through online banking



676,754
ONLINE BANKING
customers*



311,580
IBERCAJA APP
customers*

* Active users as of december

COMPANIES

WE ARE SPECIALIZING IN COMPANIES; WE WANT TO SUPPORT THEM AND MEET THEIR NEEDS



227
SPECIALIZED MANAGERS
in companies



with an score
of **9.4/10**

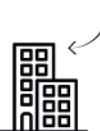


242
**CONFERENCES
AND SEMINARS**
for companies



68%
CREDIT AND LOANS
granted to companies
(including real estate)

with
20,800
businessmen



1. PRESENTATION OF THE GROUP AND ITS CONTEXT

WE WORK FOR THE SDG



DESCRIPTION AND HISTORY

PURPOSE, MISSION, VISION AND VALUES

SHAREHOLDER AND FUNCTIONAL STRUCTURE

POSITION IN THE SPANISH FINANCIAL SYSTEM

ECONOMIC AND FINANCIAL ENVIRONMENT

EL BANCO
DEL
vamos



DESCRIPTION AND HISTORY

102-1, 102-2, 102-5

IBERCAJA IS A NATIONAL BANKING ENTITY SPECIALISED IN THE BUSINESS OF INDIVIDUALS AND COMPANIES, WHOSE OBJECTIVE IS TO GENERATE VALUE FOR ITS CUSTOMERS, SHAREHOLDERS AND SOCIETY IN GENERAL.

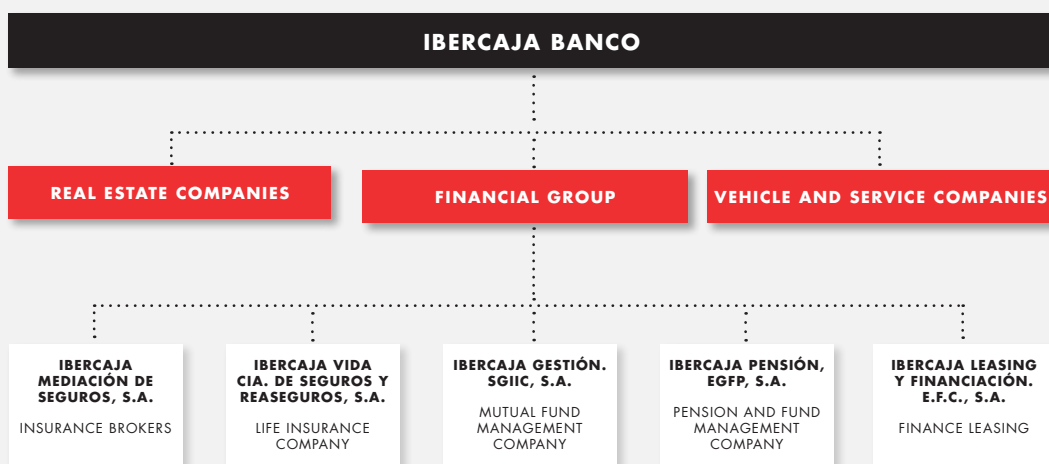


**THE IBERCAJA BANCO GROUP
PRIMARILY ENGAGES IN RETAIL
BANKING AND CARRIES OUT ALL OF
ITS BUSINESS IN SPAIN.**

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

The Bank is the parent of a group of subsidiaries. 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 145-YEAR HISTORY

1873

FOUNDATION OF THE SAVINGS BANK

ORIGIN

The current Ibercaja Bank was founded in 1873, when Real y Excma. Sociedad Económica Aragonesa de Amigos del País founded Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, which began to operate as a credit entity on 28 May 1876.

IBERCAJA GOES NATIONWIDE WITH A PRESENCE IN ALL SPANISH PROVINCES

NATIONAL DIMENSION

Following a long process of expansion in which it achieved a solid implantation in Aragón, La Rioja and Guadalajara, in 2001, the Entity attained a national dimension after entering into all Spanish provinces.

FIRST EXPANSION PLAN WITH THE OPENING OF OFFICES IN ARAGON, LA RIOJA AND GUADALAJARA

1873

1876

1933 - 1934

1980 - 1999

2001

2007

MAY 1876

CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA COMMENCED ITS FINANCIAL ACTIVITY

1988

CREATION OF THE FINANCIAL GROUP

1989

EXPANSION BY MEDITERRANEAN BASIN AND MADRID

1991

ACQUISITION OF CAJA RURAL DE CATALUNYA (LÉRIDA)

OBTAINMENT OF THE 500+ EUROPEAN SEAL OF EXCELLENCE (EFQM MODEL)

- ▶ Ibercaja Banco was established under the provisions of Royal Decree 1245/1995, of 14 July, on the creation of banks, cross-border activity and other issues related to the legal system for credit institutions, exercising the financial function developed until 2011 by Caja de Ahorros and Monte de Piedad of Zaragoza, Aragón and Rioja. The Company was filed at the Mercantile Registry of Zaragoza, Volume 3865, Book 0, Folio 1, Page Z-52186, Entry 1, and in the Special Register of the Bank of Spain with number 2085. Its registered office is in Zaragoza, Plaza Basilio Paraíso, number 2.

LAUNCH OF THE 2015-2017 STRATEGIC PLAN

STRATEGIC PLAN 2015-2017

In order to consolidate its structure and lay the foundations required to become **a listed bank in the short term**, in 2015, Ibercaja implemented the 2015-2017 Strategic Plan. The Plan comprised **significant milestones** such as: business growth in the strategic segments, improved solvency with a Tier II issue, the launch of the digital transformation project and agreements with specialised operators to reduce non-performing assets on the balance sheet.

OCTOBER 2014
TRANSFORMATION FROM SAVINGS BANK TO FOUNDATION LEGAL AND TECHNOLOGICAL MERGER WITH CAJA3

BANK FOUNDATION

Pursuant to Law 26/2013, of 27 December, La Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, Ibercaja's main shareholder, **became the Iberia Banking Foundation**, and was filed in the Foundations Register on **13 October 2014**.

SEPTEMBER 2012
THE BANK PASSES STRESS TEST REQUIREMENTS WITHOUT PUBLIC AID

2011

2012

2013

2014

2015

2018

JULY 2011
CREATION OF IBERCAJA BANK

JULY 2013
ACQUISITION OF 100% OF THE CAPITAL OF BANCO GRUPO CAJA3

AQR AND STRESS TEST: OVERCOMING THE ECB'S COMPREHENSIVE ASSESSMENT

LAUNCH OF THE 2018-2020 STRATEGIC PLAN

INTEGRATION

On 25 July 2013, Ibercaja Banco **acquired Banco Grupo Caja3**. The integration process culminated in October 2014 with the merger by absorption of the acquired entity.

2018 - 2020 STRATEGIC PLAN

In 2018, the Bank presented a **new Strategic Plan** with a horizon in 2020 and **with the customer as the cornerstone**. It pursues the transformation of the business model to 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.

PURPOSE, MISSION, VISION AND VALUES

102-2, 102-16, 102-40, 102-42, 103-1

IBERCAJA'S PURPOSE IS TO GUIDE THE ORGANISATION, DIFFERENTIATING IT AND REFLECTING THE VALUE PROPOSAL TO ITS CUSTOMERS.

PURPOSE

Within the 2018-2020 Strategic Plan, after a process of internal reflection carried out by a multidisciplinary team, the element that has distinguished Ibercaja and reflects its way of doing things has been identified.

Its Purpose as an organisation is summed up as: **"Helping people to build the story of their lives, because it will be our story"**, that is, working by and for people, helping and supporting them in all their decisions throughout their life, building their life stories and walking together, with a mutual commitment.

OUR PURPOSE



Help people build their
life story because it will
be our story.

**THE MISSION,
VISION AND VALUES
ARE THE AXES ON
WHICH IBERCAJA'S
PURPOSE IS
SPECIFIED AND
DIRECT THE BANK'S
COURSE SINCE ITS
FOUNDATION.**

THESE AXES FORM THE
BASE OF ITS CULTURE,
ITS WORK PHILOSOPHY,
THE WAY OF RELATING
TO CUSTOMERS,
EMPLOYEES, INVESTORS
AND SOCIETY IN
GENERAL.

MISSION

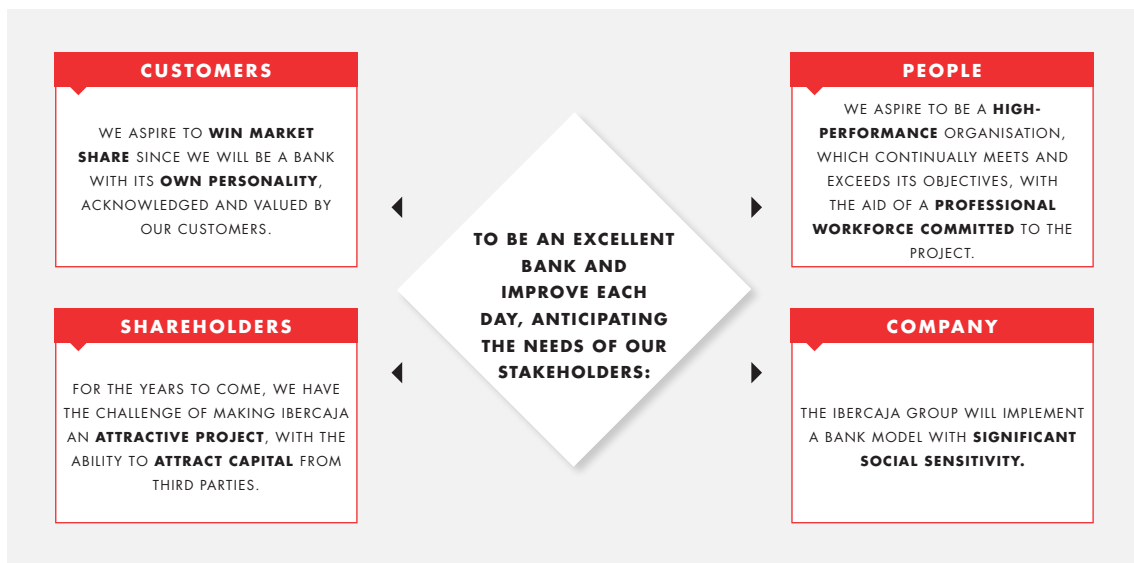
The Group's entire activities are aimed at helping families and companies to manage their finances, **providing the customer with an efficient service and personalised quality advice**, through on-going improvements and the most innovative products.

OUR MISSION

CONTRIBUTE TO **IMPROVE THE LIFE** OF FAMILIES AND COMPANIES, **HELPING THEM TO MANAGE** THEIR FINANCES BY OFFERING A **PERSONALISED GLOBAL FINANCIAL SERVICE**, WHICH HELPS THEM TO ATTAIN THEIR OWN OBJECTIVES.

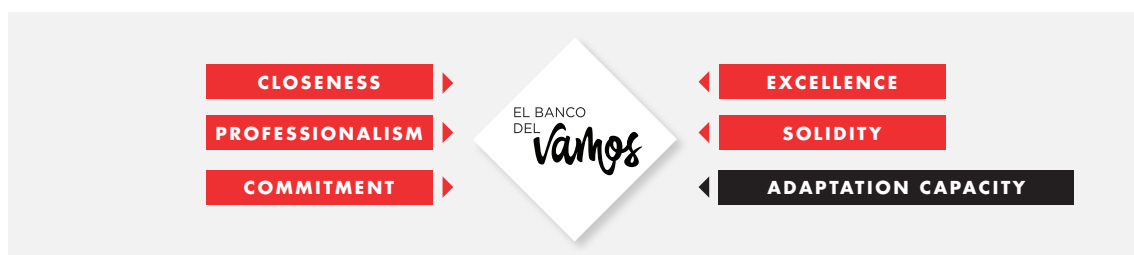
VISION

The Bank works to become an excellent organisation at the service of its stakeholders: customers, shareholders, people and society. Their social sensitivity manifests itself in the daily work and in the generation of resources that revert, in part, to society through shareholder foundations.



VALUES

Throughout its history, Ibercaja has demonstrated its capacity to adapt to very relevant changes, thanks to **its founding principles, which inspire corporate values**, the basis of the Bank's culture, its policy and way of working.

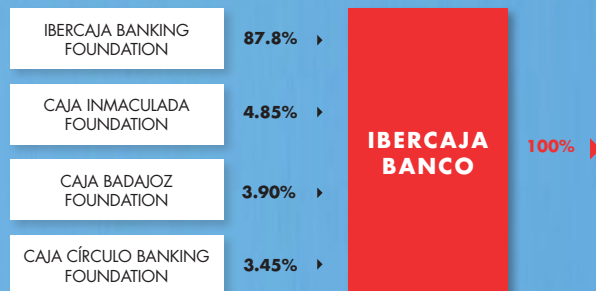


SHAREHOLDER AND FUNCTIONAL STRUCTURE

THE IBERCAJA BANKING FOUNDATION IS
THE BANK'S REFERENCE SHAREHOLDER.

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

OWNERSHIP STRUCTURE OF THE IBERCAJA GROUP



FINANCIAL GROUP

INVESTMENT FUND
MANAGEMENT
PENSION PLANS
LIFE INSURANCE
LEASING
INSURANCE BROKER



THE ENTITY'S FUNCTIONAL FLOW CHART, ARRANGED THROUGH ELEVEN AREA MANAGEMENT UNITS (TEN REPORTING TO THE CEO AND ONE –INTERNAL AUDIT MANAGEMENT- TO THE AUDIT AND COMPLIANCE COMMITTEE– IS COMPLIANT WITH THE RECOMMENDATIONS OF THE BASEL BANKING COMMITTEE AND IS IN LINE INDUSTRY BEST PRACTICES IN INTERNAL GOVERNANCE).



**FURTHERMORE,
THERE
ARE NINE
EXECUTIVE
COMMITTEES:**

- ▶ **MANAGEMENT COMMITTEE**
- ▶ **REGULATION AND SUPERVISION COMMITTEE**
- ▶ **GLOBAL RISK COMMITTEE**
- ▶ **RETAIL BUSINESS COMMITTEE**
- ▶ **CREDIT RISK COMMITTEE**
- ▶ **INTERNAL AUDIT COMMITTEE**
- ▶ **PROVISIONS COMMITTEE**
- ▶ **IRREGULAR ASSETS COMMITTEE**
- ▶ **IRREGULAR ASSETS RECOVERY COMMITTEE**

POSITION IN THE SPANISH FINANCIAL SYSTEM

102-4, 102-6, 103-1, 103-2, 103-3

THE BANK MEETS THE FINANCING NEEDS OF COMPANIES AND INDIVIDUALS, CENTRING ITS ATTENTION ON THE RETAIL BUSINESS.

Ibercaja has historically been characterised by the **territorial leadership** that it holds in its traditional markets; its business profile, highly focused on retail banking; **its positioning in the insurance and asset management industry**, with a higher market share than that corresponding by size; **prudent risk management** and a **comfortable liquidity position**, with limited dependence on wholesale markets. Solvency, solidity and balanced growth, together with prudent risk management, have traditionally formed part of the Bank's strategic objectives and form the foundations to maintain sound financial fundamentals.

THE GROUP HAS €52,706 MILLION IN ASSETS, MAKING IT THE NINTH LARGEST BANK BY ASSET VOLUME IN SPAIN.

It primarily engages in **retail banking**, focusing on the financing of households, particularly first home mortgages, and SMEs, savings management and other financial services. The eminently retail nature of the business is reflected in the structure of the balance sheet, where loans to individuals and small and medium-size enterprises account for almost 90% of loans and advances to customers, and retail deposits 78% of borrowings. At national level, it holds a market share of 2.75% in loans to households and non-financial corporations, reaching 4% in the private housing segment, and 3.48% in customer funds (2.85% in retail deposits and 4.70% in asset management and life insurance).

MARKET SHARE NATIONAL SCALE



2.75%

LOANS TO HOUSEHOLDS
AND NON-FINANCIAL
CORPORATIONS

2.85%

DEPOSITS OF
HOUSEHOLDS AND
NON-FINANCIAL
CORPORATIONS

3.48%

CUSTOMER FUNDS

7

PROVINCES WITH LOAN
+ CUSTOMER DEPOSITS
MARKET SHARE > 10%

3.18%

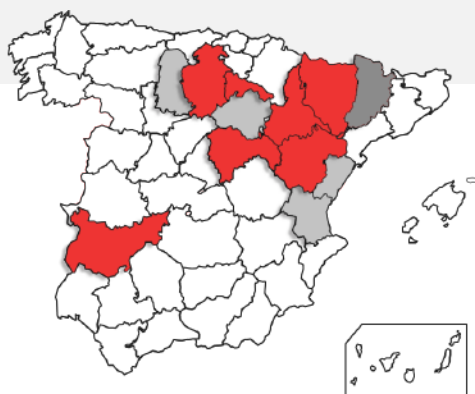
LOANS + CUSTOMER
FUNDS

LOANS AND DEPOSITS MARKET SHARES

At December 2018, the network comprised 1,115 branches, which is 4.2% of the national total, six of which are special company business centres. The Group has a total of 5,302 employees (5,061 in the parent).

 **5,302** EMPLOYEES

 **1,115** BRANCHES

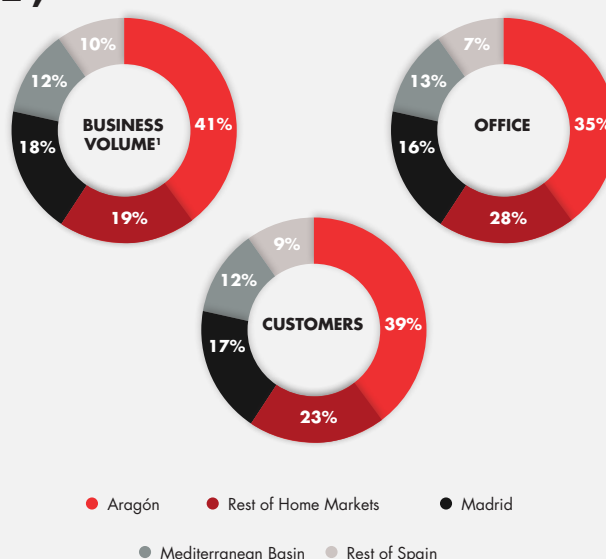


LOAN SHARE + DEPOSIT SHARE

- < 2%
- 2% - 5%
- 5% - 10%
- > 10%

Ibercaja is **well positioned** in its home markets (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), which account for 63% of its network and almost 60% of its business volume. The market share in this territory, 33% in private sector deposits and 24% in credit, is 46% and 33%, respectively, in Aragón. It also has an **significant presence** in other areas of major economic significance such as **Madrid and the Mediterranean coast (Catalonia and Valencia)**.

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



¹BUSINESS VOLUME: LOANS TO CUSTOMERS PLUS LEASING + CUSTOMER FUNDS (ON AND OFF BALANCE SHEET)

ECONOMIC AND FINANCIAL ENVIRONMENT

THE SOUND PERFORMANCE OF THE ECONOMY, FOLLOWING A PROLONGED PERIOD OF EXPANSION, COUPLED WITH HIGH LIQUIDITY IN THE SYSTEM WERE PROPITIOUS FOR A REBOUND IN ACTIVITY AND BALANCE SHEET REPAIR FOR SPANISH BANKS, WHICH HAVE SEEN THEIR PROFITABILITY ERODE DUE TO PERSISTENT EXTREMELY LOW INTEREST RATES.

WORLD ECONOMY

103-1

▶ IN 2018, THE WORLD ECONOMY CONTINUED ITS EXPANSIONARY CYCLE WITH GROWTH OF AROUND 3.5%, SIMILAR TO THAT OF 2017.

However, the weaker performance in the second half of the year would appear to herald a slowdown in economic growth, pressured by different factors; e.g. the adverse effects in emerging countries of rates hikes in the US and dollar appreciation, the shift towards protectionist policies, tighter financial conditions on a global basis or the downward trend of certain commodity prices.

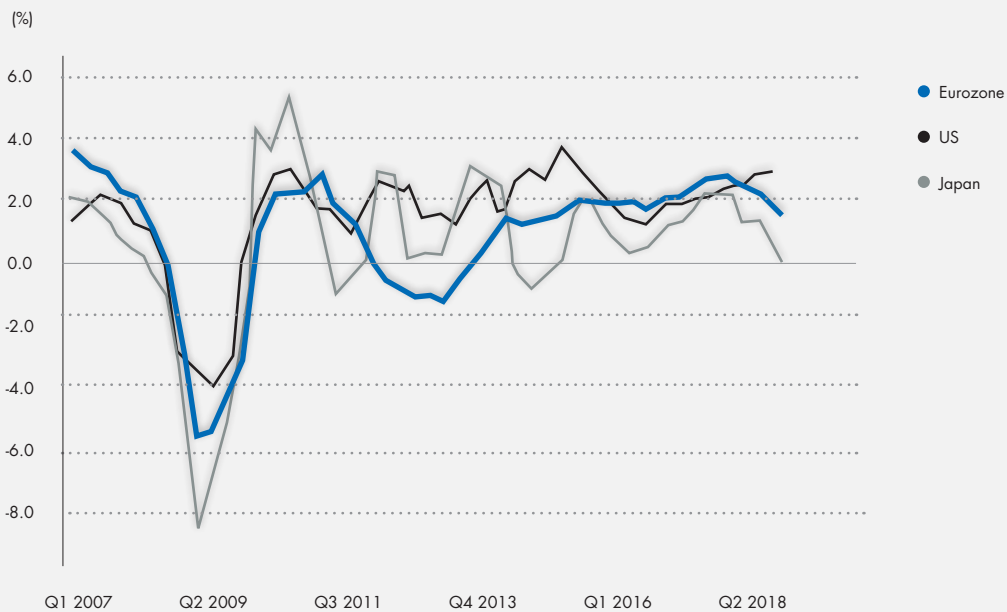
China's GDP growth was close to 6.5%, which is still high, but **lower than in 2017**. The main indicators (i.e. retail sales, industrial production and exports) shown smaller increase in the latter months than at the beginning of the year. Trade tensions with the US and a less buoyant international landscape could take its toll on the Asian giant's economy, which is highly dependent on the foreign sector.

Japanese macroeconomic variables showed signs of weakening, as GDP contracted in the third quarter; growth forecasts for the full year are below 1%. The country's economic activity has been affected by natural disasters, the weakening of China's economy, the second destination for its exports, and the threat from the US, its main trading partner, of a tariff hike.

Activity in the **United States remained very robust**, with a year-on-year growth rate of 3%. Private consumption was once again the main driver, supported by labour market trends with near-full employment, tax cuts and wage increases. In turn, investment continued to make a positive contribution to GDP. Leading and confidence indicators hovered around all-time highs, which suggests that the economic bonanza will continue in 2019.

The Eurozone's expansionary cycle lost steam. Even so, the GDP growth forecast by the European Commission is 2.1%, with domestic demand as the main driver of growth. As a result of good employment data, the unemployment rate fell to below 8% for the first time since the onset of the economic crisis, with a gradual recovery of wages and favourable financial conditions stimulating consumption and investment. Meanwhile, the external sector showed signs of weakness as a result of the global economic slowdown and the heightening of protectionist tensions. Headline inflation stood at 2% in November, while core inflation, 1%, is still far from the ECB's target. The main risks are as follows: the outcome of Brexit, the disagreements with Italy about the fiscal deficit, the hardening of entry barriers in destination countries for exports and the social instability that broke out in France in the last days of 2018.

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



CENTRAL BANKS CONTINUED TO NORMALISE THEIR MONETARY POLICIES, AT A MUCH FASTER PACE IN THE US THAN IN EUROPE.

The **Fed**, based on its positive view of the economy and inflation data, **raised its benchmark interest rate** to 2.25% - 2.50% in December for the fourth time in the year, and does not rule out further increases for 2019, based on how the economy reacts to this monetary tightening and to the dilution of tax incentives. At the last meeting of the year, the **ECB** confirmed the **end of the asset purchase programme**, although it will maintain the reinvestment of maturities for a period that it calls prolonged. **Interest rates are expected to remain at current levels until at least the second part of 2019.** At the same time, the possibility has been left open of using instruments similar to TLTROs, depending on how the economy and macroeconomic risks perform.

EQUITY MARKETS FARED POORLY IN THE YEAR. UNCERTAINTY DOMINATED THE STOCK MARKETS, CAUSING SHARP FALLS IN PRICES.

The crisis in emerging countries during the first part of the year was compounded by investors' perception that the incipient slowdown in the economy could worsen in the coming months, the end of expansionary policies that drain liquidity and increase the attractive of bond yields, especially in the US, the US trade war with its main partners and episodes such as the chaotic negotiation of Brexit or Italian fiscal indiscipline.

The main stock market indices underwent **major corrections**. The Ibex 35 closed down by 14.97%, the German Dax by 18.26%, the French Cac by 10.95% and the Italian FTSE by 16.15%.

US markets showed **greater resilience**, but not enough to keep them from closing 2018 in the red. The Dow Jones was down 5.63% and the Nasdaq, which lists the major technology companies, 3.88%.

IN FIXED INCOME MARKETS, SOVEREIGN BOND YIELDS WERE HIGHLY VOLATILE, REFLECTING THE LESS FAVOURABLE DYNAMICS OF THE ECONOMY AND THE FED'S RATE HIKES

The yield on 10-year US Treasury Note was above 2.6% at year-end, with a flattening in the middle of the curve, while in **Europe, the German bond** closed December within a **0.2% and 0.3%** band.



SPANISH ECONOMY

▶ THE SPANISH ECONOMY MAINTAINED ITS EXPANSIVE PATH AND, ACCORDING TO THE LATEST AVAILABLE DATA, ENDED THE YEAR WITH GROWTH OF 2.5%, SLIGHTLY LESS THAN IN 2017, BUT CLEARLY ABOVE OTHER MAJOR COUNTRIES AND THE EUROZONE AS A WHOLE.

Household consumption and investment became **pillars of activity**. Household spending is supported by good employment data, rising wages and sound lending conditions. Investment in capital goods increased by more than 6%, real estate activity increased by more than 5% and housing prices continued to recover. In this context, the savings rate continued to fall to historical lows, which could slow down the growth of spending in the near future.

The loss of traction from the external sector had **a drag on GDP growth**. Exports suffered from external factors, especially the slowdown in Europe, which accounts for nearly 70% of Spanish external sales, and the rise in protectionism worldwide.

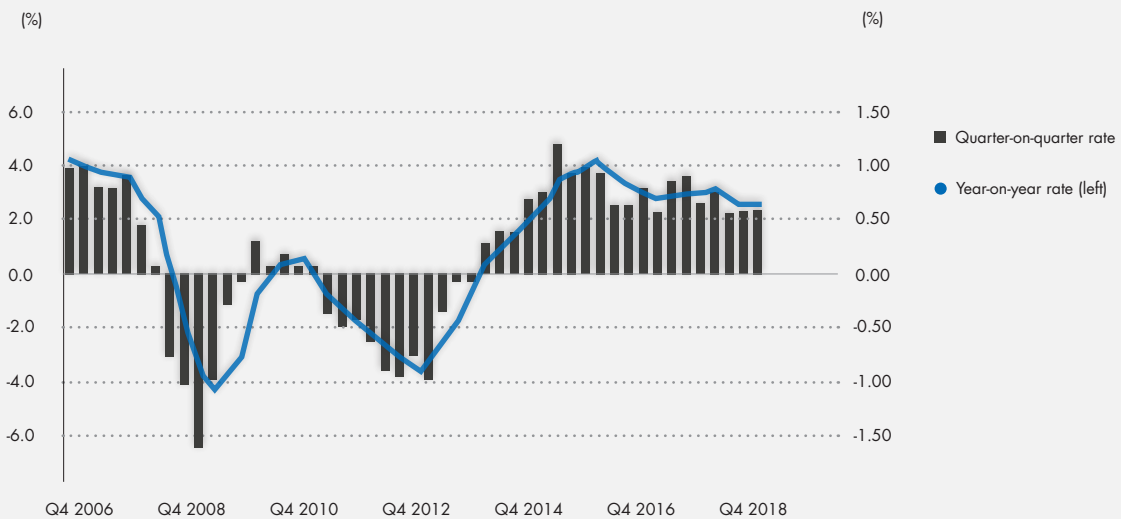
The labour market continued to create employment, albeit at a somewhat slower pace than in 2017, in line with more moderate GDP performance. The number of Social Security registrants was close to 19 million, with a 3.1% increase in the year, and the unemployment rate provided by the Survey of the Working Population at the end of the fourth quarter, 14.45%, is 2.1 percentage points lower than the previous December.

Inflation, after the upturn in the first few months of the year, resumed its downward trend to end December at **1.2% year-on-year**, only one basis point more than in 2017 and below the European average, leading to increasing competitiveness on foreign markets. Core inflation, excluding fresh food and energy, at 0.9%, remains stable.

SPAIN'S FAVOURABLE DYNAMIC SCENARIO WILL CONTINUE IN 2019, WITH THE PACE OF GROWTH SLIGHTLY EASING.

The market consensus estimates an increase in GDP of around 2.1%. **The slowdown is due to internal factors and, above all, to a more adverse international climate.** Household consumption will lose momentum slightly, as negative factors such as lower employment dynamism or the fall in the household savings rate observed in 2018 will be offset by rising wages in both the private and public sectors. Expectations for investment are lower than in recent years and the external sector will continue to lose momentum in a less buoyant international environment. On the domestic front, political tensions and uncertainty in an election year could put downward pressure on growth.

EVOLUTION OF GDP IN SPAIN



BANKING ENVIRONMENT

103-1

▶ THE HEALTHY PERFORMANCE OF THE SPANISH ECONOMY IS REFLECTED IN THE ACTIVITY OF THE BANKING SECTOR, ESPECIALLY WITH REGARD TO THE INCREASE IN NEW LENDING AND THE REDUCTION OF PROBLEMATIC ASSETS ON THE BALANCE SHEET.

At the same time, low interest rates continue to put pressure on profitability, though the impact is partially offset by strengthening alternative sources of income, especially brokerage and insurance products, reining in costs and extending digitisation.

Retail lending fell 2.84% year-on-year. While **financing to households remains practically flat, owing to the boost in consumer credit**, lending for productive activities is decreasing at a faster rate than in 2017 as a result of the proliferation of sales of non-performing loans, the contraction of developer lending and the lower demand from companies.

The dynamism of the economy has **caused lending to increase by nearly 10%**. Thus, lending to households and companies grew by 14.72% and 8.59%, respectively.

Retail customer funds increased by 2.18% year-on-year, with **a clear slowdown in mutual funds compared to last year**. Market instability has led savers to seek refuge in low-risk assets.

The volume of problematic assets has significantly decreased, largely owing to massive portfolio sales that improve the quality of balance sheets and will raise future profitability. The ratio of non-performing loans to the private sector of deposit institutions as a whole, 5.84%, fell by 201 basis points in the year. The contraction, albeit at a slower pace, is expected to continue in 2019 when the announced sales take effect.

IN THE REGULATORY SPHERE, BANK OF SPAIN CIRCULAR 4/2017 OF 27 NOVEMBER CAME INTO FORCE IN JANUARY, ADAPTING SPANISH BANKING ACCOUNTING STANDARDS TO THE CRITERIA OF THE NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS.

The changes introduced by **IFRS 9** have affected the impairment models of financial assets and the classification of portfolios for measurement purposes. In the **Basel III framework**, the timetable for improving the calculation of credit and operational risk in the standard model and restrictions on the use of internal models has been implemented. In addition, steps have been taken to complete the Banking Union, such as **the creation of financial support for the Single Resolution Fund**.

MiFID II, the Payment Services Directive, known by its acronym PSD2, and the General Data Protection Regulation have also been implemented. In November, the results of the European Banking Authority's stress test were released and serve as the basis for the determination of PRES capital requirements.

SPANISH BANKS HAVE EXHIBITED SATISFACTORY LEVELS OF RESILIENCE AND CAPITAL IN THE EVENT OF A HYPOTHETICAL DETERIORATION IN MACROECONOMIC AND MARKET CONDITIONS.

2. GROUP ACTIVITY AND RESULTS

103-3

WE WORK FOR THE SDG



RELEVANT FACTS AND KEY FIGURES

CUSTOMER FUNDS

LOANS TO CUSTOMERS

ASSET QUALITY

FINANCING AND LIQUIDITY

SECURITIES PORTFOLIO

ANALYSIS OF THE INCOME STATEMENT

SOLVENCY



EL BANCO
DEL
vamos





RELEVANT FACTS AND KEY FIGURES

102-7, 102-10, 102-15, 103-1, 103-2

THE GROUP MADE PROGRESS ON THE PATH MARKED BY THE STRATEGIC PLAN 2018-2020 IN A COMPLEX YEAR FOR BANKING ACTIVITY DUE TO THE INTEREST RATE ENVIRONMENT, THE PERFORMANCE OF FINANCIAL MARKETS, COMPETITION BETWEEN INSTITUTIONS TO POSITION THEMSELVES IN THE MOST PROFITABLE CREDIT SEGMENTS AND REGULATORY PRESSURE.

Ibercaja has demonstrated its **capacity to generate results** with the growth in recurring income, the decrease in ordinary operating expenses and the reduction of provisions and allowances for insolvencies. At the same time, the level of non-performing assets declined significantly, anticipating the objectives set out in the Strategic Plan, and liquidity and solvency increased.

HIGHLIGHTS IN THE PERIOD WERE ESSENTIALLY AS FOLLOWS:

SOLVENCY

▶ **THE CET1 PHASED IN RATIO STANDS AT 11.67%.** Ibercaja has strengthened its capital base through the issuance of €350 million of AT1 eligible as Tier I additional capital. This issue has an impact of 164 basis points on the total capital ratio of 15.59%. In this way, the buffers of hybrid capital allowed by European regulation have been completed. In fully loaded terms, CET1 is 10.53% and the total capital ratio is 14.50%.

Both indices comfortably exceed both the PRES 2018 requirement and the ECB requirement applicable from 1 March 2019.

NEW LENDING WAS UP NEARLY 5% YEAR ON YEAR. In line with our aim of diversifying the portfolio, there was a 4.56% increase in production activities, so that more than 68% of new transactions related to lending to businesses. Investment in home purchases is gaining pace after years of sluggishness, with a change near 10%.

CREDIT FORMALIZATIONS

CREDITS STOCK

- ▶ **THE SUCCESS OF THE COMMERCIAL STRATEGY** in boosting new business loans and credits and the reactivation of the mortgage business halted the deleveraging trend in lending, so **healthy investment**, excluding doubtful balances and reverse repurchase agreements (REPOs), **fell by only 0.53%**.

THE GROWTH OF RETAIL FUNDS IS CENTRED ON ASSET MANAGEMENT AND INSURANCE. Their volume increased by 1.56%, with a healthier performance than that of the system as a whole in a year that was particularly unfavourable for financial markets. This performance, together with that of demand accounts (+7%), which include the transfer of savings from term deposits, generates a more profitable mix of retail funds.

RETAIL FUNDS

ASSET QUALITY

- ▶ **ASSET QUALITY GREATLY IMPROVED IN THE PERIOD.** Non-performing risks declined by more than 11% as a result of a reduction in inflows and active management of recoveries. The NPL ratio, 6.74%, was down by 93 basis points. The balance of foreclosed properties contracted by 51% as a result of the slowdown in inflows, together with the good performance of both ordinary and extraordinary sales. Of note was the sale of a portfolio of €641 million as part of the operation Cierzo. The overall problematic exposure, doubtful assets and foreclosed assets fell more than 26%, the ratio fell to 8.82% (-298 basis points) and the degree of coverage rose to 51.48% (+362 basis points).

The solid funding structure is based on retail funding, and **THE LOAN-TO-DEPOSIT (LTD) RATIO IS BELOW 100%**, with customer deposits accounting for 78% of external funding. The Group's liquid assets account for 20.71% of the balance sheet and cover all wholesale debt maturities.

LTD

RECURRING INCOME

- ▶ **DESPITE THE INTEREST RATE SITUATION, THE GROUP MANAGED TO STRENGTHEN RECURRING INCOME, TYPICALLY BANKING, WHICH ROSE BY 2.18%.** This result was made possible by the recovery of net interest income and the increase in fee income, especially from fees and commissions related to asset management.

ORDINARY OPERATING EXPENSES, excluding those associated with the workforce adjustment plans **decreased by 5.26%**. Controlling costs and improving efficiency are key in a scenario in which revenues are conditioned by Euribor in negative territory and the slow recovery of credit. The recurring efficiency ratio increased by five percentage points during the year.

OPERATING EXPENSES

SOLVENCY

- ▶ **THE COST OF RISK** associated with credit and foreclosed real estate assets **was 0.54%**, 14 basis points lower than a year earlier, in line with the progressive normalisation of this variable.

KEY FIGURES

IBERCAJA BANCO GROUP

103-3

		31/12/2018	31/12/2017	CHANGE
		€ MILLION AND %		
BALANCE SHEET	Total assets	52,706	53,107	(0.76)
	Gross loans and advances to customers	33,724	33,451	0.82
	Total customer funds	61,240	62,030	(1.27)
	Total retail funds	57,011	56,394	1.09
	Equity	3,160	2,999	5.37
	Retail business volume	89,031	88,864	0.19
RESULTS	Net interest income	572	561	1.96
	Gross income	967	1,164	(16.97)
	Profit/(loss) before write-downs	298	445	(33.12)
	Profit/(loss) attributable to the Parent	41	138	(70.51)
EFFICIENCY AND PROFITABILITY	Recurring efficiency ratio (ordinary expenses/recurring revenues)	64.69	69.77	-5.08 p.p.
	ROA (profit attributable to the parent company/total average assets)	0.08	0.25	-0.17 p.p.
	ROE (profit attributable to the parent company/average own funds)	1.48	4.98	-3.50 p.p.
	RORWA (profit attributable to the parent company/APR)	0.19	0.62	-0.43 p.p.
	ROTE (profit attributable to the parent company/average tangible own funds)	1.59	5.36	-3.77 p.p.
RISK MANAGEMENT	Non-performing balances (loans and advances to customers)	2,275	2,565	(11.32)
	Non-performance rate of loans and advances to customers (%)	6.74	7.67	-0.93 p.p.
	Ratio of problematic assets (%)	8.82	11.80	-2.98 p.p.
	NPL coverage ratio	1,119	1,090	2.63
	Coverage of non-performing risks (%)	49.19	42.51	+6.68 p.p.
	Coverage of exposure to distressed assets (%)	51.48	47.86	+3.62 p.p.
LIQUIDITY	Available liquidity/total assets	20.71	19.45	+1.26 p.p.
	Loan-to-deposit ratio (LtD)	98.12	100.36	-2.24 p.p.
	LCR ratio (%)	306.78	281.15	+25.63 p.p.
	NSFR ratio (%)	130.45	124.42	+6.03 p.p.
SOLVENCY	CET1, phase-in (%)	11.67	11.72	-0.05 p.p.
	Solvency ratio, phase-in (%)	15.59	13.93	+1.66 p.p.
	Leverage ratio, phase-in (%)	6.04	5.41	+0.63 p.p.
	CET1 - fully loaded (%)	10.53	11.04	-0.51 p.p.
	Total capital, fully loaded (%)	14.50	13.26	+1.24 p.p.
	Leverage ratio, fully loaded (%)	5.48	5.09	+0.39 p.p.
ADDITIONAL INFORMATION	No. Group employees	5,302	5,581	(5.00)
	No. of offices	1,115	1,147	(2.79)

The quantitative data and information details included to explain the evolution of activity in this Annual Report are in line with the criteria defined in the internal management reporting systems.



CUSTOMER FUNDS

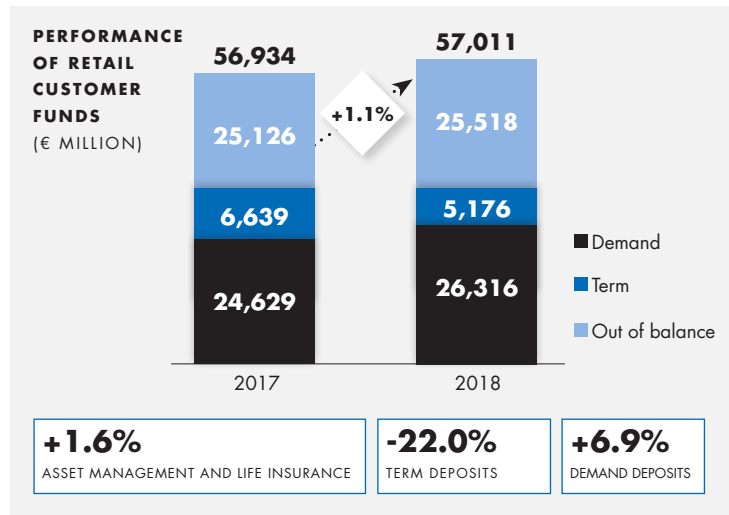
THE GROWTH OF RETAIL FUNDS IS CENTRED ON
ASSET MANAGEMENT AND INSURANCE.



RETAIL CUSTOMER FUNDS, €57,011 MILLION, INCREASED BY 1.09%. **ASSET MANAGEMENT AND INSURANCE, WHICH ACCOUNTED FOR 45% OF THE TOTAL, GREW 1.56%.**

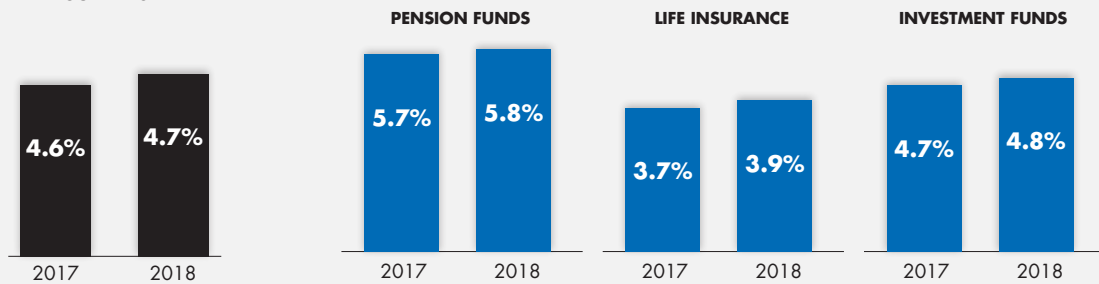
Strict customer deposits, demand deposits and traditional term deposits, ex covered bonds or repurchase agreements, **increased 0.72%.**

In its composition, in line with events across the system as a whole, the most liquid deposits demand deposits increased 7%, including the transfer from term deposits, which fell 22%.



The Group's market share in assets under management and insurance, 4.70%, rose by 10 basis points over the year, highlighting increases both in investment funds and in pension plans and life insurance.

MARKET SHARE OF ASSETS UNDER MANAGEMENT AND LIFE INSURANCE



By segments, following the growth targets defined in the Strategic Plan, personal and private banking customer funds represented slightly over 60% of the total balance. At the same time, funds generated by corporate banking grew up 7.43%. **Madrid** and the **Mediterranean Basin** were the most dynamic areas, with rises of 4% and 2%, respectively.

