Pillar 3 Disclosures

CaixaBank Group

Corresponding to 31 December 2020

The Pillar 3 Report is originally published and prepared in Spanish. This English version is a translation of the Spanish report for informational purposes only. In case of discrepancy, the original version in Spanish will prevail.

On 17 September 2020, the Boards of Directors of CaixaBank, S.A. (CaixaBank) and Bankia, S.A. (Bankia) agreed to approve and conclude the draft merger by absorption of Bankia, S.A. by CaixaBank, with an exchange ratio of 0.6845 CaixaBank shares for each Bankia share. The exchange will be covered by newly issued CaixaBank shares[1].

The draft merger was approved at the Extraordinary General Shareholders' Meetings of CaixaBank and Bankia, which were held at the beginning of December 2020. The appointment of new directors post-merger was also approved by the General Shareholders' Meeting of CaixaBank[2].

As a result of this operation:

- It is estimated to generate annual cost synergies of around EUR 770 million and new annual revenues of around EUR 290 million before tax.
- The solvency targets of the bank establish a buffer of between 250 and 300 basis points above the SREP regulatory requirement and a CET1 ratio (not considering IFRS9 transitional adjustments) of between 11.0% and 11.5%.

This CET1 ratio (excluding transitory impacts of IFRS9) at 31 December 2020 pro-forma, including expected impacts of integration and regulatory aspects for the coming quarters would be above the upper limit of the target range (i.e. above 11.5%), with a buffer of over 305 basis points above the SREP[3] requirement.

With the execution of the merger, the stake in CaixaBank of Criteria Caixa, S.A.U. (and, indirectly, of the Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona "la Caixa") would remain around 30% of the shares representing its share capital, and the FROB will have (through BFA Tenedora de Acciones, S.A.) a significant stake in CaixaBank of around 16%.

On 18 February 2021, the Board of Directors of CaixaBank proposed a new Management Committee. This proposal will be submitted to the Board resulting from the merger with Bankia[4].

On 26 March 2021, CaixaBank registered in the Mercantile Register of Valencia the notarial deed of the merger between CaixaBank and Bankia, which led to the takeover of Bankia by CaixaBank and the subsequent dissolution of the former. The operational integration between the two entities is expected to be executed before the end of 2021[5].

The content and data of this report refer to 31 December 2020 and do not reflect any organisational changes resulting from the merger.

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[1] See inside information published on 18 September 2020 "CaixaBank informs that its Board of Directors agreed to approve and conclude the draft merger by absorption of Bankia, S.A." at https://www.caixabank.com/aplnr/informacioncaixabank/index_en.html?fecha=2020&t=5

[2] See Other Relevant Information published on 3 December 2020 "CaixaBank communicates the approval of all items on the Agenda of the Call for the Extraordinary General Shareholders' Meeting" at https://www.caixabank.com/aplnr/informacioncaixabank/index_en.html?fecha=2020&t=6

[3] 8.45% SREP requirement, assuming P2R equivalent to the P2R weighted average of CABK and Bankia (considering the benefit of Article 104a of CRR II) and a systemic buffer 0.50%.

[4] See Other Relevant Information published on 18 February 2021 at https://www.caixabank.com/aplnr/informacioncaixabank/index_en.html?t=6

[5] See Other Relevant Information published on 26 March 2021 at https://www.caixabank.com/aplnr/informacioncaixabank/index_en.html?t=6

Declaration of the Board of Directors

Declaration of the Board of Directors

On 28 May 2020, the Board of Directors of CaixaBank approved the update of the **Corporate policy on financial information reliability risk,** which sets out the governance of information that CaixaBank Group (hereinafter "the Group") discloses to the market.

This policy stipulates that this document on *Pillar 3 Disclosures* will be subject to the same degree of verification as the management report. This is in accordance with the EBA guidelines of 4 August 2017 on disclosure requirements, pursuant to part eight of the CRR[1], articles 431(1) and 434(1).

At its meeting on **30 March 2021**, the Board of Directors approved this *Pillar 3 Disclosures* document for the 2020 financial year (hereinafter, 2020 P3D), having been previously verified by the Audit and Control Committee, in response to the provisions of article 435(1)(e)(f) of the CRR. The Board of Directors, in its supervisory duty[2] with regard to the Group's disclosure process and its risk profile, **states that:**

- This *Pillar 3 Disclosures* document has been prepared **in accordance with the Corporate policy on financial information reliability risk**, approved by the Board on 28 May 2020.
- **The disclosures published are truthful** and accurately reflect the Group's risk profile.
- The risk management systems implemented by the Group are deemed appropriate in relation to the approved risk appetite.

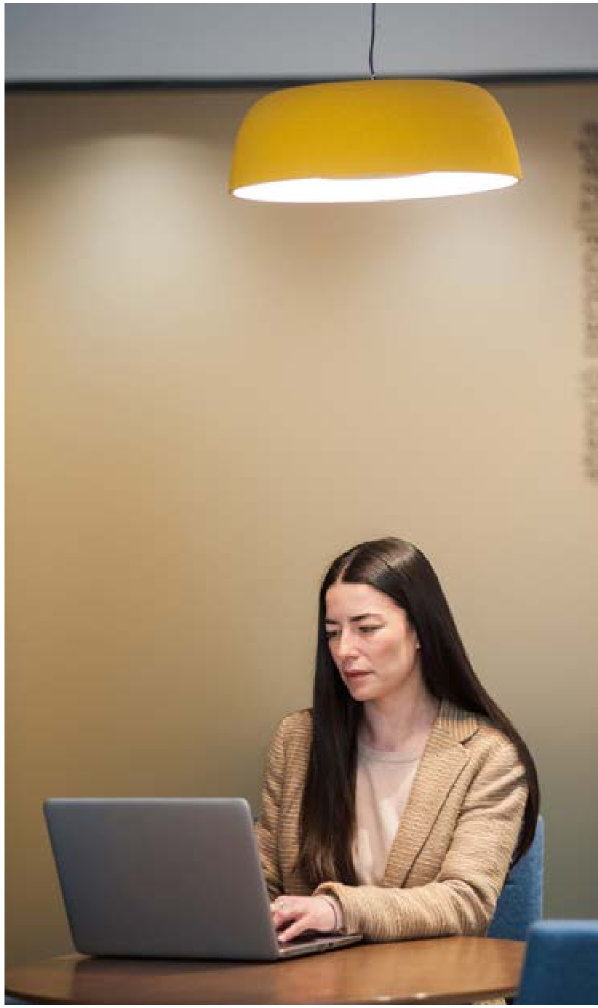
The departments comprising the second line of defence[3] have participated in the review and verification of the information presented in this report, as well as in ensuring that this information complies with the control and/or verification procedures established in the Corporate policy on financial information reliability risk.

Prior to the approval of this Declaration by the Governing Bodies of CaixaBank, Internal Audit, as a third line of defence, has reviewed the content of the 2020 P3D and its compliance with the regulatory requirements, as well as the control structures that have been implemented.

With regard to the *Pillar 3 Disclosures* of 2020, the Board of Directors **declares that:**

The Group maintains a medium-low risk profile, with **solvency, leverage and liquidity** levels consistent with the business model and risk appetite outlined by the Board of Directors of CaixaBank

The risk management systems implemented are appropriate for the approved risk profile and risk appetite and comprise the following elements:



[1] Section 3. Governance, organisation and risk management and the successive risk sections provide more details on risk management policies and objectives.
[2] For further details of the functions and responsibilities of the Board of Directors, see the Regulations of the Board of Directors of CaixaBank: https://www.caixabank.com/en/shareholders-investors/corporate-governance/regulation-board-directors.html, especially articles 4 and 36.
[3] Generally speaking, the second line of defence includes the Risk Management function and the Compliance function, as established in the EBA's Guidelines on Internal Governance of 26 September 2017.

Core elements of the risk management framework

CaixaBank Group's risk management is based on the following elements: **(i)** strategic risk management processes that enable risk identification, measurement, monitoring, control and reporting, **(ii)** a risk culture that, together with **(iii)** established governance and organisation, contributes to upholding a conservative risk profile, and **(iv)** an internal control framework, based on a three line of defence model, which provides a reasonable degree a reasonable degree of assurance that the Group will achieve its goals.

Conservative risk profile

Through the Risk Appetite Framework (RAF), the Board of Directors of CaixaBank has set as the Group's goal to uphold a medium-low risk profile and comfortable capital adequacy and liquidity.

The most significant risk from a regulatory perspective (Pillar 1) is credit risk, inherent in banking activity, which includes the particular cases of counterparty risk and securitisation risk, as well as the risk of impairment of other assets (equity holdings, intangible, fiscal, and material assets).

In regards to market risk, the Group's activity in the financial markets is focused on serving its customers, while minimising exposure to risk.

Operational risk, which from a regulatory perspective encompasses different risks of a non-financial nature (for example, behavioural or technological risk), uses a common risk management framework and infrastructure for all of them in line with industry best practices to minimise potential financial, reputational or strategic impacts.

Rate risk in the banking book is noteworthy among the Pillar 2 risks. In this area, the balance sheet's interest rate risk metrics are at comfortable levels, as the Group has a moderate position on interest rate increases.

The financial and risk metrics included in P3D 2020 show that the Group meets the objectives set by the CaixaBank Board of Directors in relation to risk management.

1. Robust solvency

Capital is managed so as to ensure compliance with both regulatory requirements and CaixaBank Group's internal capital targets.

One of CaixaBank's strategic goals is to continue strengthening its already solid capital position, maintaining sufficient headroom to deal with stress scenarios.

In 2020, the Group's capital ratios are above the SREP minimum requirements and in line with its management targets, as well as being aligned with the Risk Appetite established by the Board of Directors, thus providing support to its dividend policy. The ECB's recommendation has been followed with regard to the payment of dividends for 2020.

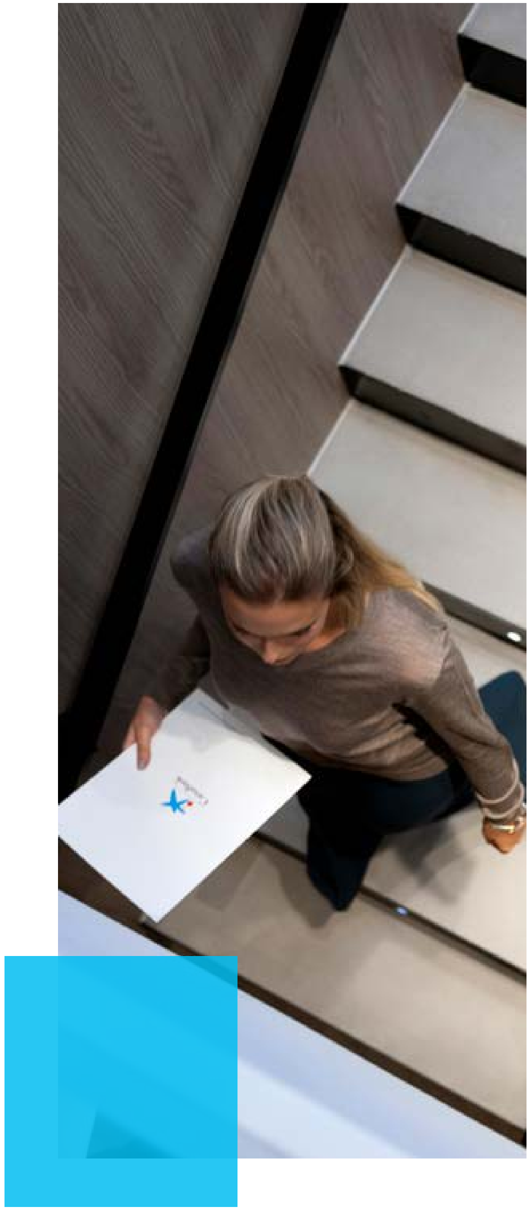
In relation to the MREL ratio, the requirements communicated to CaixaBank based on BRRD2 for January 2022 are to be met in December 2020.

2. Comfortable liquidity metrics

CaixaBank's goal is to always be able to meet its obligations and funding needs in a timely manner, even under adverse market conditions. Thus, its goal is to always have a stable and diversified funding base to protect and safeguard its depositors' interests.

> Liquidity metrics are comfortable vis-à-vis payment commitments, with a stable funding structure and comfortable maturity profile over the coming years

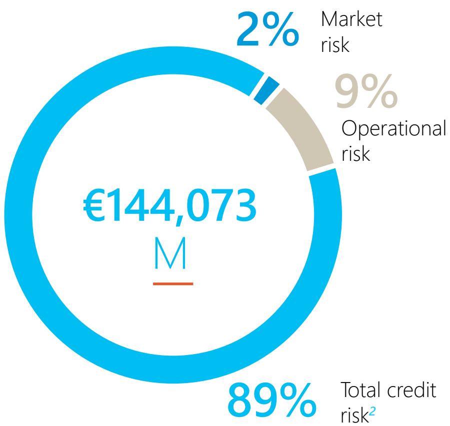
With regard to the contents of this Declaration and the attached P3D, the Group has coherent liquidity metrics that are consistent with its management policies, and which are considered to be aligned with the Risk Appetite Framework established by the Board of Directors.



Risk profile

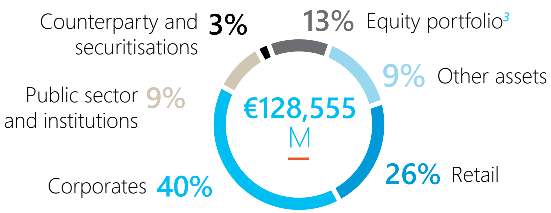
Total RWAs[1]

Breakdown by type of risk, %



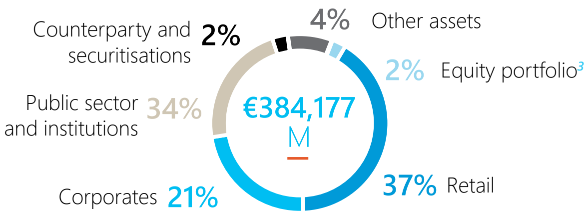
Total[2] Credit Risk RWAs[1]

Breakdown by type of risk or sector, %



Total[2] Credit Risk EAD[1]

Breakdown by type of risk or sector, %



[1] *RWAs: Risk-weighted assets (regulatory). EAD:* Exposure at default.

[2] *Includes credit, equity, counterparty and securitisations risks.*

[3] *The Equity Portfolio includes the business of investees in addition to participation in other listed and unlisted companies as well as in subsidiaries that are not globally integrated for prudential purposes (mainly VidaCaixa).*

	2018	2019	2020
NPL (%)	4.7%	3.6%	3.3%
Coverage ratio (%)	54%	55%	67%
Cost of risk (bps)[1]	4	15	75
Trailing 12-months ROTE	9.5%	7.7%	6.1%
Cost-to-income ratio[2]	52.9%	55.4%	54.5%

[1] *The increase in 2020 includes provisions for the COVID-19 reserve the reserve for COVID-19 amounting to EUR 1,252 million.*

[2] *Excluding extraordinary expenses.*

Solvency

	2018[1]	2019	2020[2]	Min. req. 2020
CET 1 (%)	11.5%	12.0%	**13.6%**	8.10%
Tier 1 (%)	13.0%	13.5%	**15.7%**	9.88%
Total capital (%)	15.3%	15.7%	**18.1%**	12.26%
MREL[3]	18.9%	21.8%	**26.3%**	22.09%
Leverage ratio (%)[4]	5.5%	5.9%	**5.6%**	3.00%
Coverage ratio of the conglomerate (%)[5]	131.4%	128.3%	**147.3%**	

[1] Fully-loaded data.

[2] In 2020 CaixaBank has adhered to the mechanism for gradual adaptation to the adoption of IFRS9.

[3] MREL requirements from January 2022.

[4] Leverage ratio requirement from June 2021.

[5] The ratio is calculated according to the minimum regulatory requirements that apply each year.