LOANS TO CUSTOMERS

LOANS TO NON-REAL ESTATE COMPANIES HEAD THE REACTIVATION OF LENDING, GAINING WEIGHT IN OVERALL FINANCING AND BALANCING THE PORTFOLIO MIX.



LOANS AND ADVANCES TO CUSTOMERS TOTALLED €32,605 MILLION, 0.75% MORE THAN IN 2017.

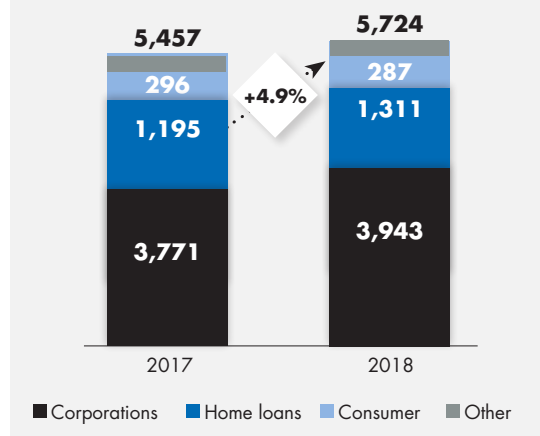
In gross terms, that is, without value adjustments for impairment of assets and other impairments, they amount to €33,724 million. Stripping out non-performing assets and reverse repurchase agreements, **performing loans continued to stabilise**, with a reduction of only 0.53%, reflecting the boost given to new lending, driven forward by the vigour of the Group's marketing activity and the improvement in the macroeconomic framework.

New lending rose by 4.91% year on year to €5,724 million. In line with our aim of diversifying the portfolio, there was a 4.56% increase in loans for productive activities, so that more than 68% of new transactions related to lending to businesses. The number of mortgages granted increased at a rapid pace (+9.7%), although their weighting within the total is still only 23%. By geographical markets, the Home Markets and Madrid account for 37% and 32% of new contracts, while 17% came from the Mediterranean Basin.

Lending for productive activities (ex NPLs) increased 3.11%, in line with the goal of portfolio diversification towards more profitable purposes. Within this segment, **financing for non-real estate productive activities** rose by

2.22%. Lending for real estate development, although its weight in the portfolio is small, rose by **9.93%** as a reflection of the incipient recovery of the sector. The balance of loans for home purchases and restorations fell by 2.54%, as a result of the deleveraging still being seen in the mortgage segment. Consumer loans remained practically stable, reined in by the prudent risk acceptance policy in this business segment.

NEW LOANS AND CREDIT FACILITIES ARRANGED (€ MILLION)



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 2.54%. The decline in the stock of mortgage loans slowed compared to 2017, although increasing originations resulting from the gradual increase in housing demand did not offset the natural paydown of the portfolio and early repayments. **The strong growth in lending to companies** can be seen in commercial lending (+11.40%), other term loans (+0.51%) and financial leases (+19.62%).

BREAKDOWN OF LOANS TO CUSTOMERS BY PURPOSE

	31/12/2018	31/12/2017	Change	Change %
	€ MILLION			
Loans to individuals	20,999	21,529	(530)	(2.46)
Home loans	19,492	19,999	(507)	(2.54)
Consumer loans and other	1,507	1,530	(23)	(1.48)
Loans to businesses	7,745	7,511	234	3.11
Real estate development	959	873	87	9.93
Non-real estate productive activities	6,786	6,639	147	2.22
Public sector and other	1,002	865	137	15.78
Gross loans and advances to customers, ex NPLs and reverse repos	29,746	29,905	(159)	(0.53)
Reverse repurchase agreements	1,704	981	723	73.66
Impaired assets	2,275	2,565	(290)	(11.32)
Gross loans and advances to customers	33,724	33,451	273	0.82

BREAKDOWN OF LOANS TO CUSTOMERS BY COLLATERAL

	31/12/2018	31/12/2017	Change	Change %
	€ MILLION			
Commercial loans	573	515	59	11.40
Secured loans	22,056	22,631	(574)	(2.54)
Other term loans	5,346	5,319	27	0.51
Finance leases	499	417	82	19.62
Receivables on demand and others	491	555	(64)	(11.47)
Valuation adjustments	40	60	(20)	(32.94)
Other financial assets	740	409	331	80.88
Gross loans and advances to customers, ex NPLs and reverse repos	29,746	29,905	(159)	(0.53)
Reverse repurchase agreements	1,704	981	723	73.66
Impaired assets	2,275	2,565	(290)	(11.32)
Gross loans and advances to customers	33,724	33,451	273	0.82
Impairment losses and others	(1,119)	(1,090)	(29)	(2.63)
Loans and advances to customers	32,605	32,361	244	0.75

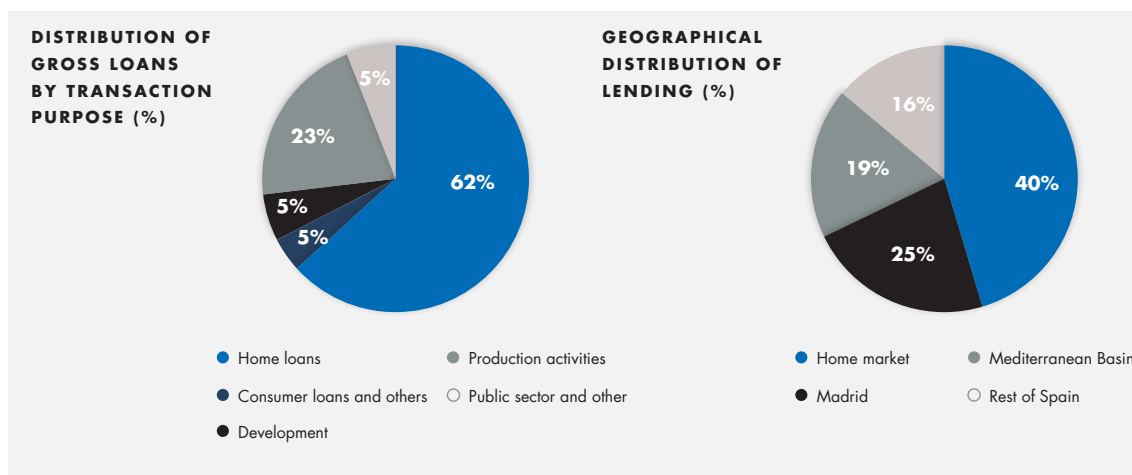
ASSET QUALITY

PROBLEMATIC ASSETS FELL SIGNIFICANTLY, WHILE HEDGES REACHED HIGH LEVELS IN RELATION TO THE RISK PROFILE AND RELATED GUARANTEES.



THE PROFILE OF THE GROUP'S PORTFOLIO IS LOW RISK, WITH A HIGH WEIGHT OF MORTGAGE FINANCING FOR INDIVIDUALS TO ACQUIRE HOMES.

Without compromising this specialisation, the Bank is increasing the share of business and SME loans targeted under the Strategic Plan. **Loans are geographically diversified**, even though the implantation of Ibercaja in its home territory means that 69% of lending is concentrated in this area and Madrid.



92% of **household financing**, which account for 67% of gross customer loans, is aimed at acquiring a home. Almost all of these related to loans for **first homes** secured by mortgage. 93% of the mortgage portfolio for home purchases had an LTV of less than 80%.

Business loans represented 28% of the total. The loans and credit facilities associated with real estate development accounted for **5%**. Financing for productive activities other than real estate development, preferably granted to SMEs in highly diversified sectors, had a weight of **23%**.

Asset quality indicators improved in the period. **Impaired assets** from loans and advances to customers, €2,275 million, were **down 11.32%** on December 2017, due to lower gross additions to non-performing assets (-34%) and an increasingly strong recovery. As a result, **non-performing loans and advances to customers (6.74%) fell 93 basis points in the year**. The NPL ratio of the Group's largest exposure, financing for home purchases, stood at 4.12%.



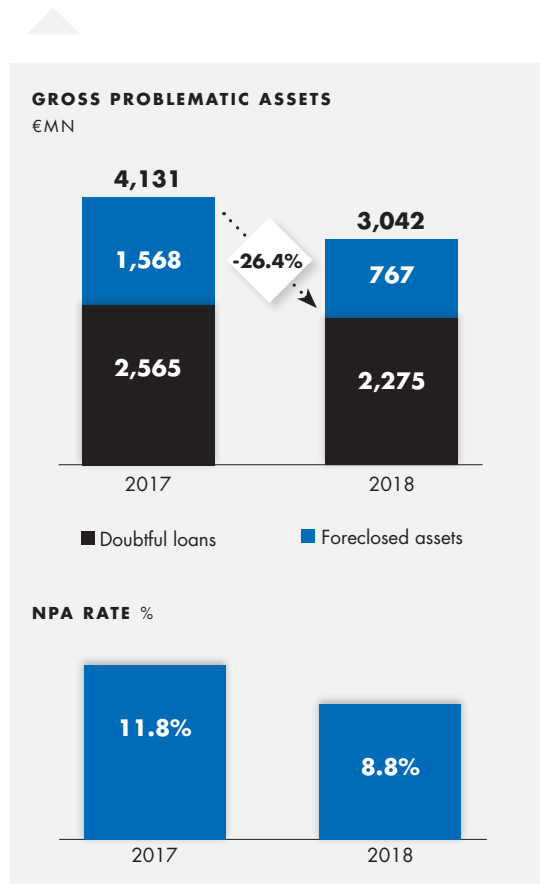
Credit risk-related provisions came to €1,119 million. After the application of IFRS 9, the **coverage ratio for non-performing loans (49.19%)** was 6.68 percentage points higher than at the end of 2017.

The main aim of the **Group's refinancing and debt restructuring policy** is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. Refinanced loans amounted to €1,879 million in 2018, down 25% on 2017 and accounting for 5.57% of gross loans and advances to customers. 77% of refinanced loans are classified as non-performing and their coverage is 42.04%.

The Group's **portfolio of real estate assets**, whether foreclosed or acquired in payment of debts, totalled €767 million, **having dropped in the year by €799 million or 51%**. The coverage of these real-estate assets was 58.25%, 162 basis points more than the year before. Coverage for undeveloped land was 64.02%. Additions to foreclosed real estate assets were 12% lower than in 2017, while both ordinary and extraordinary sales increased significantly. Among the latter was **the sale of a portfolio with a gross book value of €641 million to a new company**, 20%-owned by Ibercaja and 80%-owned by Intrum AB, the parent company of Aktua, which has been managing the Group's property assets since 2016. This transactions is **a stride forward in the Bank's strategy to clean up the balance sheet and improve its profitability profile** by offloading problem assets with the least possible impact on the income statement. The net value of foreclosed properties after this deal stood at €320 million, representing just 0.61% of assets.

The balance of problematic assets and doubtful loans and advances to customers, plus foreclosed properties, €3,042 million, fell by more than 26%. The net value, €1,476 million, represents 2.80% of assets.

The distressed asset index, 8.82%, fell by almost 3 percentage points in the year, and its coverage ratio, 51.48%, was 3.62 percentage points. On the other hand, the Texas ratio, which relates non-performing assets to equity and coverage, improved 14.88 percentage points to 70.61%.



FUNDING AND LIQUIDITY

THE VOLUME OF LIQUID ASSETS INCREASED BY 5.7%, WHILE CALLS FOR WHOLESale FINANCING ARE INCREASINGLY DIMINISHING.



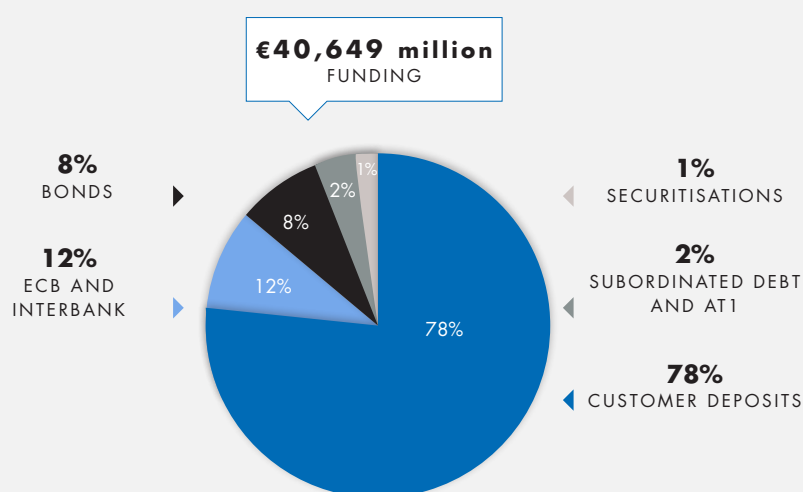
IBERCAJA HAS TRADITIONALLY EMPLOYED A CONSERVATIVE LIQUIDITY POLICY AS IT SEEKS TO FINANCE THE GROWTH OF ITS LENDING ACTIVITY WITH RETAIL CUSTOMER FUNDS. THE BANK PRUDENTLY MANAGES ITS LIQUIDITY AND ENSURES THAT ITS SOURCES OF FINANCING ARE BALANCED AND WELL-DIVERSIFIED, ANTICIPATING NEEDS SO AS TO HONOUR ITS OBLIGATIONS AS THESE FALL DUE WITHOUT COMPROMISING ITS INVESTMENT ACTIVITY.

RETAIL CUSTOMER DEPOSITS ARE THE MAIN SOURCE OF OUTSIDE FUNDING, ACCOUNTING FOR 78% OF THE TOTAL.

Nearly 80% of the total is classified as stable, based on Bank of Spain regulations, which illustrates the engagement and trust our customers place in the Bank.

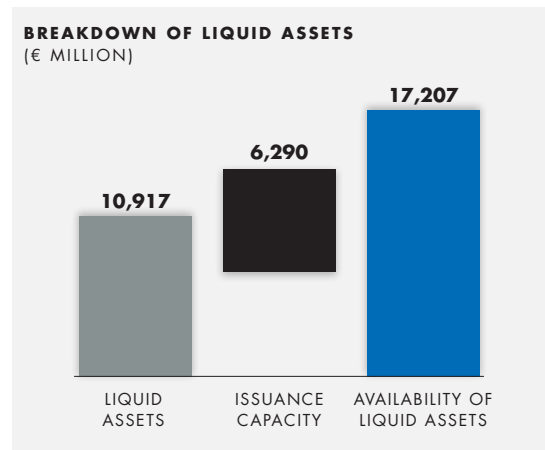
The loan to deposit ratio (LTD) stands at 98.12%. Wholesale funding supplements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.

BREAKDOWN OF FUNDING STRUCTURE



LIQUID ASSETS WERE UP 5.70% TO €10,917 MILLION, REPRESENTING 20.71% 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 €6,290 million, bringing total fund availability to €17,207 million.



The liquidity coverage ratio (LCR), which measures the level of unencumbered high-quality liquid assets needed to overcome a liquidity stress scenario at 30 days, stands at **306.78%**, well clear of the 100% requirement for 2018. Meanwhile, the **NSFR stands at 130.45%**. 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 €4,761 million. Almost all (96%) 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 236.51%, well clear of the legal minimum of 125%.

THE BANK'S MATURITIES OF WHOLESALE MARKET ISSUANCES PRESENT A STAGGERED REDEMPTION SCHEDULE THROUGH TO 2027.

In 2019 and 2020, redemptions, net of treasury shares, will total €512 million and €817 million, respectively, representing less than 2% of the Bank's assets. All these placements can be comfortably redeemed using available liquidity.



SECURITIES PORTFOLIO

THE GROUP'S SECURITIES PORTFOLIO IS MANAGED WITH PRUDENCE CRITERIA, ENDEAVOURING TO OBTAIN ADEQUATE FINANCIAL RETURN THAT STRENGTHENS NET INTEREST INCOME AND, AT THE SAME TIME, HELPS TO MAINTAIN COMFORTABLE LEVELS OF LIQUIDITY.

The portfolios exposed to market risk are characterised by their diversification, sectorial, geographical and investment periods, high liquidity and solid credit quality, without carrying out own trading activities, so **the market risk is not significant as a whole.**

The portfolio of fixed income securities, shares and investments in companies totalled **€15,556 million**, of which €7,218 million related to the Group's insurance business. The entry into force of IFRS 9 led to reclassifications of financial assets between portfolios and a valuation adjustment of €12 million. For easier comparisons, the following table shows the changes with respect to the opening balance at 1 January 2018.

- ▶ AFTER SALES AT THE END OF 2017, THE SECURITIES PORTFOLIO INCREASED BY €2,264 MILLION, €2,232 MILLION OF WHICH WERE FIXED-INCOME SECURITIES, ALMOST ALL BEING SPANISH GOVERNMENT BONDS.

Equities grew by €32 million due to the combined effect of investments in foreign listed securities, stakes in two new companies (Northwind FINCO, SL, to which investment property has been transferred, and Ibercaja Global Internacional SICAV), and divestments, basically from Ibercaja Viajes, CAI Seguros Generales and companies specialising in logistics and document management.

According to the accounting classification, financial assets at fair value through other comprehensive income had a weight of 56%, financial assets at amortised cost represented 42% and the rest were non-trading financial assets mandatorily at fair value through profit or loss, together with investments in joint ventures and associates.

By type, fixed income (€15,051 million) accounted for 96.75% of the total. Stripping out the insurance business, the ALCO portfolio managed by the parent, €8,086 million, comprised low-risk bonds (mainly Spanish government debt) with an average term of 2.12 years and a yield of 1.42% 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. Equities, €505 million, mainly comprised listed shares of domestic and foreign companies, and interests in unlisted companies in strategic sectors for the Bank or intended for the territorial development of the regions in which the Bank operates.

BREAKDOWN OF THE SECURITIES PORTFOLIO

	31/12/2018	01/01/2018	Change	Change %
	€ MILLION			
Financial assets held for trading	-	-	-	-
Debt securities	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	122	125	(3)	(2.54)
Debt securities	83	83	0	(0.48)
Equity instruments	39	42	(3)	(6.68)
Financial assets designated at fair value through profit or loss	10	11	(1)	(9.80)
Debt securities	10	11	(1)	(9.80)
Financial assets at fair value through other comprehensive income	8,755	8,598	156	1.82
Debt securities	8,415	8,273	142	1.72
Equity instruments	340	326	14	4.40
Financial assets at amortised cost	6,544	4,453	2,092	46.98
Investments in joint ventures and associates	126	105	21	19.87
Total securities portfolio	15,556	13,292	2,264	17.04
Fixed income	15,051	12,819	2,232	17.41
Of which: ALCO portfolio	8,086	6,517	1,569	24.08
Equities	505	473	32	6.87
Investments in joint ventures and associates	126	105	21	19.87
Other equity instruments	379	367	12	3.14

ANALYSIS OF THE INCOME STATEMENT

103.3

PROFIT BEFORE TAX OF THE IBERCAJA GROUP AMOUNTED TO €81 MILLION IN 2018, 56% LESS THAN IN 2017. THE DECREASE WAS DUE TO THE SIGNIFICANT GAINS ON FINANCIAL ASSETS AND LIABILITIES AND OTHER EXTRAORDINARY TRANSACTIONS RECORDED IN THE PREVIOUS YEAR.

Worth highlighting is the increase typical banking income (i.e. stripping out non-recurring amounts) in a context of extremely low interest rates, the significant increase in new lending in the business and housing segments, and the rise in assets under management and insurance, the Group's most significant special field.

Key aspects of the year included a notable reduction in ordinary operating expenses, an improvement in the recurring efficiency ratio and a reduction in the cost of risk as a result of the decline in non-performing assets on the balance sheet and the optimisation of risk management.

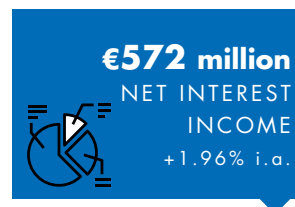
MAIN HEADINGS OF THE CONSOLIDATED INCOME STATEMENT

	31/12/2018	31/12/2017	Change	Change %	DIC 18	DIC 17
	€ MILLION				% ATA*	
Net interest income	572	561	11	1.96	1.09	1.02
Net fees and commissions and exchange differences	376	366	9	2.51	0.72	0.66
Gains/(losses) on financial assets and liabilities	44	153	(109)	(71.40)	0.08	0.28
Other operating profit/(loss)	(25)	84	(109)	-129.40	-0.05	0.15
Other operating income/expense	(36)	70	(106)	-150.79	(0.07)	0.13
Dividends	11	13	(1)	-10.24	0.02	0.02
Share of profit/(loss) of companies accounted for using the equity method	(1)	1	(2)	-149.27	0.00	0.00
Gross income	967	1,164	(198)	(16.97)	1.84	2.11
Operating expenses	669	719	(50)	(6.98)	1.27	1.30
Of which: Recurring expenses (ex WAP)	613	647	(34)	(5.26)	1.17	1.17
Profit/(loss) before write-downs	298	445	(147)	(33.12)	0.57	0.81
Provisions, impairment and other write-downs	167	264	(97)	(36.61)	0.32	0.48
Other profit or loss	(50)	1	(51)	-	(0.09)	0.00
Profit/(loss) before tax	81	183	(102)	(55.77)	0.15	0.33
Taxes	40	44	(4)	(9.80)	0.08	0.08
Consolidated profit/(loss) for the year	41	138	(98)	(70.51)	0.08	0.25
Profit/(loss) attributable to the Parent	41	138	(98)	(70.51)	0.08	0.25
(*) Average total assets	52,494	55,158	(2,664)	(4.83)		

NET INTEREST INCOME

NET INTEREST INCOME AMOUNTED TO €572 MILLION, UP 1.96% YEAR-ON-YEAR, REFLECTING THE STRONG PERFORMANCE OF THE RETAIL BUSINESS, WHICH OFFSET THE SMALLER CONTRIBUTION FROM THE FIXED-INCOME PORTFOLIO.

Income from loans stabilised progressively. The repricing of the mortgage portfolio due to the impact of the interest rate curve is decreasing, but is partially offset by the contribution of new transactions with a higher return.



1.38%
CUSTOMER SPREAD

The cost of retail savings decreases, both by type and by structure, in which demand deposits gain weight. As a result, the **customer spread** was **1.38%**, 5 basis points more than in December 2017.

Income from the fixed-income portfolio (12.23% of total interest income) decreased due to the reduction in the average balance. The decline was largely offset by the lower cost of wholesale financing, as maturities were not renewed and issues were repriced at lower rates.

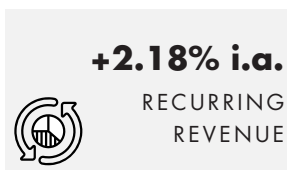
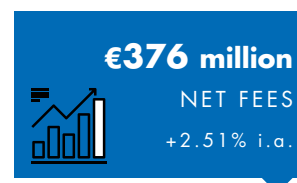


12.23%
OF TOTAL INTEREST INCOME

NET FEES AND COMMISSIONS AND RECURRING INCOME

- ▶ **NET FEES AND COMMISSIONS EXCHANGE DIFFERENCES TOTALLED €376 MILLION, 2.51% MORE THAN IN 2017.**

Fees from marketing and asset management increased **3.07%**, due to the increase in fees linked to risk insurance and mutual funds. Fees linked to **banking activity** increased **1.78%**, as a result of the strong performance of both collection and payment services and contingent risks and commitments.



Recurring revenue, net interest income and fee and commission income grew **2.18%**, cementing their positive trend in a difficult year due to the persistently low level of interest rates and the

instability of the markets for much of the year.

GAINS/(LOSSES) ON FINANCIAL TRANSACTIONS, OTHER OPERATING PROFIT/(LOSS) AND GROSS INCOME

- ▶ **GAINS ON FINANCIAL TRANSACTIONS, €44 MILLION, WERE 71.40% LESS THAN IN 2017.**



The variation is explained by the fact that significant gains materialised in that year on sales of fixed-income securities, as part of the strategy for managing financial instruments to adapt

portfolios to IFRS 9, and because the gains or losses on equities, following the entry into force of these regulations, are taken to equity.

Other operating income and expenses amounted to an **expense of €36 million**, compared to €70 million of income in 2017, a year in which extraordinary income was collected from the novation of the contract for the transfer of the depositary business to Cecabank and the risk insurance distribution agreement with Caser. Over the year, insurance net income amounted to €42 million. Charges include the contribution paid to the Deposit Guarantee Fund (€47 million) and to the National Resolution Fund (€12 million) and the expense (€3 million) arising from the conversion of deferred tax assets into tax credit claimable from the Spanish tax authorities.

After adding the balance of €11 million of the remaining items (return on equity instruments and profit/(loss) of companies accounted for using the equity method), **gross income** totalled **€967 million**. The 16.97% decline is a consequence of the decrease in extraordinary items with respect to 2017, as already explained. **Recurring revenue** accounted for more than **98% of gross income**.

OPERATING EXPENSES

▶ OPERATING EXPENSES, €669 MILLION, WERE DOWN 6.98%.

Excluding the impact of workforce adjustment costs in both 2017 and 2018, the decline is 5.26%, in line with the strategic objective of cost containment and improved efficiency. **Personnel**

expenses, stripping out non-recurring items, **dropped 5.94%**, mainly due to the employee termination agreement and the divestment of subsidiaries. **Other general administrative** expenses and depreciation/amortisation **decreased by 4.25%**, as expenses relating to property maintenance and marketing were reduced.

The **efficiency ratio** or cost-to-income ratio, defined as ordinary operating expenses divided by gross income, stood at **63.43%**. In addition, the recurring cost-to-revenue ratio, measured as ordinary expenses over recurring revenue, was 64.69%, down more than 5 percentage points from 2017.



PROFIT BEFORE WRITE-DOWNS, WRITE-DOWNS AND OTHER PROFIT AND LOSS

▶ RECURRING INCOME BEFORE PROVISIONS, DEFINED AS NET INTEREST AND FEE INCOME LESS ORDINARY OPERATING EXPENSES, CAME TO €335 MILLION, 19.34% MORE THAN A YEAR EARLIER.



Provisions and write-downs reported as losses on impairment of financial assets, non-financial assets, non-current assets held for sale and allowances for provisions totalled **€167 million**, down 36.10% on 2017. Write-downs on loans and **real estate assets amounted to €187 million**, down 23.28%, due to a decrease in new NPLs, an increase in recoveries and a decrease in foreclosed assets. **The cost of the Group's risk**, calculated as the percentage of impairments on loans and real estate in relation to average exposure, is **54 basis points**. **Other gains and losses detract €50 million** from the results, of which €31 million relate to the sale of

foreclosed properties within "Operation Cierzo", €10 million to the disposal of non-foreclosed properties and €9 million to the sale of other assets not classified as non-current assets held for sale. **The Group's profit** before tax amounted to **€81 million**. After deducting the corporate income tax expense, profit attributable to the parent is €41 million. The proposal to **distribute dividends** with a charge to 2018 profits, which the Board of Directors will present for the approval of Shareholders at the General Meeting, totals **€17.5 million**.



SOLVENCY

THE GROUP REINFORCED ITS SOLVENCY THROUGH INTERNAL CAPITAL GENERATION, THE ISSUE OF AT1 AND THE REDUCTION OF NON-PERFORMING ASSETS.

THE ECB ANNOUNCED THE FINAL RESULTS OF THE SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP), WHICH DETERMINES EACH BANK'S INDIVIDUAL CAPITAL NEEDS FROM MARCH 2019 ON THE BASIS OF ITS BUSINESS MODEL, CAPITAL, LIQUIDITY AND LENDING RISK, GOVERNANCE AND INTERNAL CONTROL.

IBERCAJA MUST MAINTAIN A COMMON EQUITY TIER 1 (CET1) RATIO OF 9.0% AND A TOTAL CAPITAL RATIO OF 12.5%.

This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (2.0%) and the capital conservation buffer (2.5%).

TOTAL ELIGIBLE OWN FUNDS COME TO €3,333 MILLION AND REPRESENTS A SOLVENCY RATIO OF 15.59%, 166 BASIS POINTS MORE THAN A YEAR AGO.

This increase includes the issuance in April of €350 million eligible as additional Tier I capital. With this operation and the €500 million Tier II capital issued in 2015, **Ibercaja completes the buffers of hybrid capital allowed under European regulation.**

THE PHASED-IN CET1 RATIO, WHICH MEASURES THE RELATIONSHIP BETWEEN TIER 1 CAPITAL AND RISK-WEIGHTED ASSETS, STANDS AT 11.67%.

It has fallen by five basis points since last December owing to the phase in of IFRS 9. The Group has opted to defer the effect of the full implementation of IFRS 9 for five years, in accordance with the transitional provision of Regulation 2017/2395 of the European Parliament and of the Council of 12 December 2017.

THESE CAPITAL LEVELS IMPLY, BASED ON THE SREP REQUIREMENTS COMMUNICATED BY THE SUPERVISOR APPLICABLE IN 2018, AN EXCESS OF CET1 AND TOTAL CAPITAL OF 3.55 AND 3.97 PERCENTAGE POINTS, RESPECTIVELY.



▶ **THE PHASED-IN LEVERAGE RATIO ENDED 2018 AT 6.04%, 63 BASIS POINTS HIGHER THAN AT THE END OF 2017 AND SIGNIFICANTLY ABOVE THE MINIMUM REFERENCE LEVEL OF 3%.**

The healthy performance during the year was due to the increase in Tier I capital, mainly as a result of the issuance of AT1 capital, and the reduction in exposure owing to the decrease in assets on the balance sheet.

▶ **THE CET1 FULLY LOADED RATIO STOOD AT 10.53%.**

The impact on this ratio of the entry into force of IFRS 9 on 1 January 2018 was 53 basis points. The **total capital ratio** at 31 December 2018 was **14.50%**. The leverage ratio was 5.48%, well above the minimum requirements.

KEY SOLVENCY INDICATORS AND EVOLUTION

	PHASED IN			FULLY LOADED		
	31/12/2018	01/01/2018	31/12/2017	31/12/2018	01/01/2018	31/12/2017
€ MILLION AND %						
Tier 1 capital	2,846	2,592	2,610	2,570	2,319	2,445
Common Equity Tier 1	2,496	2,592	2,610	2,220	2,319	2,445
Additional Tier 1 capital	350	-	-	350	-	-
Tier 2 capital	488	492	492	488	492	492
Eligible own funds	3,333	3,084	3,102	3,057	2,811	2,937
Risk-weighted assets	21,379	22,258	22,266	21,084	22,077	22,150
RWA density (RWAs/TA)	40.56	-	41.93	-	-	-
CET1 (%)	11.67	11.65	11.72	10.53	10.50	11.04
AT1 (%)	1.64	0.00	0.00	1.66	0.00	0.00
Tier I (%)	13.31	11.65	11.72	12.19	10.50	11.04
Tier 2 (%)	2.28	2.21	2.21	2.31	2.23	2.22
Solvency ratio (%)	15.59	13.86	13.93	14.50	12.73	13.26
Leverage ratio (%)	6.04	5.39	5.41	5.48	4.82	5.09

▶ **IN APRIL 2018, STANDARD & POOR'S AFFIRMED THE BANK'S LONG-TERM RATING AT "BB+" WITH A POSITIVE OUTLOOK, AND ITS SHORT-TERM RATING AT "B".**

The rating is based on Ibercaja's stable retail franchise in its Home Markets, the Bank's conservative culture and management, and its retail funding profile. The positive outlook indicates a possible upgrade if Ibercaja delivers on the profitability and capitalisation targets in its Strategic Plan.

▶ **THE RATING GIVEN BY MOODY'S TO DEPOSITS REMAINS AT "BA3" WITH A STABLE OUTLOOK.**

In its latest report, the agency assesses Ibercaja's franchise in Aragon, the favourable liquidity situation and the Bank's stable deposit base.

▶ **THE CREDIT RATING AGENCY FITCH AFFIRMED IBERCAJA'S LONG-TERM RATING OF "BB +".**

In May 2018, noting its sound regional franchise, the adequate funding and liquidity profile, and the contribution of the insurance business as a source of diversification and generation of recurring revenue, with profitability challenged by the low interest rate environment and growing business volumes. The positive outlook reflects the favourable expectations regarding the evolution of capital and the improvement in asset quality.

RATING AGENCY RATINGS

	Long-term	Short-term	Outlook
STANDARD & POOR'S	BB+	B	Positive
MOODY'S (DEPOSIT RATING)	Ba3	NP	Stable
FITCH	BB+	B	Positive

PUBLIC CONSOLIDATED BALANCE SHEET

IBERCAJA BANCO GROUP

	BALANCE		INCREASE 18/17	
	2018	2017	€ THOUSAND	%
€ THOUSAND				
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	1,118,206	3,512,477	-2,394,271	-68.16
FINANCIAL ASSETS HELD FOR TRADING	7,411	9,378	-1,967	-20.97
FIN. ASSETS NOT DESIGNATED AS HELD FOR TRAINING	141,315	n.a	n.a	n.a
FIN. ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	9,575	52,247	-42,672	-81.67
FIN. ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8,754,640	n.a	n.a	n.a
AVAILABLE-FOR-SALE FINANCIAL ASSETS	n.a	10,849,926	n.a	n.a
FIN. ASSETS AT AMORTISED COST	39,378,416	n.a	n.a	n.a
LOANS AND RECEIVABLES	n.a	35,019,799	n.a	n.a
DERIVATIVES – HEDGE ACCOUNTING	161,371	187,456	-26,085	-13.92
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	126,235	105,313	20,922	19.87
TANGIBLE ASSETS	941,991	1,029,414	-87,423	-8.49
INTANGIBLE ASSETS	203,877	199,680	4,197	2.10
NON-CURRENT ASSETS HELD FOR SALE	288,590	552,756	-264,166	-47.79
OTHER ASSETS	1,574,112	1,588,523	-14,411	-0.91
TOTAL ASSETS	52,705,739	53,106,969	-401,230	-0.76
FINANCIAL LIABILITIES HELD FOR TRADING	8,691	7,301	1,390	19.04
FINANCIAL LIABILITIES AT AMORTISED COST	41,141,636	42,270,895	-1,129,259	-2.67
DEPOSITS	38,658,120	39,666,819	-1,008,699	-2.54
CENTRAL BANKS	3,341,085	3,353,508	-12,423	-0.37
CREDIT INSTITUTIONS	1,236,219	1,236,216	3	0.00
CUSTOMERS	34,080,816	35,077,095	-996,279	-2.84
DEBT SECURITIES ISSUED	1,640,432	1,827,266	-186,834	-10.22
OTHER FINANCIAL LIABILITIES	843,084	776,810	66,274	8.53
DERIVATIVES – HEDGE ACCOUNTING	155,200	106,702	48,498	45.45
LIABILITIES UNDER INSURANCE CONTRACTS	7,514,769	7,019,204	495,565	7.06
PROVISIONS	348,811	372,779	-23,968	-6.43
OTHER LIABILITIES	376,405	330,796	45,609	13.79
TOTAL LIABILITIES	49,545,512	50,107,677	-562,165	-1.12
SHAREHOLDERS' EQUITY	3,091,665	2,854,915	236,750	8.29
ACCUMULATED OTHER COMPREHENSIVE INCOME	68,562	144,077	-75,515	-52.41
NON-CONTROLLING INTERESTS	0	300	-300	-
TOTAL EQUITY	3,160,227	2,999,292	160,935	5.37
TOTAL LIABILITIES AND EQUITY	52,705,739	53,106,969	-401,230	-0.76

PUBLIC CONSOLIDATED INCOME STATEMENT

IBERCAJA BANCO GROUP

€ THOUSAND	AMOUNT		INCREASE 18/17	
	2018	2017	€ THOUSAND	%
INTEREST INCOME	660,894	695,983	-35,089	-5.04
INTEREST EXPENSE	88,743	134,827	-46,084	-34.18
NET INTEREST INCOME	572,151	561,156	10,995	1.96
INCOME FROM DIVIDENDS	11,487	12,797	-1,310	-10.24
PROFIT/(LOSS) OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	-642	1,303	-1,945	-149.27
NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES	375,561	366,369	9,192	2.51
GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES	43,624	152,524	-108,900	-71.40
OTHER OPERATING PROFIT/(LOSS)	-35,587	70,065	-105,652	-150.79
GROSS INCOME	966,594	1,164,214	-197,620	-16.97
OPERATING EXPENSES	668,847	719,000	-50,153	-6.98
. STAFF EXPENSES	419,505	458,588	-39,083	-8.52
. OTHER GENERAL ADMINISTRATIVE EXPENSES	198,051	209,606	-11,555	-5.51
. AMORTISATION AND DEPRECIATION	51,291	50,806	485	0.95
PROFIT/(LOSS) BEFORE WRITE-DOWNS	297,747	445,214	-147,467	-33.12
ALLOWANCES FOR IMPAIRMENT LOSSES ASSETS AND OTHER WRITE-DOWNS	167,339	263,978	-96,639	-36.61
OTHER GAINS/(LOSSES)	-49,578	1,495	-51,073	-
PROFIT/(LOSS) BEFORE TAX	80,830	182,731	-101,901	-55.77
INCOME TAX	40,026	44,373	-4,347	9.80
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	40,804	138,358	-97,554	-70.51
PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT	40,804	138,367	-97,563	-70.51
PROFIT/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	0	-8	8	-100.00

3. CORPORATE GOVERNANCE AND RISK MANAGEMENT

WE WORK FOR THE SDG



CORPORATE GOVERNANCE

GOVERNING BODIES AND FUNCTIONS

**SUITABILITY, REMUNERATION
AND CONFLICT OF INTERESTS POLICY**

INTERNAL RULES AND CONTROL BODIES

INTERNAL CONTROL SYSTEM

RISK MANAGEMENT

EL BANCO
DEL
Vamos



CORPORATE GOVERNANCE

102-15, 102-16, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-26, 102-28,
102-30, 102-31, 102-32, 103-1

IBERCAJA HAS A GOVERNANCE STRUCTURE TO EFFICIENTLY EXERCISE ITS FUNCTIONS, GUIDED BY THE GOOD GOVERNANCE RULES AND CODES, WHICH ASSURE THE BEST CORPORATE GOVERNANCE PRACTICES.

ONE OF THE PRIORITIES OF THE ENTITY IS TO GUARANTEE **TRANSPARENCY AND GOOD GOVERNANCE OF THE GROUP.**

THE IBERCAJA GROUP'S GOVERNING BODIES, ALONG WITH THEIR COMPOSITION AND THEIR INTERNAL RULES, ARE GOVERNED BY THE BYLAWS AND THE REGULATIONS OF THE BOARD OF DIRECTORS, THE CONTENTS OF WHICH ARE COMPLIANT, AMONG OTHER REGULATIONS, WITH THE LAW ON THE ORGANISATION, SUPERVISION AND SOLVENCY OF CREDIT INSTITUTIONS, THE CORPORATE ENTERPRISES ACT, THE AUDIT ACT, THE GUIDELINES ISSUED BY INTERNATIONAL BODIES SUCH AS THE EBA OR THE ESMA, AND THE CODE OF GOOD GOVERNANCE OF LISTED COMPANIES, WHICH IS TAKEN AS A BENCHMARK OF BEST PRACTICES IN THIS FIELD.

The **composition, independence** and manner of action of the governing bodies, the **codes of conduct and internal rules** of mandatory compliance, the established **control systems**, the **communication policy and transparency**, the fight against fraud and corruption and confidentiality in the handling of information all form the **basis of Ibercaja's corporate governance**.



Information on corporate governance and on the remuneration policy is available on the website **www.ibercaja.com**, in the "Shareholders and Investors" section, where various reports are published, including the **Annual Corporate Governance Report**, which is also published on the CNMV's web page (**www.cnmv.es**) as a Significant Event.

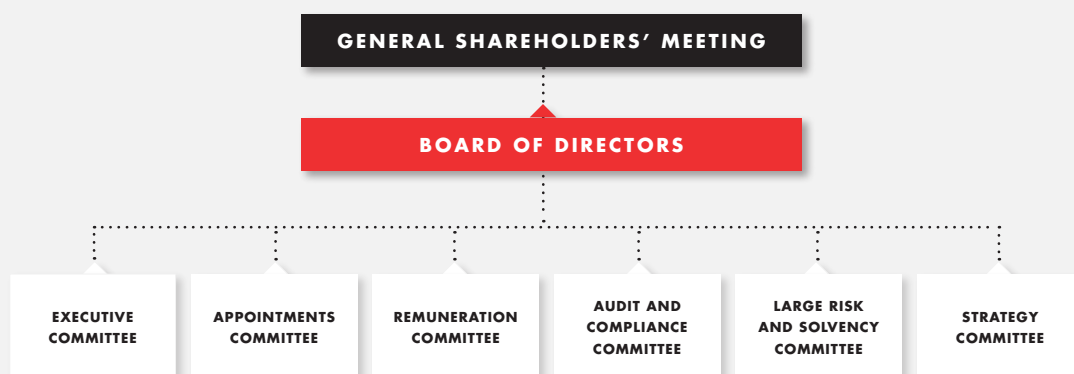
GOVERNING BODIES AND FUNCTIONS

102-16, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-26, 102-28, 102-30, 102-31, 102-32, 103-1, 103-2, 405-1

IBERCAJA'S GOVERNANCE BODIES CONSIST OF THE GENERAL SHAREHOLDERS' MEETING AND THE BOARD OF DIRECTORS, WHICH IN TURN HAS SIX COMMITTEES.

GENERAL SHAREHOLDERS' MEETING

▶ 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 powers 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

► The Board of Directors has the broadest powers to manage, administer and represent the Company and, except for those matters reserved for the General Meeting, it is **the ultimate decision-making body at the Bank**. Both the Group's policy and Corporate Social Responsibility report are approved by the Board of Directors, which held 13 meetings during the year.

THE COMPOSITION OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2018 WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
José Luis Aguirre Loaso	Chairman	Proprietary
Jesús Máximo Bueno Arrese	First Deputy Chairman	Proprietary
Víctor Manuel Iglesias Ruiz	CEO	Executive
Jesús Barreiro Sanz	Director Secretary	Proprietary
Gabriela González-Bueno Lillo	Member	Independent
Juan María Pemán Sanz	Member	Proprietary
Emilio Jiménez Labrador	Member	Proprietary
Vicente Cándor López	Member	Independent
Jesús Solchaga Loitegui	Member	Independent
Jesús Tejel Giménez	Member	Independent
Félix Santiago Longás Lafuente	Member	Independent
Jorge Simón Rodríguez	Member	Proprietary
Luis Enrique Arrufat Guerra	Member	Proprietary
María Pilar Segura Bas	Member	Other external directors

7.1% PROPRIETARY DIRECTORS

50% EXECUTIVE DIRECTORS

35.7% INDEPENDENT DIRECTORS

7.1% OTHER EXTERNAL DIRECTORS

All appointments of members of the Board of Directors have been adopted with a favourable report from the Appointments Committee.