Liquidity

Million euros	2018	2019	2020	Min. req.
NFSR ratio[1]	117%	129%	**145%**	100%[2]
LCR ratio (%)	200%	179%	**276%[1]**	100%
LTD ratio (%)	104.6%	99.9%	**97.0%**	
High-quality liquid assets (HQLAs)	57,093	55,017	**95,367**	

[1] Calculations at 31-12-2019 and 31-12-2020 applying the regulatory criteria established as per Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, which enters into force as of June 2021. Calculations for 2018 follow the criteria established by Basel.

[2] LCR at 31 December 2020. 12-months average LCR at 248%.

1. Pillar 3 CaixaBank Group

1. CaixaBank Group **Pillar 3**

The Basel regulatory framework for banking **is based on three pillars:**

Pillar 1	Pillar 2	Pillar 3
Determining minimum regulatory capital	Supervisory review	Market discipline

This report complies with the requirements of Part Eight of EU Regulation 575/2013 of the European Parliament and of the Council (hereinafter, the CRR), which constitutes Pillar 3 of the Basel regulations, with regard to public disclosure of the Group's risk profile, risk monitoring and management system, capital and solvency levels. In preparing this report, we have also taken into consideration: the guidelines on disclosure requirements under Part Eight of the CRR published by the EBA (European Banking Authority), the recommendations published by the Basel Committee on Banking Supervision (BCBS), as well as the provisions of the Corporate policy on financial information reliability risk, which outlines the governance of information that CaixaBank discloses to the market.

New developments in this P3D 2020 include:

1. Disclosure of information of exposures subject to COVID measures according to guideline EBA/GL/2020/07: two tables with information on moratoria and a table containing information on publicly guaranteed loans[1] are included.
2. IFRS 9-FL template: Comparison of institution's own funds and capital and leverage ratios with and without the application of the transitional provisions of IFRS 9 or similar ECL (table in Appendix II). Following the recommendations for COVID-19, CaixaBank adopted the transitional provisions of the IFRS9 regulation that enable – in its solvency calculations – the partial mitigation of the procyclicality associated with the model of provisions under IFRS9 throughout the established transitional period, thus, data with and without transitional provisions are published since March 2020 (Appendix II).

The information in this report has been prepared at the consolidated level, under a prudential scope, in compliance with CRR requirements. Furthermore, due to the weight of the insurance business headed by the subsidiary VidaCaixa, CaixaBank Group has the status of financial conglomerate subject to additional supervision under Act 5/2005 and Royal Decree 1332/2005. In this regard, and in order to cover the above mentioned monitoring requirements, the document also contains information regarding capital adequacy and risk management in the financial conglomerate as a whole. CaixaBank declares that it has not omitted any of the items of information required because it regarded them as confidential or proprietary.

This report has been published on the CaixaBank website[2].

As a supplement to the information set out in this annual document, the entity deems it appropriate to publish some of the quantitative information included in this report more frequently, pursuant to Article 433 of the CRR and the disclosure requirements set by the EBA.

Specifically, an Excel file with the main tables from this report have been published on a quarterly basis. This information is available on the CaixaBank website, in the same site as this document.

As established in the Corporate policy on financial information reliability risk, this report has been prepared on the basis of the various verification and control processes established in each of the three lines of defence defined in CaixaBank's Internal Control Framework, as well as in compliance with the Bank's internal governance procedures.

This document, which contains data taken at 31 December 2020, has been approved by CaixaBank's Board of Directors at its meeting on 30 March 2021, after having been verified by the Audit and Control Committee.

The figures in most of the tables in this report are in millions of euros. However, some tables are detailed in thousands of euros, to provide the reader with more detailed information. This is clearly indicated in the title of the table.

[1] Refer to tables 5.33, 5.34 and 5.35 of this report.
[2] https://www.caixabank.com/en/shareholders-investors/economic-financial-information/other-financial-information.html

2. CaixaBank Group

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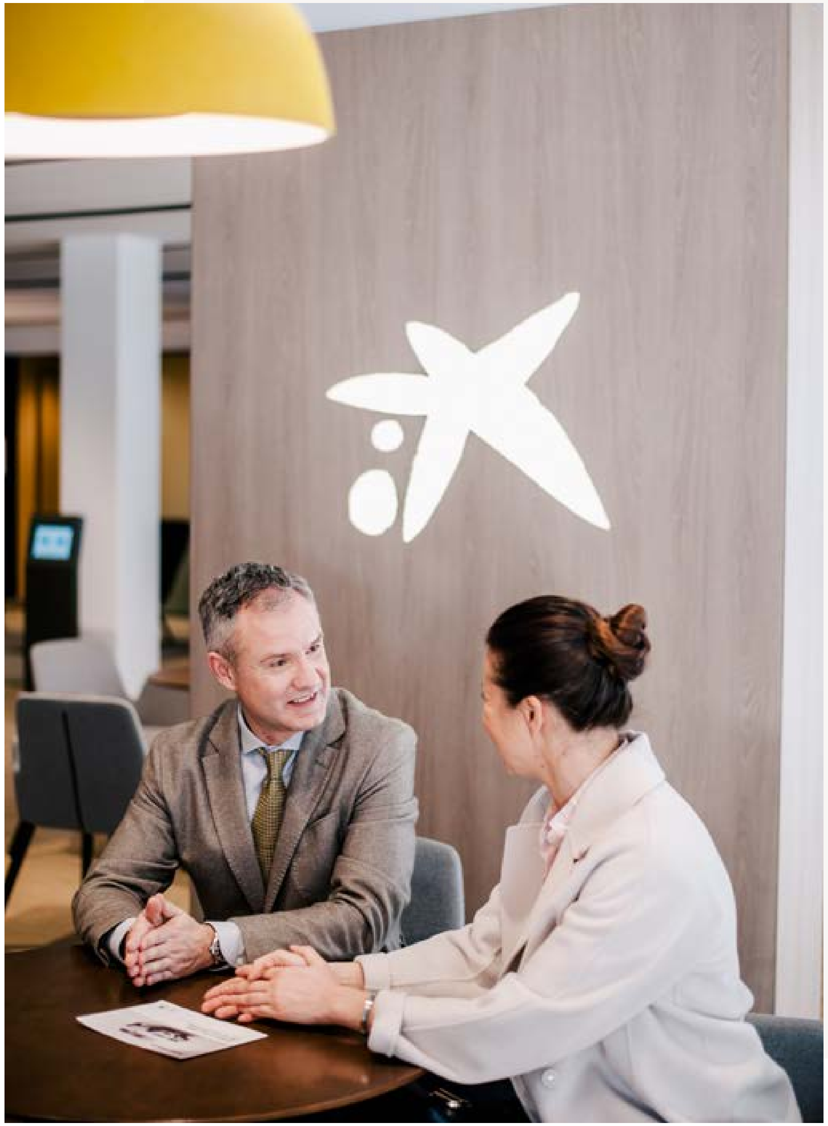
2.1. Regulatory environment

In 2010, the Basel Committee On Banking Supervision (BCBS) approved the reform of the Global Regulatory Framework on bank capital adequacy, known as Basel 3, in response to the international financial crisis. On 1 January 2014, the package of legislation transposing this framework came into force in the European Union, comprising Regulation 575/2013 (CRR) and Directive 2013/36 (CRD IV). These modifications sought to improve the banking sector's ability to absorb the impact of economic and financial crises, while enhancing risk management and governance, transparency and information disclosure. In particular, these improvements called for stricter requirements for the quantity and quality of capital, and the introduction of liquidity and leverage measures. The *CRR* is applied directly in Spain, while CRD IV was implemented through Royal Decree-Act 14/2013, Act 10/2014 and Royal Decree 84/2015, in addition to other lower level provisions such as Bank of Spain (BoS) Circular 2/2016. This legislative package has been developed through other lower level regulations and EBA guidelines.

The Basel 3 framework was reviewed by the BCBS in late 2017 with the intention of completing post-crisis regulatory reforms. One of the core goals of the review of the Basel 3 framework is to reduce the excessive variability of institution's risk-weighted assets (RWAs). RWAs represent the basis (or denominator) of capital ratios, so encouraging a higher degree of homogenisation in this area improves the comparability of capital ratios between instututions and countries. Following the COVID-19 pandemic, the BCBS has delayed the date of entry into force of the proposed changes to 1 January 2023. To date, in Europe, the revision of the Basel 3 framework has been partially introduced through the amendment of the CRR (CRR 2) and the amendment of CRD IV (CRD V). Both regulations entered into force in June 2019, with CRR 2 generally applicable since June 2021 (with certain exceptions) and CRD V since the end of 2020. In 2021, the European Commission is expected to submit a legislative proposal to complete the implementation of the outstanding aspects of the Basel 3 framework, chiefly related to credit risk and operational risk models.

In June 2020, in order to ease the economic impact of COVID-19 on the financial sector, the European Commission, the Council of the European Union and the European Parliament approved an amendment to CRR 2 (known as CRR 2.5 or quick fix), which introduces measures that are generally of a temporary nature. The measures introduced include the bringing forward of aspects already foreseen in CRR2 (such as the factors for reducing capital consumption in financing infrastructure and SMEs and the amendment in software deductions), an adjustment on the application of IFRS9 accounting rules (including an extended transition period and amendments in the calculation), and other voluntary measures such as preferential treatment for the purposes of allocation to the non-performing lending schedule (prudential backstop) for loans backed by public credit institutions, as well as flexibility in the calculation of the leverage ratio.

Also following COVID-19, specific regulations have been published at European and national level, such as the EBA's Guidelines on the Regulatory Treatment of Public and Private Moratoria applied before 30 June on loan repayments (the period was subsequently extended until 30 September 2020 and March 2021), and at national level, the Royal Decree-Laws (RDL) 6/2020, 8/2020 and 11/2020, on extraordinary urgent measures to address the economic and social impact of COVID-19.



In addition, as the parent company of the financial conglomerate it forms mainly with VidaCaixa, CaixaBank is subject to an additional supervisory framework pursuant to Directive 2002/87 of the European Parliament and of the Council of 16 December 2002. This framework relates to supplementary supervision of credit institutions, insurance companies and investment firms within a financial conglomerate.

CaixaBank closely monitors - and actively participates in - the groups for discussion and approval of the various regulatory frameworks.

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Under the first pillar of the European Banking Union, the Single Supervisory Mechanism (SSM), the ECB takes direct responsibility for supervision of the largest financial institutions, including CaixaBank, as well as indirect responsibility for other entities, which are supervised directly by the corresponding national authorities.

The ECB follows an annual cycle, known as the Supervisory Review and Evaluation Process (SREP), in implementation of Pillar 2 of the Basel Regulatory Framework.

The SREP was designed by the EBA as a supervisory process to evaluate the adequacy of capital, liquidity, business model, corporate governance, and risk management and control. This is achieved through a Europe-wide standardised process and through the EBA's "Guidelines on common procedures and methodologies for the supervisory review and evaluation process and supervisory stress testing". The SREP process may require additional capital or liquidity, or other qualitative measures in response to any risks and weaknesses detected by the supervisor in an entity. The SREP seeks to assess financial institutions' viability on an individual basis (microprudential supervision), also considering comparisons against their peers. Any additional capital requirements under the SREP process (Pillar 2R requirements) may also be supplemented by combined capital buffer requirements (CBR) comprising potential capital conservation, countercyclical capital, systemically important institution, and systemic risk buffers. Furthermore, the supervisor also establishes a capital guide known as Pillar 2G. Failure to comply with its requirements would not automatically result in actions being taken by the supervisor in relation to the distribution of profits. However, it could lead to stricter individual supervisory measures. Pillar 2G is not generally public information.

In addition to the prudential supervision framework, in 2014, Directive 2014/59/EU - otherwise known as the Bank Recovery and Resolution Directive (BRRD) - was approved, establishing a framework for the restructuring and resolution of credit institutions. In 2015, the BRRD was transposed into the Spanish regulatory framework through Act 11/2015 and other lower level regulations. The BRRD, together with Directive 2014/49, on the Deposit Guarantee Scheme, enhances the capacity of the banking sector to absorb the impact of economic and financial crises, and the capacity of financial institutions to wind up their business in an orderly fashion, while maintaining financial stability, protecting depositors and avoiding the need for public bailouts.

The Directive requires Member States to ensure that institutions prepare and regularly update a Recovery Plan setting out the measures that may be taken to restore their financial position following a significant deterioration thereof. In addition to the BRRD and national legislation, the EBA has issued several guidelines on the definition of a recovery plan.

The BRRD also introduced the framework to create a Single Resolution Mechanism (SRM), the second pillar of the European Banking Union, also developed through Regulation EU 806/2014, known as the Single Resolution Mechanism Regulation (SRMR). Under the SRM, decisions are taken by the Single Resolution Board and are implemented by the National Resolution Authority (in Spain, the FROB as the executive authority and the BoS as the preventative authority). These authorities also draw up the Resolution Plan for each financial institution, which cooperate by providing the necessary information. The BRRD also introduces a Minimum Requirement for own funds and Eligible Liabilities (MREL), with loss-absorbing and recapitalisation capacity. The SRM came into force on 1 January 2016. The Commission's Delegated Regulation (EU) 2016/1450 of 23 May 2016, which supplemented Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities (MREL), was approved to provide resolution authorities with detailed guidance on establishing MREL requirements for banks. In particular, this Regulation grants resolution authorities discretionary powers to set the appropriate minimum level and composition of MREL for each bank.

In parallel to the revision of the capital framework, the resolution has also revised BRRD (resulting in BRRD 2), which, among other developments, introduces a MREL requirement based not only on risk-weighted assets (RWAs) but also on exposure for the calculation of the leverage ratio, as well as minimum levels of subordination, new criteria for the eligibility of computable instruments such as MREL and gives more powers to the resolution authority to penalise a possible breach of the requirements established by that authority (restriction on the distribution of dividends, etc.).

Beyond the strictly prudential sphere, various regulatory and supervisory initiatives involving banking activity have been published in 2020, including the following:

- Sustainable finance: ECB guidance on climate and environmental risks which establishes expectations in terms of supervision of financial institutions with respect to cross-cutting integration of such risks, and the EBA consultation, published on 3 November, on the management and monitoring of ESG (environmental, social, governance) risks for credit institutions and investment services companies.

- Digital transformation: the European Commission published its Digital Finance Strategy and its European Data Strategy, and in line with both initiatives, it has proposed a regulation on digital operational resilience for the financial sector, and a regulation on crypto-asset markets. Furthermore, it submitted various initiatives to public consultation, the final proposal of which will be presented in 2021, such as the regulation on responsible artificial intelligence, the regulation on digital services and digital markets, and the retail payments strategy, which will drive the use of instant payments.

- EBA Guidelines of May 2020 on loan origination and monitoring, coming into effect in June 2021. The Guidelines establish the internal governance requirements for the origination and control of credit risk throughout its life cycle.

- The ECB's October guide on its approach to consolidation in the banking sector. This guide provides clarity on the criteria and requirements (for capital, model use, etc.) used by the supervisor when analysing mergers and, thus, curtails uncertainties that might hinder them.

- In terms of interbank interest rate indices, in July 2020, the European Commission proposed a series of legislative changes to the Benchmark Regulation (BMR), including granting new powers to the Commission to designate alternative indices in the event that a critical index has no substitutes. The goal is to prevent the disappearance of the LIBOR from causing financial instability in the European Union.

- In September, the European Commission proposed a new Action Plan to boost the capital markets union in the European Union, in order to achieve a greater flow of capital through the EU that could benefit consumers, investors and companies, regardless of their location.

- In December, the Commission also presented the review of the *Action Plan to tackle non-performing loans in the aftermath of the COVID-19 pandemic*, to address their potential short- and medium-term increase as a result of the pandemic.

Of particular note at national level, in 2020, is the publication in February of Royal Decree Law 3/2020 transposing the EU insurance distribution directive (IDD), and in part, the directive on occupational pension plans and funds (IORP II). Furthermore, in July, Order (ETD/699/2020) was published, amending several ministerial orders for the protection of revolving credit, and in October, Act 5/2020 on Financial Transactions Tax (ITF) was published.

2.2. Scope of application

CaixaBank, S.A. (referred to herein by its commercial name, CaixaBank, or the Bank), is a Spanish public limited company registered in the Mercantile Register of Valencia, Volume 10370, Sheet 1, Page V-178351, and the Special Administrative Register of the Bank of Spain under number 2100. The Business Identifier (LEI) of CaixaBank and its tax identification number (NIF) are 7CUNS533WID6K7DGFI87 and A08663619, respectively.

Since 1 July 2011, CaixaBank shares have been admitted to trading on the Madrid, Barcelona, Valencia and Bilbao stock exchanges and the continuous trading market. CaixaBank's company and fiscal domicile is Calle Pintor Sorolla, 2-4, Valencia.

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The corporate object of CaixaBank mainly entails:

- all manner of activities, operations, acts, contracts and services related to the banking sector in general, including the provision of investment services and ancillary services and performance of the activities of an insurance agency;
- receiving public funds in the form of irregular deposits or in other similar formats, for the purposes of application on its own account to active credit and microcredit operations, and other investments, providing customers with services including dispatch, transfer, custody, mediation and others; and
- acquisition, holding, enjoyment and disposal of all manner of securities and drawing up takeover bids and sales of securities, and of all manner of ownership interests in any entity or company.

CaixaBank and its subsidiaries comprise CaixaBank Group (CaixaBank Group, or the Group).

CaixaBank is the parent company of the financial conglomerate formed by the Group's entities that are considered to be regulated, recognising CaixaBank as a significant supervised entity, whereby CaixaBank comprises, together with the credit institutions of its Group, a significant supervised group of which CaixaBank is the entity at the highest level of prudential consolidation.

As a listed bank, it is subject to oversight by the European Central Bank and the Spanish national securities market regulator (the Comisión Nacional del Mercado de Valores, CNMV). However, the entities of the Group are subject to oversight by supplementary and industry-based bodies.

As a Spanish corporate entity, legally constituted as a public limited company, CaixaBank is governed by the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, and implementing regulations. Additionally, as a listed company, it is also governed by the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, and implementing regulations.

2.3. Other general information

As at 31 December 2020, the following credit institutions or credit financial establishments of CaixaBank Group meet the minimum capital requirements that apply to them at the individual level: CaixaBank, Banco BPI, CaixaBank Wealth Management Luxembourg and Telefónica Consumer Finance. Additionally, as at the date of reference, CaixaBank and BPI meet the capital requirements at the consolidated and sub-consolidated level, respectively.

The following credit institutions or credit financial establishments of CaixaBank Group are exempt from capital requirements: Nuevo MicroBank, CaixaBank Payments & Consumer, Corporación Hipotecaria Mutual and Credifimo.

Furthermore, all the other regulated entities of the Group (the Group's asset management companies CaixaBank Asset Management, BPI Suisse, as well as the insurance companies of VidaCaixa Group) meet the capital requirements established in the various sector regulations that apply to them.

Considering the applicable regulations, it should be noted that there are no significant current or foreseeable practical or legal obstacles preventing CaixaBank from immediately transferring capital to CaixaBank Group subsidiaries or from paying off its liabilities with third parties. With regard to the capacity of CaixaBank Group subsidiaries to distribute dividends or, in any form, transfer capital to the parent company, those companies that must meet the minimum capital requirements at the individual level (Banco BPI, CaixaBank Wealth Management Luxembourg and Telefónica Consumer Finance), in order to meet those requirements, may find their capacity to distribute or transfer capital limited.

With regard to the other subsidiaries, including those that are exempt from capital requirements, there are no significant current or foreseeable practical or legal obstacles for the distribution of dividends nor, in any form, the transfer of capital beyond those deriving from the company's regulations or, as the case may be, applicable agreements between partners.

2.4. Description of the consolidated group for regulatory purposes

Pursuant to prevailing accounting regulations, which follow the criteria set out in International Financial Reporting Standards (particularly IFRS 10), a consolidated group is considered to exist when a dominant entity exercises direct or indirect control over the other entities (subsidiaries).

This relationship basically exists when a dominant entity is exposed to - or has the right to variable returns from - its involvement therein, and also has the ability to influence these returns, as a result of having power over the dependent entity.

The following provides a summary of the main differences in relation to the consolidation scope and methods applied in preparing information on CaixaBank Group in this report and to prepare its consolidated financial statements:

- For the preparation of CaixaBank Group's consolidated financial statements, all the subsidiaries (companies controlled by the parent company) were consolidated using the full consolidation method. However, associates (over which the parent exercises significant influence) and joint ventures joint management by the parent and other shareholders) are consolidated using the equity method.
- For prudential purposes, subsidiaries with a different activity to that of a credit, investment or financial institution, as defined in Directive 2013/36/EU and Regulation (EU) 575/2013, both of 26 June 2013, are accounted for using the equity method. Jointly-owned businesses that are financial institutions are consolidated using the proportionate consolidation method, regardless of the method applied in the annual financial statements.

Appendix V presents details of holdings subject to regulatory limits for deduction purposes. **Appendix VI** discloses the companies with differing prudential and accounting consolidation treatment

2.5. Accounting reconciliation between financial statements and regulatory statements

As set out in Appendix I of Commission Implementing Regulation (EU) 1423/2013, the following table presents the confidential or prudential balance sheet used in calculating eligible own funds and minimum capital requirements, compared to the accounting information published in the financial statements.

Table 2.1. Reconciliation between the public and regulatory balance sheets

€m

Assets	Public scope	Group entities accounted for the equity method.[1]	Intragroup operative and consolid. adj.[2]	Regulatory scope	Ref.[3]
Cash and cash balances at central banks and other demand deposits	51,611	(30)	-	51,581	
Financial assets held for trading	6,357	0	7,213	13,571	
Fin. assets not des. for trading compulsory measured at fair value through profit or loss	317	-	5	322	
Financial Asset designated at fair value through profit or loss	0	-	-	-	
Financial assets at fair value with changes in other comprehensive income	19,309	0	-	19,309	
Financial assets at amortised cost	267,509	(450)	1,086	268,146	
Derivatives - hedge accounting	515	-	-	515	
Fair value ch. of the hedged items in portfolio hedge of interest rate risk	269	-	-	269	
Investments in joint ventures and associates	3,443	2,752	(50)	6,145	
Associates	3,401	(1,001)	-	2,400	
of which: Net badwill	361	(300)	-	62	8
Joint ventures	42	16	(50)	9	
of which: Net badwill[4]	-	-	22	22	8
Group entities	(0)	3,736	-	3,736	
of which: Badwill	-	883	-	883	8
Insurance and reinsurance assets	77,241	(77,241)	-	-	
Tangible assets	6,957	(214)	-	6,744	
Intangible assets[5]	3,949	(693)	-	3,257	8
Tax assets	10,626	(270)	15	10,371	
Other assets	2,218	(316)	1,376	3,277	
Fin. Non-current assets and disposal groups classified as held for sale	1,198	(19)	-	1,179	
Total assets	**451,520**	**(76,479)**	**9,645**	**384,687**	

Liabilities	Public scope	Group entities accounted for the equity method.[1]	Intragroup operative and consolid. adj.[2]	Regulatory scope	Ref.[3]
Financial Liabilities held for trading	424	-	7,202	7,625	
Financial liabilities designated at fair value through profit or loss	0	-	-	-	
Financial Liabilities at amortised cost	342,403	(649)	2,172	343,926	
Derivatives - hedge accounting	237	-	-	237	
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,614	-	-	1,614	
Insurance and reinsurance liabilities	75,129	(75,129)	-	-	
Provisions	3,195	(0)	3	3,198	
Tax liabilities	1,231	(546)	257	942	
Other liabilities	1,996	(136)	12	1,873	
Liabilities included in disposal groups classified as held for sale	14	(13)	-	1	
Tota liabilities	**426,243**	**(76,471)**	**9,645**	**359,416**	

Equity	Public scope	Group entities accounted for the equity method.[1]	Intragroup operative and consolid. adj.[2]	Regulatory scope	Ref.[3]
Shareholders' equity	27,118	-	-	27,118	
Accumulated other comprehensive income	(1,865)	-	-	(1,865)	3
Minority interests (non-controlling interests)	25	(7)	-	18	
Total equity	**25,278**	**(7)**	**-**	**25,271**	
Total liabilities + Total equity	**451,520**	**(76,479)**	**9,645**	**384,687**	

[1] Entities of the Group which do not fully consolidate on the grounds of their activity, mainly VidaCaixa. Their contribution to the public balance is eliminated and their book value is accounted as an equity stake.

[2] Mainly transactions between VidaCaixa an other investments being part of the non-fully consolidated economic group, which are not eliminated in the prudential balance sheet.

[3] As referred in Appendix I. Information on own funds.

[4] For the purposes of deducting equity, €21.8 million are included per prudential decision.

[5] In December 2020, the new treatment for software is applied, which enables part of the software activated in the last 3 years to pass as RWAs.

Table 2.2. EU LI1 - Differences betweeen accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

€m	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	**Not subject to the capital requirements or subject to deduction from capital**[3]
Cash and cash balances at central banks and other demand deposits	51,611	51,581	51,564	-	-	-	17
Financial assets held for trading[1]	6,357	13,571	-	12,516	-	13,571	-
Financial assets not designated for trading compulsory measured at fair value through profit or loss	317	322	322	-	-	-	0
Financial Asset designated at fair value through profit or loss	0	-	0	-	-	-	0
Financial assets at fair value with changes in other incomprehensive income[2]	19,309	19,309	19,309	-	-	379	0
Financial assets at amortised cost	267,509	268,146	263,802	3,937	119	-	288
Derivatives - Hedge accounting	515	515	-	515	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	269	269	-	-	-	-	269
Investments in joint ventures and associates	3,443	6,145	5,194	-	-	130	951
Insurance and reinsurance assets	77,241	-	-	-	-	-	-
Tangible assets	6,957	6,744	6,743	-	-	-	0
Intangible assets	3,949	3,257	413	-	-	-	2,843
Tax assets	10,626	10,371	7,340	-	-	-	3,031
Other assets	2,218	3,277	2,278	23	-	-	976
Non-current assets and disposal groups classified as held for sale	1,198	1,179	1,179	-	-	-	-
Total Assets	**451,520**	**384,687**	**358,145**	**16,992**	**119**	**14,080**	**8,375**
Financial liabilities held for trading[1]	424	7,625	-	7,353	-	7,625	272
Financial liabilities designated at fair value through profit or loss	0	-	-	-	-	-	0
Financial liabilities measured at amortised cost	342,403	343,926	0	4,034	-	-	339,893
Derivatives - hedge accounting	237	237	-	237	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,614	1,614	-	-	-	-	1,614
Insurance and reinsurance liabilities	75,129	-	-	-	-	-	-
Provisions	3,195	3,198	187	-	-	-	3,011
Tax liabilities	1,231	942	309	-	-	-	633
Other liabilities	1,996	1,873	-	-	-	-	1,873
Liabilities included in disposal groups classified as held for sale	14	1	-	-	-	-	0
Total Liabilities	**426,243**	**359,416**	**496**	**11,624**	-	**7,625**	**347,297**
Total Equity	**25,278**	**25,271**	-	-	-	-	-
Total Equity + Total Liabilities	**451,520**	**384,687**	**496**	**11,624**	-	**7,625**	**347,297**

[1] In the held-for-trading financial assets, exposure of derivates is duplicated, for counterparty credit risk as well as market risk.

[2] The exposure of shareholder´s equity instruments in foreign currency is duplicated, for credit risk as well as market risk.

[3] Of which €5,585M is subject to deductions.

Table 2.3 (LI2) shows how to get to the exposure amounts used for regulatory purposes starting from the carrying values in the consolidated financial statements following the requirements in Part One, Title II, Section 2 and Section 3 of the CRR, which are defined as follows:

- **Total net amount under regulatory scope of consolidation:** The amount after on-balance-sheet netting between assets and liabilities under the regulatory scope of consolidation, regardless of the eligibility of those assets and liabilities of the specific netting rules in the application of Part Three, Title II, Chapters 4 and 5, as well as of Title IV in the CRR.

- **Exposure amounts considered for regulatory purposes:** The expression designates the aggregate amount considered as a starting point of the RWA (risk weighted assets) calculation before the application of CRM methods other than netting in Part Three, Title II, Chapter 4 of the CRR but after the application of netting requirements in Part Three, Title II, Chapters 4 and 5 and Title IV of the same Regulation for each of the risk categories. Under the credit risk framework, this should correspond either to the exposure amount applied in the credit risk standardised approach (see Article 111 in Part Three, Title II, Chapter 2 of the CRR) or to the EADs in the credit risk – IRB approach.

The breakdown of the columns according to the risk category of each exposure of the regulatory balance sheet is explained below:

- The credit risk framework corresponds to the exposures in Part Three, Title II of the CRR, for which the disclosure requirements in Part Eight of the same Regulation are specified in section 4.9 and section 4.10 of the EBA Guidelines.

- The counterparty credit risk framework corresponds to the exposures in Part Three, Title II, Chapter 6 of the CRR, for which the disclosure requirements in Part Eight of the same Regulation are specified in section 4.11 of the EBA Guidelines.

- The securitisation framework corresponds to exposures from the non-trading book given in Part Three, Title II, and Chapter 5 of the CRR.

- The market risk framework corresponds to exposures in Part Three, Title IV of the CRR, for which the disclosure requirements in Part Eight of the same Regulation are specified in section 4.13 of the EBA Guidelines.

The main sources of reconciliation between the carrying value and exposure, which are reflected in the different rows of the LI2, are:

- **Off-balance-sheet amounts:** These include original off-balance-sheet exposures after the application of the corresponding conversion factors of the columns. The conversion factor for off-balance-sheet items to be risk-weighted in the application of Part Three, Title II of the CRR is defined in Articles 111, 166, 167 and 182 (as applicable for credit risk), Article 246 (as applicable for securitisation risk), Articles 274 and 276 and Article 283 of the same Regulation (as applicable for counterparty credit risk).

- **Differences in valuation:** These include the impact of the carrying amount of valuation adjustments, in accordance with Part Two, Title I, Chapter 2, Article 34 and Part Three, Title I, Chapter 3, Article 105, of the CRR on the trading book and non-trading book exposures measured at fair value in accordance with the applicable accounting framework.

- **Differences due to different netting rules, other than those already included in row 2 of table LI2:** These refer to the net on-balance-sheet and off-balance-sheet exposure amounts after the application of the specific netting rules in Part Three, Title II, Chapters 4 and 5 as well as of Title IV in the CRR. The impact of the application of the netting rules can be negative (in case more exposures have to be netted apart from those included in the on-balance-sheet netting in row 2), or positive (in case the application of the CRR netting rules lead to an amount to be netted that is lower than the on-balance sheet-netting in row 2).

- **Differences due to the consideration of provisions:** Discloses the re-integration in the exposure value of specific and general credit risk adjustments (as defined in the Commission Delegated Regulation (EU) No 183/2014) that have been deducted in accordance with the applicable accounting framework from the carrying amount of exposures under Part Three, Part II, Chapter 3 of the CRR for risk-weighting purposes. Regarding exposures risk-weighted in accordance with Part Three, Part II, Chapter 2 of the CRR, when the carrying amount in the financial statements under the regulatory scope of consolidation has been reduced by elements qualifying as general credit risk adjustments under the aforementioned delegated regulation, these elements have to be re-integrated in the exposure value.

- **Differences due to prudential filters:** These include the impact on the carrying amount under the regulatory scope of consolidation of the prudential filters listed in Articles 32, 33 and 35 in Part Two, Title I, Chapter 2 of the CRR and applied in accordance with the requirements in Part Ten, Title I, Chapter 1, Articles 467 and 468 in the CRR and CEBS 04/91 Guidelines on prudential filters for regulatory capital.