EXECUTIVE COMMITTEE

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

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

AT 31 DECEMBER 2018, THE COMPOSITION OF THE EXECUTIVE COMMITTEE WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
José Luis Aguirre Loaso	Chairman	Proprietary
Jesús Barreiro Sanz	Secretary	Proprietary
Jesús Máximo Bueno Arrese	Member	Proprietary
Víctor Manuel Iglesias Ruiz	Member	Executive
Gabriela González-Bueno Lillo	Member	Independent
Vicente Cóndor López	Member	Independent
Juan María Pemán Gavín	Member	Proprietary

14.3% PROPRIETARY DIRECTORS

57.1% EXECUTIVE DIRECTORS

28.6% INDEPENDENT DIRECTORS

0% OTHER EXTERNAL DIRECTORS

APPOINTMENTS COMMITTEE

- ▶ The Appointments Committee is responsible for **proposing appointments to the Board of Directors**. It is specifically responsible for: evaluating the suitability of directors, establishing a target for the gender less represented on the Board, making, for the Shareholders' 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.

AT 31 DECEMBER 2018, THE COMPOSITION OF THE APPOINTMENTS COMMITTEE WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
Jesús Solchaga Loitegui	Chairman	Independent
Jesús Barreiro Sanz	Secretary	Proprietary
Félix Santiago Longás Lafuente	Member	Independent
María Pilar Segura Bas	Member	Other external
Jorge Simón Rodríguez	Member	Proprietary



REMUNERATION COMMITTEE

102-35, 102-36

- ▶ The Remuneration Committee has the duty of **reporting, advising and proposing matters regarding compensation** for directors, general managers and similar personnel, as well as for those whose professional activity has a significant impact on the Entity's risk profile.

AT 31 DECEMBER 2018, THE COMPOSITION OF THE REMUNERATION COMMITTEE WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
Jesús Solchaga Loitegui	Chairman	Independent
Jesús Barreiro Sanz	Secretary	Proprietary
Félix Santiago Longás Lafuente	Member	Independent
María Pilar Segura Bas	Member	Other external
Jorge Simón Rodríguez	Member	Proprietary



AUDIT AND COMPLIANCE COMMITTEE

103-2, 103-3

- ▶ The Committee's duties are **stipulated in the Regulation 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.

AT 31 DECEMBER 2018, THE COMPOSITION OF THE ENTITY'S AUDIT AND COMPLIANCE COMMITTEE WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
Vicente Córdor López	Chairman	Independent
Jesús Barreiro Sanz	Secretary	Non-member
Jesús Máximo Bueno Arrese	Member	Proprietary
Gabriela González-Bueno Lillo	Member	Independent
Juan María Pemán Gavín	Member	Proprietary
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 Entity and its Group, and its strategy in this respect. It also assists the Board in supervising the application of such strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

AT 31 DECEMBER 2018, THE COMPOSITION OF THE LARGE RISK AND SOLVENCY COMMITTEE WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
Gabriela González-Bueno Lillo	Chairman	Independent
Jesús Barreiro Sanz	Secretary	Non-member
Jesús Máximo Bueno Arrese	Member	Proprietary
Vicente Cándor López	Member	Independent
Jesús Tejel Giménez	Member	Independent
María Pilar Segura Bas	Member	Other external

0% PROPRIETARY DIRECTORS 20% EXECUTIVE DIRECTORS 60% INDEPENDENT DIRECTORS 20% OTHER EXTERNAL DIRECTORS

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 2018, 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 progress 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.

AT 31 DECEMBER 2018, THE COMPOSITION OF THE STRATEGY COMMITTEE WAS AS FOLLOWS:

DIRECTOR	POSITION	CATEGORY
José Luis Aguirre Loaso	Chairman	Proprietary
Jesús Barreiro Sanz	Secretary	Non-member
Félix Santiago Longás Lafuente	Member	Independent
Emilio Jiménez Labrador	Member	Proprietary
Luis Enrique Arrufat Guerra	Member	Proprietary
Jesús Solchaga Loitegui	Member	Independent

0% PROPRIETARY DIRECTORS 60% EXECUTIVE DIRECTORS 40% INDEPENDENT DIRECTORS 0% OTHER EXTERNAL DIRECTORS

LIKEWISE, IBERCAJA HAS A MANAGEMENT TEAM WHOSE MEMBERS ARE THE FOLLOWING:

CEO	Víctor Iglesias	
GENERAL SECRETARY	Francisco Serrano	ASSISTANT GENERAL MANAGER
REAL ESTATE AREA DIVISION	Luis Miguel Carrasco	ASSISTANT GENERAL MANAGER
BRANCH NETWORK AREA DIVISION	José Ignacio Oto	DEPUTY GENERAL MANAGER
FINANCE AREA DIVISION	Antonio Martínez	DEPUTY GENERAL MANAGER
CREDIT RISK AREA DIVISION	Raquel Martínez	DEPUTY GENERAL MANAGER
RESOURCES AREA DIVISION	José Palma	DEPUTY GENERAL MANAGER
PEOPLE AREA DIVISION	María Teresa Fernández	DEPUTY MANAGER
MARKETING AND DIGITAL STRATEGY AREA DIVISION	Ignacio Torre	
FINANCE GROUP AREA DIVISION	Rodrigo Galán	DEPUTY MANAGER
CORPORATE INFORMATION AND MANAGEMENT ANALYSIS AREA DIVISION	Ana Sangrós	
INTERNAL AUDIT DIVISION (REPORTS TO THE AUDIT AND COMPLIANCE COMMITTEE)	Ángel Serrano	DEPUTY MANAGER





SUITABILITY, REMUNERATION AND CONFLICT OF INTERESTS POLICY

102-15, 102-25, 102-26, 102-28, 102-30, 102-31, 102-35, 102-36, 103-1, 103-2, 103-3

THE MEMBERS OF THE BOARD OF DIRECTORS CARRY OUT THEIR MISSION WITH PROFESSIONALISM AND HONOUR, AND HAVE THE EXPERIENCE AND TRAINING, INDEPENDENT JUDGEMENT AND DEVOTION REQUIRED TO ADEQUATELY EXERCISE THEIR DUTIES.

SUITABILITY OF THE MEMBERS OF THE BOARD OF DIRECTORS

All members of the Board of Directors **must meet**, in order to be appointed and hold the position of director, requirements in the terms required by **current regulations** and those included in the Entity's **internal governance** rules.

Ibercaja has a **policy for assessing the suitability and diversity** of the members of the Board of Directors and key function holders at the Bank, adapted to EBA/GL/2017/12 Guidelines and to European Central Bank (ECB) Guidelines on the assessment of suitability, establishing the criteria and systems that will be taken into account to assess the suitability of the members of the Board of Directors, general or similar managers, heads of internal control and other key function holders for the Entity's day-to-day operations.

TO ASSESS THE SUITABILITY OF THE AFOREMENTIONED KEY POSTS AND POSITIONS WHICH, IN ANY CASE, MUST TAKE PLACE PRIOR TO THEIR APPOINTMENT, THE FOLLOWING WILL BE TAKEN INTO ACCOUNT:

- » Their commercial and professional repute.
- » Their knowledge and experience.
- » In the case of Board members, good governance aspects will also be considered, using indicators such as the ability to devote the amount of time required, independence of mind and the absence of significant conflicts of interest.

Care shall likewise be taken to ensure that the selection criteria take account of the diversity of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular on the grounds of gender, ethnic origin, age or disability). In particular, the Entity will oversee that the selection processes are **not implicitly biased so as to hinder the selection** of women and that measures are adopted aimed at including women that meet the sought-after professional profiles among the potential candidates.

In the event that during the performance of their respective functions any of the persons subject to the scope of the Policy is affected by a situation that modifies the criteria taken into account for the favourable assessment of their suitability for the performance of the position, the Entity will adopt the appropriate measures and notify the competent supervisory authority within a maximum period of 15 working days.

Nevertheless, the Entity periodically **promotes training sessions** aimed at the members of the Board of Directors, the content of which on various matters is determined according to the training needs of the directors, regulatory developments affecting credit institutions and relevant economic and social issues.

PERFORMANCE ASSESSMENT - SELF-ASSESSMENT OF THE BOARD AND COMMITTEES

LAW 10/2014, OF 26 JUNE, ON THE REGULATION, SUPERVISION AND SOLVENCY OF CREDIT INSTITUTIONS ASSIGNS TO THE BOARD OF DIRECTORS RESPONSIBILITY FOR OVERSIGHT, CONTROL AND PERIODIC ASSESSMENT OF THE EFFECTIVENESS OF THE CORPORATE GOVERNANCE SYSTEM.

The European Banking Authority (EBA) Guidelines on internal governance (EBA/GL/2017/11) and the Bank of Spain's guidelines on the internal capital adequacy assessment process at 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 delegated committees. This obligation is also stipulated in the Corporate Enterprises Act for listed companies and in the CNMV's Code of Good Governance, approved in February 2015.

These legal obligations and good practices have been included in the **Entity's Board of Directors' Regulations** which envisage, among the Board of Directors' competences, the yearly preparation of a self-assessment report of its performance and that of its internal committees.

REMUNERATION OF GOVERNING BODIES AND SENIOR MANAGEMENT

The maximum amount of the annual remuneration of all the directors is approved by the General Shareholders' Meeting and remains in force until their modification is approved. Unless otherwise agreed by the General Shareholders' Meeting, the distribution of the remuneration among the directors will be established by agreement of the Board of Directors, following a favourable report from the internal committee of the Board with competence in terms of remuneration, taking into consideration the functions and responsibilities attributed to each director.

REMUNERATION

THE POSITION OF MEMBER OF THE BOARD OF DIRECTORS IS REMUNERATED, IN ACCORDANCE WITH ARTICLE 53 OF THE BYLAWS.

In particular, the Board of Directors shall determine the remuneration of the CEO and the terms and conditions of his or her contract with the Entity, in accordance with the current regulations and this remuneration policy.

The remuneration policy of the members of the Board of Directors and senior management staff (Management Committee) is aimed at establishing a **remuneration scheme appropriate to the dedication and responsibility assumed**, all in accordance with the provisions of current legislation, and promoting sound and effective risk management, which does not imply an assumption of excessive risks.

THE SETTING OF THE GLOBAL AND SPECIFIC OBJECTIVES OF THE VARIABLE REMUNERATION (WHICH, IN NO CASE, CAN EXCEED 40% OF THE FIXED REMUNERATION) IS LINKED TO PRUDENT RISK MANAGEMENT, WITH THE FOLLOWING BEING SOME OF ITS MAIN CHARACTERISTICS IN RELATION TO THE EX ANTE ADJUSTMENTS:



DEPENDS ON AND IS ADAPTED

to the individual performance of employees and the results of the Entity, considering the impact of the underlying economic cycle and the present and future risks.



FLEXIBILITY AND ALIGNMENT

with the Entity's strategic interests, without limiting its ability to reinforce its solvency.



SETTING OF CERTAIN UPPER AND LOWER LIMITS

that clearly mitigate risks associated with their potential impact on the income statement and on the Entity's own funds.

THE QUANTITATIVE DATA ON REMUNERATION OF DIRECTORS AND THOSE OF SENIOR MANAGEMENT ARE PROVIDED IN THE ANNUAL CORPORATE GOVERNANCE REPORT (SECTIONS C.1.6 AND C.1.7).



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 Corporate Enterprise Act**, and no conflicts of interest have been revealed between persons, their private interests and other duties, and their activity at the Entity.

No conflicts of interest of the Entity's directors that could affect the performance of their position as provided in article 229 of the Corporate Enterprise Act have been reported. In those specific situations in which a director considers that a potential conflict of interest could be involved, the director has refrained from intervening in the deliberations and participating in the voting.

INTERNAL RULES AND CONTROL BODIES

102-16, 102-30, 102-31, 103-1, 103-2, 103-3, 417-1

THE INTERNAL RULES AND CONTROL BODIES ESTABLISHED BY IBERCAJA GUARANTEE RIGOROUS COMPLIANCE WITH THE GOOD GOVERNANCE MEASURES ADOPTED BY THE ENTITY.

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

- ▶ Internal Rules of Conduct for security market operations, applicable to the Entity's governing bodies, management and employees that operate on capital markets.
- ▶ Body for reporting suspicious activities involving market abuse.
- ▶ Ibercaja Group Customer Protection Rules.
- ▶ Mandatory Rules of Conduct, which include a memorandum of operation conduct and security that affects all the Bank's employees.
- ▶ Style Manual for customer service, which contains general customer services criteria.
- ▶ Retail savings product market manual, in accordance with MiFID regulations.
- ▶ Conflicts of interest policy, prepared in accordance with MiFID regulations, whose purpose 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.
- ▶ Appointment of the Group's Data Processing Officer (DPO) and setting up of Privacy Office, to ensure compliance with the personal data protection regulations
- ▶ Control body for the criminal risk prevention system.

CORPORATE INTEGRITY

102-16, 102-17, 103-1, 103-2

IBERCAJA'S CODE OF ETHICS INCLUDES THE ETHICAL COMMITMENTS THAT TRANSFER OUR CORPORATE CULTURE TO THE DAILY EXERCISE OF RESPONSIBILITY.

The Entity's Code of Ethics, approved by the Board of Directors on 27 December 2018, contains **the ethical principles that govern the behaviour** of Ibercaja's employees, commitments that transfer corporate values to the daily exercise of their responsibilities.

The Code compiles and is implemented through the policies, manuals and procedures in force at the Entity, within the Internal Regulations, and is applicable to members of the Board of Directors and employees of Ibercaja Banco, including senior management.

THIS CODE IS STRUCTURED AROUND SEVEN FUNDAMENTAL PRINCIPLES:

WE ARE RIGOROUS: WE ARE FAMILIAR WITH AND COMPLY WITH THE RULES

Nobody at Ibercaja conceives the performance of their professional tasks without complying with the rules and procedures established, since they are of an internal or external nature. It is the way in which we exercise our professional activity.

WE ARE EXAMPLES

We are an example of conduct to contribute to our ethical culture and to reinforce that of third parties. Ensuring the ethical culture of the Entity is the responsibility of each and every one of us.

WE ARE HONEST AND HAVE INTEGRITY

We are honest and we work with integrity. We do not accept bad practices in the relationship with third parties. We avoid incurring situations that may give rise to conflicts of interest that are harmful to customers or to the Entity itself, communicating their existence and applying the policies and procedures established for their prevention and management.

WE TAKE CARE OF THE REPUTATION OF THE ENTITY AND WE PRESERVE THE INFORMATION

We take the utmost care to protect and strengthen the reputation and image of the Entity. We maintain due reserve regarding the information to which we have access as a result of our activity, avoiding it being used improperly.

FOR US, THE CUSTOMER IS IN THE CENTRE

We act honestly, transparently, helping our customers to make their decisions, always, in an informed manner. We want you to hire the products or services that best suit your needs.

WE ARE COMMITTED TO OUR ENVIRONMENT

It is part of our essence to develop a banking model with a high social sensitivity, committed to the advancement of our environment and to the preservation of the environment.

WE TAKE CARE IN THE USE OF THE ENTITY'S MEDIA

We use the Entity's media responsibly and we cooperate internally in the correct implementation of the policies, processes and controls regarding its use.

ALL THE MEMBERS OF THE ENTITY MUST COMPLY WITH THE PRINCIPLES OF CONDUCT AND ACT DILIGENTLY TO PREVENT AND, WHERE APPROPRIATE, DETECT AND ERADICATE PRACTICES THAT DO NOT CONFORM TO THEM.

TO THIS END, A COMMUNICATION CHANNEL HAS BEEN ESTABLISHED IN WHICH ANY PERSON IN THE ORGANISATION CAN REPORT POSSIBLE BREACHES OF THE PROVISIONS OF THE CODE OR RAISE DOUBTS ABOUT IT.

INTERNAL CONTROL SYSTEM

103-2, 103-3, 417-1

THE GROUP HAS CONTROL AND SUPERVISION MECHANISMS THAT ENSURE COMPLIANCE WITH THE RULES THAT REGULATE BUSINESS RISKS.



CONTROL AND SUPERVISION MECHANISMS

IBERCAJA BANCO HAS ESTABLISHED CONTROL AND SUPERVISION MECHANISMS ON DIFFERENT REPORTING LEVELS PREPARED AND BASED BY THREE LINES OF DEFENCE, AS RECOMMENDED BY THE BASEL COMMITTEE ON BANKING SUPERVISION (BCBS):

▶ **A FIRST LINE OF CONTROL IN THE BUSINESS, MANAGEMENT AND SUPPORT UNITS.**

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

▶ **A SECOND CENTRALISED AND INDEPENDENT CONTROL LINE.**

Dedicated to supervising the exercising of the primary controls, and exercising specialised financial operating and management controls. That is, that there are systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organisation, including the activities of all business, support and control units.

▶ **A THIRD INTERNAL AUDIT FUNCTION CONTROL LINE.**

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

GOVERNING BODIES / AUDIT AND COMPLIANCE COMMITTEE

SENIOR MANAGEMENT

▲ **First line of defence**

BUSINESS AREAS:

Responsible for the identification, measurement or evaluation, vigilance, mitigation and communication of the main risks affecting the Group in the exercise of its activity.

▲ **Second line of defence**

CONTROL RISK AREAS/ REGULATORY COMPLIANCE:

Responsible for establishing the Entity's internal control framework and ensuring compliance.

▲ **Third line of defence**

INTERNAL AUDIT:

Responsible for independently supervising the application of controls and of the Internal Control Systems.

REGULATORY

EXTERNAL AUDITORS

RISK MANAGEMENT

103-1, 103-2, 103-3

RISK CONTROL, IDENTIFICATION,
MEASUREMENT AND MONITORING ARE
KEY TO IBERCAJA'S BUSINESS.

INTRODUCTION AND REGULATORY FRAMEWORK

GLOBAL RISK MANAGEMENT IS ESSENTIAL TO PRESERVING THE ENTITY'S SOLVENCY.

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 meeting the demands of regulators, supervisors and markets.

The RAF's **main objective** is **to establish a set of principles, procedures, controls and systems used to define, communicate and monitor Ibercaja's risk appetite**, understood to be the risk level or profile that the Group is willing to assume and maintain, in terms of both risk type and amount, and its level of tolerance.

The Framework must be oriented towards achieving the objectives of the strategic plan, in accordance with the lines of action established therein. Ibercaja also has risk management policy and procedures manuals, which are reviewed and approved by the Board of Directors on an annual basis.

RAF

THE GROUP'S RISK
MANAGEMENT IS
ORGANISED THROUGH
THE "RISK APPETITE
FRAMEWORK" (RAF).

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.

SREP

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 Banking Recovery and Resolution Directive (2014/59, BRRD) and the guidelines and recommendations of the EBA, which establish 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.

IBERCAJA HAS A ROBUST ORGANISATIONAL STRUCTURE THAT ALLOWS IT TO ENSURE EFFECTIVE RISK MANAGEMENT AND CONTROL. THE GOVERNING BODIES ARE STRUCTURED AS FOLLOWS:

▶ **BOARD OF DIRECTOS**

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

▶ **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

WHILE CREDIT RISK IS THE MOST SIGNIFICANT THREAT TO THE BANK'S BUSINESS, THE "RISK APPETITE FRAMEWORK" ALSO COVERS BUSINESS AND PROFITABILITY, CONCENTRATION, MARKET, LIQUIDITY, INTEREST RATE, OPERATIONAL, REPUTATIONAL AND COMPLIANCE RISKS.

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 jeopardise the continuity of the business or the 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.



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.



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.



INTEREST RATE RISK

The possibility that the financial margin or the economic value of the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-balance sheet 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

Unfavourable impact that an event may have on the perception of stakeholders (customers, shareholders and investors, suppliers and regulators), which may adversely affect the Bank's ability to maintain existing business relationships or establish new ones, thereby also reducing earnings.



COMPLIANCE RISK

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



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 FINANCIAL STATEMENTS FOR 2018 PRESENTS THE SIGNIFICANT INFORMATION ON THE MANAGEMENT OF THE DIFFERENT TYPES OF RISK IN GREATER DETAIL.

RISK PREVENTION

102-9, 201-4

TOLERANCE THRESHOLDS THAT ALLOW THE RISK PROFILE TO BE PLACED INTO THE FOLLOWING LEVELS 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 to detect whether the risk profile is significantly diverging from tolerance levels and, therefore, requires additional monitoring.

BREACH

Limit from which the activation of specific action plans or measures is triggered.

THE **COMPREHENSIVE RISK COMMITTEE IS THE MANAGEMENT AND CONTROL BODY THAT IS RESPONSIBLE FOR ESTABLISHING AN ACTION PLAN TO ATTAIN THE TARGET RISK LEVEL, AND IT MUST REPORT ON THE MONITORING OF THE SITUATION AT LEAST ON A QUARTERLY BASIS TO THE LARGE RISK AND SOLVENCY COMMITTEE (OR MORE FREQUENTLY IF CONSIDERED NECESSARY).**

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

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

PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

102-15, 103-2, 103-3

The Ibercaja Group collaborates effectively and is **fully committed to the prevention of money laundering and the financing of terrorism** (PBC & FT), acting in accordance with best banking practices and complying with current legal requirements. For this, it has a procedure manual approved by the Board of Directors of the parent company, with the specialties that are applicable to the Group entities that have the status of regulated entities under the aforementioned regulations.

The Entity, in addition to having an Internal Control Committee on the prevention of money laundering, has a **specialised technical unit** (the Unit for the Prevention of Money Laundering and the Financing of Terrorism), answerable to the Regulatory Compliance Department, that ensures the correct application of the measures of diligence required by the PBC & FT regulations.

The prevention of money laundering is subject to supervision by the competent authority in the area, the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC). Additionally, the PBC & FT system of the Entity is subject to an annual review by an external expert, in accordance with the requirements of current regulations.

The **training of employees** falls under PBC & FT, which is carried out both in person and through the Parainfo online training platform.

CONTROL COMMITTEE

THE INTERNAL CONTROL COMMITTEE DEVELOPS CONTROL FUNCTIONS, ANALYSIS AND ANY OTHER ASPECT THAT COULD AFFECT THE PREVENTION OF MONEY LAUNDERING.

INTERNAL RULES OF CONDUCT IN THE SECURITIES MARKET

Pursuant to the Securities Market Law and to articles 34 and 35 of Royal Decree 217/2008, of 15 February, on the legal system for services companies, the Group has Internal Rules of Conduct affecting members of the Entity's governing bodies, together with certain employees who, as a result of their position or professional activity, are related to the securities market.

The Regulatory Compliance Department transmits to the Audit and Compliance Committee the semiannual periodic evaluation reports of compliance with the control measures and procedures established in the Regulations, the conclusions of which are subsequently submitted to the Board of Directors to be recorded.

▶ INVESTOR PROTECTION

The implementation of the MiFID (Markets in Financial Instruments Directive), which aims to improve the protection of small investors and achieve a financial services single market, has led to numerous requirements to control compliance with the obligations involved.

In the field of the provision of investment and ancillary services, the Annual Operating Plan of the Regulatory Compliance Department contemplates the control activities that are common to it as established in the Securities Market Law, in Royal Decree 217/2008, of 15 February, and in greater detail in Circular 1/2014, of 26 February, of the National Securities Market Commission, on the requirements of internal organisation and of the control functions of the entities that provide investment services.

The Entity has established internal rules and procedures to provide investment services in line with the legal system in force, and it has provided training to employees regarding areas regulated by the MiFID.

MiFID
Markets in Financial
Instruments Directive

MARKET ABUSE. NOTIFICATION OF SUSPICIOUS TRANSACTIONS

The Securities Market Law obliges all entities that perform transactions involving financial instruments to notify the CNMV as quickly as possible if it considers there are reasonable signs to suspect that a transaction involves insider information or constitutes a practice that falsifies free price formation.

The Entity has a specialised Technical Unit for the analysis of suspicious transactions involving market abuse, based on the communications made, where appropriate, by the offices, or through the computer support alert system for the systematic detection of potentially suspicious dealings. The detection, analysis and communication procedures are included in the corresponding internal procedures manual.

HANDLING OF PERSONAL INFORMATION

Protecting privacy is the fundamental axis around which the Ibercaja Group's personal data processing revolves.

The Group's adaptation to the General Data Protection Regulations (GDPR) has reinforced the usual framework of strict compliance with the LOPD. To this end, there is a Data Protection Officer (DPO) and the Privacy Office has been set up, headed by the Data Security Manager, as a specialised unit in the internal and permanent review of the processes of the Bank and its subsidiaries. All data processing has been reviewed, catalogued and, where appropriate, endowed with privacy impact review reports (PIAS).

BREACHES, FINES AND SANCTIONS RECEIVED

In 2018, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, or monopolistic or anti-competition practices.

PUBLIC GRANTS AND AID RECEIVED

Ibercaja Banco did not receive any type of direct financial aid from the government in 2018. The granting of risk operations to political parties and unions is the responsibility of the Executive Committee and the Board of Directors.

PREVENTION OF CRIMINAL RISKS

THE CRIMINAL RISK PREVENTION MANUAL INCLUDES THE PROCEDURES THAT MUST BE FOLLOWED TO MITIGATE THE RISK OF COMMITTING CRIMINAL ACTIONS THAT COULD GIVE RISE TO THE CRIMINAL LIABILITY FOR THE ENTITY.

A document has also been drawn up to inform the Group's staff about conduct that could be classified as criminal. These documents have been disseminated through Internal Regulations to which all employees have access. It has also enabled a whistleblowing channel, through which any person in the organisation can communicate or inform, without fear of reprisals, of the performance of irregular actions that may constitute a crime.

The criminal risk prevention course is available in the catalogue of the **Paraninfo platform** and is mandatory for all employees.

The Regulatory Compliance Division regularly issues reports to the Audit and Compliance Committee with the findings of the criminal risk prevention system monitoring tasks.

4. STRATEGY OF THE ORGANIZATION AND BUSINESS MODEL

WE WORK FOR THE SDG



2018 - 2020 STRATEGIC PLAN. "PLAN +"

BUSINESS MODEL

OMNICHANNEL APPROACH

MANAGEMENT MODEL ORIENTED TO EXCELLENCE

TECHNOLOGICAL ADVANCES

BRAND AND CORPORATE REPUTATION

TRANSPARENCY AND COMMUNICATION

EL BANCO
DEL *Vamos*



2018-2020 STRATEGIC PLAN. "PLAN +"

102-2, 102-9, 102-15, 103-1, 103-2, G4-F56

THE LEADING POINT OF REFERENCE OF THE PLAN: SATISFIED CUSTOMERS THANKS TO A BANK THAT EFFECTIVELY COVERS THEIR NEEDS.



THE BANK ASPIRES TO WIN A PROMINENT POSITION WITHIN THE SPANISH BANKING SYSTEM AND GAIN THE EFFICIENCY, PROFITABILITY AND SOLVENCY THAT IS NECESSARY TO ATTRACT CAPITAL AND TO SUCCESSFULLY SUPPORT ITS SHARE PRICE ON THE STOCK MARKET.

After concluding the 2015-2017 Strategic Plan and achieving most of its objectives, in March the Bank unveiled a **new Strategic Plan with a 2020 horizon** that sets the guidelines for competing successfully in a scenario of rapid changes affecting consumer habits, technology, the economic and business context and the regulatory framework.

THE PLAN INCLUDES THREE MAJOR PROGRAMMES: CUSTOMER, VALUE AND TRANSFORMATION DRIVERS.

▶ CUSTOMERS

Our customers are **the basic foundation underlying the transformation** of the business model. It aims to raise their level of satisfaction, become more competitive and attractive through excellent service that is personalised, useful and committed. The manager and the office are the main links with the customer, increasingly supported by digital channels. Growth and winning of new customers are focused on companies, a strategic segment for the future of Ibercaja, and individuals, especially personal and private banking customers.



▶ VALUE

The Value programme aims to **ensure that growth is geared towards the most profitable business opportunities**. It relates to the reduction of non-performing assets, the evolution of risk management processes, the more efficient allocation of prices and capital and the optimisation of information systems to help in decision-making processes, all with a view to increasing the Entity's profitability and solvency.

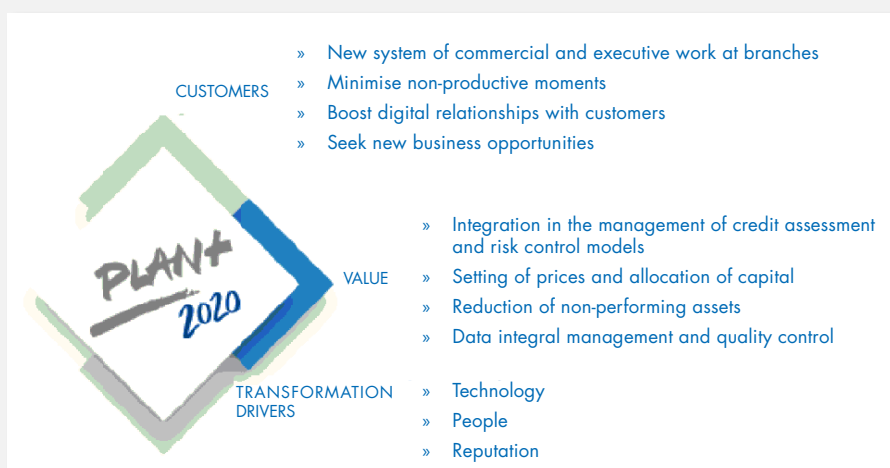


▶ TRANSFORMATION DRIVER

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



- » **Technology** is at the heart of most initiatives, as it streamlines internal processes, opens up business opportunities and improves customer experience.
- » Ibercaja aims to optimise its **processes** to make them more efficient, modernising and rationalising applications and infrastructures, which will free up the network from administrative tasks and allow it to focus on sales.
- » **People** are the key to change. The success of the Plan depends on the capacity and commitment of the staff working at the Entity, for which we need to boost opportunities for professional and personal growth.



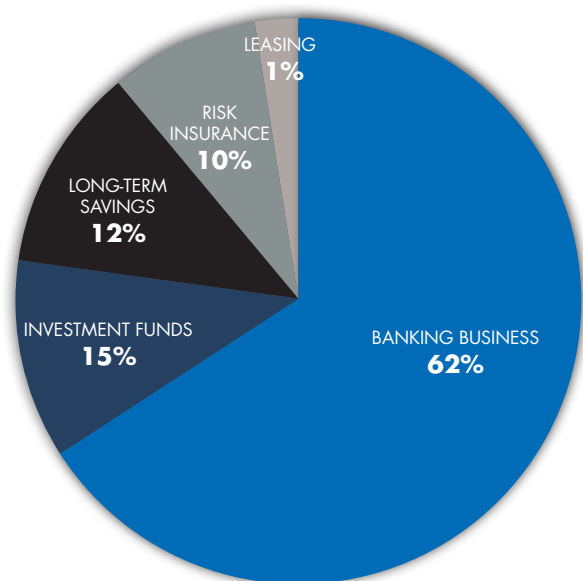
BUSINESS MODEL

102-2, 102-5, 102-6, 102-9, 103-2, G4-FS6

IBERCAJA'S BUSINESS MODEL, WHICH IS MARKEDLY RETAIL IN NATURE AND CUSTOMER-FOCUSED, CONSISTS OF TWO MAIN AREAS: BANKING BUSINESS AND ASSET MANAGEMENT AND INSURANCE.

THE CONTRIBUTION TO THE RECURRING INCOME OF EACH OF THESE IS SHOWN IN THE GRAPH BELOW:

The Entity has a stable **base of 2.7 million customers**: comprising households, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services with products such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group.



BANKING BUSINESS

COMMERCIAL BANKING

THIS IS THE GROUP'S MOST SIGNIFICANT ACTIVITY, THROUGH WHICH IT PROVIDES BANKING SERVICES TO HOUSEHOLDS, COMPANIES AND INSTITUTIONS.

RETAIL BANKING

It manages 2.5 million customers who account for **84% of business volume**. Their high level of engagement with the Bank can be seen in the average age of 20 years, and in the high number of products or services contracted, 6.7. Retail banking includes the segments of households, personal banking and private banking, with more than €23,000 million in loans and €50,000 million in customer funds plus securities.



FAMILIES

Management of the branch network in this segment focuses on capturing new customers and on strengthening ties with existing customers, by developing attractive propositions tailored to group needs, based on personal circumstances and on income received. In the year that has just ended, campaigns have been carried out on: Credit for the acquisition of housing ("**Hipoteca Vamos**"), consumer financing, investment funds, pension plans, life and home insurance, cards and the promotion of digital banking. Also, an offer has been launched, available in the network of branches and on the Entity's App, aimed at attracting new customers, of which the "**Cuenta Vamos**" forms part, with attractive interest rates and fee-free under certain circumstances, and the "**Vamos Card**", free with great payment flexibility, including credit modalities.

Young people enjoy a **line of products** which include most notably: The **Iberfan** children's area for minors under 14, the "**Cuenta + Joven**", aimed at customers up to 18 years old, and the "**Cuenta Joven**" which, together with the debit card (Visa one) and the credit card (Visa + one), is designed for customers up to 26 years. This group of minors enjoys zero account fees, cards and internet transfers.

Iberfan is the club created for children to benefit from all kinds of advantages in training, leisure and free time activities. Its scope of action includes Aragón, Extremadura, Castilla y León, La Rioja and Guadalajara, reaching **more than 19,000 members** who can access a wide range of offers throughout Spanish territory.



Ibercaja has **virtual spaces, Ibercaja Directo Joven and its Young Web, aimed at young people**. At the same time, it has multiplied its presence in the social networks (Twitter, Facebook and Instagram), prioritising its use as a media for offers and promotions.

In October 2018, 30 years had passed since the launch of the first **European Youth Card** in Aragón. Since then, the Entity has collaborated to promote its use as a means to foster European mobility. Together with the Government of Aragón, activities linked to the 30th anniversary have been programmed, including most notably the draw for the use over one year of six Fiat 500 vehicles contributed by Ibercaja Leasing. At the same time, **the partnership agreements with the Autonomous Communities of Extremadura and Castilla y León** for the dissemination of the youth card have been maintained and an offer to cover the financial needs of the young people participating in the Erasmus program has been disclosed at several universities.



PERSONAL BANKING

Based on the criterion of having a **savings balance of more than €100,000 or €75,000 outside the Home Markets**, almost **220,000 customers or household management units** are included in this segment with an average financial wealth of €135,000. The model of providing service to this group is based on a personal manager who proposes financial planning, advises on investments and provides detailed information on products and services that best meet the needs of the customer.

Personal Banking customers generated **a business volume of €33,220 million**. In a group in which savings are more important than credit, **customer funds** and securities amounted to **€29,510 million, 52% of the balance of the retail network**.

The **484 specialised advisers**, based on knowledge of the customer, offer it investments proposals in line with its risk profile, objectives and experience in financial products. During the year, investment in the new selection fund family has increased significantly. It is composed of four funds of funds with a growing risk profile, so that any customer can find the one that is line with their degree of risk tolerance. Likewise, Ibercaja Sustainable and Supportable have been promoted, an investment fund that combines socially responsible financial and extrafinancial investment criteria (ISR) with environmental, social and corporate governance criteria.

The **Integrated Commercial Orientation System** is the support tool for financial planning used by the Personal Banking service. Through five modules: advice, commercial, alerts, reports and tools, it helps the customer to make its assets perform, calculates the profitability of its portfolio and offers investment alternatives and tax optimisation.

Personal banking advisers are **trained with internal and external means**. Most of them have specific qualifications such as EIP (European Investment Practitioner) and EIA (European Investment Assistant) endorsed by the European Financial Planning Association (EFPA).

The advice to Personal Banking customers is certified in accordance with **ISO 22222: 2010. The Entity has renewed, for the sixth consecutive year, this certification** granted by AENOR, which endorses its high specialisation in the management of personal assets of advisers, the suitability of the investment proposals, as well as the periodic information to the customer about the markets and the performance of their portfolio. In the audit conclusions, the evaluators highlighted the effort to ensure that the entire team of personal and private banking managers has the necessary accreditation for advice and information to customers on financial products, in accordance with the MiFID II regulations.



PRIVATE BANKING

Private banking is aimed at customers or household management units with **financial wealth in excess of €300,000**. The customer is assisted by a private banking adviser, who analyses their needs and provides them with the best investment strategies and financial-tax planning. They also have access to a wide range of financial assets: securities listed on Spanish and foreign markets, investment funds both of Ibercaja and of external suppliers, SICAVs, structured deposits, etc.

The assets managed, of **over 10,000 family groups**, amounts to **€6,519 million**, of which 79% are off-balance sheet funds.

The persistence of very low interest rates incentivises the search for profitable investment alternatives. In this context, formulas such as discretionary portfolio management and professional and personalised advice are well received by savers. The discretionary portfolio management modality represents 65% of the total and has more than 6,000 management contracts with an average volume of over €600.000.

In 2018, Ibercaja created a new investment product exclusively for private banking customers. It is an open-ended investment company (SICAV) called **Ibercaja Global International**, domiciled in Luxembourg, which invests in investment funds with a marked "author" profile, led by advisers that have managed to differentiate themselves by beating the indexes and which have obtained outstanding results on a continuous basis over time. The SICAV is divided into two investment compartments, differentiated by their exposure to equity.

During the year, **several meetings were held for current or potential private banking customers**, in which Ibercaja Gestión professionals, together with those of top-level national and international advisers, have offered their vision on current issues related to financial markets and investment opportunities. These meetings have helped to strengthen the relationship with customers and the acquisition of new business.

The work team assigned to the private banking service has increased to 76 people, working out of the offices in Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, as well as in the customer service offices in Huesca, Teruel and Pamplona.



BUSINESSES AND INSTITUTIONS

Nearly **200,000 customers**, companies, retailers, institutions and others contribute **16% of the business volume**, distributed in 7,700 million credit and €6,700 million in on-balance sheet and off-balance sheet funds.



BUSINESSES AND INSTITUTIONS

COMPANIES BUSINESS

78,000 customers, legal entities that practice a business activity other than real estate, are part of this strategic segment. The companies with the highest potential, business volume and most complex operations, numbering approximately 35,000, are served by **227 specialized managers, supported by 352 office directors**. Of the volume of activity in this business, €5,318 million relate to loans, €3,719 million to customer funds and 80% are provided by micro-enterprises and SMEs, with a turnover of less than €50 million.

The new Plan+ 2020 aims **to position Ibercaja as one of the leading financial institutions in the business world**. To this end, the actions of the previous plan have been consolidated and new ones have been undertaken. The aim is to respond quickly and individually to companies' needs so as to generate a global relationship that is profitable for both parties and sustainable over time.

By the end of 2018, **six specialised company business centres** in Zaragoza, Madrid, Alcobendas, Valencia and Barcelona were fully operational, in charge of managing customers with a turnover of more than €6 million or €10 million, depending on the area of involvement, and which require a greater degree of specialisation. The opening of company business centres in Alicante, Sabadell and Granollers is planned for 2019.

"Ecosystem + Companies" is a Spanish initiative created in 2018, jointly promoted by Ibercaja Banco and the Ibercaja Foundation. It represents a new way of relating to companies, entrepreneurs, professionals and society in general. It seeks to boost economic activity, improve competitiveness, serve as a meeting point for the exchange of knowledge and generate business value. Ecosystem + Companies is based on three cornerstones: Training, information and solutions. Among its most important activities are the self-diagnosis sessions in innovation, open to companies and entrepreneurs at Spanish level, in order to help them reflect and detect growth opportunities. Sessions on innovation,



Ibercaja Innotech Roadshows were held in the Zaragoza, Madrid, Barcelona, Valencia, Seville and Logroño company business centres and will continue to be developed in 2019. Additionally, from the platform enabled on the website (ecosistemamasempresa.ibercaja.es/retos-de-open-innovation), with more than 1,000 registered users, companies can discuss the challenges they face in their management and tech startups can offer innovative solutions.

The arrangement of loans and credit facilities for the financing of non-real estate business activities, €3,223 million, accounted for 56% of the total number of new transactions carried out by the Bank in 2018. To deliver this goal, **agreements were signed with public bodies and business groupings**. The following were worthy of mention: **the new ICO 2018, ICO Empresas y Emprendedores and ICO International lines**, which make resources available to companies to undertake investment projects and cover their liquidity needs in the domestic and international sphere; the **agreement with Cepyme**, an institution that represents 99.5% of the business fabric of our country, in order to share resources and join efforts to support SMEs and the self-employed to boost their activity and the renewal of the agreement with the **Federation of Employers of La Rioja** to facilitate access to credit for the companies integrated in the federation.

The Group, as **an entity specialising in international operations**, advises on the development of internationalisation projects and operations related to foreign business and its financing. Co-sponsored by the ICEX, informative conferences given by specialists in these materials have been held. Likewise, Ibercaja has promoted various events related to the corporate world, in which experts in different areas have analysed the economic situation and discussed strategies that may favour the growth and competitiveness of the business fabric.



BUSINESSES AND INSTITUTIONS

STORES

The more than **16,000 Ibercaja shop owner customers** generate important **business opportunities** in the areas of finance insurance, collection and payment services, etc. and require personalised management. Campaigns were carried out in 2018 **to promote the use of financing solutions** at the point of sale (AplazO, fast credit and Credicom) and POS terminals were renewed via installation of state-of-the-art terminals.

The Entity has partnership agreements with various regional chambers of commerce, associations and employers to provide its members with financial services in advantageous terms.



BUSINESSES AND INSTITUTIONS

INSTITUTIONS AND OTHER GROUPS

Ibercaja **collaborates with national and regional public and private institutions** through agreements and commercial offers.

In the public sector, the Entity **cooperates with central, regional and local administrations through financing agreements, youth programmes and sponsorships**. Furthermore, it actively participates in the implementation and dissemination of electronic administration and has agreements with numerous entities for the collection of taxes, tax management, processing of university fees and, in general, to facilitate and expedite the administrative procedures of citizens.

In the private sector, members of professional associations, associations of public employees and large companies, religious institutions, communities of owners, etc. benefit from offers adapted to their needs.



OTHER BUSINESS LINES

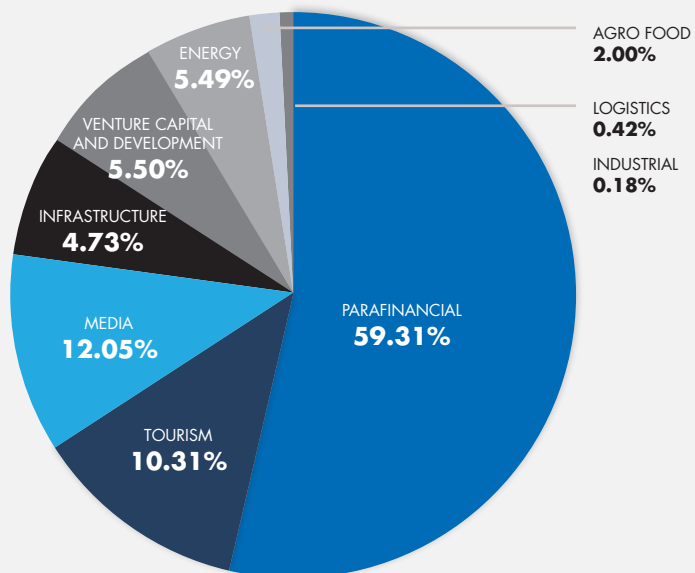
103-1, 103-2

Business at the **Group's Financial 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.