Table 2.3. EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

€m		Items subject to:			
	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**389,336**	**358,145**	**16,992**	**119**	**14,080**
Liabilities carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	19,745	496	11,624	-	7,625
Total net amount under scope of regulatory consolidation	**369,591**	**357,649**	**5,368**	**119**	**6,455**
Off-balance-sheet amounts	95,800	95,800	-	-	-
Add-on	5,006	-	5,006	-	-
Securitisations with risk transfer	(163)	(2,793)	-	2,630	-
Differences due to different netting rules (netting, long/short positions, diversification)	(9,992)	-	(3,537)	-	(6,455)
Consideration of provisions for EAD purposes	4,321	4,372	-	(50)	-
Differences due to CRMs (Guarantees)	(4,859)	(2,869)	(1,990)	-	-
Differences due to CCFs	(76,381)	(76,381)	0	-	-
Other	(33)	(33)	-	-	-
Exposure amounts considered for regulatory purposes	**383,291**	**375,746**	**4,847**	**2,698**	**-**

Excluding amounts not subject to capital requirements. The held-for-trading financial assets duplicates exposure of derivatives, for market risk as well as counterparty credit risk. Credit and market risk exposure is also duplicated for exposure of currencies.

3. Risk governance, organisation and management

3. Risk governance, organisation and management

The Board of Directors, the Senior Management and the Group as a whole are firmly committed to risk management.

CaixaBank Group's risk management is based on the following core elements:

- Strategic risk management processes to identify, measure, monitor, control and report risks. Specifically: Risk Assessment, Corporate Risk Taxonomy, and Risk Appetite Framework (RAF).
- Risk culture is a differentiating factor in the Group's decision-making and business management. This culture, together with the established governance and organisation, risk infrastructures and the skills of its workforce, contributes to upholding a conservative risk profile.
- The internal control framework provides reasonable assurance that the Group will achieve its objectives and it is based on the "Three Lines of Defence Model".

This Group risk management is subject to ongoing review, and no significant amendments were made during 2020. However, the strategic risk event identification[1], resulting from the Risk Assessment process among others, is noteworthy:

- Uncertainties regarding the geopolitical and macroeconomic environment.
- New competitors with the possibility to disrupt.
- Cybercrime and data protection.
- Changes in the legal, regulatory or supervisory framework.
- Pandemics and other extreme operational events.
- Merger with Bankia.

[1] *These are the most relevant events that can result in a significant impact for the Group in the medium to long term.*

The Board of Directors states that the risk management framework implemented is appropriate in relation to the Group's profile and strategy

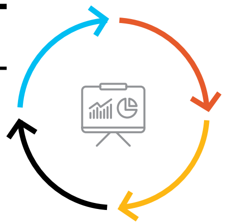
Risk governance, management and control system

Strategic risk management system

Identifying and assessing risks: Risk Assessment	Risk definition and classification: Risk Taxonomy	Monitoring of Risks: Risk Appetite Framework (RAF)
Half-year exercise of self-assessment of the profile risk of the Group. Incorporates a process of identification of strategic events that affect to one or more risks that, due to their potential impact in the medium or long term, it is convenient to monitor in a specific way.	An annually-reviewed list and description of the material risks identified in the Risk Assessment. Facilitates monitoring and reporting of risks, both internally and externally.	A comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds it is willing to assume in achieving the Group's strategic goals as regards all risks included in the Catalogue.

Governance and organisation

Undertaken through policies, standards and internal procedures that ensure appropriate risk control is exercised by the governing bodies and management committees, and the specialisation of employees.



Risk culture

The risk culture is articulated through training, communication and the evaluation and compensation of employee performance, among others.

Internal Control Framework

A structure based on the Three Lines of Defence Model that provides a reasonable degree of assurance that the Group will achieve its objectives.

3.1. Governance and organisation

3.1.1. Corporate governance

Robust Corporate Governance enables companies to **maintain an efficient and methodical decision-making process**, which transmits clarity in the allocation of responsibilities, thereby avoiding potential conflicts of interest, ensuring the efficiency of risk management and internal control, and promoting transparency

As part of our commitment to our mission and vision, we implement good Corporate Governance practices in our activity. This enables us to be a well-governed and coordinated company that is recognised for its good practices.

The information included in this report concerning corporate governance at the Bank is complemented by the following publicly-available documents that are made available on the CaixaBank website (www.caixabank.com):

- The 2020 Annual Corporate Governance Report (ACGR), which forms part of this Management Report and has been formulated by the Board of Directors.
- The Annual Corporate Remuneration Report (ACRR) for directors, which is submitted to a non-binding vote at the General Shareholders' Meeting.
- The policy for the selection, diversity, and assessment of the suitability of directors, members of senior management, and other key function holders of CaixaBank and its Group;
- CaixaBank's Registration Document (which includes all the positions held by the directors in other boards of directors reported to the Register of Top Executives of the Bank of Spain, within the last 5 years, with the exception of asset-holding companies, issuer subsidiaries where the directors also held a director position or in subsidiaries of the CaixaBank Group).

CaixaBank's Corporate Governance Policy, which is based on the Bank's corporate values and also on the best practices of good governance, particularly recommendations in the Good Governance Code of Listed Companies. This policy establishes the action principles that will regulate the Company's corporate governance.

Corporate governance principles and practices

1. Competencies and efficient self-governance of the CaixaBank Board of Directors
2. Diversity and balance in the composition of the Board of Directors
3. Professionalism and duties of members of the Board of Directors
4. Balanced remuneration aimed at attracting and retaining the appropriate profile of members of the Board of Directors
5. Commitment to ethical and sustainable action by the Company
6. Protection and promotion of shareholders' rights
7. Compliance with current regulations as the guiding principle for all people who are part of CaixaBank
8. Internal control framework
9. Acceptance and update of good governance practices
10. Transparent information

Milestones in 2020

Changes in the composition of the Board of Directors and its committees

The 2020 Ordinary General Shareholders' Meeting held on 22 May set the number of members of the CaixaBank Board of Directors at fifteen, reducing the size of the Board by one. The following was also approved: the reelection of Verónica Fisas as a non-executive independent board member; and the appointment of Francisco Javier García as a non-executive proprietary board member at the proposal of the Caixa d'Estalvis i Pensions de Barcelona Banking Foundation, "la Caixa", indirect shareholder of the Company, through the wholly owned subsidiary Criteria Caixa, S.A.U., and of Criteria Caixa, S.A.U, to fill the vacancy created by the resignation of Marcelino Armenter as member of the Board of Directors of CaixaBank as of 2 April 2020. In addition, John S. Reed was appointed as Lead Director to replace Xavier Vives, whose mandate was not renewed at the meeting.

Subsequently, on 25 June, the Board of Directors approved the appointment by co-option of Carme Moragues as a new CaixaBank independent director, to cover the vacancy expected to be created by the resignation of the CajaCanarias Foundation (represented by Natalia Aznárez), which tendered its resignation to the Board as the reasons for its appointment had disappeared when the Shareholders' Agreement expired on 3 August 2020.

Subsequently, however, as a result of the approval by the CaixaBank Board of Directors on 17 September of the joint plan for the merger by absorption of Bankia, S.A., the Bank announced that Francisco Javier García and Carmen Moragues, whose suitability checks were being processed by the European Central Bank, would not accept their new positions.

In the framework of the Merger, the CaixaBank Extraordinary Shareholders' Meeting held on 3 December, in accordance with Clause 16.1.1 of the joint merger plan that proposed the partial renewal of the Board of Directors, the following appointments of CaixaBank directors were approved: José Ignacio Goirigolzarri, as an executive director; Joaquín Ayuso, Francisco Javier Campo and Eva Castillo, as independent directors; Fernando Maria Costa Duarte, as an external director; and Teresa Santero as a proprietary director, at the proposal of the FROB, Executive Resolutory Body (in view of the stake it will hold at CaixaBank through the wholly owned company BFA Tenedora de Acciones, S.A.U., once the merger is effective, and of BFA Tenedora de Acciones, S.A.U.)

Furthermore, and as stated in the resolutions adopted by the CaixaBank Extraordinary General Shareholders' Meeting, Jordi Gual, Maria Teresa Bassons, Alejandro García-Bragado, Ignacio Garralda and the CajaCanarias Foundation, represented by Natalia Aznárez, have resigned as members of the Board of Directors, to take effect once the appointments of the new directors become effective following the registration of the Merger in the Commercial Registry and the verification of their suitability as directors by the European Central Bank.

Outgoing

Member of the Board	Reason	Category
Xavier Vives	End of mandate	Independent
Marcelino Armenter	Resignation	Proprietary
Jordi Gual	Resignation (*)	Proprietary
María Teresa Bassons	Resignation (*)	Proprietary
Alejandro García-Bragado	Resignation (*)	Proprietary
Ignacio Garralda	Resignation (*)	Proprietary
CajaCanarias Foundation	Resignation (*)	Proprietary

** Pending merger, suitability verification and acceptance of appointments of new directors*

Member of the Board	Category
José Ignacio Gorigolzarri	Executive (*)
Joaquín Ayuso	Independent (*)
Francisco Javier Campo	Independent (*)
Eva Castillo	Independent (*)
Fernando María Costa Duarte	Other External (*)
Teresa Santero	Proprietary (*)

** Pending merger, suitability verification and acceptance of appointments*

In addition to changes in the composition of members of the Board, the reorganisation of the composition of the Board committees has been agreed:

Appointment	Board position and committee	Replaces
Koro Usarraga	Member of Executive Committee	Xavier Vives
Eduardo Sanchiz	Appointments Committee Member	Xavier Vives
Cristina Garmendia	Member of Remuneration Committee	Verónica Fisas

Appointment	Board position and committee
Verónica Fisas	Member of Risk Committee
Tomás Muniesa	Member of Risk Committee
Cristina Garmendia	Member of Audit and Control Committee

** Verónica Fisas has also been reappointed as a member of the Executive Committee. For more details, see ORI of 22/05/2020.*

Corporate governance structure

At CaixaBank, the management and control functions in the Bank are distributed among the General Shareholders' Meeting, the Board of Directors, and its committees.

GENERAL SHAREHOLDERS' MEETING

EXTERNAL AUDIT

BOARD OF DIRECTORS

- Executive Committee
- Appointments Committee
- Risks Committee
- Remuneration Committee
- Innovation, technology and digital transformation Committee
- Audit and Control Committee

>> Designates/
>> Reports to/

MANAGEMENT BODIES

CEO and Management Committee[1]

Gonzalo Gortázar Rotaeche	CEO	30/06/2011
Juan Antonio Alcaraz García	Chief Business Officer	30/06/2011
Xavier Coll Escursell	Chief Human Resources and Organization Officer	30/06/2011
Jordi Mondéjar López	Chief Risks Officer	10/07/2014
Iñaki Badiola Gómez	Head of CIB and International Banking	22/11/2018
Javier Blas Agüeros	Head of Resources	30/10/2019
Matthias Bulach	Head of Financial Accounting, Control and Capital	28/11/2016
María Luisa Martínez Gistau	Head of Communication, Institutional Relations, Brand and CSR	27/05/2016
Javier Pano Riera	Chief Financial Officer	24/10/2013
Marisa Retamosa Fernández	Head of Internal Audit	22/11/2018
Javier Valle T-Figueras	Head of Insurance	22/11/2018
Óscar Calderón de Oya	General Secretary and Secretary to the Board of Directors	29/05/2014

On 18 February 2021, the Board of Directors of CaixaBank proposed a new Management Committee. This proposal will be submitted to the Board resulting from the merger of Bankia[2].

[2] *See Other relevant information published on 18 February 2021 at https://www.caixabank.com/aplnr/informacioncaixabank/index_en.html?t=6*

Board of Directors

The **Board of Directors** is the Bank's most senior representative, management and administrative body with powers to adopt agreements on all matters except those that fall within the remit of the General Shareholders' Meeting. It approves and oversees the strategic and management directives established in the interest of all Group companies and it ensures regulatory compliance and the implementation of good practices in the performance of its activity, as well as adherence to the additional principles of social responsibility that it has voluntarily assumed.

At CaixaBank, the Chairman and CEO have different yet complementary roles. There is a clear division of responsibilities between each position. The Chairman is the senior representative of the Bank. The Board of Directors has appointed a CEO, the executive director of the Bank who is responsible for the day-to-day management under the supervision of the Board. There is also a delegated committee, the Executive Committee, which has executive functions (excluding those that cannot be delegated). It reports to the Board of Directors and meets on a more regular basis.

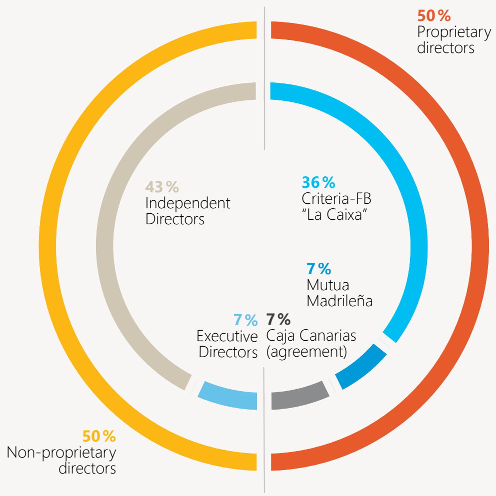
There is also a Lead Director appointed from among the independent directors, who is responsible for handling, coordinating and expressing the concerns of the other Independent Directors, as well as directing the periodic assessment of the Chairman, chairing the Board of Directors in the absence of the Chairman and Deputy Chairman, in addition to other assigned duties.

The directors meet the requirements of honourability, experience and good governance in accordance with the applicable law at all times, considering, furthermore, recommendations and proposals for the composition of administrative bodies and profile of directors issued by authorities and national or community experts.

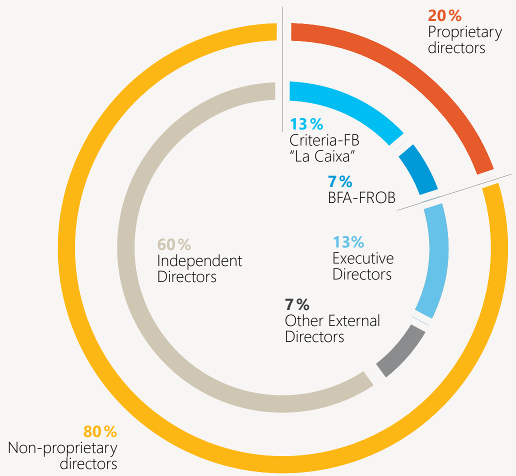
The CaixaBank Board of Directors strives for an adequate balance in its composition at all times, with a large majority of non-executive directors and promoting diversity with regard to gender, experience and knowledge. Within this framework and in accordance with the verification of compliance with the policy for the selection of directors and the individual suitability re-evaluation undertaken for each director, the Appointments Committee has concluded that the structure, size and composition of the Board of Directors is adequate.

The Board of Directors of CaixaBank strives for an adequate balance in its composition at all times, with a large majority of non-executive directors and **promoting diversity with regard to gender, experience and knowledge**

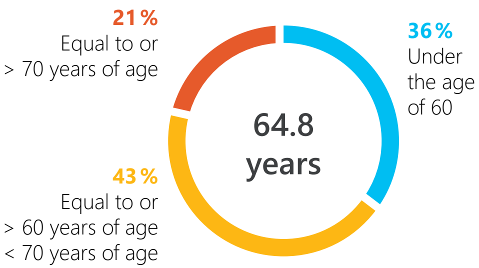
Board of Directors at end of 2020 - Breakdown by main category



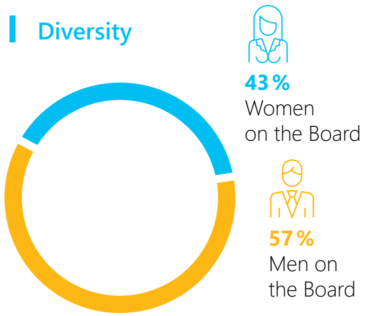
The Board of Directors of CaixaBank post-merger



Average age

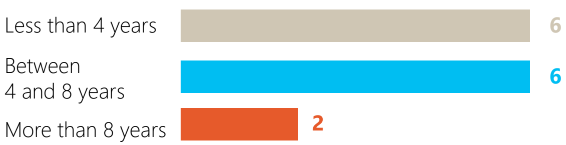


Diversity



Gender diversity at CaixaBank's Board of Directors after OGSM May 2020 and including account 1 vacancy at the close of 2020.