Ibercaja is linked to the **business sector** through its **participation in projects with potential for growth and profitability**, guided by criteria of legal, social and environmental responsibility and that have a qualified and committed team. Investment at the end of 2018 was divided up among 69 companies, 10 fewer than in 2017, for consolidated net value of €272 million.

By sectors, the weight of companies linked to financial and para-financial activities, 59%, was the most significant in the portfolio. Other investments are in media (12%), tourism (10%), venture capital (6%), infrastructure (5%), energy (5%), the agro food sector (2%) and others.

SECTORIAL DISTRIBUTION OF THE PORTFOLIO OF COMPANY INVESTEES



Ibercaja's investees **contribute to the generation of wealth and to populate** regions with problems of depopulation and ageing, so that the economic benefits that they can contribute to the Entity are added to social gains. Furthermore, Ibercaja **encourages investments in sustainable projects with environmental** value and in companies with high levels of corporate **social responsibility**. Noteworthy are the equity investments in companies to develop renewable energies, increase energy efficiency or to implement environmental measures.

A **new divestment and investment plan** has been designed for the **2018-2020 period** in which, on the one hand, the possibility of investing in projects that meet the criteria required by the Bank (profitability and development) is addressed and, on the other hand, it is planned to continue executing an active policy of divestments in non-core business holdings, as well as in consolidated projects that have reached a sufficient degree of development and autonomy.

In 2018, 23 divestments were made, 11 of them total and 12 partial, with a net book value of more than €35 million. These operations generated a positive result and freed up the consumption of capital. These include the sale of Ibercaja Viajes, whose offices and workforce have been integrated into the structure of the Grupo Azul Marino Viajes, and the disposals of the companies specialising in logistics and document management, Dopar, Iberprofin and Enclama, acquired by Prosegur Cash. Investment during the year centred on business projects considered core or linked to the parafinancial business.

The real estate group consists of **two holding companies**: Cerro Murillo S.A. and Residencial Murillo S.A. In 2016, Ibercaja entered into a services agreement with the Aktúa Group, to exclusively administer, manage and market the real estate assets on the balance sheet. In 2018, an **agreement** was signed **for the sale of a portfolio of foreclosed assets** with a gross carrying amount of €641 million to a company in which the Bank holds a 20% stake. This transactions is a stride forward in the Bank's strategy to clean up the balance sheet and improve its profitability profile by offloading problem assets with the least possible impact on the income statement.



ASSET MANAGEMENT AND INSURANCE: FINANCIAL GROUP

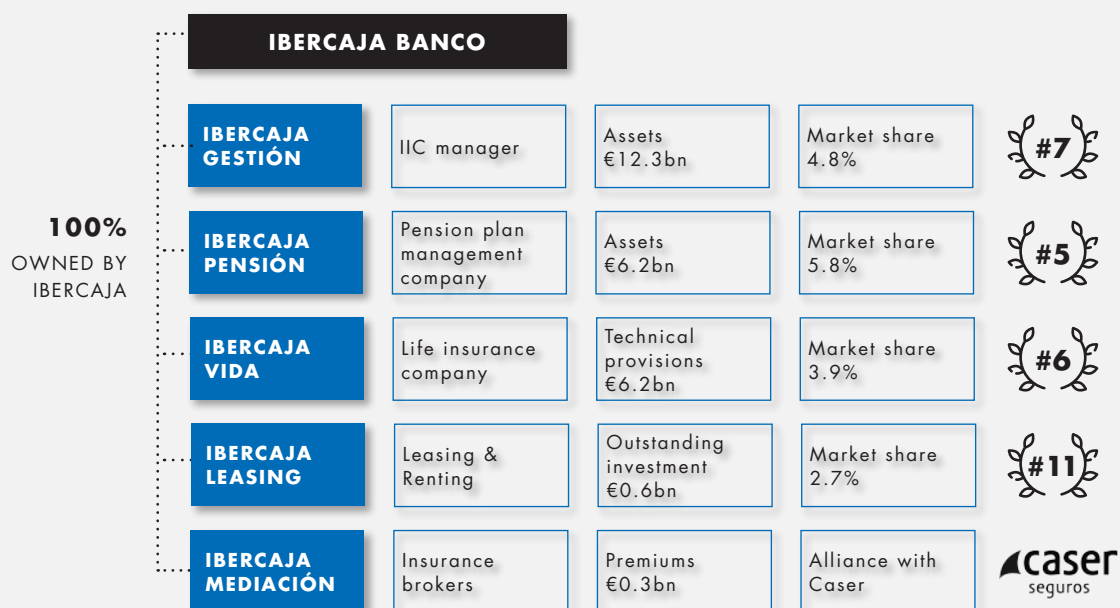
102-12, 103-2, G4FS6

SOURCE OF BUSINESS DIVERSIFICATION AND GENERATION OF RECURRING INCOME. IT PROVIDES THE BRANCH NETWORK WITH A FIRST-CLASS COMMERCIAL WEAPON, DESIGNING AND MANAGING FINANCIAL PRODUCTS THAT ARE HIGHLY POPULAR AMONG CUSTOMERS.

Created in 1988 and wholly owned by Ibercaja, this group consists of companies specialising in investment funds, savings and pension plans, bancassurance and leasing or renting, which **make up 37.5% of the Group's recurring income.**

The Financial Group's capacity to innovate and its range of specialised products and services make it **a key player within the Spanish banking sector.** Assets under management and insurance amount to €26,000 million, which makes Ibercaja the sixth-ranked bank in this line of business, with a market share of 4.7%. Its products, targeted at both individuals and businesses, are marketed and sold through the branch network and supplement the Bank's extensive range of banking services.

THE MAIN COMPANIES IN THE CONSOLIDATED GROUP ARE:



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

MANAGEMENT OF COLLECTIVE INVESTMENT UNDERTAKING

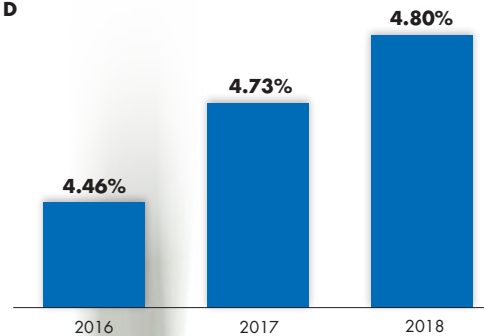
The performance of the investment fund industry in Spain during 2018 featured instability and falling markets. The volume of assets under management fell by 2.01% after notching up five consecutive years of growth, as a result of negative yields of 5%.

The investment fund management company of the Ibercaja Group managed assets of €12,325 million, 0.34% less than a year earlier. Thanks to outperformance by **the volume of assets managed**, Ibercaja's market share in managed and marketed funds increased by 7 basis point to 4.80%, **keeping it seventh in the ranking**.

Net contributions, amounting €468 million, are 5.6% of those achieved by the system, so Ibercaja Gestión is **the sixth-ranked bank by subscriptions** in the year. At the same time, the rate or return of its funds has been comparatively better than that of the industry as a whole.

The management company boasts has one of the widest ranges of funds in Spain, which allows products to be offered for each investor profile in any market climate. Anticipating customer needs has been crucial in a difficult scenario from the point of view of investment and in the major changes in relationship between investors and financial institutions brought on by the entry into force of the MiFID II regulations, which enhances the protection of retail investors.

TRENDS IN INVESTMENT FUND MARKET SHARE



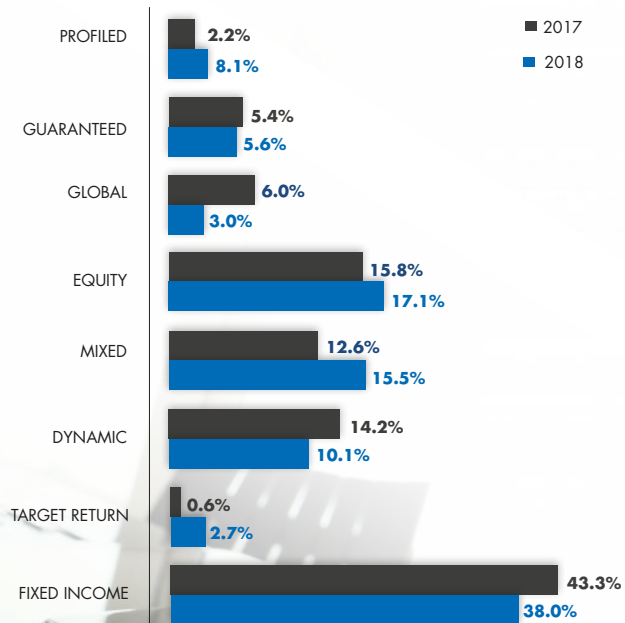
One of the objectives of the year to alleviate market ups and downs was the diversification of investments through **portfolio management agreements** for investment funds or for the range of **profiled funds**. This new family, made up of four funds of funds with a growing risk profile, measured by exposure to equities, has a global vocation in terms of geographic and active areas, being able to invest in own funds of Ibercaja or of third-party managers with a complementarity criterion.

As an investment alternative for customers with a more conservative profile, two guaranteed **fixed-income funds** with maturities in 2026 and another fund whose portfolio consists entirely of Italian public debt with an unguaranteed return target have been launched.

The volatility of the markets and the application of MiFID II have helped **profiled and mixed funds to increase their weight in the structure of the assets under management**.

Ibercaja Gestión is committed to **socially responsible investment (SRI)** with the **Ibercaja Sustainable and Solidarity IF**, which responds to the commitment, reflected in the Corporate Social Responsibility Policy, to offer customers financial solutions that combine profitability with a socially responsible and solidarity profile. When selecting the assets in which the fund invests, the social, environmental and corporate governance profile of the companies is taken into account in addition to the fundamental analysis. Additionally, the manager will donate 10% of the management fee to entities engaging in environmental protection, improving quality of life, integrating those at risk of exclusion, volunteer work, the promotion of research for employment and business training and support for academic, professional or cooperative values.

**STRUCTURE OF ASSETS
IN INVESTMENT FUNDS**



It also manages 11 open-ended investment companies (SICAV), with a volume of assets just in excess of €53 million. Activity in this segment has been strengthened, with a new SICAV domiciled in Luxembourg for private banking customers.

Ibercaja Gestión held **conferences** in Zaragoza, Madrid, Seville and Extremadura in 2018 to provide customers with an analysis of the main factors affecting the economic landscape and financial markets. Also, in collaboration with management companies of recognised international prestige, conferences were held for Private Banking customers.

The Ibercaja brand became more visible through new channels, such as the finance social network "Finect". The funds section on Ibercaja's website was reinforced with new content on both market climate and products.

The manager's funds received **external recognition** guaranteeing their quality. Ibercaja Gestión was a finalist in the **"Best Investment Fund Manager"** Expansión All Funds Bank awards. Also in 2018 it emerged as the top-rated investment fund manager among 40 entities analysed in the annual survey carried out by the Extel Europe analysis firm, with its managers being recognised among the best professionals in the area of equity management.



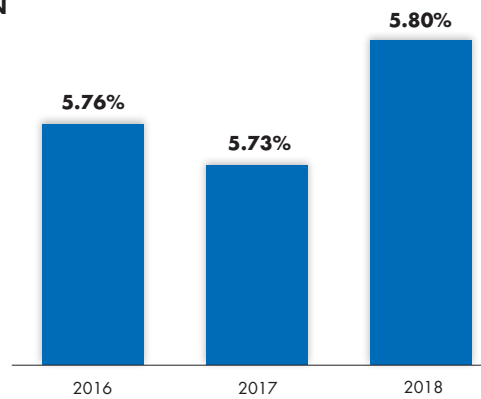
FINANCIAL GROUP

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

PENSION PLAN MANAGEMENT

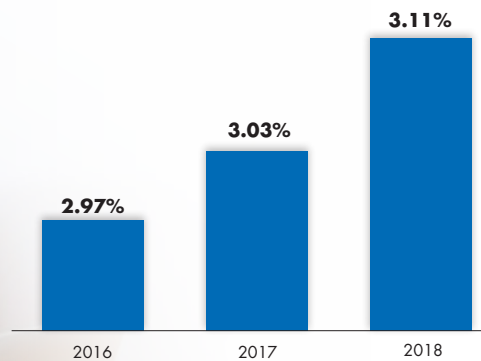
The assets managed by Ibercaja Pensión, €6,205 million, are €158 million lower than in 2017. The decline is the result of the unfavourable performance of the fixed-income and equity markets throughout 2018. However, **the better performance compared to the sector** means that the **market share, now at 5.80%, added 7 basis points in the year** and the manager stands fifth in the sector ranking.

TREND IN PENSION PLAN MARKET SHARE



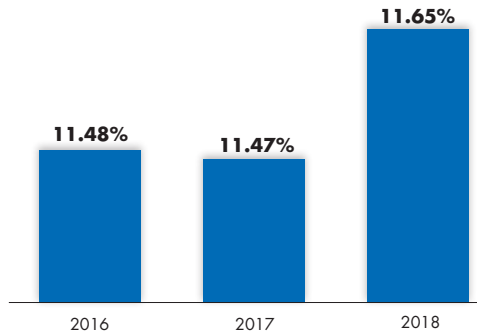
The savings managed under **personal plans** amounted to €2,248 million, down 0.37%, which was significantly lower than overall sector. **The market share of 3.11% was 8 basis points higher than in December 2017.** The company stayed **in eighth position in the sectoral ranking.** The number of unit holders at year-end was 190,197, over 6,500 more than the year before. Net contributions increased slightly, by 0.5%, as a result of commercial activities in the branch network and of customer advisory services on the importance of setting up plans to supplement public pensions. The arrangement of personal pension plans through the Ibercaja App has been available since the end of 2018. Customers now have a new channel to make their contributions and most common enquiries.

TREND IN PERSONAL PENSION PLAN MARKET SHARE



The assets managed in **employment plans** amount to €3,957 million. Despite the 3.65% decrease, the manager's better performance in relation to its competitors has helped **the market share, now at 11.65%, to climb 18 basis points** in the last twelve months and for the company to consolidate third place among Spanish managers. The 18 plans have 69,334 participants and beneficiaries working at companies and public administrations across all of Spain.

**TREND IN EMPLOYMENT
PENSION PLAN MARKET
SHARE**



For the third consecutive year, Ibercaja Pensión was named as the **“Best Pension Plan Manager”** in the **Expansión All Funds Awards**. The Sustainable and Solidarity PPP was a finalist as the best solidarity fund in the aforementioned awards and the Endesa Group Employees and Aragón Public Employees funds were also finalists in their respective categories in the latest edition of the IPE-Investment and Pensions Europe Magazine awards.



The company held an event in Zaragoza under the slogan “The future climate change Law and its impact on investors” as part of Spainsif’s Socially Responsible Investment week.

In Madrid, it has promoted the **“Fourth Pension Plan Symposium in Spain”** and the second “Pensions of today, pensions of the future”. With the focus on employment plans, symposiums in collaboration with the UGT and CCOO trade unions were held in Madrid and Barcelona.



The company is a signatory of the United Nations Principles for Responsible Investment and a member of Spainsif, the Spanish forum for Socially Responsible Investment.

Ibercaja’s Sustainable and Solidarity e Pension Plan for savers committed to sustainability increased assets by 15%. 20% of the management fee was allocated to social and environmental projects, including most notably the conservation of the Amazon in Madre de Dios (Peru). Also, the manager donated €15,000 to reward two social projects implemented by NGOs, selected by Ibercaja Banco employees.



GROUP INSURANCE ACTIVITY

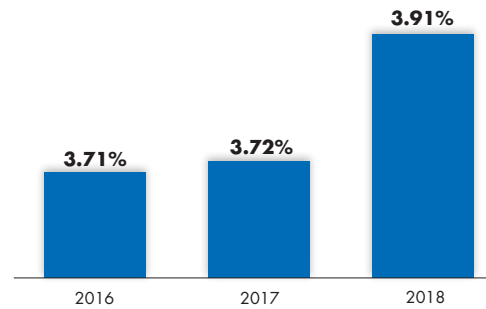
**Ibercaja Vida
Compañía
de Seguros y
Reaseguros,
S.A.U.** focuses on
investment savings
insurance and life
insurance.

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

It offers an extensive range of products, which include systematic savings insurance, investment savings plans, annuity and temporary income insurance, individual systematic saving plans (PIAS), long-term individual savings policies (SIALP), insured pension plans and others. It also offers assurance of pension commitments externalised by various companies.

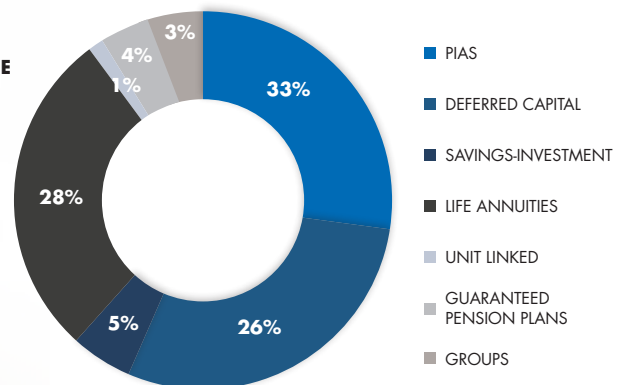
Technical reserves gained 7.58% in the period to reach €7,353 million, and the market share was up 19 basis points in the year to reach **3.91%**. The insurance firm **is ranked six in its sector**.

TREND IN LIFE INSURANCE TECHNICAL PROVISIONS MARKET SHARE



The Systematic Individual Savings Plan is the most significant product in the catalogue, with a managed volume of €2,300 million and significant growth in excess of 10% in recent years. As a complement, the product **PIAS LINK** was launched in 2018, with four investment baskets targeted at different risk profiles. It allows customers to invest their capital in investment funds and, at the same time, to enjoy the tax advantages of the PIAS.

MATHEMATICAL PROVISION BY RANGE OF SAVINGS INSURANCE

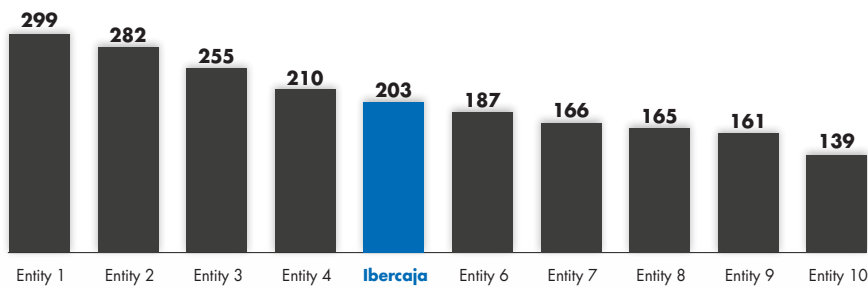


It should be noted that the insurer manages more than 2,000 million **temporary and life annuity policies**, with growth in the coming year of close to 10%, consolidating these products as a complement to pension income with a reduced tax burden. In 2018, the offering of life annuities was reinforced for customers that have obtained a capital gain and wish to benefit from the exemption of their taxation through reinvestment in a life annuity. As a result, the managed volume grew by around 188%. In the area of individual life insurance, 70 million premiums were issued, up 4.4% on the previous year.

The insurer adheres to the guides of good practices promoted by Unespa, with the aim of improving the insured's protection and guaranteeing the arrangement of the most suitable product for their needs.

Ibercaja Vida's solvency ratio (203% at the end of 2017) comfortably exceeds the legal limit set (100%), while helps shore up customer confidence.

**RANKING OF THE TOP 10 LIFE INSURERS BY SOLVENCY
(%, DECEMBER 2017)**



Ibercaja Mediación de Seguros, S.A.U. engages 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 increased by 4.8%, to **€267 million**, divided up among life-risk insurance (€76 million) and non-life insurance (€191 million), with **increases** of 3.7% and 5.3%, respectively. The outperformers were payment protection (+80%), civil liability (+25.8%) and death (+17.2%). Meanwhile, the number of policies climbed to nearly 1.1 million.

It was possible to promote this activity through the sales drive of the branch network, the alliance with Caser in the non-life branch, the specialisation of managers, the effectiveness of the campaigns carried out and the implementation of the Risk Project, in collaboration with Ibercaja Vida, to promote the marketing of life-risk insurance.

Noteworthy among the various campaigns and promotions carried out were the **data protection third-party liability insurance scheme**, the first policy of its kind marketed in the sector, **home protection and insurance for tourist establishments**.

SEGUROS IBERCAJA

**HAY UN LUGAR
AL QUE
TE QUEREMOS
ACOMPañAR,
SE LLAMA
TRANQUILIDAD.**

¿VAMOS JUNTOS?



FINANCIAL GROUP

Ibercaja Leasing y Financiación S.A. specialises in financing productive activities through leasing and renting.

LEASING AND RENTING

It provides the branch network with products for SMEs and professionals to finance their investments in fixed assets and access goods under operating leases.

In 2018, **the company once again reached record highs in terms of outstanding risk, new investment and number of transactions arranged.** **Outstanding investment**, at €561 million, increased by 22.73% year-on-year, a percentage that far exceeds the average growth of the sector (6.48%). Of note was the performance of renting, the outstanding balance of which rose by 73.38%. The company's market share was 2.74% at year-end 2018, up 36bp from the end of 2017.

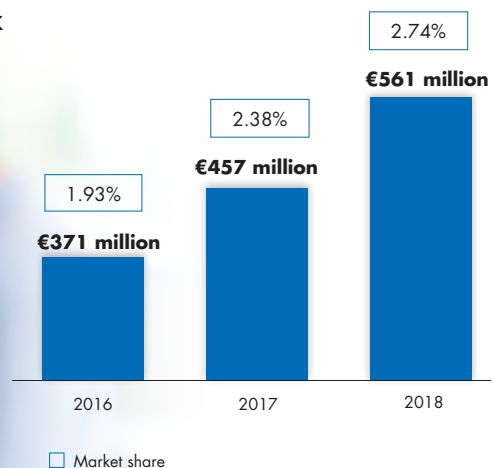
New contracts arranged amounted to €289 million, **up 24.31% on 2017**, giving the company 3.67% market share. There were increases in new leasing and renting transactions of 17.98% and 108.90%, respectively. Of the volume arranged, 31.2% went to the financing of industrial vehicles, 32.9% to machinery, 28.4% to non-industrial vehicles, 3.6% to buildings and the remainder to computer equipment, furniture and other facilities.

In April, **a new agreement was signed with the European Investment Bank** for a total of €150 million; accordingly, since 2015, €350 million have been provided under this agreement to finance new productive assets and to refurbish facilities belonging to microenterprises, SMEs and midcaps.

The NPL ratio was 2.51%, still low and far lower than the overall ratio for credit institutions (5.25%). In turn, the coverage ratio stood at 78% of doubtful balances.

The outstanding fleet of vehicles under operating leases (renting) stood at 2,651 units, of which more than 60% were considered ecological due to their low CO2 emissions.

TREND IN OUTSTANDING RISK AND MARKET SHARE



OMNICHANNEL APPROACH

102-4, 102-6, 103-2, G4-FS14

IBERCAJA USES THE MOST ADVANCED TECHNOLOGICAL SOLUTIONS IN ITS BUSINESS, ACCOMPANYING THE CUSTOMER IN THE RAPID DIGITALISATION OF SOCIETY.

THE ENTITY FACES AN AMBITIOUS PROCESS OF DIGITAL TRANSFORMATION WITH THE AIM OF INCORPORATING THE MOST ADVANCED TECHNOLOGICAL SOLUTIONS INTO ITS BUSINESS.

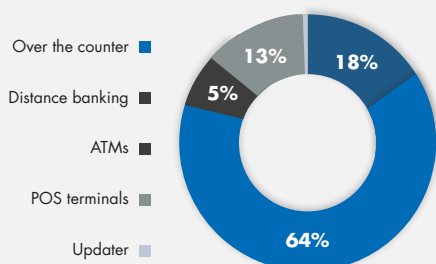
It is firmly committed to innovation to improve its relationship with the customer and to respond quickly to their demands anywhere at anytime. Traditional channels are combined with the most innovative means, boosting the strengths characterising Ibercaja (service quality, advisory skills), while making the most of the digital economy's opportunities and means.

Distance banking accounts for 64% of all transactions, PoS terminals for 13% and ATMs for 5%, while over-the-counter transactions dropped to 18%, almost 5 percentage points less than in 2017.

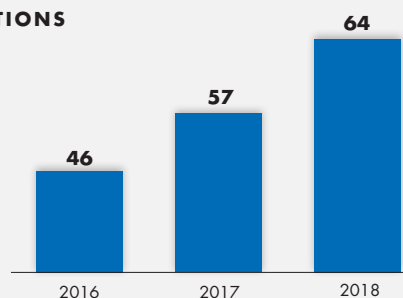
The Digital Transformation Project is one of the transforming milestones of the 2018- 2020 Strategic Plan, just as it was in the previous plan. It seeks to succeed in a highly competitive market, anticipating the demands of society and providing a service aligned with the digital capabilities of each customer.

The effort made has been recognised in several areas. Ibercaja's mobile banking scheme was selected as one of the three best mobile applications in the first edition of The Awards in the Economy, Finance and Business category and the Entity's mobile applications (Ibercaja Mobile Banking and Ibercaja Pay) were among the leaders in APPs markets.

BREAKDOWN OF TRANSACTIONS PER CHANNEL (%) -2018-



TREND IN % OF DISTANCE BANKING TRANSACTIONS



BRANCH NETWORK

BRANCHES ARE THE BASIC INSTRUMENT OF CUSTOMER RELATIONS, MEETING THEIR NEEDS BY PROVIDING A CLOSE, PERSONALISED AND QUALITY SERVICE.

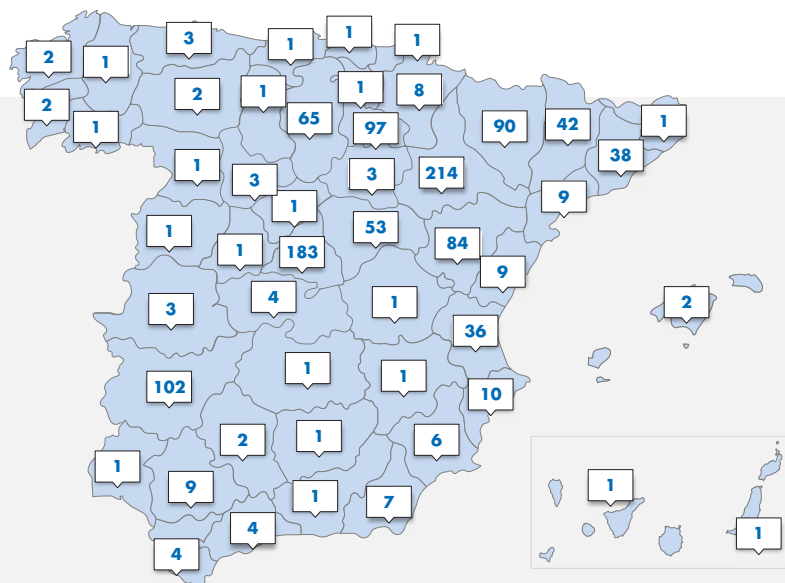
Ibercaja's network is broad, with high capillarity and supported by other alternative channels. Traditional customer service is constantly adapted to market demands, leading to branch segmentation and material, technological and management changes to streamline and facilitate the relationships with our customers.

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

The Bank had a total of **1,115 branches located across Spain** at the end of 2018. The closure of 32 branches in the last 12 months was combined with streamlining measures to guarantee business continuity, conserve customer proximity and maintain the Bank's presence in small towns and villages. In this regard, it should be noted that 337 offices, located in rural areas, are served by a single employee.

The distribution of branches by autonomous regions is as follows: 388 points of sale in Aragon, 183 in the Community of Madrid, 105 in Extremadura, 97 in La Rioja, 81 in Castile and León, 90 in Catalonia, 60 in Castilla-La Mancha, 54 in the Community of Valencia, 29 in Andalusia and 28 in the other autonomous regions of Spain.

DISTRIBUTION OF BRANCHES AT THE END OF 2018



The six Company Business Centres are located in Madrid, Zaragoza, Barcelona, Valencia and Alcobendas. Openings are planned in Alicante, Sabadell and Granollers in 2019. These centres have multidisciplinary teams and are focused on improving Ibercaja's positioning in the business area, through specialisation and agility in meeting the financial needs of companies.

The 31 Personalised Service Model branches are characterised by having two different and complementary spaces. At one of them, providing an express service, basic transactions can be performed, while the other specialises in comprehensive advisory services.

The Territorial+ Plans, promoted to increase the volume of activity in key territories for the Bank's expansion, incorporate the so-called **Ibercaja+** branches in markets with great business potential in the corporate, personal and private banking segments. Under this model, **14 branches** have been created or transformed, whose task is to reinforce specialisation, the positioning of brand image, achieve synergies between managers and, especially, to be useful to the most valuable customers.

The food and agriculture industry is one of the most relevant for Ibercaja's activity, as a result of its implantation in eminently agricultural locations, especially within its home market. The agro food sector contributes a high number of customers: natural persons, cooperatives, farming partnerships and industries. The Agro Plan 2018- 2020, developed within the framework of the Customer Programme initiatives, is one of the pillars of the Strategic Plan. It follows the wake of the previous plan, which led to the creation of the "Ibercaja Agro" brand, which has made a significant indent in the market.

The number of **Agro branches** increased in 2018 to 287 (from 234 in 2017). They are meeting points between agro food sector customers and specialised managers of Ibercaja, with specific training in materials such as: CAP aid, agricultural insurance, investment financing, etc.

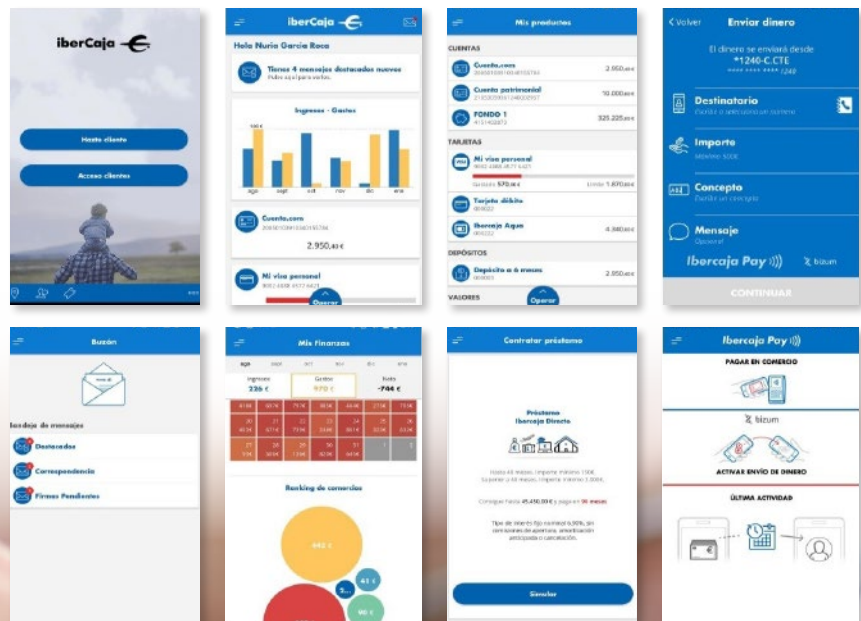


DIGITAL BANKING

Digital banking provides customers with remote channels to carry out their transactions in the remote environment that is most practical and simple, whether on the Internet, using Ibercaja Direct, or over the phone. **The number of digital banking customers** that have used any of the various channels in the last month reached **677,000**.

The **Ibercaja App** for mobile banking has evolved, solidifying its status as one of the most popular in the sector. Users recognise the benefits of the experience of using the App in their feedback in iOs and Android markets. **312,000 customers used this app** over the past year, of which 80% used it once a week. Progress was made in 2018 on including new features related to pension plans, investment funds or payment methods. Noteworthy among the novelties were, in particular, the **“Onboarding System”**, through which new customers can go through the entire Ibercaja registration process in just 10 minutes, arranging the Vamos account and card from home using only their mobile phones.

Ibercaja Pay, which integrates the operations of Bizum and in-store mobile payments, exceeded **26,000 monthly users**, with growth of nearly 90% in the last year.



Ibercaja Banco's public web page (www.ibercaja.es) contains the products and services catalogue, supporting commercial notifications made by different channels requiring a larger space for exposure. It also provides visitors with a space to interact, where they can obtain more detailed information in the form of comparative tables, simulators and calculators, as well as to sign up for alerts and newsletters. As a novelty, the spaces of the various product families moved towards a design that is more in tune with current trends, placing the focus on providing users all manner of simulation areas and information with regard to the various products.

The Ibercaja Foundation launched the **agroinforma.ibercaja.es portal** during the year. It is **a digital information and documentation service aimed at the agro food sector** to make technical and management decisions easier so companies can become more competitive.



Ibercaja Explora is a new pilot project in the field of innovation and digitisation. This is a unique space, located in the centre of Zaragoza, **where an educational approach is used to inform the public and showcase the digital assets of the Bank**. The training sessions provided are aimed at showing users all the potential and operating functions offered by each of the Entity's channels: ATMs, online banking, Ibercaja App and Ibercaja Pay. The sessions are provided in an interactive and eminently practical way, based on situations that simulate real cases. They are offered in three levels: Basic (knowledge of the use of ATMs and digital banking), mobile (use of smartphones) and business (sessions for companies and professionals).

As part of the "New ways of working" initiative, corporate banking and private banking directors and managers were provided with **mobility solutions**, enabling employees to perform procedures or access any information required from any place. The plan is to continue distributing this tool to other commercial profiles throughout 2019. In addition, the new digital solution for companies, being rolled out as a pilot experience, will be extended to all customers of this business segment within the next financial year.

SELF-SERVICE AND PAYMENT METHODS

The **ATM network** facilitates the most common transactions and those with the lowest added value, lessening the branch network's workload so it can gear efforts to commercial and advisory actions. Ibercaja has **1,476 ATMs**, giving it a 2.86% share of the Spanish market.

The more than 1.5 million **cards issued** generated 103 million transactions, with a volume of €4,039 million, 12% more than in 2017 and giving Ibercaja a market share by volume of 2.67%.

The Bank had **63,236 point of sale (POS) terminals** installed in stores across the country at the end of 2018 (market share of 3.41%), 10% more than at the end of the previous year. The increase in the number of terminals was accompanied by an increase in the number of transactions (+13%) and billed volume (+10%).

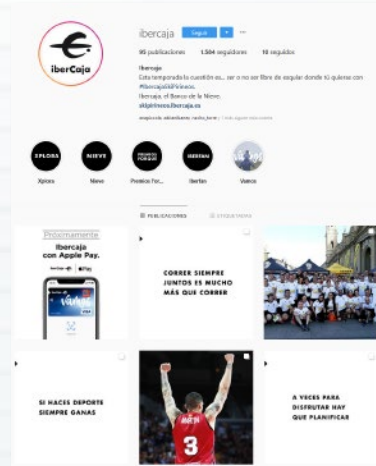
The Entity has entered into a **strategic alliance** with Visa to improve its positioning in the card issuance market and increase the business volume obtained through these cards, after the entry into force of the Second Payment Services Directive (PSD2).



SOCIAL MEDIA

103-2

Ibercaja has accounts in the main social media as a means of communicating and relating with the most significant stakeholders. A content strategy was designed in 2018 with the aim of evolving from a marketing model focused on commercial campaigns to one based on **disseminating valuable content in order to connect with the recipients** at the right time and place.



As part of this strategy, an **Instagram** profile was set up enabling interaction with younger audiences.



MANAGEMENT MODEL AIMED AT EXCELLENCE

103-3

IBERCAJA STRIVES CONTINUOUSLY
TO ENHANCE CUSTOMER EXPERIENCE
THROUGH SERVICE EXCELLENCE.



THE BANK HAS ITS OWN MANAGEMENT MODEL THAT PROMOTES EXCELLENCE IN ALL OF ITS BUSINESS PROCESSES, ASPIRING TO OFFER CUSTOMERS A PERSONALISED AND INNOVATIVE SERVICE TAILORED TO THEIR NEEDS.

As a reference, it has adopted the European Foundation for Quality Management (EFQM) model, which assesses, in addition to the implementation of new management systems, methods and practices, the continuous improvement of the existing ones.

In 2018, for the fifth year running, the Entity renewed the 500+ European Seal of Excellence, awarded by the EFQM, which it obtained for the first time in 2007. On this occasion, it increased its score with respect to the previous 2015 assessment, to the 550-600 point range. This was achieved thanks to the commitment of the teams to continuous improvement, their orientation to results and, especially, to the customer through a differentiated experience and value-added services. The evaluators highlighted the results of the 2015-2017 Strategic Plan, the digital transformation process, the alliances maintained by the Entity with top-level strategic partners, as well as the personal banking advisory service.

Ibercaja also has the quality seal **“Madrid Excellent”**, granted by the Madrid Autonomous Community, which recognises companies committed to innovation and continuous improvement, social responsibility and satisfaction of both customers and employees. It also holds the **“Aragón Gold Company Seal”**, promoted by the Aragon Institute for Development (IAF), which is the highest recognition of business excellence in the Aragon region.

For the sixth year running, the Advisory Services Certification for Personal Banking customers was renewed, based on the ISO 22222:2010 standard “Personal financial planning. Requirements for personal financial planners”, which specifies the requirements regarding the ethical behaviour, competence and experience required of asset management advisors. It highlights the effort shown in the management of Personal Banking customers according to the established process and the ability to adapt to the latest regulatory changes and training requirements.

THESE ACKNOWLEDGMENTS SUPPORT IBERCAJA'S COMMITMENT TO CONTINUOUS IMPROVEMENT, THE ORIENTATION OF RESULTS AND, ESPECIALLY, TO THE CUSTOMER THROUGH **VALUABLE EXPERIENCES AND SERVICES THAT STAND OUT.**

SINCE 2007	SINCE 2010	LEADING ENTITY SINCE 2012	SINCE 2015

CUSTOMER EXPERIENCE AND SERVICE QUALITY

AS THE 2018-2020 STRATEGIC PLAN INDICATES, THE VALUE PROPOSITION TO THE CUSTOMER IS WHAT REALLY SETS THE ENTITY APART.

Customer are constantly evolving, making it necessary to deepen our knowledge of their expectations and their experience in relation to the Bank. For this, different lines of work have been followed in order to anticipate the changing needs of our customers and to evolve in our way of working.

Satisfaction surveys conducted by polling individuals and companies allow us to ascertain their perception of the Entity, evaluate the services offered and identify those aspects that may be improved. The data on satisfaction, recommendation and loyalty obtained in 2018 reflect high scores.

In addition to the surveys, **the technique of “expert observation”** is used to measure quality, a quality audit that observes and evaluates the 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. The results of these studies disclosed below, while high, leave room for improvement measures to be implemented.

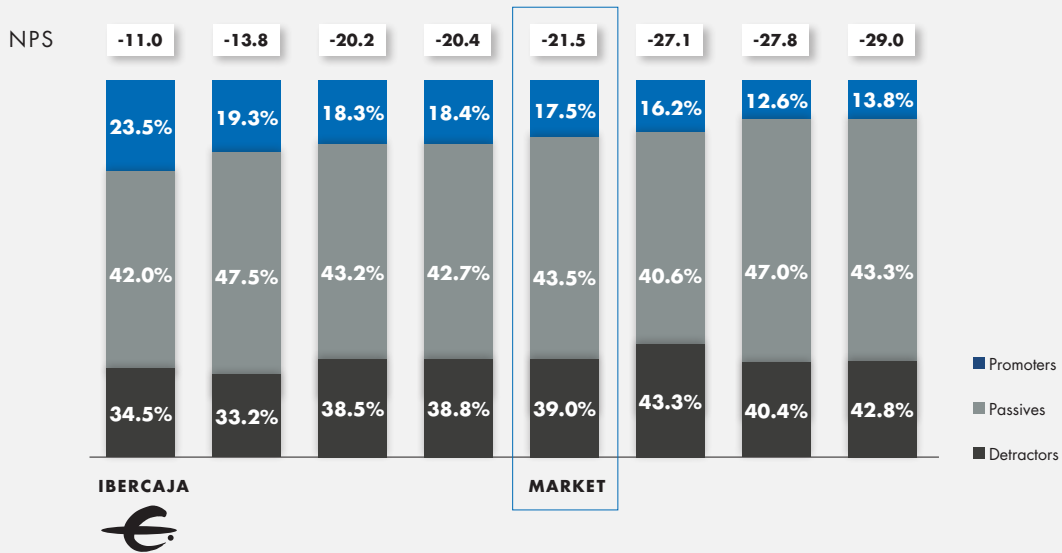
DETAILS OF SUBJECTIVE AND OBJECTIVE QUALITY PERCEIVED

	2018
CUSTOMER SATISFACTION PERSONAL BANKING	
Satisfaction with the branch (out of 10)	8.46
Satisfaction with savings advice (out of 10)	8.30
NPS	25.0%
INDIVIDUAL CUSTOMER SATISFACTION	
Satisfaction with the branch (out of 10)	8.61
Satisfaction with most recent advice (out of 10)	8.85
NPS	19.2%
BUSINESS CUSTOMER SATISFACTION	
Satisfaction with manager (out of 10)	9.37

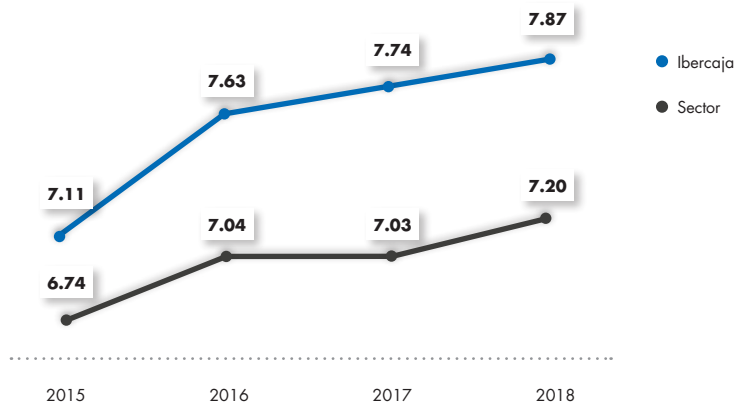
NPS = NET PROMOTER SCORE = % PROMOTERS - % DETRACTORS

Index measuring a customer’s inclination to recommend a company. It is determined by asking customers to rate aspects from 0 to 10, with 0 is “Highly improbable” and 10 is “Definitely recommendable”. On the basis of the findings, customers are classified as promoters, passives or detractors: Customer who give a score of 9 or 10 points: promoters. Those who assign 7 or 8 points: passives. Those who award 6 points or less: detractors.

ACCORDING TO THE INDUSTRY STUDY CONDUCTED BY INMARK ON THE FINANCIAL BEHAVIOUR OF INDIVIDUALS IN SPAIN, **IBERCAJA RANKED FIRST AMONG COMPARABLE SPANISH ENTITIES FOR THE THIRD CONSECUTIVE YEAR.**



STIGA'S EQUOS STUDY RATES IBERCAJA AS THE THIRD LEADING ENTITY IN SPAIN.





TECHNOLOGICAL ADVANCES

102.2

INNOVATION AND THE INCLUSION OF THE LATEST TECHNOLOGICAL ADVANCES ARE KEY ASPECTS TO SATISFY CUSTOMER EXPECTATIONS.

IBERCAJA, AWARE OF THE NEED TO FACE THE NEW CHALLENGES, HAS DEVISED AN **AMBITIOUS PROGRAMME OF DIGITAL TRANSFORMATION WITHIN ITS STRATEGIC PLAN 2018-2020.**

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

Its **objective is to satisfy the customer needs and expectations**, boost competitive advantages by enhancing omnichannel as a supplement to the personal attention given by managers, and ensure maximum agility and efficiency of the operational processes of both the branch network and central services.

THE MOST RELEVANT ACTIONS BEING TAKEN IN THIS AREA, SOME OF WHICH ARE COMPLETE AND OTHERS IN PROGRESS, INCLUDE THE FOLLOWING:

- ▶ The **digitisation of processes** for the end customer such as digital signatures, customer mailboxes and others that simplify procedures, avoid travel, eliminate filing and achieve significant cost savings.
- ▶ The Group **has adapted to the new Spanish data protection law (LOPD)**, through a project that includes the creation of the privacy office and the appointment of a Data Protection Officer with competence at the Bank, the Financial Group companies and the technological subsidiary IBD. At the same time, it has developed a protocol for the processing of personal data and has reviewed the technological assets that manage this information.
- ▶ Since 2018, the credit risk area has had a **new risk alert system** focused on the early detection of risk quality deterioration, in line with the approaches for managing outstanding risk that are in place following the implementation of IFRS 9. The alert system will continue to be developed in 2019 in order to cover in more detail diagnostics of companies and the self-employed.
- ▶ Management of irregular risk has been incorporated into **a new platform that improves customer, group and operation management processes**, giving them greater efficiency in recovery and in the building of viability solutions.
- ▶ The commercial flows of advice and sales received a new boost that will conclude in 2019, with the definitive implementation of a **new commercial platform** aimed at optimising the quality, pace and efficiency of customer contacts by generating proposals that are more attractive and suited to their profiles.
- ▶ A strategic project for the development and implementation of a **Data Governance Framework** was launched in 2018. The objective of this framework is to promote continuous improvement in the standardisation, traceability, quality and availability of data in order to maximise the value of the data as an engine for generating business. This Governance Framework will be developed on a continuous basis, with prioritisation of informational areas more strategic for the Bank. The deployment is being carried out with new market tools acquired, and development is ongoing of a new data quality management environment, which includes a new dashboard for monitoring the level of information quality.
- ▶ As part of the project to adapt **internal credit risk models to the IRB framework**, progress was made on the scheduled milestones, allowing rates to be set with a risk-adjusted approach and offices and decision-making centres to be provided with risk quality and price measures that are consistent with capital costs and provisions.
- ▶ In the area of transformation, new functionalities related to pension plans, investment funds or means of payment were added to the App. One of the new features is the **“Onboarding System”**, through which a new customer can go through the entire Ibercaja registration process in just ten minutes.
- ▶ **Ibercaja Explora** is a pilot project in the field of innovation and digitisation. This is a unique space, located in the centre of Zaragoza, where an educational approach is used to inform the public and showcase the digital assets of the Bank.

▶ BRAND AND CORPORATE REPUTATION

THE TRUST OF CUSTOMERS AND SOCIETY ARE KEY ASPECTS TO BOOST BUSINESS ACTIVITY AND RESULTS. NON-FINANCIAL ASSETS: REPUTATION, BRAND, COMMUNICATION ... HAVE BECOME OPPORTUNITIES TO CREATE BUSINESS VALUE.



AWARE OF THE FOREGOING, IBERCAJA AIMS ITS STRATEGY AT ACHIEVING A DIFFERENTIATION BASED ON RESPONSIBLE AND SUSTAINABLE MANAGEMENT.

During 2018, **efforts were made to strengthen corporate reputation as a lever for differentiation** that adds value to the business, reinforces trust and generates positive perceptions that become attitudes and behaviours that support the Entity.

In this regard, **frequent measurements** were performed that show the perception that customers, employees and society have regarding the organisation, enabling the best and worst aspects to be identified in order, from then onwards, to implement improvement plans.

DIAGNOSIS

KNOW WHERE WE ARE



ACTION PLAN



GOAL

WHERE WE WANT TO GET TO



CORPORATE BRAND

THE BRAND IS THE INTERNAL AND EXTERNAL IDENTIFICATION OF THE BANK

It is one of Ibercaja's most valuable intangible assets since it represents its identity, values and corporate purpose, making them visible to customers and society.

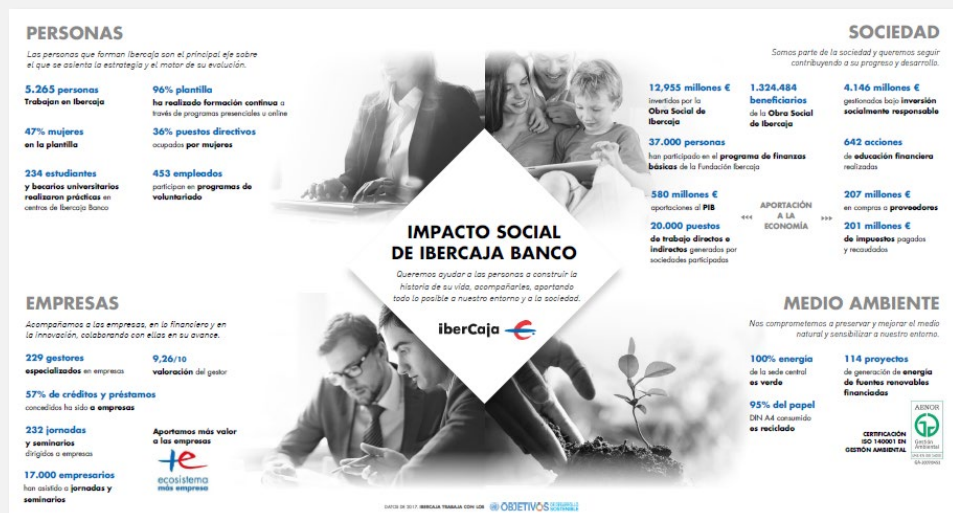
In 2018, the **corporate purpose** has been stated "We help people to build their life story" in line with "El Banco del Vamos", with the aim of connecting and reaching stakeholders more effectively. The concept responds to brand DNA, the result of more than 145 years of the Entity's history, and facilitates the knowledge and transmission of Ibercaja's purpose.

The new style of commercial communication and graphic image helps the perception of **a bank close at hand, transparent, honest in terms of information, proactive, committed and dynamic**, which will accompany people in the most important moments of their lives. To bring the new positioning to the stakeholders, a campaign was conducted through different media.

CORPORATE REPUTATION

During the year, we worked on developing and rolling out **action plans to improve reputation** drawn up in previous years. At the same time, the Social Impact of Ibercaja has continued to be measured by collecting the results in a document that summarises the main contribution of the Entity to individuals, society, companies and the environment.

The Reputation Dashboard, implemented in 2018, is aimed at continuous improvement and includes the main indicators for the management of intangibles, which enable the reputation and the brand to be monitored and potential reputational risks to be identified.



TRANSPARENCY AND COMMUNICATION

103-1, 103-2

TRANSPARENCY, VERACITY, DILIGENCE AND NEUTRALITY ARE KEY CRITERIA PRESENT IN THE INFORMATION FLOWS GENERATED BY THE ENTITY.

IBERCAJA HAS A **COMMUNICATION MODEL** THAT SYSTEMATISES INFORMATION FLOWS.



TRANSPARENCY

In all matters of public interest that do not compromise the required confidentiality of the activity.



TRUTHFULNESS

So that it accurately responds to the information requests of the stakeholders.

IT ESTABLISHES **FOUR CRITERIA** THAT MUST BE PRESENT IN ITS NOTIFICATIONS:



DILIGENCE

To provide timely information that recipients can make use of to their maximum benefit.



NEUTRALITY

All stakeholders are entitled to information generated by Ibercaja in equal conditions.

BELOW ARE THE THREE ASPECTS OF COMMUNICATION AND ITS MAIN ACTIONS DURING THE YEAR:

INTERNAL COMMUNICATION

- ▶ Aimed at **transmitting the Bank's strategy and promoting the participation of staff**, fostering the feeling of belonging to the organisation. It is carried out in different ways: daily publications, four-monthly magazine, employee portal, management proximity plans, etc.

HIGHLIGHTS OF 2018 INCLUDE:

- » **Presentation in Zaragoza of the 2018-2020 Strategic Plan+ 2020** by the CEO to 1,500 employees of the Entity that head the branch network and area divisions. In this event, the balance of the previous strategic cycle was analysed, breaking down the main lines of the current cycle.
- » **13 videos were recorded, presenting the main projects and milestones of the current Strategic Plan.** The Chief Executive Officer appeared in two of an institutional nature with strategic relevance, while the area directors and their teams appeared in those aimed at sharing with employees the objectives of the Plan + 2020 and the advances in digital transformation.
- » The directors of the five territorial divisions, together with the area managers, presented the **Inspirational Leadership Model** to the branch directors and other management figures with responsibility over people.
- » The territorial and area directors held 19 meetings with employees of their respective territories or central units.



EXTERNAL COMMUNICATION

- ▶ Ibercaja maintains **a fluid relationship with Spanish and foreign media**, to respond to information requests and notify significant events involving the Group.

THE MAIN EXTERNAL COMMUNICATION ACTIONS INCLUDE:

- » **Institutional presentation** of the Bank's most significant data, together with the principal lines of the 2018-2020 Strategic Plan.
- » **Announcement of press conferences** and transfer of information to the media regarding the Entity's achievements and procedures deemed to be significant for the Bank's different stakeholders.
- » **Collaboration of expert professionals in different areas of the Bank with the media through opinion articles**, interviews and responses to queries on issues and matters of an economic and financial nature.
- » **Boosting of presence in social networks**, broadcasting news related to the Bank, participation in events, sponsorship, partnerships, etc.

INSTITUTIONAL PRESENCE PLAN

- ▶ The **objective of this plan is to position the Ibercaja brand as a benchmark in the Spanish banking system**, by encouraging participation in the main forums and economic and sectorial meetings, as well as by increasing the involvement of the executive team.

As a reinforcement to the launch of the territorial plans, more than one hundred actions have been implemented, aimed at strengthening the Bank's institutional presence in these territories.



5. MANAGEMENT AND SUSTAINABLE DEVELOPMENT

WE WORK FOR THE SDG



CORPORATE SOCIAL RESPONSIBILITY POLICY

COMMITMENT TO CUSTOMERS

COMMITMENT TO PEOPLE

COMMITMENT TO SUPPLIERS

COMMITMENT TO SHAREHOLDERS AND INVESTORS

COMMITMENT TO THE ENVIRONMENT

COMMITMENT TO SOCIETY

EL BANCO
DEL
Vamos



MANAGEMENT AND **SUSTAINABLE** **DEVELOPMENT**

102-42, 102-40

WE CONSIDER SOCIAL RESPONSIBILITY TO BE AN ETHICAL COMMITMENT TO RESPOND, AT ALL TIMES, TO THE NEEDS OF OUR SURROUNDINGS, WHICH MATERIALISES IN THE BUSINESS STRATEGY, IN THE PROCEDURES OF ALL OF US THAT FORM PART OF THE ENTITY AND IN A MULTITUDE OF INITIATIVES, BEYOND FINANCIAL INITIATIVES THEMSELVES.



IBERCAJA IS AWARE OF THE IMPACT OF ITS ACTIVITY ON THE ENVIRONMENT, ON SOCIETY AND ON DIFFERENT GROUPS WITH WHICH IT INTERACTS AND, IN TURN, OF THE EFFECTS THAT THE ENVIRONMENT AND THESE GROUPS HAVE ON THE ORGANISATION ITSELF.










Therefore, it is essential **to identify the main stakeholders** with which the Entity is related, which must necessarily be taken into account in all the activities carried out by Ibercaja.

In 2015, a map was drawn up of the stakeholders, identifying those that were priority groups of interest: **customers, people, investors and shareholders, suppliers, environment and society.**

Ibercaja enhances **listening and dialogue** with them to identify their needs and expectations and anticipate them, developing channels and specific tools that favour bi-directional on-going communication.

THE MOST SIGNIFICANT COMMUNICATION

CHANNELS INCLUDE:

-  CORPORATE WEB PAGE AND COMMERCIAL WEB PAGE
-  CUSTOMER SERVICE
-  FREE TELEPHONE NUMBERS AND EMAIL INBOXES
-  ACTIVE LISTENING IN SOCIAL NETWORKS
-  CUSTOMER SATISFACTION SURVEYS
EMPLOYEE SATISFACTION SURVEYS
REPUTATION MEASUREMENT SURVEYS
BRAND AWARENESS SURVEYS
-  NEWSLETTERS AND ON-LINE ASSESSMENT QUESTIONNAIRES
-  NOTIFICATIONS AND WORKING WITH THE PRESS AND OTHER MEDIA
-  MEETINGS AND FOCUS GROUP WITH EMPLOYEES, CUSTOMERS AND THE PUBLIC AT LARGE
-  SYSTEMATIC AND PERMANENT RELATIONSHIPS WITH BODIES, INSTITUTIONS AND SOCIAL AGENTS TO ASCERTAIN TENDENCIES, EXPECTATIONS AND EXCHANGES OF GOOD PRACTICES (AEC, CEOE, CHAMBERS OF COMMERCE, FORÉTICA, CECABANK, ETC.).

CORPORATE SOCIAL RESPONSIBILITY POLICY

103-1, 103-2, 102-15, 102-16, 102-19, 102-20, 102-21, 102-26, 102-28, 102-30, 102-31, 102-43, 102-44, 401-2, G4FS6

WE CONSIDER CORPORATE SOCIAL RESPONSIBILITY WITH A LONG-TERM EXTENSIVE APPROACH, OF ON-GOING IMPROVEMENT "TO HELP PEOPLE TO CONTINUE TO BUILD THEIR LIFE STORY".

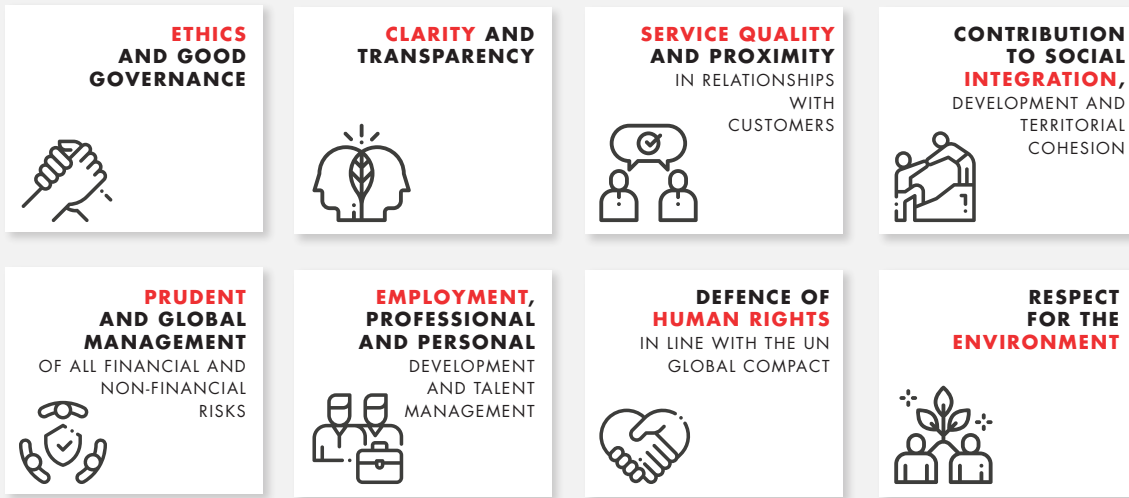
That is why we are committed to sustainability in order to contribute to the generation of wealth, taking into account the needs and expectations of our customers, colleagues and collaborators, protecting the environment and the environment that surrounds us.

Corporate Social Responsibility actions aim **to contribute to long-term sustainable development**, promoting the balance between economic growth, social cohesion and environmental preservation. We acknowledge the need to take into account CSR in the same way as we recognise the effort of those forming part of Ibercaja and of the organisation itself in complying with such criteria. And we perform such actions with the **Sustainable Development Goals** as the driving axis, striving to contribute, at local level, to their achievement.



SUSTAINABILITY PRINCIPLES

THE **SUSTAINABLE ACTION PRINCIPLES** (SUSTAINABILITY PRINCIPLES) THAT ARE INCLUDED IN THE INTERNAL MANAGEMENT MODEL AND WHICH ENCOMPASS ALL ACTIVITIES AND DECISIONS ARE:



IBERCAJA IS A BANK WITH A HIGH LEVEL OF SOCIAL SENSITIVITY, WHICH PROMOTES SUSTAINABILITY, COMBINING THE GENERATION OF BUSINESS EARNINGS, SOCIAL CONTRIBUTIONS AND ENVIRONMENTAL PROTECTION IN THIS REGARD.

Corporate Social Responsibility is promoted by the Entity's governing bodies and the projects are incorporated into the plans and actions of each of its areas. CSR management is headed by the Chief Executive Officer. **Stretching across the entire organisation, it forms an integral part of the Strategic Plan.**



VALIDATING AND SUPERVISING THE BANK'S CORPORATE SOCIAL RESPONSIBILITY POLICY AND THE PROGRAMMES AND INITIATIVES IN PLACE TO MONITOR AND FULFIL SUCH POLICY IS ONE OF THE COMPETENCES OF THE BOARD OF DIRECTORS.

▶ The Board is informed by the Corporate Reputation and Responsibility Committee which, chaired by the Chief Executive Officer, counts on the presence of the main functional areas; It is responsible, among other aspects, for proposing the Action Plan on Corporate Social Responsibility.

The Bank has a **Corporate Social Responsibility Policy**, approved by the Board of Directors at the end of 2016, which includes the **principles of action and responsible management commitments** assumed by the Entity with the main stakeholders, responding explicitly through:

- » **INTERNAL COMMUNICATION.** So that the commitments are known, shared and integrated into the day-to-day work of all those forming part of Ibercaja.
- » **EXTERNAL COMMUNICATION.** They are notified to guarantee the firm commitment and transparent management of actions, responding to the expectations and needs of the stakeholders and the regulatory requirements.

IN 2018, IBERCAJA OBTAINED THE RSA + SEAL IN ARAGON, AWARDED BY THE ARAGON SOCIAL RESPONSIBILITY BOARD AND COORDINATED BY THE ARAGON GOVERNMENT, THROUGH THE ARAGON INSTITUTE FOR DEVELOPMENT (IAF).



To obtain this Seal, **Ibercaja succeeded in the four areas defined**, hence receiving the **recognition of the Aragon Government**:



Reconciliation of personal, family and working life, in line with the guidelines promoted by the General Equality and Family Division



Boosting **equality** in all manner of organisations, granting precedence to equal opportunities and the principle of non-discrimination



Volunteer work, promoting cooperation between NGOs and non-profit making organisations, to ensure a stable relationship between both and encourage the use of the Cooperation Window and



Involvement of the organisations in the **promotion of culture in Aragón**, boosting their relationships with their surroundings.

The development of the commitments established in the policy is specified in a **Corporate Social Responsibility Action Plan**, which identifies the actions, both internal and external, that will be carried out by the Entity. The implementation of the plan and its effective communication contribute to strengthening the Group's corporate reputation. This Plan **is part of one of the challenges contemplated in the Entity's 2018-2020 Strategic Plan.**

THE FOLLOWING SECTION EXPLAINS THE FOCUS ON THE RELATIONSHIP WITH THE PRIORITY STAKEHOLDERS THAT PRESIDE OVER ALL THE ACTIONS CARRIED OUT IN 2018.

COMMITMENT TO CUSTOMERS

102-6, 102-7, 102-15, 102-21, 102-43, 102-44, 103-1, 103-2, G4F56

FOR US, THE CUSTOMER TAKES CENTRE STAGE: OUR GOAL IS TO OFFER AN EXCELLENT SERVICE, WITH THE PRODUCTS AND SERVICES THAT BEST SUIT THEIR EXPECTATIONS AND NEEDS.

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

It promotes **interrelation** and **dialogue** with customers, aligning the business model with their expectations and needs. Knowing their interests and holding information about the perceived experience allows us to adapt the strategy to give the best response, also through the digital transformation project promoted by the entity.



AS A RESPONSE TO THE VALUE PROPOSITION FOR THE CUSTOMER, BASED ON **PERSONALISATION, **UTILITY** AND **MUTUAL COMMITMENT**, IBERCAJA ASSUMES THE FOLLOWING COMMITMENTS:**



▶ **IN-DEPTH KNOWLEDGE**

To work in an active, constant and systematic way in the in-depth knowledge of customers, offering those products, services and information of use to them based on their lives and needs.

▶ **EXCELLENCE AND PERSONALISED ATTENTION**

Promote excellence in management and quality personalised professional attention

▶ **TRANSPARENCY**

Pay special attention to transparency in the communication and commercialisation of products, providing the necessary information so that the customer is able to make informed decisions.

▶ **FINANCIAL ADVICE**

Help clients so that at every moment of their lives they are aware of the aspects of finances that may matter to them and offer them advice and information so they can plan, control and decide their finances themselves.

▶ **ADEQUATE PRODUCTS**

Design and make products available to customers that are in line with their characteristics and needs, ensuring that the range of products includes those of a solidarity and sustainable nature.

▶ **EFFICIENT DIALOGUE CHANNELS**

Establish efficient dialogue channels to enable customers to be listened to to improve what matters most to them, as a basis for mutual commitment, and offer the highest quality of service.

▶ **CONFIDENTIALITY**

Always protect the confidentiality of customer data, maintaining the highest security standards.

IBERCAJA'S MANAGEMENT MODEL IS GEARED TOWARDS EXCELLENCE: CUSTOMER EXPERIENCE AND SERVICE QUALITY ARE THE PREMISES THAT SHOULD GUIDE ALL ACTIONS.

Knowledge of the customer, an adequate product range, adequate distribution and marketing of such products and a well-cared for relationship with such customers are the **key points of Ibercaja's strategy**. The entity follows internationally recognised standards of excellence and promotes continuous improvement as an essential system in the management of change.

Customer Experience is included in the Marketing and Digital Strategy Division, taking advantage of the proximity with the business to participate in the definition of advisory strategies increasingly adapted to customers, promoting a commercial system associated with different financial needs that arise during their lives (savings, financing, insurance, etc.).

To facilitate the **management and professionalisation** of the people at the service of the customer, various media and guides, both internal and to be delivered to the customer, are prepared and updated continuously.

In 2018, with the design of the **new Strategic Plan**, the **Digital Transformation Project**, which seeks to anticipate the new demands of society, has been launched as one of the transforming milestones, in order to provide a service aligned with the digital capabilities of each customer and succeed in a highly competitive market.

OBJETIVE

TO HELP TO PROVIDE THE BEST ATTENTION AT ALL TIMES IN THE FACE OF ANY FINANCIAL NEED, THEREBY CONTRIBUTING TO OBTAIN AN ENHANCED INTERNAL EXPERIENCE.



The campaign in this regard continues to be recognised, and the **Entity's mobile applications (Ibercaja Mobile Banking and Ibercaja Pay) are among the top rankings in APPs markets**, and Ibercaja Mobile Banking has been selected as one of the three best mobile applications in the first edition of The Awards in the Economy, Finance and Business category.



COMMITMENT TO PEOPLE

102-7, 102-8, 102-10, 102-12, 102-15, 102-21, 102-43, 103-1, 102-44, 401-2, 404-2,
405-1

THE DEDICATION AND PROFESSIONALISM OF THE PEOPLE WHO WORK AT IBERCAJA AND THEIR INVOLVEMENT AND COMMITMENT TO THE PROJECT MAKE THEM THE MAIN AMBASSADORS OF THE BRAND.

WE WORK FOR THE SDG



THE PEOPLE WHO WORK AT IBERCAJA ARE THE FUNDAMENTAL PILLAR ON WHICH THE ENTITY CONSOLIDATES ITS PROJECT.

AS AN ORGANISATION THAT KNOWS THE VALUE OF PEOPLE AND WITH THE AIM OF SHAPING AN EFFICIENT ORGANISATION WITH THE CAPACITY TO RESPOND TO FUTURE CHALLENGES, **IBERCAJA TAKES ON THE COMMITMENTS WITH ITS PEOPLE WITH GRATITUDE:**

▶ **KNOWLEDGE AND ACCOMPANIMENT**

Get to know people and accompany them throughout their career, especially in the most significant professional moments.

▶ **WORK-LIFE BALANCE**

Encourage the reconciliation of personal and professional life, applying measures of flexibility, as a way of balancing the needs of people and the company.

▶ **CONTINUOUS DEVELOPMENT**

Promote the continuous development of the abilities and skills of people, within the talent management model, identifying and responding to current and future training needs and enabling access to knowledge.

▶ **LEADERSHIP MODEL**

Promote an inspiring leadership model, being demanding with the outcome, while close at hand and empathetic.

▶ **OPEN AND TRANSPARENT COMMUNICATION**

Maintain open and transparent communication, establishing the necessary channels and tools and promoting ascending and descending communication channels that encourage participation.

▶ **OPEN AND TRANSPARENT DIALOGUE**

Foster open and transparent dialogue with employee representatives, as the fundamental base of labour relations.

▶ **DIVERSITY AND EQUALITY**

Defend diversity and equal opportunities, based on commitment, results and behaviour, rejecting all forms of discrimination and offering opportunities for development.

▶ **SAFETY AND PROTECTION**

Commit 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.

▶ **VOLUNTEERING**

Promote corporate volunteer work in order to actively contribute to society and reinforce the pride of belonging to the Entity.

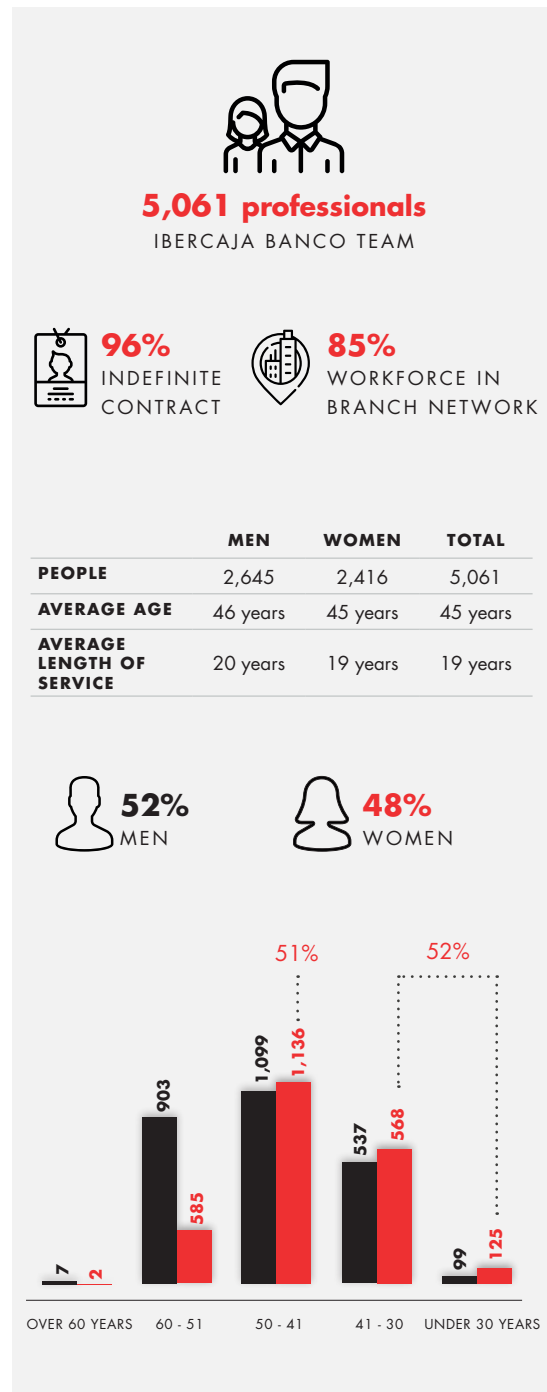
Ibercaja Banco has a **human team** of **5,061 professionals** (data as of December 2018), 96% of which have an indefinite contract. Of these, 753 perform their work in central services, which means that 85% of the total workforce works in the branch network.

Women accounted for **48%** of the workforce at the end of 2018, having increased significantly in recent years (37% in 2005, 44% in 2014, 45% in 2015, 46% in 2016 and 47% in 2017). 52% of employees under 40 years old were women. The percentage of women in the Bank's average age is one point higher than that of men.

Within the framework of Ibercaja Banco's new Strategic Cycle, and with the conviction that people are the common denominator that will lead to success through their professionalism and commitment, the Human Resources Department commenced a new phase in 2018 that includes the renewal of the department, updating its structure and functions and evolving towards a **Personnel Management Department**, establishing new guidelines materialising in a new Plan for the **cycle 2018-2020**.

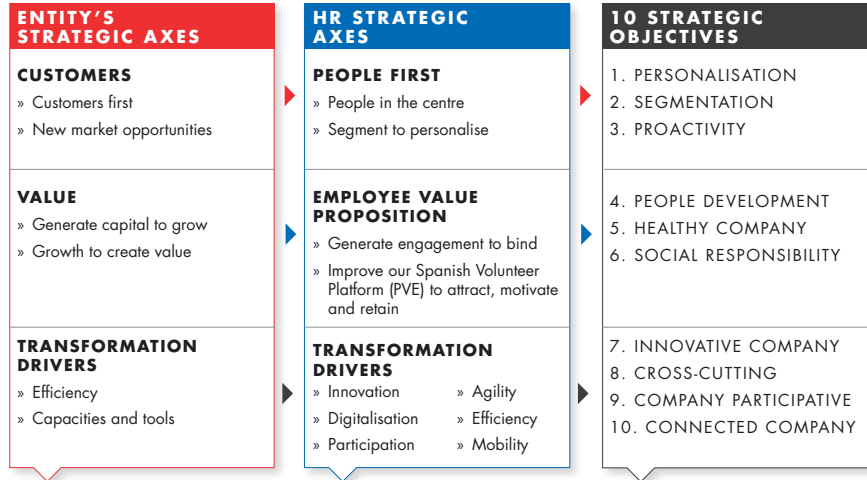
THE GOAL

FORM A DYNAMIC, EFFICIENT, COMMITTED TEAM THAT WORKS THROUGH AND FOR THE CUSTOMER (INTERNAL AND EXTERNAL) IN A POSITIVE ENVIRONMENT THAT FACILITATES THE PERSONAL AND PROFESSIONAL DEVELOPMENT OF PEOPLE.



The focus of people management at Ibercaja for this new cycle is based on the conviction that the consolidation of the people management model defined in the previous strategic plan (Personalised Management, Talent Development, Inspiring Leadership, 360° communication) must be made compatible with the **alignment and promotion of new lines of work that reflect the axes of the Strategic Plan**, creating levers to continue promoting change.

ALIGNMENT WITH THE ENTITY'S STRATEGIC AXES:

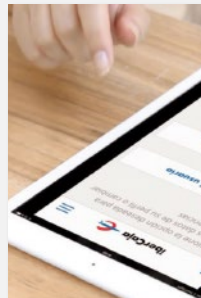


THE LEADING TRANSFORMING MILESTONES IN 2018 TIED TO THESE STRATEGIC AXES WERE:



LEADERSHIP

Deployment of the Leadership Model among Office Managers and consolidation of new behaviour among TOP MANAGERS.



WORK IN MOBILITY

With the launch of the first mobility solutions, Ibercaja once again places the customer in the centre stage to offer a personalised quality service.



NEW SPACES

With the inauguration of the Ibercaja CoffeeWork space, Ibercaja joined the trend where workplaces are considered as a strategy to help to create culture, favouring the employment climate and promoting a higher level of commitment.



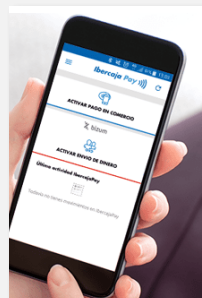
PARTICIPATION AND INNOVATION

The first imPULSE innovative challenge was launched, a system of innovation challenges that allows the crowdsourcing of ideas to take advantage of the collective intelligence of the entire organisation, managing to transform processes, products, services, etc.



ENGAGEMENT

FlexiPLAN arose from the Flexible Compensation Plan that allows part of our remuneration to be earmarked to the arrangement of certain products (Health Insurance, Nursery, Restaurant Cards, Transport Cards or Training), increasing net salary as a result of the related tax benefits.



DIGITAL COMPETENCES

The 2020 Strategic Plan incorporates the design of a digital accompaniment plan that allows us to travel along the digital transformation path together. In 2018, the 2020 Digital Competencies Map was designed, which includes the competences that Ibercaja considers necessary in the change process.

INSPIRATIONAL LEADERSHIP

THE KEY

THE ADOPTION OF THIS MODEL IS THE KEY TO IBERCAJA'S CULTURAL TRANSFORMATION: MORE **AGILE**, MORE **FLEXIBLE**, MORE **INNOVATIVE** AND **FOCUSED ON THE CUSTOMER**.

IBERCAJA'S INSPIRATIONAL LEADERSHIP MODEL IS A REFERENCE FRAMEWORK SO THAT THOSE THAT LEAD TEAMS CAN EXERCISE A UNIFORM AND COHERENT INFLUENCE, ALIGNED WITH IBERCAJA'S STRATEGY.

To achieve this, throughout 2018, measures were implemented to continue promoting new patterns of behaviour in our leaders.

ACTIONS AIMED AT TOP MANAGERS

VALUATION OF LEADERS. Involving the Entity's leading 180 executives for the second year running, whose diagnosis allowed us to identify those aspects that must continue to be reinforced among Top Managers.

REFRESHER COURSES. Throughout 2018, group workshops were imparted with a twofold objective: Interpretation and analysis of the results of the evaluation carried out by collaborators and implementation of Individual Improvement Plans (PAI).

COACHING AND ACCOMPANIMENT. Currently, 22 managers are participating in these individual coaching sessions, in which objectives and areas of improvement are determined for each of the participants.

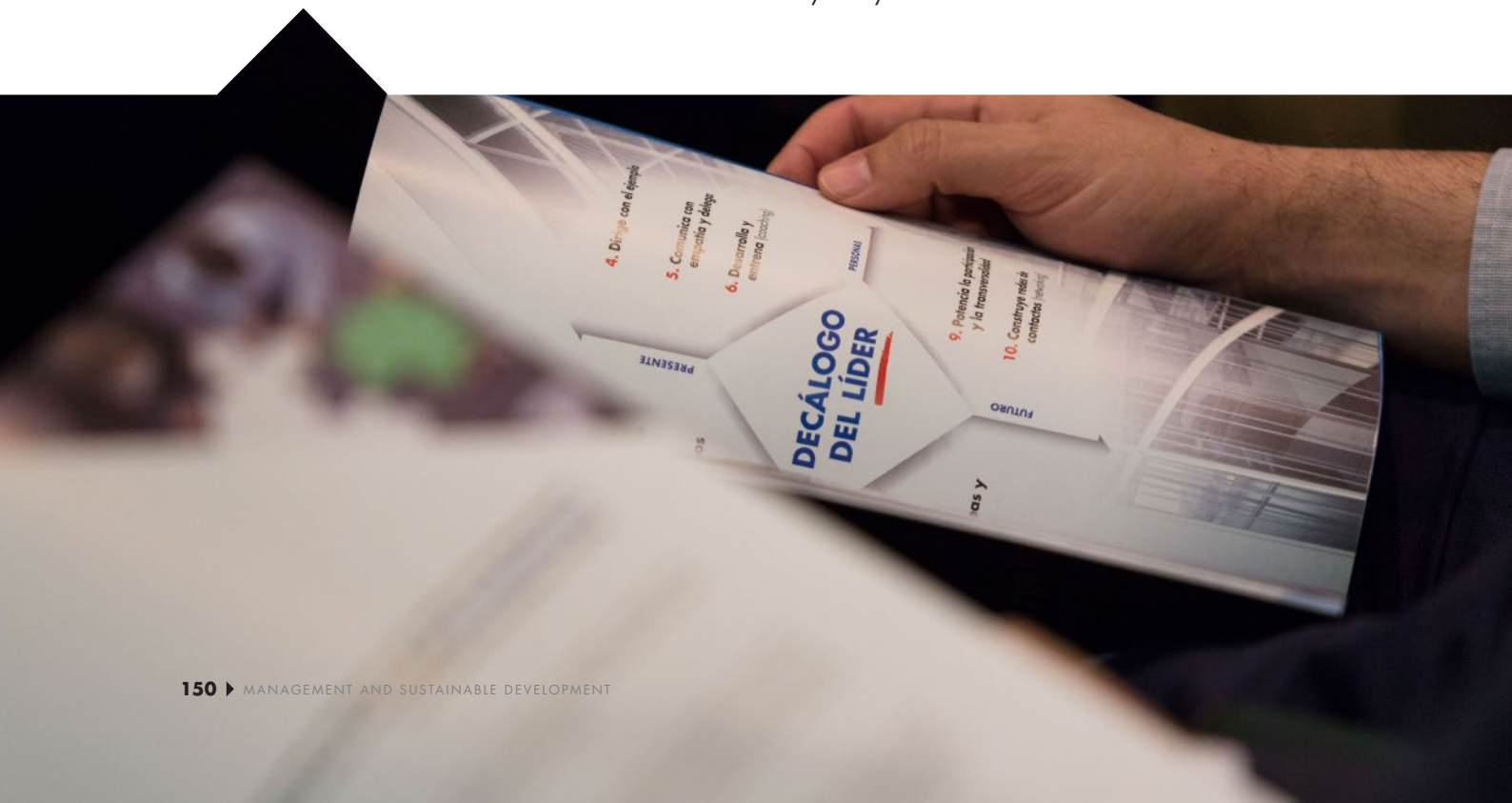
ACTIONS AIMED AT BRANCH DIRECTORS

VALUATION OF LEADERS. For the first time, the first Branch directors (300 people) were included in the assessment by their teams, in order to identify those on which to focus in the subsequent training plan.

PRE-WORK SESSIONS. After the evaluation, training began with a virtual individual preparation session for the face-to-face workshop.

FACE-TO-FACE WORKSHOP. Throughout three days of work in Huesca, the directors convened learned about the model in depth, discovering the different levers that allow the Bank to ensure profitable and sustainable growth.

VIRTUAL ITINERARY. To sustain the work carried out in the face-to-face workshops, through a series of specific analysis, diagnosis and execution tools, key leadership behaviour begins to be applied to specific day-to-day situations.



NEW SPACES

BEYOND TECHNOLOGY, THERE ARE OTHER ASPECTS THAT SHOW THE TRUE DEGREE OF TRANSFORMATION OF AN ORGANISATION. "SIGNS" THAT SYMBOLISE THE CHANGE AND RENEWAL OF CERTAIN FORMS OF WORK IN LINE WITH THE NEW TIMES.

In this context, **Ibercaja CoffeeWork** is the logical result of the evolution and **transforming culture** of Ibercaja and of the new ways of understanding work spaces.

Ibercaja CoffeeWork was created in order to offer an **enhanced experience to employees**, and was conceived as a versatile multi-use space, in which to be able to connect with colleagues, generate ideas, co-create and innovate, etc., but also in which to have a coffee, a piece of fruit or a healthy meal.

The space responds to the philosophy of a **"sustainable and healthy company"**, in which socially responsible activities, healthy workshops or the daily consumption of fresh fruit are promoted.

ÁGORA

Multipurpose versatile space, with stands on one side and a blackboard with a light and a spotlight on the other side, where you can organise small internal events or creative workshops.



NOMAD CAMP

Space for "mobile" workers



COFFICE SPACE

Highly functional space with tables and high chairs that transmits collaboration, designed for "informal" meetings while having a coffee.



RELAX CORNER

Conceived for moments of disconnection, active rest or to flick through newspapers or magazines.

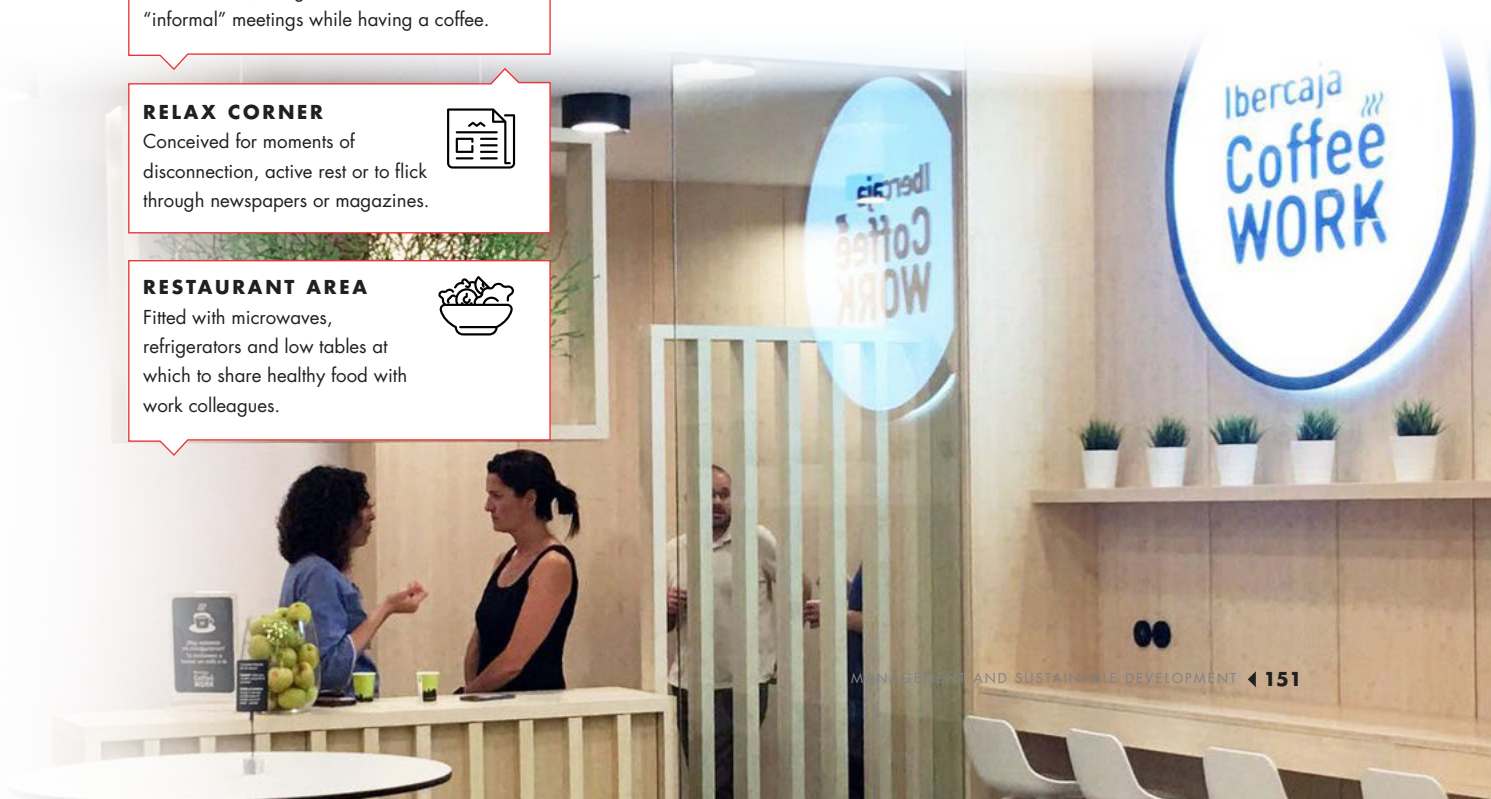


RESTAURANT AREA

Fitted with microwaves, refrigerators and low tables at which to share healthy food with work colleagues.