Duration in the position



More than half of the members have been in their roles for less than 5 years at the Bank (only 4 have been in the role for over 5 years), as a consequence of the appointments made in recent years and the gradual reduction in the size of the Board. The average number of years for which a member has been on the Board is 4.8 years.

Committees of the Board of Directors

As part of its self-governance activities, the Board of Directors of CaixaBank has a number of specialised committees, with supervisory and advisory powers, as well as an Executive Committee:

EXECUTIVE COMMITTEE

6
No. of members

3
Independent Directors

100 %
Average attendance at sessions

20
Number of meetings in 2020

Composition

The composition of this committee, which is made up of the Chairman and CEO, must have at least two non-executive directors, at least one of whom is independent. The appointments of its members requires a vote in favour from at least two-thirds of the Board members.

Functions

The Executive Committee will be delegated all the responsibilities and powers available to it both legally and under the Bank's articles of association, and it will report back to the Board on the matters dealt with and the decisions made.

APPOINTMENTS COMMITTEE

3
No. of members

2
Independent Directors

100 %
Average attendance at sessions

13
Number of meetings in 2020

Composition

The Appointments Committee comprises a number of non-executive directors determined by the Board of Directors, with a minimum of 3 and a maximum of 5 members. A majority of its directors must be independent.

Members of the Appointments Committee are appointed by the Board of Directors at the proposal of the Audit and Control Committee, and the Chair of the Committee will be appointed from among the independent Directors that form part thereof.

Functions

Its duties include:

- Evaluate and propose to the Board of Directors the assessment of skills, knowledge and experience required of Board members and key personnel at the Company.
- Submit to the Board of Directors suggested candidates for the positions of Independent Directors to be appointed by co-option or for submission to the decision of the General Shareholders' Meeting, as well as the proposals for the reappointment or removal of such Directors by the General Shareholders' Meeting.
- Report on the appointment and, as the case may be, dismissal of the Lead Director, the Secretary and the Deputy Secretaries for approval by the Board of Directors.
- Report on proposals for the appointment or removal of senior executives, with the capacity to carry out such proposals directly when the Committee deems this necessary in the case of senior executives as a result of to their control or support duties concerning the Board or its committees. Propose, if deemed appropriate, the basic terms, other than the remuneration conditions, of the contracts of senior executives, and report those terms once established.
- Examine and organise, with support from the Lead Director and with the collaboration of the Chairman of the Board of Directors, the succession of the latter and of the Company's chief executive and, as the case may be, send proposals to the Board of Directors to ensure the succession process is suitably planned and takes place in orderly fashion.
- Report to the Board on gender diversity issues, ensuring that the procedures for selecting its members favour a diversity of experience and knowledge, and facilitate the selection of female directors, whilst establishing a representation target for the less represented sex on the Board of Directors. It will also prepare guidelines on how this should be achieved. In any case, it shall ensure compliance with the diversity policy applied in relation to the Board of Directors, which will be specified in the Annual Corporate Governance Report.
- Periodically evaluate, at least once a year, the structure, size, composition and actions of the Board of Directors and of its committees, its Chair, CEO and Secretary, making recommendations regarding possible changes to these. Here, the Committee will act under the direction of the Lead Director when assessing the performance of the Chair. Evaluate the composition of the Management Committee, as well as its replacement lists, to ensure adequate transition planning.
- Periodically review the Board of Directors' selection and appointment policy in relation to senior executives, and make recommendations in this regard.
- Supervise the Company's activities in relation to corporate social responsibility and submit to the Board any proposals it deems appropriate in this regard.

RISK COMMITTEE

5
No. of members

3
Independent Directors

100 %
Average attendance at sessions

14
Number of meetings in 2020

Composition

The Risk Committee is exclusively formed of Non-Executive Directors, with the relevant knowledge, skills and experience to fully understand and manage the Company's risk strategy and appetite, in the number determined by the Board of Directors, between a minimum of 3 and a maximum of 6 members, the majority of which being Independent Directors.

Functions

Its duties include:

- Advise the Board of Directors on the overall susceptibility to risk (current and future) of the bank and its strategy in this regard, reporting on the risk appetite framework, helping to monitor the implementation of this strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and monitoring the suitability of the risks assumed and the profile established.
- Propose the Group's risk policy to the Board.
- Determine with the Board of Directors, the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establish what the Committee should receive.
- Regularly review exposures with its main customers and business sectors, as well as broken down by geographic area and type of risk.
- Examine the Group's risk reporting and control processes, as well as its information systems and indicators.
- Evaluate the regulatory compliance risk in its scope of its remit and decision-making authority. This is understood to be the risk management of legal or regulatory sanctions, financial loss, or material or reputational loss that the Bank may suffer as a result of non-compliance with laws, rules, regulation standards and codes of conduct. The Committee must detect any risk of non-compliance and carry out monitoring and examine possible deficiencies in the principles of professional conduct.
- Report on new products and services or significant changes to existing ones.

REMUNERATION COMMITTEE

3
No. of members

2
Independent Directors

100 %
Average attendance at sessions

5
Number of meetings in 2020

Composition

The Remuneration Committee is formed by Non-executive Directors, in the number determined by the Board of Directors, with a minimum of 3 and a maximum of 5 members, the majority of which being Independent Directors. The Chair of the Committee will be appointed from among the Independent Directors sitting on the Committee.

Functions

Its duties include:

- Draft the resolutions related to remuneration and, particularly, report and propose to the Board of Directors the remuneration policy for the Directors and Senior Management, the system and amount of annual remuneration for Directors and Senior Managers, as well as the individual remuneration of the Executive Directors and Senior Managers, and the other conditions of their contracts, particularly financial, and without prejudice to the competences of the Appointments Committee in relation to any conditions that it has proposed not related to remuneration.
- Ensure compliance with the remuneration policy for Directors and Senior Managers, and reporting on the basic conditions established in the contracts entered into and compliance with these contracts.
- Report on and prepare the Company's General remuneration policy, particularly the policies relating to the categories of staff whose activities have a significant impact on the Company's risk profile and those that are intended to prevent or manage conflicts of interest with the Company's customers.
- Analysing, formulating and periodically reviewing remuneration programmes, weighing their adequacy and performance and ensuring compliance.

The Appointments, Remuneration and Audit and Control committees prepare an annual report on their transactions with regard to their respective duties. Furthermore, when considered appropriate, the committees will include improvement proposals in this report. These reports are made public on the website www.caixabank.com.

AUDIT AND CONTROL COMMITTEE

4 No. of members

3 Independent Directors

100 % Average attendance at sessions

20 Number of meetings in 2020

Composition

The Audit and Control Committee will be exclusively formed of Non-Executive Directors, in the number determined by the Board of Directors, between a minimum of 3 and a maximum of 7. Most of the members of the Audit and Control Committee shall be independent and 1 of them shall be appointed on the basis of their knowledge and experience of accounting or auditing, or both.

Furthermore, the Board of Directors will ensure that members of the Audit and Control Committee, particularly its Chair, have sufficient knowledge and experience in accounting, auditing or risk management, and in any other areas required for the Audit and Control Committee to fulfil all its duties. Overall, and notwithstanding the principle to foster diversity, the members of the Audit and Control Committee, who will be appointed in consideration of their capacity for dedication required to fulfil the duties assigned to them, shall have the required technical knowledge regarding the Bank's activities.

Functions

Its duties include:

- Report to the General Shareholders' Meeting on any matters put forward that are within the Committee's remit, particularly on the result of the audit, explaining how this has contributed to the integrity of the financial information and the Committee's role in this process.
- Oversee the process of preparing and presenting mandatory financial information regarding the Company and, where relevant, the Group, reviewing the Company accounts, compliance with regulatory requirements in this regard, the adequate definition of the consolidation perimeter, and the proper implementation of generally accepted accounting criteria.
- Ensure that the Board of Directors presents the annual Financial Statements to the General Shareholders' Meeting, without limitations or qualifications in the audit report. In the exceptional case of there being qualifications in the report, ensure that both the Chair of the Committee and the auditors clearly explain the content and scope of these limitations or qualifications.
- Report to the Board of Directors, in advance, on the financial information and related non-financial information that the Bank must periodically disclose to the markets and its supervisory bodies.
- Oversee the effectiveness of internal control systems, and discuss with the auditor any significant weaknesses identified in the internal control system during the audit, all without compromising its independence. For such purposes, and if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding deadline for their follow-up.
- Supervise the efficiency of the internal audit, establish and oversee a mechanism which allows the employees of the Bank or of the Group to report, confidentially and, if appropriate, anonymously, irregularities of potential significance, especially financial and accounting irregularities, which they may observe within the Company. The Committee will also receive periodic information how the system is operating and it may propose any actions it deems suitable to improve and reduce the risk of irregularities in the future.

INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE

4 No. of members

2 Independent Directors

100 % Average attendance at sessions

4 Number of meetings in 2020

Composition

The Innovation, Technology and Digital Transformation Committee will be formed of a minimum of 3 and a maximum of 5 members. In all cases, the Chairman of the Board of Directors and the CEO shall sit on the Committee. The other members will be appointed by the Board of Directors, on the proposal of the Appointments Committee, taking into account in particular knowledge and experience of candidates on the subjects that fall within the Committee's remit, namely technology and innovation, information systems and cybersecurity.

Functions

Its duties include:

- Assist the Board of Directors in identifying, monitoring and analysing new competitors, new business models and the advances and main trends and initiatives relating to technological innovation, while studying the factors that make certain innovations more likely to succeed and increase their transformation capacity.
- Advise the Board of Directors on the implementation of the strategic plan in aspects relating to digital transformation and technological innovation (the digital strategy) and, in particular, reporting on plans and projects designed by CaixaBank in this field, as well as any new business models, products, customer relationships, etc., that may be developed.
- Foster a climate of debate and reflection to allow the Board of Directors to spot new business opportunities emerging from technological developments, as well as possible threats.
- Support the Board of Directors in analysing the impact of technological innovations on market structure, the provision of financial services and customer habits. Among other aspects, the committee shall analyse the potential disruption of new technologies, the possible regulatory implications of their development, the impact in terms of cybersecurity and matters relating to the protection of privacy and data usage.
- Stimulate discussion and debate on the ethical and social implications deriving from the use of new technologies in the banking and insurance businesses.
- Support the Risk Committee, when required, in monitoring technological risks and matters relating to cybersecurity.

3.1.2. Relevant committees in risk management and control

Below is the organisational diagram in relation to the governance of the Group's risk management:

Organisational diagram

General Shareholders' Meeting

Directors

Board of Directors (BoD)

The Board of Directors is the highest decision making body, except for matters reserved for the annual General Meeting. The Board of Directors sets and monitors the business model and strategy, monitors the result of the Risk Assessment process, establishes the Corporate Risk Taxonomy and the Risk Appetite Framework, and is in charge of internal governance policies and risk management and control, supervising the organisation of the Group to implement and monitor these.

Executive Committee

Board steering committee meeting with greater frequency than the Board itself. All the competencies of the Board that can be delegated are delegated thereto.

Risk Committee

Advises the BoD on the strategy and overall risk appetite, informs on the RAF and proposes to the Board risk policies.

Audit and Control Committee (ACC)

Monitor the internal control, the internal audit and risk management systems. Monitor the process of preparing and presenting financial information.

Appointments Committee

Informs the BoD of the appointment, assessment of competences, knowledge and experience of the members of the BoD and of key management personnel. It monitors the actions of the Group with regard to CSR.

Remuneration Committee

Establishes the general principles and governance framework of the BoD remuneration policy and for senior executives, and reports on the general remuneration policy.

Innovation, Technology and Digital Transformation Committee

Assists the BoD on all matters related to technological innovation and digital transformation, and in monitoring and analysing trends and innovations when they may affect the strategy and business model.

Senior Management[1]

Management Committee

Within the Management Committee, the Chief Risk is ultimately responsible for the Group's risks, with full access to the governing bodies.

- Planning Expert Group
- ALCO "Assets and Liabilities Committee"
- Regulation Committee
- Internal Control Body
- Recovery and Resolution Plan Committee
- Information Management and Data Quality Committee
- Efficiency Committee
- Transparency Committee
- Corporate Responsibility and Reputation Committee
- Environmental Risk Committee

Permanent Lending Committee

Has powers to approve asset operations, in compliance with the powers granted by the BoD.

Global Risk Committee

Under the presidency of the Corporate Risk Management Function & Planning (CRMF&P), the Global Risk Committee comprehensively manages, controls and monitors the risks included in the Group's Corporate Risk Taxonomy, together with their implications for capital adequacy management and capital consumption.

- Risk Policy Committee
- Global Default and Recovery Committee
- Operational Risk Committee
- Models Committee
- Impairment Committee
- Corporate Criminal Management Committee

The Chief Risk Officer (CRO) is a member of the Management Committee, and is ultimately responsible for coordinating the management, monitoring and control of the Group's risks. The CRO operates independently of the business areas and has full access to the Group's Governing Bodies.

One of the General Management's most important missions, in collaboration with other areas of the Group, is to head up the process of implementing instruments across the entire branch network to ensure integral risk management, the ultimate aim being to attain a balance between the risks assumed and the expected returns.

The Executive Directorate of Corporate Risk Management Function & Planning, part of the General Risks Division, is responsible for developing and implementing the risk management and control framework in the second line of defence[2].

A brief description is provided below for level 1 committees, followed by the main committees and commissions that play a key role in the Group's risk area.

[1] Acting within the framework of the assigned duties it comprises several committees for risk governance, management and control. N.B. Not all the committees are shown.
[2] See section 3.4. which describes the Group's internal control framework.

1. Committees connected with the risk function:

Management Committee

It makes decisions related to the Strategic Plan, Annual Operating Plan, and other areas that affect organisational life at the Group. It also approves structural changes, appointments, expense lines and business strategies.

Permanent Lending Committee

A committee which is responsible for officially approving loan, credit and guarantee operations, as well as investment transactions in general that are specific to the Bank's corporate objective, pursuant to the powers vested in it by the Board of Directors, and its approval level is defined in the Bank's internal regulations.

Global Risk Committee

It is responsible for the overall management, control and monitoring of risks that may affect CaixaBank Group, together with assessing their implications for liquidity and solvency management, and regulatory and economic capital.

The Committee therefore analyses the Group's global risk position and establishes policies to optimise their management, monitoring and control within the framework of its strategic objectives.

The Global Risk Committee has the specific goal of adapting CaixaBank's risk strategy to the RAF set out by the Board of Directors, coordinating measures to mitigate any breaches and reactions to early warnings of the RAF, as well as keeping CaixaBank's Board of Directors informed (through its Risk Committee) of the main actions being carried out by the Group and the status of its risks.

The Global Risk Committee is not responsible for the approval or rejection of new operations, renewals, renegotiations, refinancing or restructuring.

2. Committees reporting to the Management Committee:

Expert Planning Group

This committee is responsible for coordinating, monitoring and integrating the different planning processes (challenges of the sales network, budget, ICAAP, Funding Plan, coordination with subsidiaries, etc.). Its functions include: conveying the planning culture to all areas involved; establishing a common language for planning; approving and seeking consensus in both the intermediate and final stages of the process; raising proposals to the Management Committee; monitoring compliance with the plan during the year; and ensuring predefined milestones are met.