"EAT HEALTHILY, EAT VARIED, EAT ACCOMPANIED ... THINK GREEN, RECYCLE ..." ARE SOME OF THE MESSAGES THAT HAVE INSPIRED THIS SPACE, DIVIDED INTO **FIVE KEY AREAS:**



ENGAGEMENT

RETAINING AND ATTRACTING TALENTED PROFESSIONALS IS THE KEY TO SUCCESSFUL COMPANIES. THAT IS WHY AT IBERCAJA WE CONSIDER INTRODUCING NEW MOTIVATING ELEMENTS INTO OUR **REMUNERATION SYSTEM** TO BE CRUCIAL.

The implementation of **FlexiPLAN**, the new **Flexible Compensation Plan**, responds to this objective and represents a new element of fully customised salary pay.

FlexiPLAN allows the employee to voluntarily allocate part of their remuneration to the arrangement of certain products, achieving an increase in his/her net salary as a result of the tax treatment of these products.

With the launch of this initiative, in addition to health insurance, the offering of products has been adapted to the new demands and needs of staff: **Nursery, restaurant cards, transport cards or training.**

To facilitate the management of the Flexible Compensation Plan, a new **Compensation Portal** has been launched alongside it, on which we can simulate the different products, renew and contract those that best suit our needs. In addition, you can also access our salary information quickly and easily and consult all the benefits that Ibercaja offers to its employees.



PARTICIPATION AND INNOVATION

THE CHANGE OF MENTALITY IS CLOSELY RELATED TO INNOVATION. THE GENERATION AND STIMULATION OF COCREATION AND CROWDSOURCING PROCESSES ARE ESSENTIAL IN A 2020 CULTURE.

This opening to disruptive change touches down at Ibercaja hand in hand with the **imPULSE INNOVATIVE** challenge. A system of challenges based on innovation and collaborative participation, which seeks to resolve between everyone all needs of customers and the Bank through transforming ideas.

The **imPULSE Innovative** challenge intends to be a driver of transformation, seeking the direct involvement of staff in the Bank's strategy.

FIRST CHALLENGE

FIRST CHALLENGE:

In the first edition, the proposed challenge sought solutions **to help our elders get closer to Ibercaja's Digital Assets (IBD, Telephone Banking, APP's, ATMs ...)**, to learn about them so they can cover their basic financial needs and why not, have fun doing so!

A challenge that pursued **two objectives**:

- » Promote the **self-service** of our customers over 65
- » **Digital inclusion** of this group

RESULTS

In 15 days, 128 proposals were received, in which 66 teams participated, with more than 200 intrapreneurs. In January 2019, the **five finalist projects** will participate in the **Innovation Day**, providing them with an opportunity to finish shaping their idea in order to approach the Management Committee.

The winning project has the formal commitment of the Management Committee **to implement its proposal throughout 2019**. The winners will also enjoy a trip, during which they will visit one of the most important technology and innovation companies in the world.

WORK IN MOBILITY

THE PROGRESS OF NEW TECHNOLOGIES HAS COMPLETELY CHANGED THE HABITS OF CUSTOMERS, WHO ARE INCREASINGLY DEMANDING REGARDING THE SERVICES PROVIDED BY THEIR BANK.

With the launch of the first mobility solutions, Ibercaja boasts a **new digital transformation milestone** which, using technology, once again places **the customer at the centre** of its strategy, to offer it a personalised quality service.

The new solutions allow employees to manage, simulate or access information at any time and anywhere, thus adapting to the needs of customers, increasing their satisfaction and improving the image of Ibercaja: more innovative, more agile, more efficient ... Mobile devices also have collaborative work tools, allowing distances to be shortened between colleagues, work meetings to be held in a decentralised manner, knowledge to be shared or cooperation in different projects.

DIGITAL COMPETENCES

AT IBERCAJA WE ARE CONVINCED THAT THE PROCESS OF DIGITAL TRANSFORMATION IN WHICH WE ARE IMMERSSED WILL BE A SUCCESS IF WE, THE PEOPLE THAT FORM THE ORGANISATION, ARE A LEVER OF CHANGE TO MAKE SUCH SUCCESS POSSIBLE.

To this end, the 2020 **Digital Competencies Map** has been designed, which includes the competences that Ibercaja considers necessary in the process of change and the behaviour associated with each competence. To trace the roadmap to be followed, it is essential to ascertain **the point of departure or degree of digitalisation** at which we are both at. Compiling this information has allowed us to:

- » **Ascertain the degree or level of digitalisation** of each one of us, per the competences map defined.
- » Define the **personalised digital training and training itinerary** adapted to each of our levels, which will take place in 2019.
- » Identify the level of the **organisation's digital maturity** (at aggregate level), which will enable us to define future strategies based on objective criteria.

To conduct this analysis, a brief **self-assessment form** was devised, based on the 2020 Digital Competences Map, with which we obtained the information required to build a very precise panorama of our "digitalisation level" on an individual and aggregate basis.

IN ADDITION TO THESE MILESTONES, THE FOLLOWING STOOD OUT, AMONG OTHERS, IN 2018:

PODIUM. FIRST ON-LINE GAMIFICATION MEASURES.

To support the Entity's Digital Transformation process in 2018, **new learning resources and methodologies** were included in the training platform, which generate a positive experience in the user due to their useful dynamic nature. Using the **Gamification** technique, the mechanics of gambling were transferred to the educational-professional sphere in order to obtain better results.

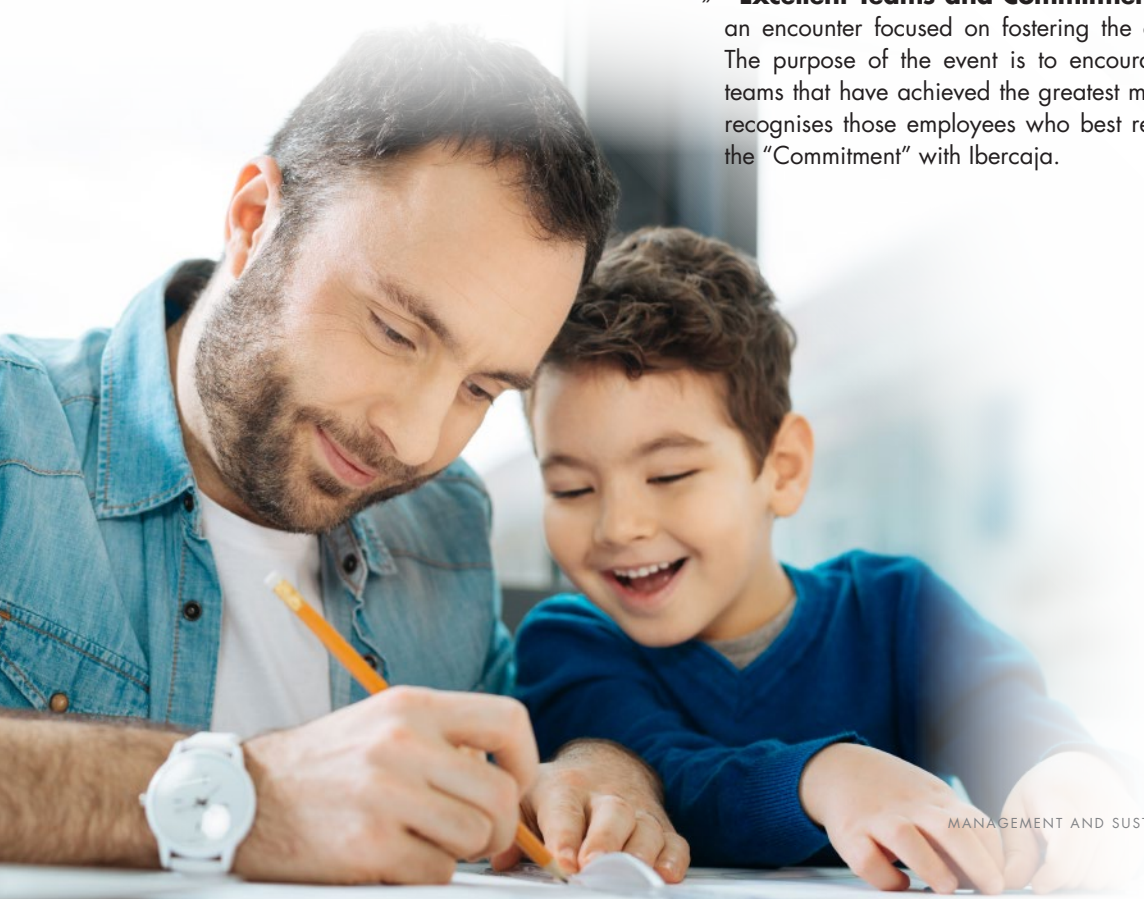
DRAW IBERCAJA IN YOUR CHRISTMAS.

To bring employees' children closer to Ibercaja, the "Draw Ibercaja in your Christmas" campaign was launched again, this year emphasising our organisational purpose "Help people to build their life story, because it will be our story".

SYMPOSIUMS. CULTURE OF RECOGNITION.

Within the framework of the improvement of the Employee Experience, a **new recognition culture** has been implemented through different programs. In 2018, 455 professionals were recognised through two programmes:

- » **"Symposium 25 years stating Juntos Vamos"**. A new concept based on emotional incentive, with the aim of thanking those colleagues who celebrate their silver anniversary at the Entity.
- » **"Excellent Teams and Commitment Awards"**. This is an encounter focused on fostering the culture of teamwork. The purpose of the event is to encourage and reward the teams that have achieved the greatest merits in 2018. It also recognises those employees who best represent the value of the "Commitment" with Ibercaja.



IN 2018, THE MAIN LINES OF ACTION WERE:

103-2, 103-3

CULTIVATING TALENT

IBERCAJA CONSIDERS THE PROFESSIONAL AND PERSONAL DEVELOPMENT OF EMPLOYEES AS A STRATEGIC OBJECTIVE WITHIN THE FRAMEWORK OF PEOPLE MANAGEMENT.

This involves **training and promoting the highest number of professionals** each year, actively contributing to **fostering internal talent**, in response to the dynamism required to carry on the Bank's activities in line with the expectations and requirements of the surroundings.

2018 saw the conclusion of accreditation of professionals in the **European Investment Practitioner, EIP and European Investment Assistant, EIA programmes**. These programmes were carried out with an on-line tutorial methodology and assessed through a face-to-face examination.

In 2017, almost **900 employees** successfully completed the EIP programme and in 2018 2780 professionals were certified. To sum up, by the end of the year, our Entity already had 93% accredited professionals.



EMPLOYEE COMMUNICATION AND EXPERIENCE

THE BANK HAS OPEN AND TRANSPARENT COMMUNICATES WITH PEOPLE, PROVIDING INFORMATION ON ACTIONS LED FROM THE PEOPLE AREA, DISCLOSING GENERAL INTEREST TOPICS AMONG THE WORKFORCE, PROVIDING AND PROMOTING CHANNELS AND MEANS OF GUARANTEEING ADEQUATE NOTIFICATION TO EMPLOYEES AND ENCOURAGING THEIR PARTICIPATION.

In 2018, for the first time, the **ENPS (Employee Net Promoter Score)** index was devised. It is a parallel indicator to the NPS used in Customer Experience, which tells us about the degree of commitment of employees to the Ibercaja brand, responding to the question **“Would you recommend Ibercaja as a place to work?”** and obtaining an excellent score of **25.9**.

Furthermore, the traditional Employment Environment survey has evolved towards a perception study, which we call **Employee Experience Measurement**, in order to identify that which most satisfies employees in their day-to-day procedures, together with the aspects that may slow down their professional and personal growth, to adapt the improvement drives at all times.

EMPLOYEE EXPERIENCE

IBERCAJA THUS REINFORCES THE EMPLOYEE EXPERIENCE, AS A BASIS FOR THE PEOPLE MANAGEMENT MODEL IMPLEMENTED IN THE PREVIOUS STRATEGIC CYCLE.



THE MAIN INTERNAL COMMUNICATION RESOURCES INCLUDE:

▶ EMPLOYEE EXPERIENCE SURVEYS

Upstream communication channel to know how employees live and feel their relationship with Ibercaja at key moments in their professional cycle.

▶ MONTHLY BULLETIN “HR INFORMS”

Edited by Personnel Management itself, it includes all types of HR management indicators (appointments, promotions, new additions, etc.) and issues of general interest are disclosed for the staff through different sections: Did you know?, Frequently Asked Questions, Cultural Group, Conduct and Ethics, Prevention Recommendations, Corporate Responsibility, Environment, etc.

▶ MAILBOX “HR DIRECTOR RESPONDS”

Through the Employee Portal, you can contact Personnel Management and notify doubts, suggestions, concerns, etc.

▶ CULTURAL AND RECREATIONAL GROUP

Where ludic activities are promoted that favour participation and social relationships among employees.

▶ IBERCAJA CHRONICLE

Human Resources collaborates in each issue of the magazine “Ibercaja Chronicle” by publishing articles of interest in the Personnel area.

▶ EMPLOYEE PORTAL

Another of the main channels of communication with employees, favouring the flow of upstream and downstream communication.

▶ REGULATORY-DAILY INFORMATION

Main downstream communication channels that allow information to be provided at all times regarding the news related to Human Resources (Tenders, Appointments, Employment Agreements, Legislative News, Administrative Procedures, etc.).

▶ ALL THIS IS FOR YOU

Digital and interactive publication which, with a modern, close at hand and familiar image, shows the advantages and benefits that can be enjoyed by Ibercaja employees.

▶ IMPULSE PLATFORM

Participation channel based on a system of challenges that aims to involve staff in the search for ideas and solutions to the challenges that are periodically proposed. Two types of challenges exist: solidarity and innovation.

DIVERSITY, EQUALITY AND WORK-LIFE BALANCE

103-1, 103-2, 103-3, G4-LA2

IBERCAJA ACTIVELY PROMOTES EQUAL OPPORTUNITIES, REJECTING ANY FORM OF DISCRIMINATION, AND IT IS COMMITTED TO THE WORK-LIFE BALANCE OF THE PROFESSIONALS THAT WORK AT THE ENTITY.

Women are gradually taking on positions of responsibility. In 2018, around 36% of Bank Manager positions, 54% of Assistant Manager positions and 51% of Personal Banking Manager positions were given to women. Women obtained 57% of promotions in 2018.

Ibercaja's employees can opt for **work-life balance** measures such as leave, a reduced working day and an extended leave of absence, some of which expand or improve those set out in the prevailing legislation and in the collective bargaining agreements. During the year, 257 people availed themselves of these measures (219 reductions in working hours, 35 absences for maternity leave and 3 extended absences to care for family members).

COMPENSATION POLICY

STAFF SALARIES COMPRISE FIXED REMUNERATION PROVIDED FOR IN THE COLLECTIVE AGREEMENT FOR EACH PROFESSIONAL LEVEL AND FOR THE VARIABLE REMUNERATION RECEIVED BY THE STAFF ASSIGNED TO THE BRANCH NETWORK ASSOCIATED WITH THE ATTAINMENT OF OBJECTIVES.

In addition, other amounts are paid as supplements for certain groups with specific functions and responsibilities.

The **social benefits** provided by Ibercaja to employees constitute an improvement to the legally established coverage, exceeding the limits and benefits set under the Collective Agreement. They include, among others, study grants, pension plans, grants for nurseries and children's education.

In 2018, a new digital and interactive publication was designed that, with a modern, close at hand and familiar image, shows the advantages and benefits that Ibercaja employees can enjoy.

SOCIAL DIALOGUE

103-1, 103-2, 103-3

LABOUR RELATIONS ARE BASED ON OPEN AND TRANSPARENT DIALOGUE WITH EMPLOYEE REPRESENTATIVES.

The Entity's union representation involves 200 employees linked to six union sections. These relationships attempt to foster **mutual commitment**, in order to advance in the improvement of the employment conditions for the professionals that work at Ibercaja.

The workforce adjustment agreement reached in 2017 was completed in 2018, allowing us to optimise the Bank's current structure. These reductions occurred under the principle of volunteer work as a priority concern, with the majority of dismissals taking place among older colleagues with an administrative profile. With this process, Ibercaja improves its levels of efficiency, productivity and profitability.

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 **healthy lifestyles from** its cultural group, using employees that are closely linked to sporting activities, the proof of which are its over 12 types of sports in which they actively participate, and also the great liking of participating in the different marathons organised locally. Ibercaja also has a specific section in one of its internal bulletins, in which, on a monthly basis, healthcare recommendations are included, such as how to prevent colds, habits that are good for the heart or information on the importance of a healthy diet.

HOW DOES THIS POLICY APPLY AT IBERCAJA?

- » **By having an In-house Prevention Service** to provide specialised technical support to the whole organisation in the area of occupational risk prevention, occupational medicine and ergonomics, promoting healthcare, through frequent medical check-ups, vaccination campaigns and information.
- » The Entity makes its regular risk prevention enquiries through the arrangement of an **Occupational Health and Safety Committee**, whose main function is to verify compliance with the regulations.
- » Employees participate in this specific area through "**prevention officers**". The number of those appointed by and among employee representatives stands at 13.
- » Through the preparation and application of the **Occupational Risk Prevention Plan** and of the related risk assessments and re-assessments.
- » **Training and informing employees** of the risks of their activities, through courses in the area of prevention and publication campaigns through different channels.



COMMITMENT TO SUPPLIERS

102-9, 102-10, 102-15, 102-16, 102-43, 102-44, 103-1, 103-2, 103-3

INTERACTION AND DIALOGUE WITH SUPPLIERS ARE KEY ASPECTS TO FAVOUR A STABLE AND ENRICHING RELATIONSHIP, BASED ON ETHICS, TRANSPARENCY AND STRICT COMPLIANCE WITH THE COMMITMENTS AGREED UPON.

WE WORK FOR THE SDG



IBERCAJA PROMOTES RELATIONSHIPS OF MUTUAL COMMITMENT WITH ITS SUPPLIERS, INFORMING THEM OF ITS RESPONSIBLE MANAGEMENT PRINCIPLES.

SUPPLIERS ARE CRUCIAL TO IBERCAJA: THEY HELP IT TO MEET STRATEGIC OBJECTIVES, PROVIDING IT WITH EQUIPMENT, TECHNICAL ASSISTANCE AND THE SUPPLIES THAT MAKE IT POSSIBLE FOR IT TO PERFORM ITS ACTIVITIES.

COMMITMENTS TO PROVIDERS:

▶ **TRANSPARENCY**

Guarantee transparency when arranging products.

▶ **QUALITY AND COMPETENCES**

Oversee economic relationships which, respecting the interests of both parties, make it possible to obtain the maximum level of quality and commitment in the products served and in the services provided.

▶ **POLICIES**

Assess the approaches and policies implemented by companies in social, environmental and human rights matters (signing of international agreements, quality and environmental certification, special employment centres, etc.).

▶ **SUPPORT FOR COMPANIES**

Support SMEs, those of a social nature and those favouring territorial cohesion in the areas in which their activities are performed.

IBERCAJA BASES THE VALUATION AND SELECTION OF SUPPLIERS ON THE FOLLOWING PRINCIPLES:



MAXIMUM QUALITY
OF THE PRODUCT AND SERVICE.



ECONOMIC CONDITIONS,
RESPONSE CAPACITY AND RESOLUTION
OF INCIDENTS



RELATIONSHIP EXPERIENCE
AND MARKET PRESTIGE



CONCURRENCE AND TRANSPARENCY
IN CHOICE



DIVERSIFICATION
OF SUPPLIERS

IN ORDER TO GUARANTEE COMPLIANCE WITH SOCIALLY RESPONSIBLE PRACTICES BY ITS SUPPLIERS AND FAVOUR THE APPLICATION OF THE PRINCIPLES OF THE GLOBAL COMPACT, IBERCAJA HAS A CODE OF CONDUCT THAT MUST BE ASSUMED BY ITS SUPPLIERS WITHIN THE SUPPLIER ASSESSMENT AND CERTIFICATION PROCESS.

LIKEWISE, SUPPLIERS CONTRACTUALLY UNDERTAKE TO APPLY SAID PRINCIPLES.

In 2018, a **certification process** was performed involving leading suppliers (150), which account for 83% of total purchase volumes managed, of which **89 have renewed their certification** and **58 obtained such certification for the first time.**

Almost all approved suppliers are Spanish and their contracts are regulated internally, having to adjust to standardised criteria, objectives and procedures. In turn, control mechanisms are established to guarantee compliance and ensure that the commitments assumed are carried out.

Administrative management of these processes is conducted electronically, expediting the payment of invoices and reducing paper consumption.

In May 2016, the **Suppliers Portal** was launched. Subsequently, progress continued to be made in the certification process, also performing a risk evaluation of suppliers, to assess and take proactive measures with a view to mitigating such risks.



OTHER IMPORTANT ASPECTS IN 2018 WERE AS FOLLOWS:

- » Centralisation of **appraisal management** for the valuation of foreclosed properties and properties used to secure transactions, in compliance with Circular 4/2016.
- » The implementation of the new **European Union Data Protection** regulation led to the adaptation of certain aspects with suppliers.
- » The projects with **new European regulations** with suppliers.

COMMITMENT TO SHAREHOLDERS AND INVESTORS

102-15, 102-43, 102-44

THE CHALLENGE OF RESPONDING TO SHAREHOLDER AND INVESTOR NEEDS AND EXPECTATIONS PASSES BY BUILDING RELATIONSHIPS OF TRUST BASED ON TRANSPARENT AND HONEST COMMUNICATION AND INFORMATION.

Carry out procedures of interest and **provide adequate information** required for their assessment **are strategic keys in our relationship** with current and potential shareholders and investors.

COMMITMENTS WITH SHAREHOLDERS AND INVESTORS:

▶ EQUALITY

Guarantee equal treatment between shareholders and investors regarding access to significant information on the Bank, avoiding asymmetry and ensuring maximum transparency so that they can obtain complete, clear and true information at all times.

▶ ADEQUATE DIALOGUE

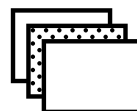
Establish adequate dialogue channels that allow them to be attended to with agility and quality in a personalised manner.

▶ CONFIDENTIALITY

Protect, in the terms envisaged, the confidentiality of the data that may be contributed by shareholders and investors.

DURING 2018, IBERCAJA HAS CONTINUED WORKING TO PROVIDE MORE IN-DEPTH KNOWLEDGE OF THE ENTITY TO ALL FINANCIAL MARKET PLAYERS. THE ENTITY HAS CONTINUED ITS PLEDGE FOR **TRANSPARENCY** THROUGH TWO MAIN CHANNELS:

Its **corporate web page** is Ibercaja's main channel to make itself known to investors. This page has a specific section earmarked for investors and shareholders, with information for these stakeholders on corporate governance, significant events, economic-financial performance, credit ratings, issues, etc., in accordance with the latest requirements of Spanish legislation on companies and good corporate governance practices. **The web page received 3.4 million visits in 2018, up 6% on the previous year.**



Also, the Entity has a channel to resolve queries or suggestions of this group by writing to **investors@ibercaja.es**. In 2018, Ibercaja received over 250 contacts through this channel.



THE MOST SIGNIFICANT EVENTS IN THE YEAR, FROM AN INVESTOR STANDPOINT WERE:

- » Presentation of the new **2018-2020 Strategic Plan** and announcement of financial targets until 2020.
- » Placement of an **issue of AT1 capital** in the form of preferred shares for institutional investors in the amount of €350 million. After a 3-day roadshow in Europe, the issue was very well received in the markets with a demand from investors that reached €1,000 million or 2.9 times the volume of the issue.
- » The sale of a **portfolio of foreclosed assets** with a value of €652 million, which enabled the foreclosed asset balance to be reduced by 45%, with a positive impact on capital based on the Entity's costs.

COMMITMENT TO THE ENVIRONMENT

102-11, 102-15, 102-19, 102-20, 102-26, 102-28, 102-30, 102-31, 102-43, 102-44, 103-1, 103-2, 103-3

IBERCAJA ASSUMES ITS RESPONSIBLE COMMITMENT TO ITS SURROUNDINGS, FOCUSING ENVIRONMENTAL MANAGEMENT TOWARDS PROTECTION AND AWARENESS, IN A SYSTEMATIC MANNER.

WE WORK FOR THE SDG



SINCE 2007, THE ENTITY HAS HELD THE ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE ISSUED BY AENOR, WHICH ACCREDITS THAT THE CENTRAL SERVICES BUILDING MEETS THE REQUIREMENTS OF STANDARD UNE-EN ISO 14001:2015.

As a requirement of this Standard, the risks and opportunities arising from the system have been identified by the Entity, together with the actions to be taken for each risk. In 2018, Ibercaja passed **the second follow-up audit on the application of standard 14001:2015 to the EMS.**

As a company aware of its impact on the environment, Ibercaja acquired the **commitment to preserve and protect the natural surroundings as one of its most important contributions, required to favour sustainable development and as a channel to guarantee the quality of life of future generations.**

COMMITMENTS WITH THE ENVIRONMENT

▶ **ENVIRONMENTAL POLICY**

The Entity's environmental principles of action include the Environmental Policy, which constitutes public information available on its corporate web page and in its internal regulations.

▶ **PRINCIPLES**













These principles include those related to environmental protection, compliance with legal and voluntary requirements assumed in this area and the continuous improvement of the Organisation's environmental effectiveness and performance.



The **certification** of our headquarters endorses the effectiveness of the Management System implemented in accordance with the updated standard. The System has an **Environmental Committee** (formed by heads of the main environmental management units), tasked with the implementation, maintenance and optimisation of the system.

In 2018, progress continued to be made in the Environmental Management System, updating challenges and opportunities and simplifying operating processes to increase efficiency.

TO ENHANCE COMMUNICATION, IN 2018, AN ANNUAL "ENVIRONMENTAL COMMUNICATION" SCHEDULE WAS DESIGNED, IDENTIFYING THE TOPICS TO BE STRENGTHENED EACH MONTH, IN LINE WITH THE ENTITY'S ENVIRONMENTAL OBJECTIVES.

2018 ENVIRONMENTAL NOTIFICATIONS SCHEDULE					
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
26- Environmental Education Day 		22- World Water Day 23- Earth Hour 		17- World Recycling Day 	5- World Environment Day 
JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
		European Mobility Week 	24- United Nations Day 		

IN RELATION TO INTERNAL COMMUNICATION, of great significance in terms of raising awareness was the information published in the internal **Chronicle and Human Resources Informa newsletters**. In addition, Ibercaja has a **Guide to Good Environmental Practices** that contains a set of simple indications and guidelines aimed at promoting respect for the environment in the exercise of its professional activities.

REGARDING EXTERNAL COMMUNICATION, we must highlight the space that the **Corporate Web** devotes to this area, disseminating the Environmental Policy, as well as the initiatives and actions that are put into place. Also, once a year, coinciding with this **Annual Report**, disclosures are published in accordance with **Global Reporting Initiative (GRI)** standards, verified externally.

The Environmental Management System has a team that promotes initiatives (**Environment Team**), formed by 20 volunteers from different units, which promote, foster and implement possible measures in the environmental protection area, encouraging their implementation.

WITH THEIR CROSS-CUTTING VISION AND THE SUPPORT OF THE ENVIRONMENT COMMITTEE, IN 2018, THEY COMMENCED A TEAM WORK PROJECT, WHICH FOCUSES ON THREE PRIORITY AREAS:

<p>ENVIRONMENTAL PUBLICATIONS</p> <p>To identify new publication channels, new contents and ways of communicating internally and externally.</p>	<p>GREEN CORNER</p> <p>To improve the segregation and recycling of waste, seeking possible synergies with social aspects.</p>	<p>PAPER CONSUMPTION</p> <p>With the goal of making significant progress in changing paper consumption habits, in order to drastically reduce such consumption.</p>
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We work with TeloReciclo!

Join our recycling campaign and get a more solidary use out of your old mobile telephone.

TeloReciclo.es




THE TEAMS PERFORM SELF-MANAGEMENT, AND HAVE A COORDINATOR THAT REVITALISES THEIR FUNCTIONS AND TRANSFERS THE SPECIFIC PROPOSALS FOR THEIR EVALUATION

Through the different internal information channels, the organisation is informed of the actions that are being implemented.

On the initiative of the **Green Corner** team, Ibercaja Banco and its Financial Group have joined the solidarity initiative **TeloReciclo**, a social project for self-employment and mobile phone recycling, carried out by Atades workers (Aragon Disability Association) with intellectual disabilities.

721 MOBILE TELEPHONES HAVE BEEN COLLECTED UNDER THIS INITIATIVE, WHICH CONTRIBUTE THREE-FOLD BENEFITS:

- ▶ Generate **employment opportunities** for people with intellectual disabilities.
- ▶ **Protect the environment**, recycling materials from mobile telephones that are no longer used.
- ▶ **Work with Atades**: for each mobile telephone that is donated, Atades will receive a quantity of money that will be invested in the Entity's social projects.



IN 2018, THE MAIN LINES OF ACTION WERE:

CIRCULAR ECONOMY AND WASTE MANAGEMENT

- » The Entity works on the **correct segregation of the waste generated**, ensuring the destination of each type at all times.
- » Waste management is consolidated on a centralised basis, through the **Waste Management Coordinator**.
- » The Entity continued to implement tasks to raise the **awareness** of its employees regarding the importance of reducing the environmental impact generated in all phases of the value chain and to favour the selective collection of waste generated at our facilities.
- » In order to become more efficient, the Entity is working to minimise the displacements caused by waste management.
- » The policy of reusing **furniture** continued, renovating such items and thereby avoiding unnecessary waste.
- » Actions have been carried out to promote education and awareness among employees of the importance of the **circular economy**.


ENERGY EFFICIENCY

- » The Entity continued to install and renovate **high-energy efficient heating/cooling equipment**.
- » The Entity's entire electricity consumption at Central Headquarters originates from **renewable energy** sources with origin guarantees certified by the Spanish National Commission on Markets and Competition (CNMC).
- » The design and creation of new centres and spaces, such as Ibercaja Xplora and Ibercaja Coffee Work, ensure an **efficient energy consumption**, the use of furniture that respects the environment and selective waste recycling.

EMISSIONS

- » In the medium term, the Entity intends to participate in the following projects: inclusion in the **carbon footprint register**, compensation and carbon dioxide absorption projects of the Ministry of Agriculture, Fisheries, Food and Environment, and hence uses a calculator to calculate scope 1, 2 CO₂ emissions and some scope 3: Carbon footprint.
- » The tendency of the data obtained makes it possible to identify and undertake initiatives, such as the use of **renewable energy sources**.
- » During 2018, it continued replacing signs, billboards and office lighting with LED bulbs to **reduce the volume of emissions**.

OTHER ENVIRONMENTAL MANAGEMENT PROCEDURES:

- » Centralised modification of the **correspondence route to customers**, from paper delivery to digital delivery.
 - » Creation of a **new icon for corporate e-mail signatures** to recall the importance of avoiding printing documents and providing more visibility to our environmental commitment.
- 
- » **Internal reduction of paper** notifications received internally by offices and Central Headquarters.
 - » Adoption of measures aimed at **reducing the consumption of paper** and waste by eliminating cupboards on certain floors and printers in the workplace.
 - » Implementation of a centralised printing system at the Central Headquarters and territories that will **optimise the number of machines**, reduce energy costs and paper consumption. This measure will be extended to branches throughout the following year.
 - » The Entity has participated in the **“Earth Hour”** and Climate Community initiatives.
 - » Ibercaja works **in partnership with COEPLAN** (Coalition of Companies for the Planet), an initiative that promotes greater demand for green products and the dissemination of good practices to encourage the development of more innovative and sustainable companies.
 - » It is also a member of a working group to analyse and adapt to the first legislative proposals promoted by the **European Commission, in its Action Plan on Financing Sustainable Growth**, and to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) on financing and climate change.

LIKewise, IBERCAJA, AWARE THAT CONSUMERS ARE INCREASINGLY CONCERNED ABOUT THE ENVIRONMENT, SOCIAL FACTORS AND SUSTAINABILITY, DEMANDING PRODUCTS THAT MEET THESE CRITERIA,

Have products in their **portfolio that contribute to environmental protection** and company development, including most notably:

- » **Ibercaja Plan for Solidarity and Sustainable Pensions and Ibercaja Solidarity and Sustainable Fund:** both savings instruments invest in line with socially responsible investment criteria; they exclude investment in companies identified as damaging to the environment or as undermining human rights, instead investing in companies that belong to the most important sustainability indices in the world, and in assets and companies with a business oriented towards sustainability (green and social bonds), renewable energy, etc.). In addition, they donate part of the management fee to social and environmental projects. Currently, they support an Amazon Conservation project and a project for the development of local communities in Madre de Dios, Peru.
- » **Ecological renting,** which aims to promote the use of vehicles favouring energy efficiency.



COMMITMENT TO SOCIETY

102-15, 102-43, 102-44, 103-1, 413-1

IBERCAJA IS A BANK THAT DEMONSTRATES GREAT CONCERN FOR SOCIAL MATTERS: SINCE IT WAS FOUNDED, IT FORMS PART OF THE ENTITY'S CORPORATE CULTURE AND OF ITS BUSINESS APPROACH, TAKING INTO ACCOUNT THE CONTRIBUTION TO THE SOCIO-ECONOMIC DEVELOPMENT OF THE AREAS IN WHICH IT OPERATES.

WE WORK FOR THE SDG



COMMITMENTS TO SOCIETY:

▶ **DEVELOPMENT OF THE TERRITORY**

Contribute to the development of the territory by supporting the productive fabric and establishing channels of collaboration and dialogue with local players.

▶ **ADAPTATION TO NEEDS**

Respond to social demands (employment, training, housing, etc.) through its financial activity, with products and services that adapt to requirements.

▶ **FINANCIAL INCLUSION**

Support financial inclusion by providing a global service and favouring access to financial services for those groups that may have more difficulties.

▶ **ACCESSIBILITY**

Facilitate face-to-face or remote financial solutions to maximum accessibility to its products and services.

▶ **FINANCIAL EDUCATION**

Promote financial education among society, transferring the knowledge of the Entity's professionals to support decision-making in an informed manner and assist in the management of personal finances.

▶ **VOLUNTEER WORK**

Promote and support the participation of employees in corporate volunteer initiatives that have a positive impact on society.

▶ **COLLABORATION**

Work with organisations, entities and regulators that develop socially responsible actions, raise awareness and disseminate good practices.

▶ **COMMITMENTS**

Responsibly assume commitments promoted by international organisations that ensure sustainable development, human rights, good governance, ethical commitments and the fight against corruption.

THE MOST SIGNIFICANT INITIATIVES IMPLEMENTED BY IBERCAJA IN THE SOCIAL AREA IN 2018 WERE:

FINANCIAL EDUCATION

THE PROGRAMME

THE PROGRAMME, WHICH WORKS BY SENSITISING AND TRAINING, IS IMPLEMENTED IN ALL THE PROVINCES IN WHICH THE IBERCAJA FOUNDATIONS CARRIES OUT ITS ACTIVITIES, AND EXTENDS TO THE WHOLE OF SPAIN THROUGH THE **AULAENRED.IBERCAJA.ES** PLATFORM.

THE FINANCIAL EDUCATION PROGRAM, MANAGED BY IBERCAJA FOUNDATION HAS, SINCE 2013, FULFILLED THE BANK'S COMMITMENT TO THE NATIONAL FINANCIAL EDUCATION PLAN, LED BY THE BANK OF SPAIN AND THE SPANISH NATIONAL SECURITIES MARKET COMMISSION (CNMV).

Its objective is to promote basic "financial literacy" for all citizens". All programmed activities are free. The programme has numerous acknowledgements and 70% of its meetings are face-to-face, with more than **26,000 participants** since it commenced.

The key to its success and to thus being able to reach citizens of all ages is by entering into specific **partnership agreements**; to be precise, Ibercaja works with the Aragon Association of Economists (in the case of initiatives aimed at university students); the Aragon Association of Secondary School Teachers (ADESDAR) and the Madrid Association of Secondary School Teachers (ADESMAD) (for those actions geared towards secondary school, Spanish Baccalaureate and training cycle students and teacher training), and with the Piquer Foundation as a partner (in activities aimed at primary and secondary school students).

The program directs its actions at a broad spectrum of the population, from Spanish 5th year primary school students to the adult population, in each case adapting both the content and the type of activity and methodology used, combining the face-to-face and on-line format.

IN THIS EDITION, NEW INITIATIVES HAVE BEEN LAUNCHED WITHIN THE FRAMEWORK OF THE FUNCAS EDUCA PROGRAMME, **TO RESPOND TO THE NEEDS OF THE GROUPS** MARKED AS PRIORITY BY SAID PROGRAMME:

- » **ON-LINE FINANCIAL LITERACY FOR ADULTS.** Itinerant classrooms in rural areas.
- » **EASY ACCOUNTS.** Basic finance workshops for young people with disabilities.
- » **BASIC FINANCE WORKSHOPS** for entrepreneurs.
- » **FINANCE PILL VIDEOS** for entrepreneurs.

VOLUNTEER WORK

CORPORATE VOLUNTEER WORK, MANAGED BY THE IBERCAJA FOUNDATION IN COORDINATION WITH IBERCAJA BANCO, AIMS TO CONTRIBUTE TO THE DEVELOPMENT OF THE COMPANY THROUGH THE INVOLVEMENT OF ITS EMPLOYEES

Implementing campaigns both of their own design and in collaboration with other entities and institutions, participating in different initiatives, such as workshops, emotional accompaniment, recreational activities and awareness. This programme offers employees the opportunity to contribute their time and knowledge through different projects to reach the people that need it.

Ibercaja Volunteering is open to all employees of the **companies of the Ibercaja Group and the Ibercaja Foundation, to both serving and retired workers.** The programme is national in scope; in 2018, it was extended, implementing programmes in a greater number of provinces: Zaragoza, Huesca, Teruel, Guadalajara, La Rioja, Madrid, Badajoz, Burgos and Seville.

AMONG THE MOST SIGNIFICANT ACTIONS OF THE YEAR, ASIDE FROM ON-GOING EVENTS, WERE THE FOLLOWING:

VOLUNTEER PROGRAMME

THE VOLUNTEER PROGRAMME HAD A TOTAL OF **533 VOLUNTEERS IN 2018**

- » **PARTICIPATION IN SEVILLE, MADRID AND ZARAGOZA IN THE "CORPORATE SOLIDARITY DAY"** organised by Cooperación Internacional. During this week, volunteers participated in solidarity breakfasts, free time days with people with disabilities and in ecological vegetable gardens.
- » **GREAT FOOD COLLECTION.** 350 Ibercaja volunteer employees participated in the "Great Food Collection" campaign, organised by the Food Banks of Zaragoza, Huesca, Teruel, Guadalajara, La Rioja, Madrid, Badajoz, Burgos and Seville. In the 2018 edition, Ibercaja Volunteering collected and classified 56,585 kilos of food.
- » **VISITS TO IBERCAJA'S BETHLEHEM NATIVITY SCENE.** Organisation of guided visits by Ibercaja volunteers to the Bethlehem nativity scene, aimed at young people with intellectual disabilities.



ECOSYSTEM PLUS COMPANY

IBERCAJA BANCO AND THE IBERCAJA FOUNDATION HAVE WORKED TOGETHER TO LAUNCH THE ECOSYSTEM PLUS COMPANY IN 2018, A NEW WAY OF RELATING TO COMPANIES, ENTREPRENEURS, PROFESSIONALS AND SOCIETY IN GENERAL.

PLUS COMPANY

THE ECOSYSTEM BRINGS TOGETHER ALL THE WORK CARRIED OUT SO FAR BY THE ENTITY WITH THE BUSINESS SECTOR, PRIORITISING THE NEW REALITIES OF THE MARKET, BASED ON COOPERATION AND TEAMWORK.

Through the **Ecosystem**, companies will be accompanied, helping them to generate new innovation systems that allow them to evolve to the next level. In this Ecosystem, the connection between companies and start-ups coexists with open innovation platforms, accompaniment programmes, tools, workshops, tendencies, networking, etc. throughout Spain.

The Ecosystem is specified in practice with the **"Innovation academy"**. The "Innovation academy" brings different activities and initiatives to companies, entrepreneurs and professionals, such as **"Liquid innovation"**, **"Start up and corporate venture"**, **"Open innovation challenges"** and **"Fintech"**: Tools, open innovation platforms, shared knowledge, tendencies, networking activities, training programmes and support programmes with which to address transformation processes and strengthen competitiveness.

In this initiative, they accompany different organisations and professionals that reinforce the commitment to excellence and confidence in the ecosystem. In addition, there is a **"Think Tank"** in which a team of experts from different sectors, leaders in their industry, guide the Ecosystem Plus Company with tips and guidelines on the generation of ideas that respond to market performance, trends and solutions.

ECOSISTEMA MÁS EMPRESA

HAY UN LUGAR
DONDE TU EMPRESA
PUEDE CRECER
COMO
TE GUSTARÍA

Estar asesorado significa apuntar más alto.



MOBILITY CITY

MOBILITY CITY IS A LONG-TERM COMMITMENT THAT AIMS TO CONTRIBUTE TO THE DEVELOPMENT OF ZARAGOZA AND ARAGON BY PROMOTING, IN PARTICULAR, A STRATEGIC SECTOR IN THE ARAGONESE ECONOMY: THE AUTOMOTIVE INDUSTRY AND ITS NEW PARADIGM, SUSTAINABLE MOBILITY, IN A SPACE CREATED IN ITS TIME WITH SUSTAINABILITY AS A BASE AND AT AN ICONIC VENUE.