ALCO Committee

This committee is responsible for the management, monitoring and control of structural liquidity, interest rate and exchange rate risks relating to CaixaBank's balance sheet.

It is responsible for optimising the financial structure of CaixaBank Group's balance sheet and making it more profitable, including the net interest income and the windfall profits in the Profit from Financing Operations; determining transfer rates with the various lines of business (IGC/MIS); monitoring prices, terms and volumes of the activities that generate assets and liabilities; and managing wholesale financing.

All of this, under the framework of the risk appetite framework and the risk limits approved by the Board of Directors. As a result, it will take the appropriate decisions and may make recommendations to the various operating areas.

Regulation Committee

This committee is the body that addresses all aspects related to financial regulation.

Its functions include the promotion of the representation of the Entity's interests, as well as the systematization of regulatory actions and the periodic evaluation of the initiatives carried out in this area.

In addition, this committee coordinates the participation of the executives in associations and forums at national and international level.

Internal Compliance Committee

It is responsible for promoting the development and implementation of AML/TF policies and procedures for the Group.

This is a collegiate body at the Group level, responsible for deliberating on and taking decisions as set out in Act 10/2010 of 28 April on Anti-money laundering and prevention of terrorism financing.

Recovery and Resolution Plan Committee (RRPC)

This committee is responsible for preparing, approving, reviewing and updating plans to minimise the impact of future financial crises on contributors.

In the preparation process of the Recovery Plan, the RRPC determines the scope of the plan and the areas that are implicated, it proposes updates at least annually in accordance with the applicable regulations, and it leads the project, supervising and monitoring the drafting process, which is performed by the Project Office. This Office comprises a specialised team from the Solvency and Results Department and it is responsible for the operational coordination of most aspects relating to the Recovery and Resolution Plan, as well as for ordinary communications with the supervisor and monitoring regulations in this sphere.

The RRPC also coordinates all information requests sent by both Spanish and European resolution authorities such as the Bank of Spain, FROB or the Single Resolution Board

Information Governance and Data Quality Committee

This committee's function is to oversee the coherence, consistency and quality of the information reported to the supervisor and to the Group's management, providing a cross-cutting view at all times.

Among its main functions, the Committee defines the data management strategy, promoting the value of information and data as a corporate asset, and critical and differentiating factor; promotes the definition of the policy regulating the information and data quality governance framework; and approves data quality targets (criticality, indicators, tolerance thresholds, quality plans), monitoring these and reporting to the various governing bodies.

Efficiency Committee

Its mission is to improve the organisation's efficiency, and it is responsible for proposing and agreeing with the Divisions and Subsidiaries the proposed annual cost and investment budgets, before they are presented to the Management Committee for approval.

Transparency Committee

This committee determines all transparency-related aspects of the design and marketing of financial instruments, banking products and investment and savings insurance plans.

It is tasked with ensuring the transparent marketing of the Bank's products by defining policies covering marketing, the prevention of conflicts of interest, the safeguarding of customer assets and enhanced execution of transactions.

It also validates the classification of new financial instruments, banking products and savings and investment plans on the basis of their risk and complexity, in accordance with the provisions of MiFID and banking and insurance transparency regulations.

Reporting to the Transparency Committee, the Product Committee is the body responsible for approving any new product or service that is designed or marketed, after analysing its characteristics and associated risks as well as its suitability for the customer group for which it is intended. All of this is performed taking into account customer protection and transparency regulations.

Corporate Responsibility and Reputation Committee

It is responsible for overseeing the corporate responsibility strategy and practices and proposing and presenting (for their approval by the corresponding Governing Bodies) general policies for managing corporate responsibility and reputation.

Another goal of the Corporate Responsibility and Reputation Committee is to monitor CaixaBank's reputational risk strategy in accordance with the provisions of the Board of Directors in the RAF, as well as to coordinate responsible policies and positions and monitor corporate responsibility strategies and practices within the Group.

Environmental Risk Committee

It is responsible for analysing and, where appropriate, approving the proposals made by the various functional areas with regard to the strategic positioning of the Bank in relation to Environmental Risk Management, in addition to identifying, managing and controlling the risks associated with this area on the front line.

3. Committees reporting to the Global Risk Committee:

Credit Risk Policy Committee

Its mission is to approve, or where applicable, take note of, and monitor the policies and criteria related to the granting and management of credit risk.

Its competences include approving the general principles, guidelines or policies linked to granting credit risk, as well as those linked to mitigating and managing non-performing assets and recovering impaired risks.

The Credit Risk Policy Committee, together with the Product Committee, must ensure that the risk and operational components of new products are adapted to and aligned with the framework established by Management.

Global Recovery and Default Committee

It is responsible for reviewing and monitoring aspects related to non-performing, written off and foreclosed assets. It oversees and monitors compliance with the recovery and default targets set, and liaises with the various areas to take the steps needed to redress any deviations.

Operational Risk Committee

It analyses and monitors the Group's operational risk profile, and proposes the corresponding management measures.

It focuses on applying, reviewing and disseminating the operational risk management framework, as well as identifying critical points, and establishing operational risk mitigation and control procedures.

Models Committee

It is responsible for reviewing and formally approving, as well as managing, controlling and monitoring the models and parameters of regulated and non-regulated credit risk, (including acceptance, monitoring and recovery), market risk (including counterparty – credit risk in the Treasury activity) and operational risk, as well as any methodology derived from the control function that it carries out. These include calculating economic capital, regulatory capital and expected loss, and estimating risk metrics (risk-adjusted return – RAR).

Impairment Committee

It is responsible for establishing and monitoring the accounting translation of the credit quality impairment of the risks assumed (classification of impairment and determination of provisions), both arising from the use of collective models and the individual analysis of exposures.

Corporate Criminal Management Committee

It manages any observations or reports made through any channel regarding the prevention of and response to criminal conduct.

This committee is responsible for organising and managing crime-prevention activities, including all procedures, measures and controls that exist in the Group. Its main purpose is to devise a system for preventing and responding to any criminal conduct applicable to businesses; it achieves all this through taking action and implementing controls to reduce the risk of any such crimes being perpetrated.

3.1.3. Organisational structure

General Risks Division

As part of the executive team, CaixaBank's Chief Risk Officer (CRO) is responsible for coordinating the management, monitoring and control of the Group's risks. The CRO operates independently of the business area and has full access to the Group's Governing Bodies.

With the aim of boosting profitable and controlled growth of the Business, the General Risks Division aligns itself with the priorities of the Group's 2019-2021 Strategic Plan:

- Gaining greater knowledge of the customer and the particularities of each portfolio, making it possible to maintain a proactive and pre-emptive approach.
- Improving the function's efficiency and agility by a fresh impetus in automating processes and decision-making.
- Strengthening the control environment and the corporate risk function.

All of the above ensuring the Group remains within its risk appetite, accompanying the business and relying on a solid risk control and planning framework.

Thus, the Chief Risk Officer has structured the team as follows:

- **Retail Lending Office,** responsible for the comprehensive management of the retail portfolio, promoting risk transformation and innovation projects, providing credit risk characterisation and quantification models and metrics, accompany the teams in defining the needs in information systems, promote the use of the corporate data model as a single corporate source of reliable data for the use of information and reporting, and conducting end-to-end control and monitoring of non-performing loan portfolios.
- **The Company Lending Office (Executive Directorate)** responsible for the comprehensive management of the portfolio of all other business segments and specialised sectors (Businesses; Corporate; Institutional; Sovereign, Country and Financial Institution; Real estate; Project Finance, Tourism and Agri-Food).
- **Default and restructuring of retail loans** and **Default and restructuring of corporate loans** with responsibility in the management and monitoring of exposures over 90 days past due, including positions that have been classified as written-off risk.

  This management involves both the management of the teams of specialists of the recovery function located in the regional network, and the centralised management of the management processes that they decide to outsource at any given time. It includes negotiating solutions with these customers and, where applicable, applying non-amicable solutions to recover the debt (recovery of collateral, insolvency proceedings, legal actions, etc.).

- ***Real Estate* Foreclose Assets**, which controls and monitors real estate investments and divestments, and is responsible for the policies associated to property management.

- **Corporate Risk Management Function & Planning (CRMF&P)**, responsible for risk management and overseeing asset quality, as well as solvency and guarantee mechanisms. To this end, it is responsible for identifying, measuring, monitoring, validating, controlling and reporting risks. It is also responsible for determining limits and defining policies for granting, managing and mitigating risks.

As the party responsible for the second line of defence in the risk management process, it acts independently of the risk-taking areas and has direct access to the Group's Governing Bodies, especially the Risk Committee, reporting regularly to its members on the status of the Group's risk profile and any expected changes thereof.

- **Environmental Risk Management**, takes responsibility for coordinating the execution of an Environmental Risk Management Plan with a 3-year time horizon, specifically including aspects relating to climate change. Its functions notably include:

  - Defining the environmental risk appetite framework, included climate change risk.

  - Elaborating, developing and implementing control mechanisms for the correct identification and monitoring of the portfolio according to its contribution to environmental sustainability.

  - Monitoring the overall portfolio, as well as overseeing its control and reporting.

  - Active management of the loan portfolio: ensuring correct application of policies, management mechanisms, cost-benefit analyses of the decisions taken, etc.

One of the General Risks Division's most important missions, in collaboration with other areas, is to head up and oversee the process of implementing instruments across the entire branch network to ensure integral risk management under Basel guidelines, with the ultimate aim of achieving a balance between the risks assumed and the expected returns.

Deputy General Management of Compliance

The Deputy General Management of Compliance, reporting directly to the Chief Executive Officer, is also part of the second line of defence, acting independently of the business units and thereby following the three lines of defence model on which CaixaBank's Internal Control Framework[5] is structured.

Executive Directorate of Internal Audit

To guarantee the independence and powers of the audit function, the Internal Audit Directorate reports to the Audit and Control Committee – a specialist board committee – and also reports to the Chairman of the Board of Directors. This ensures the independence and authority of the Internal Audit function, which performs independent and objective advisory and consulting activities.

[5] For further information on this position's activity and functions, see the Internal Control Framework section.

3.1.4. Structure and organisation of the Executive Directorate of Corporate Risk Management Function & Planning

The Executive Directorate of Corporate Risk Management Function & Planning conducts the corporate functions of risk planning and monitoring (coordination for the entire Group). The following directorates report to it:

Model Validation and Risk, which performs the management and control of model risk, to ensure that reliable models are available and designed according to best practices and to contribute to agility and efficiency in processes, overseeing the good governance of models.

It is the Internal Validation unit that, following the guidelines set by Model Risk, conducts the controls and activities necessary to issue an independent technical opinion on models that allow model risk management to keep levels of exposure to model risk within the outlined tolerance thresholds, at all times.

Structural and Non-financial Risk, which includes two major areas of action:

- Market and Structural Risk: which is responsible for quantifying and monitoring market risk, valuing financial instruments, ALM, liquidity and assumed actuarial risk; this area also strives to ensure compliance with general policies and authorised management models in order for them to be accepted, which includes monitoring compliance with approved limits.
- Non-financial Risk: its functions consist of identifying, measuring, assessing, managing, mitigating and reporting all the risks that are considered non-financial. These include operational, IT, outsourcing, environmental, fraud, real estate, risk information reliability and data protection risks.

Strategy, Planning and Regulated Models, which includes two major areas of action:

- Risk Strategy, Governance and Regulation, a cross-disciplinary unit responsible for coordinating the processes for the identification, measurement, monitoring, control and reporting of risk assessment, Corporate Risk Taxonomy and Risk Appetite Framework (strategic risk processes), as well as the global information for Senior Management and the supervisor. It is responsible for the global policy map and the global framework for the corporate structure of the Risk Management Function.
- The Regulated Credit Risk Model directorate, which is responsible for building regulated models and parameters (PD, LGD, EAD, etc.), as well as its governance and monitoring model.
- The Planning, Impairment and Regulatory Capital directorate, responsible for the risk coordination and planning, together with Financial Planning and Lending Offices. It carries out the budgeting and budgetary monitoring of the performance of assets, non-performing assets and provisions, and it integrates and governs the accounting recognition of impairment; and it is responsible for optimising regulatory capital requirements for credit risk.

The Credit Risk Policies, Monitoring and Control department. To carry out its mission, it is subdivided into two distinct areas:

- Credit Risk Information, Policies, and Control, which is responsible for the framework of governance, review and coordination of credit risk policies; the management of securitisations; second-line controlling processes linked to credit risk; and regulatory reporting and information, and managing the profile of the portfolio (monitoring and control panels).
- Sector Accounting and Analysis and Major Risks, responsible for the monitoring, staging and provisions against major risks and portfolios with specific characteristics; and monitoring of the sector and of borrowers defined as individually significant.

The Internal Financial Control department, which falls within the Executive Directorate of Financial Accounting, Control and Capital, is also functionally dependent on the Executive Directorate of Corporate Risk Management Function & Planning. This department performs the second line of defence functions for certain risks in the taxonomy (see section 3.4 Internal Control Framework).

3.2. Strategic risk management processes

The Group has a system of risk governance, management and control, notably featuring the strategic risk management processes. Their goal is to identify, measure, monitor, control and report risks, thus, they comprise the key pillars of the risk management strategy.

The result of the strategic processes is reported at least annually, first to the Global Risk Committee and then to the Risk Committee, before finally being submitted to the Board of Directors for approval.

3.2.1. Risk assessment

The Group conducts a risk self-assessment process every six months, seeking to:

- Identify and assess the inherent risks assumed by the Group according to its environment and business model.
- Make a self-assessment of its risk management, control and governance capacity, as a tool to help detect best practices and weaknesses in relation to risks.

Risk Assessment is one of the main sources for identifying:

- **Emerging risks:** risks with increasing materiality or importance.
- **Strategic events:** the most relevant events that can result in a significant impact for the Group in the medium to long term. It solely considers events that have not yet materialised and are not part of the Taxonomy, but to which the Company's strategy is exposed due to outside causes, although the severity of the impact of these events can be mitigated through management.

3.2.2. Corporate Risk Taxonomy

The Corporate Risk Taxonomy is the Group's list of material risks. It facilitates internal and external monitoring and reporting and is subject to periodic review, at least on an annual basis. This update process also assesses the materiality of the emerging risks previously identified in the Risk Assessment process.

The most relevant changes to this year's review are:

- The inclusion of model risk to reflect the relevance of models in the Group's decision-making processes, as well as alignment with the recommendations of the regulator and industry practices.
- The extension of the scope of information reliability risk (previously named financial information reliability risk), covering both financial and non-financial information.

Each of the risks are listed below, together with their definition and the relationship they have with the structure of this document.