The project, launched by the Ibercaja Foundation and Expo Zaragoza Empresarial, a public company of the Government of Aragon, owner of the property, has the support of the City of Zaragoza, and the participation of different companies and entities in the sectors related to the automotive industry and communications.



The Ibercaja Foundation works on **content definition tasks**, involving companies, institutions and groups that have already shown their interest in participating in an open and transparent project that is generating logical expectation. The scope ranges from leading multinationals to business organisations, to non-profit organisations.

In the first weeks of 2019 the exhibition space for new vehicles and mobility solutions inside the Bridge Pavilion will be defined, with everything being ready to start the intervention. The completion of the works and the start of operations are scheduled for the fall of 2019, but as the works progress **Mobility City** will take shape with spaces and discussion forums prior to the inauguration: university chair, already signed with the University of Zaragoza in terms of vehicle connectivity, symposiums and congresses and, particularly, a centre for analysis and study on changes in the mobility sector, in which 28 companies and entities have participated to date, in a group open to new incorporations.

Mobility City.
El futuro de la movilidad está aquí ¿Te lo vas a perder?

EMPLEA-T AND EMPRENDE

THE EMPLA-T Y EMPRENDE (EMPLOY YOURSELF AND BE AN ENTREPRENEUR) PROGRAMME OFFERS A COMPLETE GUIDE SO THAT CREATIVITY AND ENTREPRENEURIAL DRIVE DO NOT CEASE IN A SOCIETY THAT INCREASINGLY DEMANDS NEW SOURCES OF WORK, INNOVATION, PRODUCTS AND SERVICES ON A DAILY BASIS

It has a method endorsed by its excellent results, consisting of **practical and experiential training** given by entrepreneurs with extensive experience and background and with access to a team of top-level mentors to work individually on the development of each initiative.

Emplea-t and Emprende proposes a comprehensive journey divided into different levels of education for all phases of development of a business project, providing the knowledge and tools necessary to carry forward an idea from the beginning to the end.

This training is completed with practical entrepreneurial skills workshops, mentoring sessions and access to financing with Ibercaja Banco, in highly advantageous conditions for participants that submit a viable project. The programme is strengthened by its presence in acceleration and coworking spaces in all the provinces in which it is imparted.

Some **40 collaborators and mentors** revitalise the different training levels developed in 2018 Idea-T, Inicia-T, Desarrolla-T, Acclera-T, Capacita-T, Transforma-T and Especializa-T. In 2018, **655 entrepreneurs** participated in the programme, working intensively on **247 projects**.

Training, mentoring, financing and acceleration are the four pillars supported by the programme. The projects have been developed especially in Zaragoza, Huesca, La Rioja and Guadalajara, and have led to the creation and consolidation of 150 companies (approximate figure). Since the beginning of the programme, 63 projects have been financed for a total of more than €1.5 million.



OF NOTE WITHIN THE PROJECT WAS **THE TERMINAL**

It is a **business incubation and acceleration space** of the Zaragoza Municipal Council, managed by the consultant Hiberus Tecnología, in strategic collaboration with the Ibercaja Foundation.



[www.fundacionibercaja.es/
emplea-t-y-emprende-2019](http://www.fundacionibercaja.es/emplea-t-y-emprende-2019)

- ▶ In 2018, **43 projects** have passed through the Terminal, installed in the co-working area, with an average **occupancy of 100%** and 31 projects incubated in offices, with an average occupancy of 85%. In addition, 5 offices and 3 additional co-working posts have been occupied by mentors. The programme provides training content, strategic accompaniment, consulting, mentoring and financing. In 2018, around 400 children between 10 and 12 years on the Learning to undertake Programme visited the facilities.

EDUCATE FOR THE FUTURE

EDUCATING FOR THE FUTURE IS AN ON-GOING TRAINING PROGRAMME, WHOSE OBJECTIVE IS TO BRING EDUCATIONAL NOVELTIES TO SOCIETY'S DIFFERENT EDUCATIONAL PLAYERS WITH RIGOUR AND QUALITY.

To this end, an extensive **panel of experts of Spanish and international prestige** was invited to present various current affairs issues and educational novelties. In 2018, the discussion thread was the development of the brain and learning. Plenary lectures have been offered to the general public of an inspiring nature, together with intensive training with a learning objective, in an environment known as EDULABI. In this space, practical activities have been carried out in which, through workshops and seminars, the different speakers have offered participants the opportunity to train in a specialised manner.

LEARNING TO BE AN ENTREPRENEUR

THIS EDUCATIONAL PROGRAM SERVES AS AN INSTRUMENT TO INCULCATE THE ENTREPRENEURIAL STIMULUS IN THE YOUNGEST SECTOR OF THE POPULATION WITH THE CREATION OF SCHOOL COOPERATIVES THAT MANUFACTURE AND SELL THEIR PRODUCTS IN A MARKET.

The programme is aimed at 5th and 6th year Primary School students from Zaragoza, Huesca and La Rioja, and aims **to help them understand the cooperative world** from school, fostering their entrepreneurial spirit, their autonomy and their personal initiative.

TRAINING TO WORK

IBERCAJA HAS SUPPORTED THE LABOUR INTEGRATION OF PEOPLE WITH DIFFERENT ABILITIES, TO ACHIEVE A MORE EGALITARIAN AND INTEGRATING COMPANY, THROUGH ITS FOUNDATION AND BY DEVELOPING SPECIFIC PROJECTS AT THE ENTITY.

In 2018, it contributed more than **€300,000**, supporting **14 projects**, such as ATADES Zaragoza's greens, vegetables and fruit processing plant; the placement agency of the DFA Foundation; the "Brújula" training and assistance project for people with disabilities of the Juan XXIII Foundation; the Integra Program with the Human Age Institute Foundation, or the project to carry out work practices of the Down Foundation, among others.



SOCIAL PROJECTS

SOCIAL PROJECTS

IN ITS 13 YEARS OF EXISTENCE, THIS CALL HAS BECOME AN **EXAMPLE OF EFFECTIVENESS AND TRANSPARENCY** WITH RESPECT TO GRANTS.

WITHIN ITS COMMITMENT TO THE SUSTAINABILITY OF THE THIRD SECTOR, IBERCAJA FOUNDATION HAS MADE A CALL FOR SOCIAL PROJECTS AIMED AT SOCIAL ENTITIES AND NGOS.

In this way, the Entity's **help is channelled through those who are closest to reality**, amplifying the impact of their actions and achieving a real transformation of the living conditions of people in situations of inequality. In this edition, **505 projects** have been presented and 334 initiatives have been selected from all over Spain, which will benefit **228,631 people**, with a global investment of **€1,023,000**.

IBERCAJA FOUNDATION COMBINES FORCES WITH THE REMAINING SHAREHOLDER FOUNDATIONS IN A NATIONAL CALL DIVIDED INTO FOUR PARTS:

- » 2018 Ibercaja Social Projects Call (Spain less Aragon, Extremadura and Castilla y León)
- » 2018 CAI Ibercaja Social Projects Call (Aragon)
- » 2018 Caja de Badajoz Ibercaja Social Projects Call (Extremadura)
- » 2018 Caja Círculo Ibercaja Social Projects Call (Castilla y León)

SOLIDARITY IMPULSE

IN 2018, THE SECOND SOLIDARITY IMPULSE WAS LAUNCHED, AN INITIATIVE IN WHICH THE EMPLOYEES THEMSELVES PRESENT SOCIAL PROJECTS WITH WHICH THEY ARE ESPECIALLY SENSITISED OR INVOLVED, ENCOMPASSED IN THREE CATEGORIES: DISEASE, DISABILITY AND INTEGRATION.



The selection of the **six most voted projects by the employees** themselves (two per category) receives aid for its development. Within each category, the most voted project receives a grant of €10,000 and the second most voted €5,000, which are granted by Ibercaja Banco, Ibercaja Foundation, Ibercaja Pensión (collaboration with the Ibercaja Plan for Solidarity and Sustainable Pensions) and Ibercaja Gestión (collaboration of the Ibercaja Fund for Solidarity and Sustainable Investment).

In this edition, **79 applications** have been submitted and employees have distributed a total of **7,742 votes**.

END OF YEAR INITIATIVES

"A SMILE FOR CHRISTMAS" CAMPAIGN

FOR THE SECOND YEAR RUNNING, IBERCAJA PARTICIPATED IN THE CAMPAIGN LAUNCHED BY THE NON-PROFIT ORGANISATION INTERNATIONAL COOPERATION "A SMILE FOR CHRISTMAS", WHICH AIMS TO PROVIDE TOYS TO CHILDREN OF LOW-INCOME FAMILIES AT CHRISTMAS.

During the campaign, Ibercaja employees contributed **570 gifts** that were distributed to low-income families at risk of social exclusion.

This year the number of participating cities has risen, **collecting gifts** in Madrid, Burgos, Badajoz, Zaragoza, Valencia, Barcelona, Guadalajara, La Rioja and Seville, which were delivered to children from these cities in collaboration with other local social entities.



DIGITAL SERVICES

THE IBERCAJA FOUNDATION AIMS, THROUGH ITS DIGITAL SERVICES, TO PROVIDE TOOLS AND CONTENT TO ACHIEVE A MORE INCLUSIVE DIGITAL SOCIETY.

Accordingly, it is in step with the **mission of contributing to the company's economic, social and cultural** development. A society strongly influenced by the presence of Information and Communication Technologies, which makes our users decide where, how, when and how they participate in our services and activities.

THE SERVICES OFFERED ARE AS FOLLOWS:

- » **IBERCAJA GUIDES.** An educational guidance platform with all the essentials to be able to choose training itineraries and university studies.
- » **IBERCAJA NETWORK CLASSROOM.** The web service for the educational community with activities, resources and applications with which teachers, parents and students can enhance work in the classroom.
- » **IBERCAJA COMPETITIVE COMPANY.** A platform to improve the competitiveness of our companies, with information on good business practices, articles, symposiums, etc.
- » **IBERCAJA DOCUMENTS AGRO-FOOD COMPANY.** Information and documentation service for the agricultural and cattle sector.



IBERCIDE BUSINESS DEVELOPMENT CENTRE

IBERCIDE-IBERCAJA'S BUSINESS DEVELOPMENT CENTRE HAS BEEN PROMOTING THE TRANSFORMATION OF ARAGONESE COMPANIES FOR MORE THAN 30 YEARS.

In this regard, it offers programmes, courses and workshops that aim **to increase the potential of people and organisations** to improve the results of their businesses.

The proposals include disciplines that allow you to discover and train your own resources to improve your professional activity and that cover aspects as necessary as communication, leadership, sales, emotional intelligence or stress management, to specific training for key sectors of the economy such as tourism, SMEs or agrofood, on issues such as digitalisation or improving efficiency.

Business transformation is addressed from four standpoints: development of people, business models and innovation, senior management and digital transformation and strategy. Thus, the training offer is constantly updated, although some programmes already have several editions and are fully consolidated with excellent results in terms of student participation and satisfaction.

Symposiums are also held with different professionals and companies with different approaches. Among them, we would like to highlight the **III Ibercide CSR Conference "How to communicate good practices"**, a learning day in which leading organisations from different sectors share their experiences.



AGREEMENTS WITH THE UNIVERSITY OF ZARAGOZA

THE UNIVERSITY OF ZARAGOZA, THE IBERCAJA BANKING FOUNDATION AND THE CAJA INMACULADA FOUNDATION HAVE SIGNED TWO PARTNERSHIP AGREEMENTS TO PROMOTE STUDENT RESEARCH AND MOBILITY.

The two foundations will contribute **€250,000 to promote social and economic development**, through the financing of research projects and time spent abroad. In the last four years they have invested €1,000,000 in these programmes.

ENVIRONMENT

THE ENVIRONMENTAL EDUCATION PROGRAM THAT IS CARRIED OUT IN COLLABORATION WITH THE RED NATURAL DE ARAGÓN PROGRAMME WORKS IN FOUR LINES OF ACTION: INFORMATION, ADVICE, AWARENESS AND EXPERIMENTATION.

Its purpose is **to promote interest in the conservation of nature** and obtain respect for the environment through knowledge of Aragon's cultural heritage and its protected natural areas. It takes place in 20 interpretation centres.

SPONSORSHIP AND PARTNERSHIP

IBERCAJA COLLABORATES IN AN OUTSTANDING WAY WITH SPONSORS IN DIVERSE ACTIVITIES, MANY OF THEM FOCUSED ON RAISING AWARENESS ABOUT CULTURE AND THE INCORPORATION OF HEALTHY HABITS IN THE POPULATION IN GENERAL AND AMONG YOUNG PEOPLE IN PARTICULAR.

The sponsors are mainly **sports-related** because they understand that **it is the best vehicle for transmitting the Entity's values**, but also for young people, in cultural matters and at companies, by signing partnership agreements with various business associations.

IBERCAJA TEAM
IN THE 5TH ESIC
ZARAGOZA RACE



SPORT

IN 2018, THE ENTITY PARTICIPATED IN VARIOUS SPORTS EVENTS, SUCH AS:

- » **IBERCAJA CITY OF ZARAGOZA TROPHIES** (agreement signed with Zaragoza Deporte Municipal, 26 events involving different sports disciplines with over 32,000 spectators). The Zaragoza Marathon and 10K stand out, with the participation of numerous employees in both distances.
- » **CROSS ATAPUERCA.** High participation at the Ibercaja stand, handing out gifts and a souvenir photo. Ibercaja teams in several categories.
- » **MADRID MARATHON, HALF MARATHON AND 10K.** Ibercaja team training in the three distances. Promotions for customers and significant media coverage.
- » **BONEBREAKER.** High participation at the Ibercaja stand of the EXPO with content such as lottery draws, gifts, souvenir photos and hospitality for employees and customers.
- » **CURSA DEL NASSOS (BARCELONA).** Public relations campaigns with customers and internal campaigns with employees.
- » **10K VALENCIA** Ibercaja with special initiatives for customers and employees.
- » **SPONSORSHIP OF SPORTS FEDERATIONS** and lower categories and schools of sports clubs to promote sports among youngsters.
- » **SNOW.** ARAMON sponsorship for the promotion of Aragonese resorts and collaboration with ski schools, obtaining advantages and discounts for customers and employees.
- » **ESIC ZARAGOZA COMPANY RUN.** Record participation of Ibercaja employees, revalidating the title as the third leading company with the highest participation.
- » Furthermore, the traditional Ibercaja **Popular Races** were organised in Zaragoza, Huesca and Teruel, in which nearly 10,000 people participated. The Bank donated one euro for each participant to Food Bank of Zaragoza, Huesca Man Project and Cáritas Teruel.



YOUNG PEOPLE

THE CARNÉ JOVEN AGREEMENT WITH THE GOVERNMENT OF ARAGON WAS RENEWED, WITH THE EVENTS COMMEMORATING ITS 30TH ANNIVERSARY BEING SCHEDULED TO END IN SEPTEMBER 2019.

The agreement with Castilla y León Council's Carné Joven programme was also renewed. A commitment was renewed, for two years, with the Government of Aragon in the **School Games** business, involving some 40,000 children and young people from Aragon. The **FIZ music festival** and different concerts have been sponsored.

CULTURE

IBERCAJA COLLABORATES IN THE DISSEMINATION OF CULTURE THROUGH ADVANCE AND TICKET OFFICE SALES MANAGED BY ITS TICKETING SYSTEM.

it distributed **830,000 tickets** in more than 500 events, becoming the company that sells the most tickets in Aragon. For the first time we sponsored the performances of **El Circo Mágico**, with great media coverage. Ibercaja has managed to become a sales channel for different events in Madrid, such as Billy Elliot or El Mago Pop, among others. As a sign of its social commitment, Ibercaja also collaborates in the sale of tickets to events with **social purposes**: ASPANOA party, AMACGEMA concert, concert at the General Military Academy in favour of the Holy Brotherhood of the Refuge, Gala Lírica (Parish church of the Carmen).



COMPANIES AND GROUPS

PARTNERSHIP AGREEMENTS WERE SIGNED WITH DIFFERENT BUSINESS ORGANISATIONS.

- » **Mutual guarantee schemes** of different territories in order to bring the financing to the production fabric through small- and medium-sized companies.
- » **CEPYME** Spain
- » **CEOE-Cepyme** Guadalajara
- » **FAE Burgos**
- » **FER Rioja**
- » National Congress for the Association of Technical Architects **CONCTART**
- » **SATSE** Nursing Union Prizes.
- » **AJE**. Aragon Association of Young Employers



6. CONCLUSIONS AND **OUTLOOK**

IBERCAJA HAS DEMONSTRATED ITS ABILITY TO GENERATE PROFIT IN A CONTEXT OF LOW INTEREST RATES. TYPICAL BANKING INCOME GREW DUE TO THE HIGHER PROFITABILITY OF NEW CREDIT TRANSACTIONS AND THE MOMENTUM OF THE ASSET MANAGEMENT BUSINESS, WHILE RECURRING EXPENSES FELL SHARPLY, NON-PERFORMING ASSETS WERE DOWN AND THE GROUP STRENGTHENED ITS SOLVENCY AND LIQUIDITY.



THE BANK WILL CONTINUE WORKING IN THE LINE MARKED UNTIL NOW WITH THE RECENTLY APPROVED STRATEGIC PLAN 2018-2020 AS A GUIDELINE. THE MAIN ASPECTS AND OBJECTIVES THAT WILL FOCUS THE ACTIVITY ARE:

SUCCESSFULLY UNDERTAKING PROCESS OF GOING PUBLIC BY 2020 is the main corporate challenge facing the Bank and one of the most significant since its creation. Ibercaja is working intensively on this project to meet the expectations of investors.

ACCELERATE THE GROWTH OF BUSINESS:

- » **Consolidate the Corporate Banking, Personal Banking and Private Banking Plans**, segments that generate higher profitability.
- » **Diversify the loan portfolio**, especially in the area of SMEs, maintaining the significant presence in mortgage loans for home purchases.
- » **Boost revenues from asset management**, improving the share of retail resources.

ENHANCE EXCELLENCE IN CUSTOMER SERVICE as a guide for management and a differentiating aspect in an increasingly competitive market.

MAXIMIZE PROFITABILITY:

- » **Adapt the loan and resource structure, along with the pricing strategy** to optimize their contribution to results.
- » **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 control** by implementing actions that contribute to improving efficiency and productivity.
- » **Progress in the digitisation of the business** to adapt to new customer habits and optimise the operating costs of the commercial network and central services.

APPENDIX A SUPPLEMENTARY INFORMATION

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Vamos

A. 2018 ANNUAL REPORT HIGHLIGHTS

102-45, 102-46, 102-54

INTRODUCTION

THE IBERCAJA GROUP'S 2018 ANNUAL REPORT PRESENTS, IN A SINGLE DOCUMENT, RELEVANT FINANCIAL AND NON-FINANCIAL INFORMATION, WITH THE OBJECTIVE OF INFORMING OUR STAKEHOLDERS TRUTHFULLY AND TRANSPARENTLY, ACCORDING TO THEIR NEEDS AND EXPECTATIONS.

The content of the report and of this Appendix is guided by the results of the materiality assessment carried out this year, which identifies those topics that are most relevant to the stakeholders and, therefore, which are reported on.

Its objective is also to address those aspects necessary for its consideration as a **Sustainability Report**, according to the criteria of the **Global Reporting Initiative (GRI)**, whose guidelines have oriented Ibercaja's annual reports since 2005 and, in turn, serve as "Progress Reports", in accordance with the reporting requirements of the **Global Compact**, relating to the 10 Principles of the United Nations Global Compact. This report has been prepared in accordance with the GRI Standards: Core option.

It must be taken into account that, as a company of public interest, with over 500 employees, which meets the requirements demanded, the Ibercaja Group is governed by Law 11/2018, of 28 December, amending the Spanish Commercial Code, the consolidated Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Law 22/2015, of 20 July, in relation to non-financial information and diversity. Based on this law, in 2018, the Non-Financial Statement of the Management Report was prepared, a reference document for Ibercaja's consolidated information.

SCOPE

THE INFORMATION CONTAINED IN THIS REPORT AND ITS APPENDIX RELATES TO THE FINANCIAL AND EXTRA-FINANCIAL ACTIVITY OF THE IBERCAJA GROUP, AND IT IS PRESENTED IN THIS MANNER IN ORDER TO COMPARE IT AS FAR AS POSSIBLE IN TERMS OF SIGNIFICANCE.

This report, as a whole, presents a global vision of the strategic lines, activities, business model, financial results and sustainable commitment (environmental, social and personnel issues, human rights and the fight against corruption and bribery) taking into account the Sustainable Development Goals (SDGs) of the 2030 Agenda and how to cooperate to achieve them.



Its contents are made public on the corporate web page (www.ibercaja.com)

RIGOUR

THE CRITERIA THAT HAVE ENABLED THE PREPARATION OF THIS REPORT AND ITS ANNEX ARE BASED, IN PARTICULAR, ON THE INDICATIONS CONTAINED IN THE GRI STANDARDS UNDER THE OPTION "ESSENTIAL CONFORMITY", FOR THE PREPARATION OF SUSTAINABILITY REPORTS OF THE GLOBAL REPORTING INITIATIVE (GRI), INCLUDING THE INFORMATION REQUIRED BY THE SECTORAL FINANCIAL SERVICES SUPPLEMENT OF THE GRI GUIDE IN ITS G4 VERSION.

Throughout the process of compiling and presenting the information, Ibercaja has in mind the principles of **balance, precision, clarity, periodicity and reliability**, necessary to guarantee the quality of the information contained therein.

Finally, both the principles of preparation of this Report and its annex, as well as the contents thereof, have been subject to an **external verification** process by the audit firm **PricewaterhouseCoopers Auditores, SL (PwC)**. The Ibercaja Banco Group's 2018 Legal Documentation details the contractual relationship that Ibercaja maintains with the independent auditor. The Verification Report is included in the last section of this annex.

OTHER CONTENTS

THIS ANNEX ALSO INCLUDES OTHER SUPPLEMENTARY SECTIONS, SUCH AS THE DEGREE OF ACHIEVEMENT OF THE COMMITMENTS ASSUMED LAST YEAR AND THE NEW CHALLENGES FOR 2019.

Moreover, it details information on the materiality study carried out and on actions linked to Human Rights and to the Sustainable Development Objectives.

The information on actions related to the principles of the Global Compact corresponds to the GRI disclosures themselves and, in turn, the quantitative information needed to respond to some of the disclosures not detailed in the text is expanded, grouping it at the end in data tables.



Further contents can be found on the Corporate Web Page: **Legal Documentation and Corporate Governance Report**.

B. 2018 COMMITMENTS AND 2019 CHALLENGES

102-15, 102-11

THE ACCOMPANYING TABLES PROVIDE INFORMATION ON THE DEGREE OF ACHIEVEMENT OF THE COMMITMENTS ACQUIRED IN 2018, AS WELL AS THE NEW CHALLENGES SET FOR 2019.

RESULTS OF 2018 COMMITMENTS

G. INTEREST	2018 CHALLENGES	RESULTS	%
CUSTOMERS	European Excellence. Renew for the fifth consecutive time the 500+ Gold Seal awarded by EFQM.	Renewed the Gold Seal 500+	100%
	Personalised management. Compliance with the review by AENOR of the Management System for the Assessment of Personal Asset Management.	Successful revision by AENOR.	100%
	Customer experience. Improvement of customer satisfaction with advisory services.	In the first half of the year there was a notable improvement in satisfaction with advisory services, with the score rising from 8.36 to 8.51; however in the second half, a worsening was noted due to a dip in market returns, causing the score to drop to 8.30 points.	50%
HUMAN RESOURCES	Experience used. 2018 marked the beginning of a new strategic cycle. For this reason, we are committed to carrying out a new opinion survey aimed at all employees, which will allow us to gain a general perception of the organisation and the main aspects that influence their job satisfaction.	This poll was conducted in April through an on-line survey sent by email to all employees. The participation was 57%, obtaining an average satisfaction of 7.2, which represents an improvement on the results obtained in previous studies (6.7 in 2015, 7.1 in 2016). In this edition, the employee eNPS index was set for the first time, obtaining a valuation of 25.9.	100%
	Communication. An internal communication campaign is being envisaged so that employees can discover the main Social Benefits for the Employee and his/ her family members, as a Ibercaja staff member.	"All this is for you", thanks for joining Ibercaja. It is the name of the new digital and interactive publication, which shows the advantages and benefits that Ibercaja employees can enjoy, using a modern, close at hand and familiar image.	100%
	Health, Welfare and Sports Programme. We propose to implement new programmes that improve the health and quality of life of our professionals through the promotion of healthy life habits such as: physical activity through sports, food or health surveillance.	In 2018, one of Ibercaja's strategic objectives was to continue progressing in the obtainment of the HEALTHY COMPANY accolade. In this regard, it has launched initiatives aimed at promoting healthy lifestyle habits among colleagues: Free distribution of fruit, healthy vending, recommendations for health care, etc. In addition, the positioning in sports sponsorship continues to increase employee participation.	70%
	Professional development. In 2018, we set ourselves the goal of progressing with the Competences Assessment model, including a diagnosis of the digital competences of Ibercaja professionals, which enables us to prepare customised training plans.	In 2018, the 2020 Digital Competencies Map was designed, which includes the competences that Ibercaja considers necessary in the change process. To trace the roadmap to be followed, an on-line questionnaire was performed, which allowed us to identify the current degree of digitisation of each employee. With this information, the personalised digital training itinerary is defined, adapted to the level of each employee, thereby identifying the degree of digital maturity of the organisation.	100%

G. INTEREST	2018 CHALLENGES	RESULTS	%
ENVIRONMENT	Awareness Initiatives. Continue with the promotion of internal and external awareness initiatives to protect the environment. Personalised letters are sent to the offices in order to raise awareness of energy savings, as in previous years.	Environmental groups continue to be active, including the communication group, whose objective is to raise environmental awareness. An environmental notification calendar has been designed.	100%
	Carbon footprint. Continue with the use of the calculator. The MAPAMA calculator is used to calculate CO2 emissions. These data are provided in the GRI table.	The Carbon Footprint calculator is still used for the calculation of emissions.	100%
	Toner. Ensure the correct classification and treatment of waste toner from bags. At the baggage reception facilities, toner waste is being classified, separated and stored by type and final destination for its treatment.	A systematic system has been established for the segregation, classification and storage of waste toner from offices, centralised at the bag reception facilities. They are removed by authorised waste managers, which certify the traceability and correct environmental management of the used toners, by type.	100%
	Waste management internal protocol. Implement a protocol that serves to coordinate and correctly manage waste at each of the Entity's warehouses in Spain.	The protocol has been prepared. It is currently being reviewed and validated by the different units involved.	50%
SUPPLIERS	Suppliers Portal. Validation of the new version and decision on future action.	This challenge is included in a more advanced challenge for next year. Awaiting new version.	-
	Suppliers Section on the web page. Create a Suppliers section on the web page, where our commitments and code of conduct are explained.	Website created, accessible at https://www.ibercaja.es/negocios/proveedores/	100%
COMPANY	Corporate volunteering: Training of new volunteers (serving employees) to teach basic finance workshops, aligned with the Bank's digital strategy (online banking, security in banking transactions and new applications and payment mechanisms). Initiate Ibercaja Volunteering actions in the hospital field in other cities besides Zaragoza: Teruel, Huesca and Madrid. Carry out at least one Ibercaja Volunteering action in each province of the home markets (Huesca, Teruel, La Rioja, Guadalajara and Madrid), together with cooperation in the Great Food Collection.	In 2018, 47 training workshops on financial education were held, incorporating new concepts aligned with the digitalisation of the sector. Progress has been made to expand the scope of volunteering, encouraging the participation of employees from all the territories in which the Entity is present. Thus, new actions have been carried out in Seville, Badajoz, Burgos, Guadalajara and La Rioja.	75%

G. INTEREST	2018 CHALLENGES	RESULTS	%
COMPANY	<p>Financial education:</p> <p>Extend scope with face-to-face initiatives in Madrid, aimed at schoolchildren and the general public, focusing on the new digital competences needed in the financial world.</p> <p>Increase the number of workshops for university students.</p> <p>Ibercaja Banco will boost the provision of the programme through the branch network</p> <p>We will work on systematising visits to the Bank's main corporate buildings in the different territories, complementing the training work carried out by the Foundation and raising awareness among employees on the importance of this work</p>	<p>In Madrid, activities have been set up for schoolchildren from 5th year primary school level to 2nd year Baccalaureate level. 92 workshops have been held for those who have passed 2,320 schoolchildren. We also held the Financial Education Week in Madrid for the first time, with an Econogame for schoolchildren at CECA's facilities.</p>	80%
	<p>Entrepreneurship:</p> <p>Implementation of the new activities, Idea-T and Transforma-T, to train companies in the application of agile methodologies and to transform ideas into new business solutions.</p> <p>Intensify the implementation of new services (Corporate Lab) and new partnership agreements.</p>	<p>Regarding awareness-raising visits to corporate buildings, a pilot test was commenced at the main office in Zaragoza, involving 3 groups of schoolchildren, as requested by Ibercaja Banco.</p> <p>Two idea-T activities were staged, one in Zaragoza and the other in Logroño, involving 26 projects. 7 activities within Transforma-T (2 in Zaragoza, Teruel capital, Huesca, Daroca, Boltaña and Calatayud), included within the partnership agreement with Red Arce. The Corporate Lab was launched, and under the umbrella of Ecosystem + Company, 20 connections between companies and start-ups were regenerated. As for new agreements, worthy of mention were those entered into with Walqa and the Chamber of Commerce in Huesca to enhance the Emplea-T programme, Become an entrepreneur in Huesca and the extension of the agreement with AJE, a 3-band arrangement comprising AJE, the Ibercaja Foundation and Ibercaja Banco.</p>	100%
SHAREHOLDERS AND INVESTORS	<p>Visibility. Continue increasing the visibility of Ibercaja among institutional investors, increasing the number of events, meetings and telephone conferences.</p>	<p>During 2018, intense contact with investors was maintained, especially as a result of the issuance of the AT1 bond.</p>	65%
OTHER COMMITMENTS	<p>Ethical code. Consensus and approval of the Entity's Code of Ethics, as a framework for action and an instrument that constitutes the foundations, principles and ethical standards in force at the organisation. Design and implementation of its publication and activation plan.</p>	<p>Ibercaja's Code of Ethics and the Management Manual have been drawn up and approved by the Board of Directors. The communication plan that will be published at the beginning of 2019 has been devised.</p>	90%
	<p>Organisational purpose. Identification, approval and activation of the Organisational Purpose, as a fundamental part of the alignment of objectives and mobilisation for actions to create sustainable value and enhance trust, loyalty and recommendations.</p>	<p>During 2018, the Organisational Purpose of the Entity was identified and approved. An activation plan was prepared and is under development. The first phase has been rolled out: communication.</p>	90%
	<p>RSA + seal. Validation of the RSA seal and obtaining the RSA + seal, promoting a work-life balance, equal opportunities, volunteering and the promotion of culture.</p>	<p>The RSA + Seal has been obtained, amassing the four qualifiable aspects: work-life balance, equality, volunteering and promotion of culture.</p>	100%
	<p>Alliances. Continue to make progress in alliances and cooperation, in line with SDG 17, to join efforts in aspects related to Social Responsibility and to achieve an enhanced scope, among others.</p>	<p>The alliances established so far have been maintained and a prioritisation map of the SDGs has been prepared, to identify those that are priority for the entity and focus on them.</p>	100%

2019 CHALLENGES

G. INTEREST	2019 COMMITMENTS
CUSTOMERS	<p>Personalised management. Compliance with the review by AENOR of the Management System for the Assessment of Personal Asset Management. Renew for the 7th consecutive year.</p> <p>Customer experience. Achieve 80% of satisfied or very satisfied customers in post-interaction counselling surveys.</p> <p>APP Ibercaja. Increase active users of the APP by 25%.</p>
HUMAN RESOURCES	<p>Integration, diversity and health:</p> <ul style="list-style-type: none">• Actively contribute to the employment integration of people with intellectual disability.• Implement new programmes that improve the health and quality of life of our professionals through the promotion of healthy life habits such as: physical activity through sports, food or health surveillance. <p>Internal communication:</p> <ul style="list-style-type: none">• Design and implementation of new internal communication channels that allow us to “Empower the employee” and effectively move Ibercaja’s strategy, multiplying brand ambassadors and generating a greater link with Ibercaja.• In this context, we will continue to work on participation as a means of motivation and recognition, also obtaining a greater use of collective intelligence.
ENVIRONMENT	<p>Awareness Initiatives. Continue with the promotion of internal and external awareness initiatives to protect the environment.</p> <p>Carbon footprint. Continue with the use of the calculator. It makes use of the calculator of the Ministry for Ecological Transition (MITECO) for the calculation of CO2eq emissions, scope 1 + 2. For the calculation of the emissions produced in the displacements, the GHG Protocol is used as a source.</p> <p>Waste management internal protocol. Finalise the protocol that serves to coordinate and correctly manage waste at each of the Entity’s warehouses in Spain.</p>
SUPPLIERS	<p>Review purchasing procedures.</p> <p>Adaptation to the new regulations of suppliers.</p>

G. INTEREST 2019 COMMITMENTS

COMPANY

Volunteering. Prepare a volunteering plan, together with the steps for the implementation of said plan.

RSA + seal. Renewal of the Seal.

Obtaining the efr Seal.

SHARE HOLDERS AND INVESTORS

Visibility. Continue increasing the visibility of Ibercaja among institutional investors, increasing the number of events, meetings and telephone conferences.

OTHER COMMIT MENTS

Code of ethics. Implementation of the code activation plan (communication and implementation).

Organisational purpose. Develop phases 2 and 3 of the activation plan for the Organizational purpose.

C. HUMAN RIGHTS AND COMMITMENTS TO THE SDG (SUSTAINABLE DEVELOPMENT GOALS)

102-12

COMMITTED TO HUMAN RIGHTS

AT IBERCAJA, WE ARE AWARE OF THE ROLE THAT COMPANIES PLAY IN PRESERVING AND ENSURING RESPECT FOR HUMAN RIGHTS AND WE CONSIDER IT FUNDAMENTAL FOR THE SUSTAINABLE DEVELOPMENT OF ANY ECONOMIC ACTIVITY.

We must act as agents for progress and for change in this area. We carry on our banking activity responsibly, always in accordance with current legislation, and with the principles established at international level:

- » **We are signatories of the United Nations Global Compact.**
- » **We are committed to the principles of the UN's Universal Declaration of Human Rights.**

Respect for human rights is reflected in the Entity's Corporate Social Responsibility policy, which stands out as one of the principles of sustainable action: "Defence of human rights in line with the principles of the UN Global Compact". It is an essential priority and its compliance standards always exceed the established requirements.

This principle of action extends across the entire entity and is integrated into the organisation's functions and management model.

The **people** who work at Ibercaja are the fundamental axis on which its strategy and activity are based. Therefore, the Entity is committed to meeting them and accompanying them throughout their career, promoting the continuous development of their abilities, defending diversity and equal opportunities and rejecting all forms of discrimination. Participation, communication and open and transparent dialogue with employee representatives is encouraged. All by committing ourselves to the security and protection of all the people that work at the Entity, ensuring their welfare and their occupational health.

In addition, this protocol is extended to those companies with which the Entity is related: The CSR Policy includes, in the contracting of **suppliers**, the commitment to specifically assess those approaches and policies implemented by companies in social, environmental and human rights issues (inclusions in international agreements, quality certification, environmental certification, special employment centres, etc.).

In particular, to promote socially responsible practices of suppliers and the application of the principles of the **United Nations Global Compact**, Ibercaja has a Code of Conduct for suppliers, articulated in ten points, which includes the values that are fostered in the responsible contracting of the Entity, many of which are directly related with respect for human rights:

- ▶ **Promote and respect the protection of human rights** promulgated in the main international instruments, and ensure that the Entity is not an accomplice to any breach or irregularity with respect thereto.
- ▶ Conserve an environment in which **all workers are treated with dignity and respect**, prohibiting all forms of forced labour, easement or indentured labour.
- ▶ **Not permit the recruitment of minors under legal working age** and, in any case, under the sufficient age to finish basic compulsory education.
- ▶ **Avoid discrimination** due to gender, race, colour, age, social origin, religion, nationality, sexual orientation, political opinion, physical or mental disability or trade union membership, establishing equal opportunities programmes and stimulating methods to eradicate discrimination at work centres or in the Entity's catchment area.
- ▶ **Respect the rights of employees to freely associate** themselves and to collectively organise and negotiate, pursuant to the prevailing legislation.
- ▶ Comply with all laws on **salaries and working hours, in line with current legislation.**
- ▶ Provide employees with a **safe healthy employment environment**, which complies with the applicable laws and regulations, implementing occupational risk prevention and health and safety programmes, and show willing to provide Ibercaja Banco, S.A. with information on health and safety aspects.
- ▶ **Comply with environmental protection, in line with current legislation, endeavouring:**
 - » To reduce poisonous emissions and waste and contribute to the recycling and reuse of materials and products.
 - » To handle, store and dispose of hazardous waste safely.
 - » To use technologies that respect the environment.
- ▶ **Apply a policy of zero tolerance with regard to bribery and corruption**, prohibiting the offering, promising, granting, requesting or demanding of backhanders, bribes or any other type of payment outside of the contract, in order to obtain or conserve business relations, avoiding the distribution of all manner of gifts.
- ▶ **Demonstrate its commitment to the principles of this code**, through the acceptance of its compliance as a requirement of the contract.

MOST SIGNIFICANT ACTIONS IN RELATION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG)

THE 2030 AGENDA OF THE UNITED NATIONS IS A CALL TO ACTION FOR COMPANIES AROUND THE WORLD: WE HAVE A FUNDAMENTAL ROLE TO PROGRESS IN THE ATTAINMENT OF THE SUSTAINABLE DEVELOPMENT GOALS INCLUDED ON THE AGENDA, AS PRIORITY ISSUES TO ACHIEVE AN END TO POVERTY, REDUCE INEQUALITY AND FIGHT AGAINST CLIMATE CHANGE.

We must strive to ensure that our business strategies are compatible with a “development that meets present needs, without compromising the possibilities of future generations responding to their own needs”.



Thus, Ibercaja is very aware of the **Sustainable Development Goals**, and each year, it extends its knowledge and its application, as **principles that guide the responsible actions of the Entity**. In order to focus on achieving maximum effectiveness, efforts are aligned especially with those Objectives more directly linked to financial activity and the activities of the Shareholder Foundations.



During 2018, Ibercaja has worked on the analysis and identification of SDG. Consequently, **Ibercaja Banco is committed primarily to the following objectives:**

SDG	MAIN ACTIONS	RELATED CHAPTER
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> » Promotion and awareness of healthy living habits, both internally and externally. » Sports sponsorships and organisation and sponsorship of popular and specialised sporting trials, which promote the most extensive participation possible. » Strengthening the participation of employees therein, reinforcing the values of effort and teamwork, along with the benefits for health. » Encourage sporting activities through the Cultural Group. » Employee benefits. 	<ul style="list-style-type: none"> » Corporate Social Responsibility policy (page 140) » Corporate Integrity (page 77) » 5.3 Commitment to people (page 146) Occupational health and safety Remuneration policy » 5.7 Commitment to society (page 172) Sponsorship and partnership
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> » "Educa Initiative", developed by the Ibercaja Foundation, which collaborates with parents and educators, putting at their disposal proposals that contribute to complete the education of the youngest and actively promote their development. » "Basic Finance Program", aimed at people of all ages, to promote financial culture. 	<ul style="list-style-type: none"> » Corporate Social Responsibility policy (page 140) » 5.7 Commitment to society (page 172) Emplea-T and emprende
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> » Linking the principle of equality for all people management policies. » Promotion of the continuous development of skills and abilities, managing talent, which does not understand gender. » Equality Plan. 	<ul style="list-style-type: none"> » Corporate Social Responsibility policy (page 140) » Corporate Integrity (page 77) » 5.3 Commitment to people (page 146) Diversity, equality and work-life balance
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> » Promoting the inspiring leadership model, which encourages communication and participation, creating an attractive environment to retain and attract talent. » Partnership agreements with Special Employment Centres and entities that promote the inclusion of groups with disabilities or at risk of exclusion. » Boosting growth in their territories of action, participating in the main projects and developing programmes to promote entrepreneurs. 	<ul style="list-style-type: none"> » Corporate Social Responsibility policy (page 140) » Corporate Integrity (page 77) » 5.3 Commitment to people (page 146) Inspirational leadership Diversity, equality and work-life balance » 5.7 Commitment to society (page 172) Emplea-T and emprende Learning to be an entrepreneur » Strategy of the organisation and business model (page 90) Business shares » Commitment to suppliers (page 160)
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> » Digital transformation. » Financing to SMEs and the self-employed. » Emplea-T and emprende initiative . » Ibercide. 	<ul style="list-style-type: none"> » Omnichannel approach (page 117) » Companies business (page 100) » Emplea-T and emprende (page 178) » Ibercide Business Development Centre (page 178)
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> » Environmental Management System implemented and certified. » Environment Team formed by professionals of the Entity, which promotes projects and good environmental practices. » Actions of internal and external awareness-raising. » Products with social and environmental orientation. 	<ul style="list-style-type: none"> » Corporate Social Responsibility policy (page 140) » Corporate Integrity (page 77) » 5.6 Commitment to the environment (page 165)
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<ul style="list-style-type: none"> » Active collaboration through agreements with the main economic and social players of the territories in which it operates. » Specialised alliances, to enhance their progress in CSR and in socially responsible investment. 	<ul style="list-style-type: none"> » Corporate Social Responsibility policy (page 140) » 5.7 Commitment to society (page 172) Sponsorship and partnership



D. MATERIALITY STUDY

102-46, 102-47, 102-43, 102-44, 102-21

INTRODUCTION

IN ACCORDANCE WITH THE GLOBAL REPORTING INITIATIVE “MATERIALITY IS THE PRINCIPLE THAT DETERMINES WHICH MATTERS ARE SUFFICIENTLY IMPORTANT FOR IT TO BE ESSENTIAL TO PROVIDE INFORMATION WITH RESPECT THERETO.

Significant matters are those that may reasonably be considered important to reflect the organisation’s economic, environmental and social impacts or influence the decisions of stakeholders”.

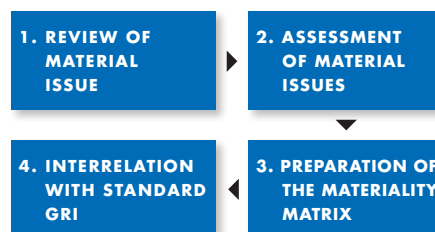
With this approach, in 2015 the first materiality study was drawn up to identify those topics that influence the ability to create value for Ibercaja and that are of interest to the people and / or groups with which it is related. This materiality analysis was valid during the 2015-2017 Strategic Plan, ending with the 2017 Annual Report.