	Corporate Risk Taxonomy		Pillar 3 Disclosures	
Business model risks	Business return	Obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital.	9. Business return risk	
	Own funds / solvency	Risk caused by a restriction of the CaixaBank Group's ability to adapt its level of capital to regulatory requirements or to a change in its risk profile.	4. Capital	
	Liquidity and funding	Risk of insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.	10. Liquidity and funding risk	
Risks affecting financial activity	Credit	Risk of a decrease in the value of the CaixaBank Group's assets due to uncertainty about a customer's or counterparty's ability to meet its obligations to the Group.	5. Credit risk and impairment	5.1.1. Credit investment and fixed income 5.1.2. Counterparty risk 5.1.3. Securitisations
	Impairment of other assets	Reduction of the carrying amount of shareholdings and non-financial assets (tangible, intangible, tax assets and other assets) of the CaixaBank Group.		5.2.1 Equity portfolio 5.2.2. Risk of impairment of other assets
	Actuarial	Risk of a loss or adverse change to the value of the commitments assumed through insurance or pension contracts with customers or employees due to the differences between the estimate for the actuarial variables used in the tariff model and reserves and the actual performance of these.	6. Actuarial risk 5.2.1. Equity portfolio	For prudential purposes, the capital requirements associated with the balance sheet of the VidaCaixa Group are reflected through CaixaBank's shareholding.
	Rate risk in the banking book	Negative impact on the economic value of the balance sheet's items or on the financial margin due to changes in the temporary structure of interest rates and its impact on asset and liability instruments and those outside of the Group's balance sheet not recorded in financial assets held for trading.	11. Rate risk in the banking book	
	Market	Loss of value, with an impact on results or solvency, of a portfolio (set of assets and liabilities), due to unfavorable movements in prices or market rates.	7. Market risk	
Operational and reputational risk	Conduct	The application of conduct criteria that run contrary to the interests of customers and stakeholders, or acts or omissions that are not compliant with the legal or regulatory framework, or with internal codes and rules, or with codes of conduct and ethical and good practice standards.	8. Operational risk	8.4.1. Conduct risk
	Legal / Regulatory risk	The potential loss or decrease in the profitability of the CaixaBank Group as a result of changes in the legislation, of the incorrect implementation of this legislation in the CaixaBank Group's processes, of the inappropriate interpretation of the same in various operations, of the incorrect management of court or administrative injunctions, or of the claims or complaints received.		8.4.2. Legal and regulatory risk
	Technological	Risks of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyberattacks or other circumstances, that could compromise the availability, integrity, accessibility and security of the infrastructures and data.		8.4.3. IT risk
	Reliability of the information	Deficiencies in the accuracy, integrity and criteria for preparing the data and information necessary for the evaluation of the financial and equity situation of the CaixaBank Group, as well as the information made available to stakeholders and published on the market that offers a holistic view of positioning in terms of sustainability with the environment and that is directly related to environmental, social and governance aspects (ESG principles).		8.4.4. Information reliability risk
	Model	Possible adverse consequences for the Group that could arise as a consequence of decisions based mainly on the results of internal models with errors in the construction, application or use of the models.		8.4.5. Model risk
	Other operational risks	Losses or damages caused by errors or faults in processes, due to external events, or actions of third parties outside the Group, whether accidentally or intentionally. It includes, among others, risk factors related to outsourcing, the use of quantitative models, the custody of securities or external fraud.		8.4.6. Other operational risks
	Reputational	The possibility that the CaixaBank Group's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of real or purported actions or omissions carried out by the Group, its Senior Management or Governing Bodies, or due to the bankruptcy of related unconsolidated entities (step-in risk).	12. Reputational risk	

3.2.3. Risk Appetite Framework (RAF)

The Risk Appetite Framework (RAF) is a comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds of risk it is willing to take in achieving the Group's strategic objectives[6]. These objectives are formalised through qualitative statements regarding risk appetite, as expressed by the Board of Directors, and the metrics and thresholds that allow the activity's development to be monitored for the different risks of the Corporate Taxonomy.

Body in charge

- **Equivalence in Risk Taxonomy**
- **Board of Directors (advised by the Risk Committee)**: Statements and primary metrics — **LEVEL 1**
- **Global Risk Committee**: Metrics developing and supplementing LEVEL 1 metrics — **LEVEL 2**
- **Risk management / control areas**: Management mechanisms — **LEVEL 3**

Priority dimensions

Quantitative statements

- Maintain a medium-low (moderate) risk profile, with a comfortable capital adequacy, to strengthen customer confidence through financial soundness.
- Be permanently in a position to meet its obligations and financing needs in a timely manner, even under adverse market conditions.
- Have a stable and diversified financing base, to preserve and protect the interests of its depositors.
- Generate income and capital in a balanced and diversified way.
- Align the business strategy and the relationship with clients with responsible social action, with the application of thehighest ethical and governance standards, as well as with the consideration of the potential impacts on climate change and the environment.
- Promote a risk culture of its own integrated into management through policies, communication and staff training.
- Pursue excellence, quality and operational resilience, to continue providing financial services to our clients in accordance with their expectations, even in adverse scenarios.

Business model risks

Equivalence in Risk Taxonomy:
- Business profitability
- Own resources / solvency
- Liquidity and financing

Level 1:
- Profitability ratios
- Regulatory solvency ratios
- Regulatory and internal liquidity metrics that ensure the maintenance of comfortable levels of liquidity

Specific risks of financial activity

Equivalence in Risk Taxonomy:
- Credit
- Impairment of other assets
- Actuarial
- Market
- Structural of types

Level 1:
- Calculations based on advanced models and methodologies
- Accounting figures (cost of risk and nonperforming loans ratio)
- Indicators that promote diversification (by borrower, sector, etc.) and minimize exposure to strategic assets minimizan la exposición a activos estratégicos

Operational and reputational risks

Equivalence in Risk Taxonomy:
- Conduct
- Legal / Regulatory
- Technological
- Information reliability
- Model risk
- Other operational risks
- Reputational

Level 1:
- Quantitative non-financial risk metrics (i.e. reputational, operational)
- Metrics for number of incidents in compliance

Level 2:
- Detailed metrics deriving from the factorial decomposition of Level I metrics or from a greater breakdown. They also include more complex and specialised risk measurement parameters

Level 3:
- Training and communication
- Methodologies used to measure risk and assess assets and liabilities (monitoring the RAF)
- Limits, policies and powers
- Incentives and appointments
- Tools and processes

Alert System Reports

Level 1

Monthly to the Global Risk Committee

- ● **Green**
- ● **Tolerance**
  - The Global Risk Committee fosters an action plan and draws up a schedule.
- ● **Non-compliance**
  - If a previous plan existed, explanation of why the corrective measures have not worked and definition of a proposal of action taken for the approval of the Risk Committee.
- ● **Recovery Plan**
  - Governance process of the Recovery Plan to reduce the possibility of bankruptcy.

Quarterly to the Risk Committee

- Trend of metrics and **LEVEL I** projection.
- Status of non-compliance and action plans.

Half-yearly to the Board of Directors

- Trend of metrics and **LEVEL I** projection.
- Status of non-compliance and action plans.

Level 2

Using reference thresholds

[6] *It is worth noting that these goals are not only reflected through risk tolerance levels, but the RAF also includes minimum risk appetite declarations, such as monitoring tax risk as part of the legal risk set out in the Corporate Risk Taxonomy.*

3.3. Risk culture

Training

Training is a key mechanism in the Group through which the risk culture is instilled. The Bank's main training programmes and initiatives are set out below.

Since 2015, a large number of employees have been certified in MiFID II through various certifications, such as a diploma in Financial Advisory services from the UPF School of Management, and others have obtained a Certificate in Wealth Management from the Chartered Institute for Securities & Investment (CISI). A total of 17,793 people have been accredited in these programmes. This makes the Group the first Spanish financial institution to certify employees' training with a post-graduate university diploma in Financial Advisory and with a prestigious international qualification in the financial sector.

Turning to risks specifically, the Senior Management define the content of any training for functions supporting the Board of Directors/Senior Management, covering specific matters that help high-level decision-making, as well as the rest of the organisation, especially branch network staff. This is carried out to ensure: communication of the RAF throughout the whole organisation; the decentralisation of decision-making; the updating of risk analysis competencies; and optimisation of risk quality.

The Group structures its training programme through the Risk School. It sees training as a strategic tool to provide support to business areas, whilst providing a conduit for disseminating the Group's risk policies, providing training, information and tools for all the staff. The proposal comprises a training calendar for specialising in risk management, which will be linked to the professional development of all employees, from Retail Banking staff to specialists in any field.

The aim is for employees to have an adequate knowledge of:

- The financial system and the risks in the economic environment and banking business.
- The organisation and transaction of risk management in the Group.
- The processes and tools associated with lending transactions, covering the acceptance and monitoring, through to renegotiation and recovery, where necessary.
- Different lending products and the risks inherent to each one, together with legislation applicable to credit agreements.

In September 2015 the Risk School launched its first Risk Analysis Certificate course (aimed at sales managers) and the first postgraduate diploma in Risk Analysis, specialising in retail banking and awarded by the Pompeu Fabra University - Barcelona School of Management (UPF-BSM) (aimed at branch managers and deputy managers). Since then, more than 9,500 staff have either obtained or are in the process of obtaining risk qualifications. The first Master's Certificate in Banking Branch Management was awarded in May 2018, also by the UPF-BSM. This master's degree is awarded to employees who have obtained the following three postgraduate qualifications: Financial Advice, Banking Risk Analysis, and Expert in Saving/Forecast.

The following training on risk has been provided by the Risk School:

- **Banking Risk basic course:** basic level university qualification designed for generalist managers and staff from the branch network and other stakeholders who may need a basic knowledge of the organisation's risk management criteria to carry out their work.

  Since 2015, a total of 2,259 employees have taken part in the five editions of this course.

- **Postgraduate diploma in Banking Risk Analysis:** university diploma for commercial branch deputy managers and managers and other groups of interest who, given their role, may be involved in approving loans or may require in-depth knowledge of risk.

  This postgraduate course began with its first edition in 2015, and has reached its 7th Retail edition in 2020. In total, 5,156 employees have been accredited with this diploma

  In 2020, a total of 288 employees completed the second part of the postgraduate course, corresponding to the Company specialisation. Another 221 employees are in progress.

- **Specialist training in risks for AgroBank:** intended for employees of the AgroBank branch network. Since 2018, 1,957 employees have completed their training.

- **Specialist training in risks for BusinessBank branches:** aimed at employees of the BusinessBank branch network. Since 2018, 354 employees have completed this course. In 2020, 77 Business Banking employees completed this course.

- **Specialist training for Private Banking branches:** aimed at employees of the Bank's Private Banking network. Since this initiative was launched in 2018, a total of 552 employees have completed it.

Specific training courses were also run on the following topics:

- **Training in the new Real Estate Credit Act:** the need for training that has resulted from the application of the new Real Estate Credit Contracts Act 5/2019 has involved a significant effort by the organisation as a whole. To do this, the Pompeu Fabra University has been assisted in designing content and certifying courses, which feature academic credits at postgraduate level. Thanks to this effort, 17,413 employees were certified during 2020 in the first and second edition.

- **Documentary Compliance and Data Quality training:** this training was taken by more than 22,900 professionals, seeking to strengthen the institutional awareness of risk aspects such as documentary integrity and the quality of data entered into the systems.

Communication

Promoting the corporate culture of risks is a key element for maintaining a robust and coherent framework in line with the Group's risk profile. In this regard, it is highlighted the creation of the Risk Culture project with the aim of disseminating the risk culture to the entire Company. Within the framework of this project, different actions have been carried out to spread the risk culture to all CaixaBank employees by publishing news related to risk projects on the intranet, among others.

Furthermore, the corporate risk intranets (Company and Retail) are a dynamic environment for directly communicating key updates in the risk environment. The news content, institutional and sector information, training and FAQs are noteworthy.

Assessment

The Group works to ensure that the motivation of its employees is consistent with its risk culture and compliance with the levels of risk that the Board is prepared to take on.

Along these lines, there are compensation schemes directly linked to the annual progress of the RAF metrics.

3.4. Internal control framework

The internal control framework is the set of strategies, policies, systems and procedures that exist in CaixaBank Group to ensure prudent business management and efficient operations. It is monitored through:

- adequate identification, measurement and mitigation of the risks to which the Group is or may be exposed,
- the existence of complete, relevant, reliable and timely financial and non-financial information,
- the adoption of sound administrative and accounting procedures and
- compliance with regulations and requirements regarding supervision, codes of ethics and internal policies, processes and standards.

It is integrated into the Group's internal governance system and aligned with the business model, and is in accordance with: **(i)** the regulations applicable to financial institutions; **(ii)** the EBA Directives on Internal Governance of 21 March 2018, implementing internal governance requirements established in Directive 2013/36/EU of the European Parliament; **(iii)** the recommendations of the CNMV[7] on this matter and **(iv)** other regulatory guidelines[8] on control functions applicable to financial institutions.

Internal control functions at CaixaBank

The guidelines for the Group's internal control framework are set out in the Corporate Internal Control Policy, and are structured around the "three lines of defence" model, in line with regulatory guidance and best practices in the sector.

[7] Recommendations of the CNMV on the establishment of a system of Internal Control over Financial Reporting (ICFR) for listed companies.

[8] These include, among others: "Corporate Governance Principles for Banks" issued by the Basel Committee on Banking Supervision in July 2015; "Compliance and the Compliance Function in Banks" issued by the Basel Committee on Banking Supervision in April 2005; "The Internal Audit Function in Banks" issued by the Basel Committee on Banking Supervision in June 2012; and "International Professional Practices Framework for Internal Audit" issued by the Institute of Internal Auditors".

3.4.1. First line of defence

It comprises the business lines (together with the areas providing support) that give rise to the Group's exposure to risks in the performance of their operations. They take on risks considering the bank's existing risk appetite, authorised risk limits and policies, existing procedures and controls, and managing these risks is part of their responsibility. They are therefore responsible for developing and implementing control processes and mechanisms to ensure that they identify, manage, measure, control, mitigate and report the main risks arising from their activities.

The manner in which the business lines carry out their responsibilities must reflect the Group's current risk culture, fostered by the CaixaBank Board of Directors.

These functions may be embedded in the business units and support areas. However, when a situation's complexity or intensity require it, specific control units with greater specialism are set up to ensure that the risks are properly controlled.

3.4.2. Second line of defence

This comprises the Risk Management Function (RMF) and Compliance.They are responsible for ensuring the existence of risk management and control policies and procedures, monitoring their application, identifying possible shortcomings in the control system, monitoring the implementation of the action plans to correct them and evaluating the control environment.

They are organisationally separated from the units on which they conduct monitoring or control (first line of defence), and collaborate with them to identify, measure, monitor and properly control the risks inherent in their activity.

- The Risk Management Function is responsible for the effective implementation of a risk management framework in CaixaBank with a global approach that incorporates all CaixaBank Group's risks, as well as reporting all the Group's material risks. It also conducts the management, monitoring and control of all risks in the Taxonomy, with the exception of those which correspond to the Compliance function.

- The Compliance function is responsible for ensuring that the Group operates with integrity and in compliance with the applicable regulations, internal standards and standards of conduct. It also conducts the management, monitoring and control of compliance risk, which encompasses Conduct risk, Legal/Regulatory risk risk, and Reputational risk.

Its responsibilities include:

- The establishment of risk management and control policies in coordination with the first line of defence, assessing their subsequent compliance.

- The identification, measurement and monitoring of the risks (including emerging risks), contributing to the definition and implementation of risk indicators aligned with the RAF, as well as controls that enable compliance with the internal and external regulations in the area of risk management and control.

- Periodically monitoring the effectiveness of indicators and controls of the first line of defence, as well as indicators and controls inherent to the second line of defence.

- Monitoring control weaknesses that are identified, as well as establishing and implementing action plans to correct them.

- Expressing an opinion on the suitability of the risk control environment.

The activities of the second line of defence, as well as **(i)** the identified weaknesses, **(ii)** the monitoring of action plans and **(iii)** the opinion on the adequacy of the control environment in the Group, are regularly reported to the bodies responsible for the control environment, following the established hierarchy, as well as to supervisory bodies.

Risk Management Function (RMF)

The RMF, coordinated by the Executive Division of Corporate Risk Management Function & Planning (CRMF&P), in addition to identifying, defining approval limits, measuring, monitoring, managing and reporting risks under its remit, is responsible for (i) ensuring all the risks to which the Group may be exposed are suitably identified, assessed, monitored and controlled; (ii) providing the Governing Bodies with an aggregated view of all the risks to which the Group is or may be exposed; (iii) monitoring compliance with the risk appetite approved by the Board of Directors and ensuring that it is translated into specific risk limits, and (iv) monitoring the risk generating activities, assessing their adjustment to the approved risk tolerance and ensuring the prospective planning of the corresponding capital and liquidity needs in normal and adverse circumstances.