In 2018, coinciding with the launch of the 2018-2020 Strategic Plan, a thorough review of the materiality analysis was carried out, to identify the topics to be included, in line with the new Strategic Plan.

This analysis has made it possible to create a **new materiality matrix** in which the most relevant topics are identified, both for Ibercaja Banco and for its stakeholders and which, therefore, are an essential part of this report.

METHODOLOGY

THE REVISION OF THE MATERIALITY MATRIX HAS BEEN CARRIED OUT IN 4 PHASES:



1. REVIEW OF MATERIAL ISSUES

Based on the material issues identified in the previous matrix, a review has been carried out, mapping all those topics that are considered to be material for Ibercaja and that have served as a starting point for consultation with stakeholders.

The following points **have been taken into account for this review**:

- ▶ **INTERNAL DOCUMENTATION OF THE ENTITY:** strengths, contained in the Strategic Plan, former materiality, previous annual reports, etc.
- ▶ **LEGISLATION/REGULATIONS:** analysis of regulatory requirements and recommendations.
- ▶ **EXTERNAL DOCUMENTATION:** material issues in the financial sector, international standards, tendency reports, Sustainable Development Goals, etc.

THE TOPICS IDENTIFIED AFTER THIS ANALYSIS WERE AS FOLLOWS:

1. The Entity's Corporate Governance policy	6. Business model and customer advice	11. Attracting and retaining talent
2. Solvency/profitability/financial strength	7. Computer security and data protection	12. Social action/community support projects
3. Ethical conduct and integrity	8. Digital transformation and multichannel	13. Financial products with high social and / or environmental value
4. Risk management and regulatory compliance	9. Respect for Human Rights	14. Environmental management
5. Transparency in customer relations and communication	10. Diversity and work-life balance	15. Relations with suppliers and collaborators

2. ASSESSMENT OF MATERIAL ISSUES

Once the material issues had been identified, **internal and external enquiries** were made, through personalised on-line surveys, to determine those topics that are most important for the main stakeholders and for Ibercaja, and which will be the basis of the materiality matrix.



3. PREPARATION OF THE MATERIALITY MATRIX

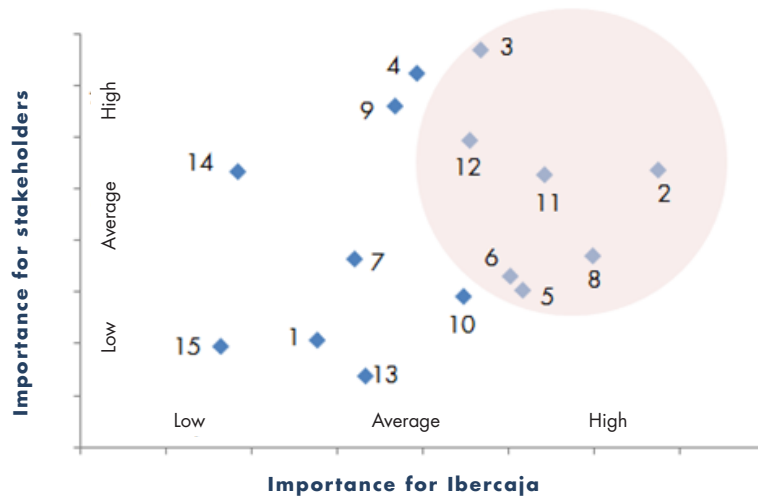
The results obtained in the previous point have been transferred to a matrix, to identify those matters that are most important for the stakeholders and for Ibercaja; these topics focus the contents of this Annual Report, with the aim of responding in an appropriate manner to the requests of the stakeholders consulted.

4. INTERRELATION WITH GRI STANDARDS

As a last step, the relationship between the material issues and the GRI Standards has been identified, in order to determine the necessary contents to respond to each one of them.

RESULTS OF THE MATERIALITY MATRIX

1. The Entity's Corporate Governance policy
2. Solvency/profitability/financial strength
3. Ethical conduct and integrity
4. Risk management and regulatory compliance
5. Transparency in customer relations and communication
6. Business model and customer advice
7. Computer security and data protection
8. Digital transformation and multichannel
9. Respect for Human Rights
10. Diversity and work-life balance
11. Attracting and retaining talent
12. Social action/community support projects
13. Financial products with high social and / or environmental value
14. Environmental management
15. Relations with suppliers and collaborators



AS REFLECTED IN THE MATERIALITY MATRIX, THE FOLLOWING MATERIAL ISSUES WERE IDENTIFIED, WHICH FORM THE BASIS OF THIS ANNUAL REPORT:

The materiality matrix remains **in force during this Strategic Plan** and communication channels with stakeholders remain open to meet their expectations.

Solvency/profitability/financial strength		Ethical conduct and integrity	
Transparency in customer relations and communication		Business model and customer advice	
Digital transformation and multichannels		Attracting and retaining talent	
Social action/community support projects			

**RELATIONSHIP
OF MATERIAL
ISSUES AND GRI
STANDARDS**

MATERIAL ISSUES IDENTIFIED	RELATED GRI STANDARDS
SOLVENCY/PROFITABILITY/FINANCIAL STRENGTH	Economic performance Market presence Indirect economic impacts
ETHICAL CONDUCT AND INTEGRITY	Ethics and integrity Governance Unfair competition Anti-corruption Audit Non-discrimination
TRANSPARENCY IN CUSTOMER RELATIONS AND COMMUNICATION	Profile of the organisation Customer privacy Health and safety of customers Marketing and labelling Active property
BUSINESS MODEL AND CUSTOMER ADVICE	Health and safety of customers Customer privacy Marketing and labelling Product portfolio
DIGITAL TRANSFORMATION AND MULTICHANNEL	Strategy
ATTRACTING AND RETAINING TALENT	Employment Worker-company relations Training and teaching Occupational health and safety
SOCIAL ACTION/COMMUNITY SUPPORT PROJECTS	Employment Worker-company relations Training and teaching Occupational health and safety
ENVIRONMENTAL MANAGEMENT	Materials; Energy; Waters, Emissions; Effluents and Waste Environmental compliance

The table includes the list of matters that have resulted material in the analysis carried out, together with the GRI disclosures, whose detail is reflected in Annex F- GRI Standard Content Index. In addition, disclosures related to the environment have been incorporated, which, although not resulting material, reflect Ibercaja's commitment in this area and revert to the ISO 14001/2015 standard followed by the Entity.

The qualitative information included in this report responds to the rest of the issues initially identified for the preparation of the materiality matrix, which would cover all the possible information requests by the stakeholders in relation to these matters.

E. COMPLIANCE WITH GLOBAL COMPACT

103-3

INTRODUCTION

IBERCAJA BANCO HAS BEEN A SIGNATORY OF THE UNITED NATIONS GLOBAL COMPACT SINCE 2006, CONFIRMING THAT THE ACTIVITY CARRIED OUT IS PERFORMED IN ACCORDANCE WITH THE PRINCIPLES ESTABLISHED BY THIS INITIATIVE, WITH THE BANK REPORTING ANNUALLY ON ITS INVOLVEMENT.

The 2018 Annual Report describes the annual progress of the Entity in the implementation of the ten principles of the United Nations Global Compact in terms of human and employment rights, the environment and the fight against corruption.

In this way, the necessary information is filled out in order to respond to the requirements demanded for the preparation of the **Progress Report** and to reach the **Advanced level**, the highest rating granted by the **Global Compact** within the Reporting levels.

IN THIS REGARD, THERE ARE THREE KEY ISSUES ON WHICH WE WISH TO REPORT:

▶ CORPORATE SUSTAINABILITY GOVERNABILITY AND LEADERSHIP

The Corporate Social Responsibility policy is implemented and present in all the Entity's projects. During 2018, the implementation of the Inspiring Leadership Model continued, with measures aimed at Top Managers and office managers.

▶ OBJECTIVES AND PROBLEMS OF THE UN

Section C of this appendix includes information on our positioning in relation to the SDGs and the most significant procedures.

▶ IMPLEMENTATION OF THE TEN STRATEGIES AND OPERATIONS PRINCIPLES IN THE AREAS OF HUMAN RIGHTS, EMPLOYMENT, ENVIRONMENT AND ANTI-CORRUPTION

The progress related to each of the principles will be detailed below.

**THE 10
PRINCIPLES
AND RELATED
INFORMATION**

THE FOLLOWING TABLE LINKS EACH OF THE PRINCIPLES OF THE GLOBAL COMPACT WITH THE CONTENTS AND INFORMATION PRESENTED WITHIN THE REPORT AND ITS CORRESPONDENCE WITH THE GRI DISCLOSURES WITH WHICH IT RELATES. FOLLOWING THIS CORRESPONDENCE, IN THE GRI CONTENT INDEX, YOU CAN ALSO FIND RELATED INFORMATION.

	PRINCIPLE OF THE GLOBAL COMPACT	RELATED REPORT CONTENTS	REPORT PAGE	GRI CORRESPONDENCE
HUMAN RIGHTS	1. Companies must support and respect the protection of fundamental Human Rights, recognised internationally, within their scope of action.	Presentation Letter, Funding and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Integrity, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Transparency and Strategic Communication, CSR Policy, , Commitment to People Equality and Work-Life Balance-Occupational Health Prevention, Social Dialogue, Suppliers, Customers, Shareholders, Environment, Society..	4, 45, 50, 54, 64, 77, 72,80, 86, 94, 132, 140, 146, 158, 159, 160, 143, 163, 165, 172	102-8, 102-41, 406-1, 205-1, 205-2, 205-3, 401-1, 401-2, 402-1, 403-1, 403-2, 412-3, 413-1, FS13, FS14
	2. Companies must ensure that their firms are not accomplices to a breach of Human Rights.	Presentation Letter, Funding and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Transparency and Strategic Communication, CSR Policy, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	4, 45, 50, 54, 64, 72, 86, 80, 94, 132, 140, 160, 143, 163, 165, 172	102-16, 102-25, 102-31, 205-1, 205-2, 205-3, 412-3, 413-1, 416-2, 418-1
EMPLOYMENT RULES	3. Companies must support freedom of affiliation and the effective recognition of collective bargaining rights.	Commitment to People, social dialogue.	146, 159	102-41, 402-1
	4. Companies must support the elimination of all forms of forced or coerced labour.	Business Model, Transparency and Strategic Communication, CSR Policy, Commitment to People-Equality and Work-Life Balance- Remuneration Policy, Suppliers, Society.	94, 132, 140, 146, 158, 160, 172	Ibercaja does not perform its activities in developing countries.
	5. Companies should support the eradication of child labour.	Business Model, Transparency and Strategic Communication, CSR Policy, Commitment to People, Suppliers, Society.	94, 132, 140, 146, 160, 172	Ibercaja does not perform its activities in developing countries.
	6. Businesses should support the abolition of discriminatory practices in employment and occupation.	Governing Bodies, Internal Control, Suitability Policy, CSR Policy, Commitment to Customers, People -Equality and Work- Life Balance-Remuneration Policy-Occupational Health Prevention, Environment, Society,	64, 78, 72, 140, 143, 146, 158, 159, 165, 172	102-8, 102-41, 403-1, 403-2, 401-1, 404-1, 404-3, 412-3

	PRINCIPLE OF THE GLOBAL COMPACT	RELATED REPORT CONTENTS	REPORT PAGE	GRI CORRESPONDENCE
ENVIRONMENT	7. Companies must maintain a preventive approach that favours the environment.	Risk Prevention, Breaches, Fines and Penalties, Sustainable Development and Management, CSR Policy, Commitment to Environment, Society.	80, 88, 136, 140, 165, 172	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	8. Companies must encourage initiatives that promote greater environmental responsibility.	Ibercaja does not perform its activities in spaces or places that affect natural ecosystems. Presentation Letter, Transparency and Strategic Communication, Sustainable Development and Management, CSR Policy, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	4, 132, 136, 140, 160, 143, 163, 165, 172	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	9. Companies must favour the development and proliferation of technologies that respect the environment.	2018-2020 Strategic Plan, Technological Progress, Sustainable Development and Management, CSR Policy, Commitment to Environment, Society.	92, 128, 136, 140, 165, 172	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	10. Entities must work against corruption in all its forms, including extortion and bribery.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Integrity, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Omnichannels, Financial Group, Model aimed at Excellence, Brand and Reputation, Transparency and Strategic Communication, CSR Policy, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	4, 45, 50, 54, 64, 77, 78, 72, 86, 80, 94, 117, 124, 130, 132, 140, 160, 143, 163, 165, 172	102-16, 102-17, 205-1, 205-2, 205-3

F. GRI CONTENT INDEX

103-1, 102-55, 102-56



For the GRI Content Index Service, GRI Services reviewed that the GRI Content Index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. The service was performed on the Spanish version of the report.

GENERAL BASIC CONTENTS

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
GRI 101: 2016 FUNDAMENTALS				
GENERAL CONTENTS				
GRI 102: 2016 GENERAL CONTENTS	102-1 Name of the organisation	See Note 1.1 to the Consolidated financial statements at 31 December 2018 (available at the following link to the Ibercaja corporate website: http://www.ibercaja.es/informacioncorporativa/accionistas-e-inversores/informacion-economico-financiera).		
	102-4 Location of operations	4, 14, 18, 92, 94, 128		
	102-3 Location of the headquarters	See Note 1.1 to the Consolidated financial statements at 31 December 2018 (available at the following link to the Ibercaja corporate website: http://www.ibercaja.es/informacioncorporativa/accionistas-e-inversores/informacion-economico-financiera).		
	102-4 Location of operations	4, 22, 117		
	102-5 Ownership and legal form	4, 14, 94		
	102-6 Markets served	4, 22, 94, 117, 143		
	102-7 Size of the organisation	34, 143, 146		
	102-8 Information about employees and other workers	146, 221 Ibercaja Banco carries out most of its activities using its own staff, with investees that collaborate in maintenance, editing, logistics and other works. There were no significant changes in the organisation's workforce.		
	102-9 Supply chain	4, 85, 92, 94, 160		
	102-10 Significant changes in the organisation and its supply chain	165, 194		
	102-11 Precautionary principle or approach	146, 221		
	102-12 External initiatives	106, 146, 199		
	102-13 Affiliation to associations	Ibercaja participates in the sector associations that represent financial activity and other reference associations: Cecabank, AEC, Forética, Commission for the Integrity of the Financial System for Banks, GREF, etc.		
	102-14 Declaration of senior executives responsible for decision making	4		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
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GRI 101: 2016 FUNDAMENTALS

GENERAL CONTENTS

GRI 102: 2016 GENERAL CONTENTS	102-15 Main impacts, risks and opportunities	4, 34, 62, 72, 86, 92, 140, 143, 146, 160, 163, 165, 172, 194		
	102-16 Values, principles, standards and rules of conduct	18, 62, 64, 76, 140, 160, 77		
	102-17 Mechanisms for advice and concern about ethics	77		
	102-18 Governance structure	62, 64		
	102-19 Delegation of authority	62, 64, 140, 165		
	102-20 Responsibility at executive level regarding economic, environmental and social issues.	62, 64, 140, 165		
	102-21 Consultation of stakeholders regarding economic, environmental and social issues.	140, 143, 146, 203		
	102-22 Composition of the highest governing body and its committees	62, 64		
	102-23 Chairman of the highest governing body	62, 64		In 2018 the President of Ibercaja Banco does not have executive functions.
	102-24 Nomination and selection of the highest governing body	62, 64		This Report has been approved by the Board for the Formulation of accounts held on 03/01/2019.
	102-25 Conflicts of interest	72		
	102-26 Role of the highest governing body in the selection of objectives, values and strategies	62, 64, 72, 140, 165		
	102-28 Evaluation of the performance of the highest governing body	62, 64, 72, 140, 165		
	102-30 Efficiency of risk management processes	62, 64, 72, 140, 165		
	102-31 Review of economic, environmental and social issues	62, 64, 72, 140, 165		
	102-32 Role of the highest governing body in the preparation of sustainability reports	4, 62, 64		
	102-35 Remuneration policies	67, 72		
	102-36 Processes to determine remuneration	67, 72		
	102-40 List of stakeholders	18, 138		
	102-41 Collective bargaining agreements	100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees.		
	102-42 Identification and selection of stakeholders	18, 138		In 2015, the Entity's Stakeholders Map was designed. See Annual Report 2015 p.47.

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
GRI 101: 2016 FUNDAMENTALS				
GENERAL CONTENTS				
GRI 102: CONTENTS GENERAL 2016	102-43 Approaches for the participation of stakeholders	140, 143, 146, 160, 163, 165, 172, 203		
	102-44 Key issues and concerns mentioned	140, 143, 146, 160, 163, 165, 172, 203		
	102-45 Entities included in the consolidated financial statements	192		
	102-46 Definition of the contents of the reports and the Coverage of the topic	192, 203		
	102-47 List of material issues	203		
	102-48 Restatement of information	The possible changes in the criteria applied with respect to the previous report, when they are significant, are reflected in the corresponding section and in the GRI Content Index.		
	102-49 Changes in the preparation of reports	There have been no significant changes in the scope, coverage or valuation methods. 2018 was the fourth year running that the Bank reported with G4 and an in-depth materiality analysis was also performed.		
	102-50 Period covered by the report	2018		
	102-51 Date of last report	2017		
	102-52 Report preparation cycle	Annual		
	102-53 Contact point for questions about the report	mcampob@ibercaja.es		
	102-54 Declaration of preparation of the report in accordance with the GRI Standards	192		
	102-55 GRI content index	210		
	102-56 External verification	210, 227		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
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MATERIAL ISSUES

ECONOMIC PERFORMANCE

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	34		
	103-2 Management approach and its components	34		
	103-3 Evaluation of the management approach	36, 50		
GRI 201: 2016 ECONOMIC PERFORMANCE	201-1 Direct economic value generated and distributed	220		
	201-3 Obligations of the defined benefit plan and other retirement plans	100% of serving employees are included in the Pension Plan.		
	201-4 Financial assistance received from the government	85		

MARKET PRESENCE

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	4, 22, 25, 30		
	103-2 Management approach and its components	4, 22		
	103-3 Evaluation of the management approach	22, 32		
GRI 202: 2016 MARKET PRESENCE	202-1 Ratio of the standard initial category salary by gender with respect to the minimum local salary	The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are performed: 124%		
	202-2 Proportion of senior executives recruited in the local community.	Ibercaja Banco recruits 100% of its employees in Spain and 100% of senior executives are Spanish.		

INDIRECT ECONOMIC IMPACTS

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	104		
	103-2 Management approach and its components	104		
	103-3 Evaluation of the management approach	226		
GRI 203: 2016 INDIRECT ECONOMIC IMPACTS	203-1 Infrastructure investments and services supported	226		

PROCUREMENT PRACTICES

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 132, 160		
	103-2 Management approach and its components	160		
	103-3 Evaluation of the management approach	160		
GRI 204: 2016 PROCUREMENT PRACTICES	204-1 Proportion of spending on local suppliers	The percentage of purchases from local suppliers is 99%		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
MATERIAL ISSUES				
UNFAIR COMPETITION				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	72, 77, 80, 132		
	103-2 Management approach and its components	72, 77, 80, 132		
	103-3 Evaluation of the management approach	78, 80		
GRI 206: UNFAIR COMPETITION 2016	206-1: Legal action related with unfair competition and monopolistic practices and against free competition	In 2018, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition.		
ANTI-CORRUPTION				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	62, 64, 72, 77, 140		
	103-2 Management approach and its components	64, 72, 76, 77, 78, 80, 140, 86		
	103-3 Evaluation of the management approach	72, 76, 78, 80, 86		
GRI 205: ANTI-CORRUPTION 2016	205-1: Operations evaluated for risks related to corruption	220		
	205-2: Communication and training on anti-corruption policies and procedures	95% of Ibercaja Banco's current workforce has received training in criminal risk prevention, including the crime of corruption and bribery.		
	205-3: Confirmed cases of corruption and measures taken	During 2018, no cases of corruption arose.		
CUSTOMER PRIVACY				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	76, 88, 143		
	103-2 Management approach and its components	76, 77, 88, 140		
	103-3 Evaluation of the management approach	76, 88		
GRI 418: CUSTOMER PRIVACY 2016	418-1 Claims based on violations of customer privacy and loss of customer data	In 2018, there were 170 cases related to GDPR (141 data cancellations and 29 relating to other rights) and 1,769 advertising deregistrations by electronic means. During 2018, no significant penalties or fines were received of a definitive nature in terms of data protection.		
HEALTH AND SAFETY OF CUSTOMERS				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	76, 88, 143		
	103-2 Management approach and its components	76, 77, 88, 140		
	103-3 Evaluation of the management approach	76, 88		
	416-2: Cases of non-compliance related to the health and safety impacts of the product and services categories	In 2018, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition.		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
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MATERIAL ISSUES

MARKETING AND LABELLING

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	132		
	103-2 Management approach and its components	76, 77, 78, 123, 132, 140		
	103-3 Evaluation of the management approach	76, 78, 124		
GRI 417: 2016 MARKETING AND LABELLING	417-1 Information requirements and the labelling of products and services	76, 78		
	417-2 Cases of breaches related with information and the labelling of products and services	In 2018, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to the impact on the use and supply of products and services and in health and safety, or as a result of labelling.		
	417-3 Cases of breaches related with marketing notifications	In 2018, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to matters tied to marketing notifications.		

EMPLOYMENT

GRI 103: MANAGEMENT APPROACH

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue	146, 77		
	103-2 Management approach and its components	77, 140		
	103-3 Evaluation of the management approach	207, 221		
GRI 401: EMPLOYMENT 2016	401-1 New employee recruitments and staff turnover	221		
	401-2 Benefits for full-time employees that are not given to part-time or temporary employees	140, 146		

WORKER-COMPANY RELATIONSHIP

GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	146, 159		
	103-2 Management approach and its components	77, 140		
	103-3 Evaluation of the management approach	159		
GRI 402: WORKER- COMPANY RELATIONS 2016	402-1 Minimum notice periods for operational changes	That stipulated in the prevailing legislation applies with regard to minimum advance notice period(s) relating to organisational changes, including if these notices are specific in the collective bargaining agreements.		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
MATERIAL ISSUES				
LABOUR PRACTICES AND DECENT WORK				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 146		
	103-2 Management approach and its components	77, 140		
	103-3 Evaluation of the management approach	207, 221		
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 146, 159		
	103-2 Management approach and its components	77, 140, 159		
	103-3 Evaluation of the management approach	159, 222		
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-2 Types of accidents and accident frequency rates, occupational diseases, days missed, absenteeism and number of deaths due to occupational accidents or occupational diseases	222		
TRAINING AND TEACHING				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 146, 159		
	103-2 Management approach and its components	77, 140, 156		
	103-3 Evaluation of the management approach	156, 222		
GRI 404: TRAINING AND TEACHING 2016	404-1 Average training hours per year per employee	The average number of training hours per employee in 2018 was 77 hours. 222		
	404-2 Programmes to improve employee aptitudes and transition assistance programmes	146		
	404-3 Percentage of employees who receive periodic evaluations of professional performance and development	100% of permanent employees receive periodic performance evaluations and professional development.		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
MATERIAL ISSUES				
DIVERSITY AND EQUAL OPPORTUNITIES				
GRI 103:2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	64, 77, 146, 158		
	103-2 Management approach and its components	158		
	103-3 Evaluation of the management approach	158		
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2016	405-1 Diversity of governance bodies and employees	64, 146		
NON-DISCRIMINATION				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 146, 158		
	103-2 Management approach and its components	158		
	103-3 Evaluation of the management approach	158		
GRI 406: NON-DISCRIMINATION 2016	406-1 Incidents of discrimination and corrective actions taken		There were no incidents of discrimination or, therefore, corrective plans in 2018.	
LOCAL COMMUNITIES				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	18, 77, 140, 172		
	103-2 Management approach and its components	77, 117, 140		
	103-3 Evaluation of the management approach	223		
GRI 413: LOCAL COMMUNITIES 2016	413-1 Operations with the participation of the local community, impact assessments and development programmes	172		
	FS13 Accessibility in unpopulated areas or in marginalised zones		In 2018, Ibercaja provided services in 126 locations as the only entity present.	
	FS14 Initiatives to improve access to financial services to disadvantaged people.	117, 223		
SOCIO-ECONOMIC COMPLIANCE				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 140		
	103-2 Management approach and its components	76, 77, 140		
	103-3 Evaluation of the management approach	80		
GRI 419: SOCIO-ECONOMIC COMPLIANCE 2016	419-1 Breach of laws and regulations in social and economic areas		In 2018, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition.	

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
MATERIAL ISSUES				
MATERIALS				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 140, 165		
	103-2 Management approach and its components	77, 140, 165		
	103-3 Evaluation of the management approach	223		
GRI 301: MATERIALS 2016	301-1: Materials used by weight or volume.	223		
	301-2: Recycled input materials used	223		
ENERGY				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its Boundary	77, 140, 165		
	103-2 Management approach and its components	77, 140, 165		
	103-3 Evaluation of the management approach	223		
GRI 302: ENERGY 2016	302-1: Energy consumption within the organisation	223		
	302-3: Energy intensity	223		
WATER				
GRI 103: MANAGEMENT APPROACH 2016	103-1 Explanation of the material topic and its Boundary	77, 140, 165		
	103-2 Management approach and its components	77, 140, 165		
	103-3 Evaluation of the management approach	223		
GRI 303: WATER 2016	303-1 Water withdrawn by source	223		
EMISSIONS				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 140, 165		
	103-2 Management approach and its components	77, 140, 165		
	103-3 Evaluation of the management approach	224		
GRI 305: EMISSIONS 2016	305-1: Direct GHG emissions (scope1)	224		
	305-2: Indirect GHG emissions when generating energy (Scope 2)	224		
	305-3: Other indirect GHG emissions (scope 3)	224		
	305-4: GHG emissions intensity	224		
EFFLUENTS AND WASTE				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 140, 165		
	103-2 Management approach and its components	77, 140, 165		
	103-3 Evaluation of the management approach	224		
GRI 306: EFFLUENTS AND WASTE 2016	306-2: Waste by type and disposal method	224		

GRI STANDARD	CONTENT	PAGE OR DIRECT RESPONSE	OMISSION	REVISION
ENVIRONMENTAL COMPLIANCE				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 140, 165		
	103-2 Management approach and its components	77, 140, 165		
	103-3 Evaluation of the management approach	165		
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1: Non-compliance with environmental laws and regulations		No significant penalties, sanctions or fines were received in 2018 for failure to comply with environmental laws and regulations.	
PRODUCT PORTFOLIO				
GRI 103: 2016 MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 92, 140		
	103-2 Management approach and its components	92, 94, 106, 143		
	103-3 Evaluation of the management approach	225, 226		
PRODUCT PORTFOLIO	FS6: Breakdown of the portfolio for each line of business, by specific region, size (microenterprise, SME, large company) and sector	92, 94 106, 140, 143		
	FS7: Monetary value of products and services designed to offer a specific social benefit for each line of business broken down by objectives.	225		
	FS8: Monetary value of products and services designed to offer a specific environmental benefit for each line of business broken down by objectives.	226		
AUDIT				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage		The Environmental Management System extends to the entire organisation, taking care to ensure operations in accordance with the UNE-EN ISO 14001: 2015 standard. The headquarters at Plaza Paraiso 2, Zaragoza, also has ISO certification in environmental management. In 2018, the certification was renewed.	
	103-2 Management approach and its components	68		
	103-3 Evaluation of the management approach	68, 220		
ACTIVE PROPERTY				
GRI 103: MANAGEMENT APPROACH	103-1 Explanation of the material issue and its Coverage	77, 92, 140		
	103-2 Management approach and its components	77, 92, 140		
	103-3 Evaluation of the management approach	226		
ACTIVE PROPERTY	FS10: Percentage and number of companies in the portfolio with which they have interacted in social or environmental matters.	226		
	FS11: Percentage of assets subject to positive or negative social or environmental analysis.	226		

G. APPENDIX TO GRI STANDARDS CONTENT

103-3

201-1

€ THOUSANDS	2017	2018
Gross income	1,164,214	966,594
Net profit/(loss) discontinued operations	0	0
Gains or (-) losses on the derecognition of net non-financial assets and equity interests	8,068	-19,201
Gains/(losses) non-current assets held for sale	-6,573	-30,377
Economic value generated	1,165,709	917,016
Dividends	17,500	17,500
Other general administrative expenses	186,033	172,874
Staff costs	458,588	419,505
Income tax and contributions and other taxes	67,946	65,203
Economic value distributed	730,067	675,082
Economic value retained (VEG-VED)	435,642	241,934

205-1

NUMBER OF AUDITS	2017	2018
Distribution Network Audit	464	426
Credit Risk Audit	11	12
Financial Audit	35	31
Computer Process Audit	30	28
TOTAL	540	497

OFFICE AUDITS	2017	2018
Revised network offices	451	414
Percentage of the average number of offices	39.20%	35.94%

102-8

GROUP	GENDER		AVERAGE AGE	TYPE OF CONTRACT			
	MEN	WOMEN		PERMANENT		TEMPORARY	
				TOTAL EMPLOYEES	AVERAGE	TOTAL EMPLOYEES	AVERAGE
Executives	119	36	49	155	99.69%	0	0.31%
Middle managers	1,135	771	46	1,906	99.97%	0	0.03%
Technicians	667	812	45	1,479	100%	0	0%
Clerical staff	724	797	45	1,343	82.92%	178	17.08%

401-1

NUMBER AND RATE OF NEW HIRES

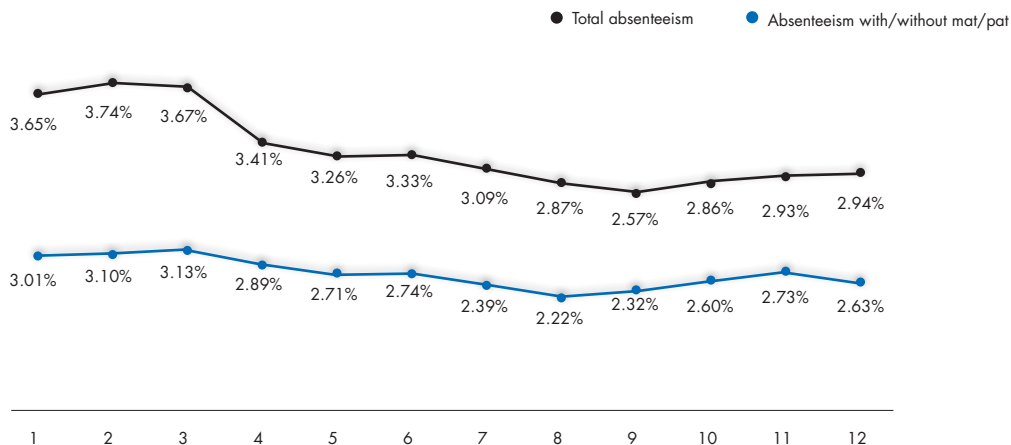
REASON	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
Under 30 years	21	0.82%	16	0.69%	37	0.76%
31-40 years	16	0.62%	25	1.08%	41	0.84%
41-50 years	8	0.31%	9	0.39%	17	0.35%
Over 50 years	8	0.31%	2	0.09%	10	0.20%
TOTAL	53	2.06%	52	2.25%	105	2.15%

NUMBER AND ROTATION RATE (HIGH AND LOW)

REASON	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
Under 30 years	21	0.82%	17	0.73%	38	0.78%
31-40 years	19	0.74%	37	1.60%	56	1.15%
41-50 years	21	0.82%	17	0.73%	38	0.78%
Over 50 years	201	7.82%	64	2.77%	265	5.43%
TOTAL	262	10.19%	135	5.84%	397	8.13%

403-2

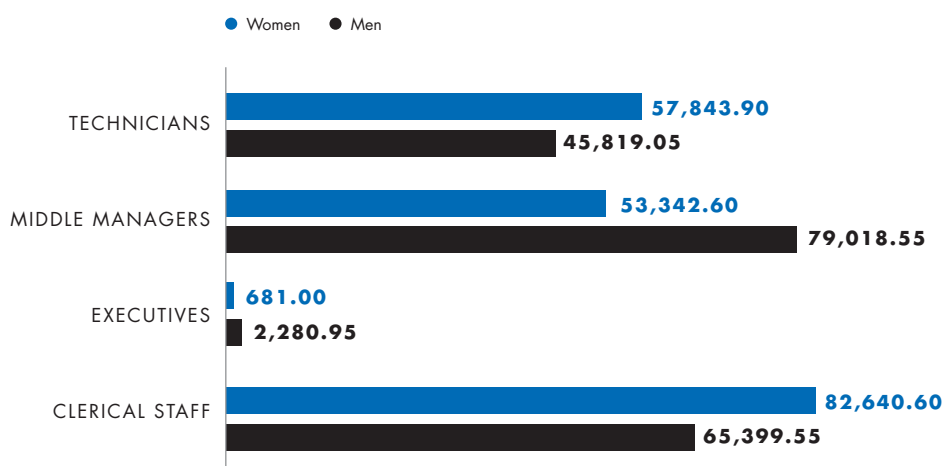
TREND IN ABSENTEEISM RATE



- » Absenteeism indicators are prepared monthly so that the absenteeism rate of our Entity can be effectively controlled and monitored.
- » With respect to the previous year, a drop of 2.644% (-0.025 points, excluding maternity) was observed in the absenteeism rate, although it continues to be below the absenteeism rate for the Services sector.

404-1

SUM OF TRAINING HOURS



G4-FS14

CHANNEL OF RELATIONSHIP WITH CUSTOMERS	2017	2018
Number of offices	1,151	1,115
Number of ATMs	1,475	1,476
% over-the-counter transactions	22.25%	17.57%
% transactions carried out by distance banking	56.51%	64.02%
% transactions carried out at ATM	7.32%	5.59%
% transactions carried out at POS	13.50%	12.51%
% operations performed on updaters	0.47%	0.30%
Monthly active digital banking users	629,973	676,754
Monthly active mobile banking users	242,870	311,580
Monthly active mobile payment users	17,781	26,335
Total views Home Ibercaja.es	24,426,363	25,135,143

301-1, 301-2, 302-1, 302-3, 303-1

CONSUMPTION	2017	2018
WATER CONSUMPTION (m3)	42,064	41,197
Water consumption (headquarters)	11,172	11,219
Water consumption (branch network)	30,892	29,978
Average water consumption per employee and year (Entity)	7.58	7.94
<i>Specific observations: The water from the well captured by not being consumed is not included in the table. Water consumption has been estimated in the Branch Network based on an average consumption ratio per unit of surface area.</i>		
ENERGY CONSUMPTION (Gj)		
Electricity (headquarters)	31,140	31,078.11
Electricity (branch network)	105,824	109,527.99
Average electricity consumption per employee and year (Entity)	24.68	27.10
Diesel (central building)	101.92	42.50
Diesel (branch network)	3,637.26	4,133.96
Natural Gas (branch network)	3,162.37	3,209.23
Average consumption of diesel and natural gas per employee and year (Entity)	1.24	1.42
PAPER CONSUMPTION Tm		
Type DIN A4 white (entity)	15.83	11.54
Recycled DIN A4 type (entity)	285.17	283.67
Total type DIN A4 (entity)	301	295.21
Type DIN A3 (entity)	0.65	0.48
Envelopes	56.84	46.11
Bovine (insert)	166.62	138.93
Average total paper consumption per employee (Entity)	0.11	0.09
Total paper consumption	525.10	480.73

Specific observations on envelopes: The envelope consumption data are updated considering only the 115x225 size. The data on total paper consumption in 2017 was corrected.

Specific observations on coils: the figure for 2018 corresponds to the actual consumption of coils. The data for 2017 corresponded to the invoiced amount (not actual consumption).

General remarks: Entity = headquarters + network of branches. No. of employees at central headquarters is considered to be the average workforce: 770 in 2017, 805 in 2018. No. employees per entity is considered to be the average workforce: 5551 in 2017, 5188 in 2018

305-1, 305-2, 305-3, 305-4

LEVEL CO2 EMISSIONS	2017	2018
Emissions from diesel consumption, in Tn of CO2 (total entity)	282.5	321.07
Emissions from natural gas consumption, in Tn of CO2 (total entity)	178.32	180.97
Emissions for electricity consumption, in Tn of CO2 (Central Building)	724.62	0.00
Emissions for electrical consumption, in Tn of CO2 (Branch network)	11,470.86	11,866.48
Emissions in Tn of CO2 by displacement of employees by car	1,006.96	1,089.53
Emissions in CO2 Tn by vehicle displacement (Total Entity)	71.02	61.90
Emissions in Tn of CO2 by messaging service (Total Entity)	4,304.99	441.11
Emissions in Tn of CO2 by leakage of fluorinated gases (Total Entity)	1,515.79	1,034.90
Emissions in Tn of CO2 by leakage of fluorinated gases (Central Building)	0.00	0.00
Total emissions, in Tn of CO2	19,555.05	14,995.95
Average CO2 emissions per employee in Tn CO2*	3.52	2.89

- » Specific observations: For the calculation of emissions, the carbon footprint calculation tool of the Ministry for Ecological Transition (MITECO), Scopes 1-2, is used.
 - » The sources of the emission factors for the calculation of the CO2 emissions produced in the displacements are: The GHG Protocol (Greenhouse Gas Protocol) and IDAE (Institute for Energy Diversification and Saving)
 - » The electricity contracted in the Central Building in 2018 has a Guarantee of Origin of renewable energy sources.
 - » In the calculation of the 2018 emissions, the latest published version of the MITECO calculator, V12, was used, with the date of emission factors for 2017.
- * The average number of employees is as follows: 5551 in 2017 and 5188 in 2018

306-2

	2017	2018
Total Non-Hazardous Waste (Kg)	68,058.65	280,826
Total Hazardous Waste (Kg)	3,136.3	11,893.9
Confidentially Destroyed Paper (Kg)	298,335.57	353,414.60

G4-FS7

AMOUNTS IN THOUSANDS OF EUROS	2017	2018
YOUNG LINE		
Scholarships, postgraduate, etc.		
No. of transactions	30	20
Financing amount	103	79
Home purchases		
No. of transactions	2,476	1,675
Financing amount	220,971	148,514
Driving license		
No. of transactions	48	0
Financing amount	55,789	0
INDIVIDUALS		
Citizen Card Zaragoza		
No. of transactions	3,828,394	3,889,098
OPERATIONAL amount	2,466	2,506
Citizen Card Guadalajara		
No. of transactions	35,827	35,274
OPERATIONAL amount	16	15
CORPORATIONS		
ICO Lines-Companies and Entrepreneurs		
No. of transactions	639	616
Financing amount	26,712	26,839
EIB agreements		
No. of transactions	2,443	2,484
Financing amount	116,221	139,856
AGRO SECTOR		
No. of transactions	5,091	4,244
Financing amount	206,211	166,683
Young Farmers and Cattle Ranchers		
No. of transactions	70	76
Financing amount	4,395	4,584

G4-FS8

INVESTEES	ENVIRONMENTAL PROJECT	INVESTMENT FINANCED BY IBERCAJA
Rioja Nueva Economía, S.A.	Bio-diesel plant in Calahorra and wind farm	7,660
Solavanti	9 photovoltaic projects	6,030
Foresta Project	Forest plantations in Extremadura	4,332
Energías Alternativas de Teruel	Promotion and exploitation of wind power	26
Prames	Mountain Conditioning	816
TOTAL INVESTMENT IBERCAJA		18,864

G4-FS10, G4-FS11

Ibercaja investments in companies at which CSR is of significance

IBERCAJA'S INVESTMENTS IN COMPANIES IN WHICH CSR IS SIGNIFICANT (THOUSANDS OF EUROS)	2017	2018
Amounts	125,902	112,848
Corporations	22	21
% OF TOTAL EQUITY INTERESTS	34%	39%

203-1

BUSINESS PARTICIPATIONS	INVESTMENT DISBURSED € THOUSANDS	DIRECT WEALTH GENERATION € THOUSANDS	DIRECT AND INDIRECT CREATION OF JOB POSITIONS
Tourist sector	66,647	31,496	13,615
Logistics sector	-	-	-
Processed food sector	1,306	6,165	1,143
Other sectors	6,600	817	4,811
TOTAL	74,553	38,477	19,569

INVESTMENTS IN SECTORS CONSIDERED STRATEGIC (€ THOUSANDS)	2018
Amounts	83,012

This report includes additional information to the one presented by the company in the Consolidated non-financial information statement, which forms part of the Consolidated Management Report of Ibercaja Banco Group. The additional information included corresponds to the following GRI disclosures: 102-5, 102-10, 102-11, 102-14, 102-18 a 102-40, 102-42 a 102-56, 201-1, 201-3, 202-1, 202-2, 302-3, 305-3, 305-4, 306-2, 307-1, 401-1, 401-2, 404-2, 404-3, 205-1 a 205-3, 206-1, 416-2, 417-1 a 417-3, 418-1, 419-1, G4-FS6 a G4-FS11, G4-FS13 y G4-FS14. On the other hand, the information related to certain breakdowns of the workforce, dismissals, employees, senior management and board of directors' remuneration, gender pay gap, work-related accidents, customer complaints and tax information can be found in the mentioned Consolidated non-financial information statement.

H. INDEPENDENT ASSURANCE REPORT

102-56



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

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE RESPONSIBILITY INDICATORS

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

We have carried out our work to provide limited assurance on the Corporate Responsibility indicators contained in the "GRI Content Index", included in the "Appendix: Further Information" of the 2018 Annual Report (hereinafter "CSR Indicators") of Ibercaja Banco, S.A. and its subsidiaries (hereinafter "Ibercaja Banco") for the year ended 31 December 2018, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter GRI Standards) and the Financial Services Sector Disclosures of the GRI Guidelines version G4 (hereinafter Financial Services Sector Disclosures).

Responsibility of the Management

The Management of Ibercaja Banco is responsible for the preparation, content and presentation of the Annual Report in accordance with the Core option of the GRI Standards 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.

In addition, and in accordance with Article 49 of the Commercial Code, the directors of Ibercaja Banco have prepared the Consolidated Non-Financial Information Statement of Ibercaja Banco (hereinafter, CNFS) corresponding to the year ended December 31 2018, which forms part of the Consolidated Management Report thereof, on which, on March 6th 2019, we issued an independent verification report in which an unqualified conclusion is expressed. The "GRI Content Index" section of the 2018 Annual Report of Ibercaja Banco explains the differences with respect to the aforementioned CNFS.

The Management of Ibercaja Banco 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.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

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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 Banco's personnel from various departments who have been involved in the preparation of the 2018 Annual Report of Ibercaja Banco.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.
- Analysis of the Ibercaja Banco's CSR indicators adaptation to the requirements established by the GRI Standards for the preparation of sustainability reports and to the Financial Services Sector Disclosures.
- Verification, through random sampling tests revisions, internal control tests and substantive tests on the information used to determine Ibercaja Banco's CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Ibercaja Banco'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 Banco's CSR indicators, for the financial year ending 31st December 2018, 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 Banco, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Ibercaja Banco's Management.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Marga de Rosselló

17th June 2019

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