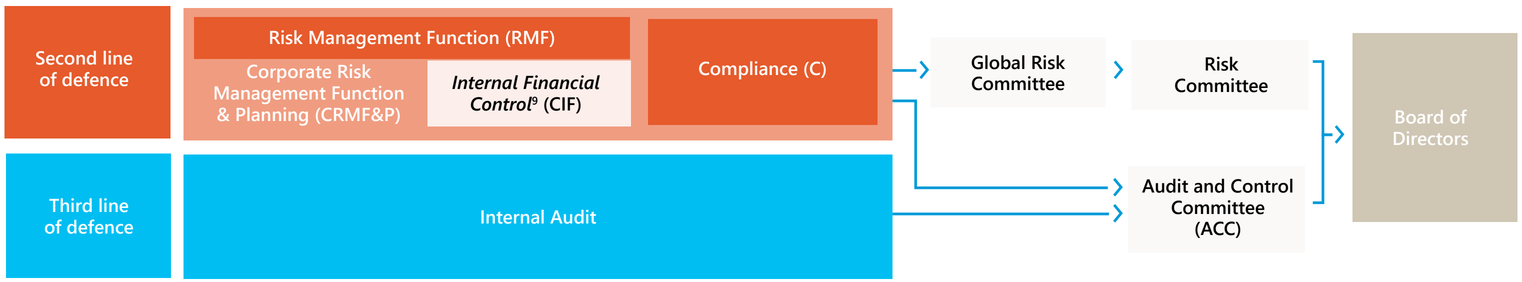
The CRMF&P includes the risk management and control function of the models used both for internal management purposes and regulatory reasons. The Internal Validation unit, following the guidelines set in the model risk management and control framework, conducts the controls and activities necessary in order to – in line with the regulatory requirements of the various supervisory authorities – issue an independent technical opinion on internal models, ensuring that these (i) are constructed under the minimum requirements set by the standards; (ii) are implemented and are used effectively; (iii) produce results for use in the various management processes and, in particular, in the processes of calculating regulatory capital or calculating provisions; (iv) have appropriate control and technological environments, and (v) have adequate governance associated with the change process.

The RMF also includes the Internal Financial Control department (within the Executive Directorate of Financial Accounting, Control and Capital) which – functionally reporting to the CRMF&P – performs functions as the second line of defence with regard to the following risks (i) Business Returns; (ii) Own funds / Solvency; (iii) Impairment of other assets and iv) Reliability of information.

CaixaBank has a system of Internal Control over Financial Reporting (ICFR), coordinated by Internal Financial Control, which strives to ensure reliability of the financial information that is reported. ICFR is defined as the set of processes that are carried out to provide reasonable assurance on the reliability of financial information published by the bank in the markets. It is designed in accordance with the guidance established by the Spanish National Securities Market Regulator (CNMV) in its document "Guidelines on Internal Control over Financial Reporting in Listed Companies" (companies issuing securities admitted to trading).

Details of this function are presented in the Annual Corporate Governance Report for 2020, **available on the CaixaBank website** (www.caixabank.com) along with the activities carried out during the period.

With regard to the Pillar 3 Disclosures, the second line of defence, which is responsible for providing reasonable assurance over the reliability of its financial information, has validated the existence of the necessary controls. These controls are in place to ensure the information's quality and integrity, thus guaranteeing that the information presented is accurate.



[9] *Reports to the Financial Accounting, Control and Capital Executive Body.*

Compliance

The Compliance function is responsible for ensuring that the Bank operates with integrity and in compliance with the applicable regulations, internal standards and standards of conduct. It also conducts the management, monitoring and control of compliance risk, which encompasses Conduct risk, Legal and Regulatory risk, and Reputational risk.

The Deputy General Management of Compliance is dependent upon the CEO, and reports directly, within the scope of its activities, to Senior Management, to the Governing Bodies, as well as to the supervisory bodies (Bank of Spain, ECB, SEPBLAC (Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences), Treasury, CNMV and other bodies).

The Compliance supervision model is based on four main management mechanisms: **(i)** the definition and maintenance of a detailed risk taxonomy in each field of activity; **(ii)** Annual Compliance Plan, where the activities for monitoring and reviewing internal procedures are determined with a risk-based approach; **(iii)** monitoring of gaps (control deficiencies or regulatory breaches) identified and of the Action Plans for mitigating the weaknesses detected, on which regular monitoring is carried out; **(iv)** reporting and scaling of the relevant information, monitoring inspections or deficiencies in the area of Compliance.

Furthermore, the Compliance function carries out advisory activities on the matters that fall under its responsibility, and carries out actions to foster the Compliance culture throughout the organisation. This is done by redesigning technology-based processes, awareness-raising and communication plans conducted throughout the organisation, and training activities (compulsory regulatory training plan which is linked to the annual bonus). It also ensures that best practices in the field of integrity and codes of conduct are followed. One of the measures implemented to this end is a confidential enquiry and whistle-blowing channel.

3.4.3. Third line of defence

Internal Audit is the third line of defence, overseeing the activities of the first and second lines of defence.

In order to set up and preserve the independence of the function, the Executive Directorate of Internal Audit functionally reports to the Chairman of the Audit and Control Committee of the Board of Directors, without prejudice to its reporting obligations to the Chairman of the Board of Directors for the due compliance of the Chairman's duties.

Internal Audit has a rule book governing how it operates, which has been approved by the Board of Directors. It establishes that it is an independent and objective assurance and consultation function, established to add value and improve operations. Its objective is to provide reasonable assurance to Senior Management and the Governing Bodies with regard to:

- The effectiveness and efficiency of internal control systems in offsetting the risks associated with the Group's activities.
- Compliance with prevailing legislation, especially the requirements of supervisory bodies and the appropriate application of the defined global management framework and risk appetite framework.
- Compliance with internal policies and regulations, and alignment with best practices and uses in the sector, for adequate internal governance of the Group.
- The reliability and integrity of financial and operational information, including the effectiveness of the control systems established, which include the systems referring both to financial information and non-financial information.

Its main supervisory functions include:

- The adequacy, effectiveness and implementation of policies, regulations and procedures.
- The effectiveness of controls.
- Adequate measurement and monitoring of first line of defence and second line of defence indicators.
- The existence and correct implementation of action plans to remedy weaknesses of controls.
- The validation, monitoring and assessment of the control environment by the second line of defence.

Its functions also include: **(i)** Cambiar a: preparing the Annual Audit Plan with a multi-year vision based on risk assessments, which includes regulatory requirements and tasks and projects requested by Senior Management/the Management Committee and the Audit and Control Committee; **(ii)** reporting regularly on the con-

clusions of the work carried out and weaknesses identified to the Governing Bodies, Senior Management, external auditors, supervisors and other applicable control and management areas; and **(iii)** adding value by proposing recommendations to address weaknesses detected in reviews and monitoring their implementation by the appropriate centres.

To this end, with regard to the risks of the Corporate Risk Taxonomy, Internal Audit assesses:

- The control environment and the functions assigned to the various units responsible for risks in the first and second line of defence.
- The procedures implemented for measuring, assessing and managing risks, and considering the relevant risk factors.
- Compliance with the internal regulations and the regulatory requirements in force.
- Economic regulatory capital calculation procedures.
- The adequacy of the reporting to Management and Governing Bodies for decision-making and regulatory reporting.
- The technology environment and applications used, both as regards information integrity and confidentiality, as well as system availability and business continuity and the coherence of the data used.

With regard to Legal/Regulatory Risks, it reviews the control environment put in place to offset risks deriving from changes in legislation and the regulatory framework, and management of court proceedings. In terms of Compliance Risk, it checks that policies and procedures established in the Group are in line with the legal and regulatory framework, and with internal codes and regulations.

In addition, Internal Audit reviews the internal capital and liquidity adequacy processes (ICAAP and ILAAP), the Recovery Plan, as well as this document, providing an objective and independent assessment of the compliance with governance established for each process and of the efficacy and efficiency of the control framework applied by the various areas involved.

In addition, Internal Audit reviews **the internal capital and liquidity adequacy processes (ICAAP and ILAAP), the Recovery Plan, as well as this document**

Capital 4.

4. Capital

13.6% (€19,654 M) CET1

15.7% (€22,637 M) *Tier 1*

18.1% (€26,045 M) Total Capital

26.3% (€37,820 M) MREL

The goal of capital management in the CaixaBank Group is to ensure compliance with regulatory requirements and internal capital objectives, taking into account the market environment and the risk profile assumed.

One of CaixaBank's strategic objectives is to strengthen its capital position, thereby maintaining sufficient headroom to deal with standardised and stress financial planning scenarios. In this regard, the Group implements a financial and capital planning process that includes budgeting in the short term and over three years through the central ICAAP scenario, in addition to internal stress scenarios over a three-year horizon.

The Board of Directors determines the Group's general risk management policies, risk appetite, and capital objectives. Meanwhile, the Management Committee manages capital at the highest level, in accordance with the strategies set by the Board.

The Solvency and Capital Risk Management Corporate Policy was approved in 2019 and will be reviewed in 2021.

The Group's current solvency levels indicate that the applicable requirements do not entail any of the automatic limitations detailed in the solvency regulations related to the distribution of dividends, variable remuneration, and interest to holders of additional Tier 1 capital securities.

On 26 March 2020, the Board of Directors amended the dividend policy exclusively for 2020, establishing a cash dividend distribution of no more than 30% of the consolidated net profit. However, on 15 December 2020, the European Central Bank published its recommendation on dividend distributions during the COVID-19 pandemic. According to this recommendation, the maximum dividend amount to be paid out of the 2020 dividend is estimated at EUR 216 million[1]. In addition, in January 2021, the Board of Directors declared the dividend policy applied until March 2020 null and void, which consisted of allocating at least 50% of the consolidated net profit to dividends. It also decided to publish a new policy for the 2021 financial year in due course, once the merger process with Bankia has been completed, since it will have to be drafted by the new Board of Directors, following review and approval of the budget for 2021[2].

Annual evolution

The CaixaBank Group maintained a solid solvency position throughout 2020, with year-end ratios of 13.6% for CET1, 15.7% for *Tier 1*, and 18.1% for Total Capital.

The annual evolution included +32 basis points from the extraordinary impact of the dividend reduction charged to 2019, as one of the measures adopted by the Board of Directors as a result of the COVID-19 pandemic, and +55 basis points from the transitional adjustment due to the application of IFRS 9. Organic growth stood at +99 basis points, -15 basis points due to the dividend forecast for the year and -10 basis points due to the evolution of markets and other factors, including the impact of the partial sale of Comercia, impairment on Erste Group Bank investment, and the entry into force of the new treatment of *software* assets.

The CET1 ratio without applying the IFRS 9 transitional period stands at 13.1% as of December 2020.

The MREL ratio, considering the total eligible liabilities of the Single Resolution Board, stands at 26.3%, exceeding the 22.1% requirement by January 2022. This year issuance included €750 million in AT1 instruments, €1,000 M in senior *non-preferred* debt (SNP), and two issues of EUR 1,000 million each in senior *preferred* debt.

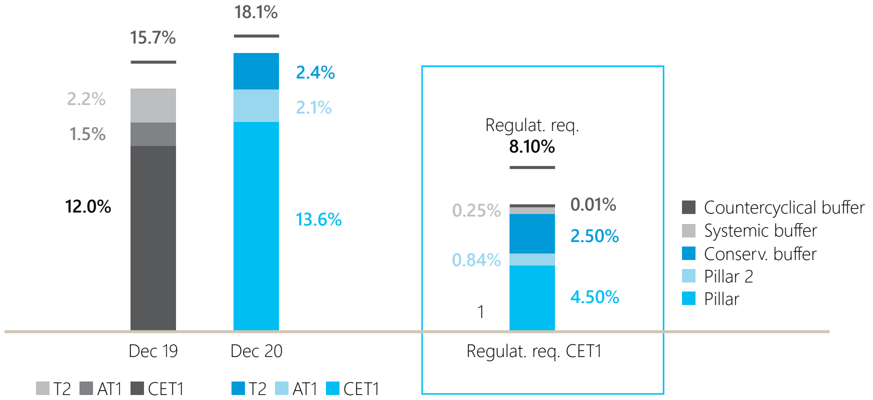
[1] Maximum distributable amount: 15% of CaixaBank's plus Bankia's profit, adjusted for the payment of coupons of both entities, the reclassifications of OCIs against P&L and the amortisation of intangibles with a neutral impact on solvency.

[2] See Inside Information published on 29/1/2021.

Table 4.1. CaixaBank solvency
Million euros and %

	31.12.19	31.12.20
CET1	17,787	19,654
Additional Tier 1	2,236	2,984
Tier 1	20,023	22,637
Tier 2	3,224	3,407
Total Capital	23,247	26,045
RWA	147,880	144,073
Credit	113,947	111,826
Equity	18,310	16,729
Market	2,224	2,267
Operational	13,400	13,250
CET1 ratio	12.0%	13.6%
Tier 1 *ratio*	13.5%	15.7%
Total Cap. ratio	15.7%	18.1%
Subordinated MREL ratio	19.6%	22.7%
MREL ratio[1]	21.8%	26.3%
MREL ratio without LRE		9.4 %
Buffer MDA[2]	4,805	7,984
Expos. *Leverage*	341,681	403,659
Leverage ratio	5.9%	5.6%
Ratio CET1 Ind.	13.8%	15.1%
Buffer MDA Ind.[2]	9,139	10,778

Capital ratios
In %



From March 2020 onwards, the data has been calculated according to the measures taken by the authorities as a result of the COVID-19 pandemic (see inside information published on 26/3/2020).

[1] In relation to the MREL requirements, the new recovery and resolution directive (BRRD2) establishes that as of 1 January 2022, CaixaBank at the consolidated level must comply with a total MREL requirement of 22.09% of RWAs (16.26% with subordinated instruments) and 6.09% of leverage ratio exposure (LRE).

[2] The MDA buffer applied is the lower of the individual and the consolidated buffer.

4.1. Capital Management

Capital objectives and policy

One of CaixaBank's strategic objectives is **to continue strengthening its already solid capital position, maintaining sufficient headroom to deal with stress financial planning scenarios.** In this regard, the Group implements a financial and capital planning process that includes budgeting in the short term and over three years through the central ICAAP scenario, in addition to internal stress scenarios.

CaixaBank's Board of Directors determines the Group's general risk management policies and capital targets. Meanwhile, the Management Committee manages capital at the highest level, in accordance with the strategies set by the Board of Directors. In line with the Strategic Plan, the planning process is organised by the Planning Committee, which reports to the Management Committee, with assistance from members of the different lines of defence in the control environment.

The Executive Directorate of Financial Accounting, Control and Capital is responsible for monitoring and controlling the Group's equity and solvency as the first line of defence. The Internal Financial Control department, which reports to the *Corporate Risk Management Function & Planning*, is the second line of defence in the control framework for this risk.

The main processes involved in the management and control of solvency and capital risk are as follows: (i) continuous measurement and internal and external reporting of regulatory capital and economic capital through relevant metrics; (ii) capital planning in different scenarios (standardised and stress scenarios, including ICAAP, EBA Stress Test, and Recovery Plan), integrated into the corporate financial planning process, which includes balance sheet projection, income statement, capital requirements, and the Group's equity and solvency. This is complemented by the monitoring of current and future capital regulations.

The capital management outlined above has been affected this year by the COVID-19 pandemic. As a result, at its meeting on 26 March 2020, the Board of Directors agreed on a series of measures to adapt the bank's position to the new environment affected by the COVID-19 pandemic, in addition to the measures adopted by the authorities (for more information, see Inside Information published on 26/03/2020).

After reviewing the new regulatory and supervisory developments, including the impact of the early implementation of the regulations established in the Capital Requirements Directive V (CRD V) on the composition of Pillar 2 Requirements (P2R), one of the measures adopted by the Board of Directors was to reduce the CET1 solvency ratio target set in the Strategic Plan 2019-2021 to 11.5% by December 2021, leaving without effect the CET1 ratio target of 12% plus an additional 1% buffer, which was intended to absorb the impacts of the implementation of the Basel developments (Basel IV) and other regulatory impacts.

Another measure was to reduce the proposed cash dividend for 2019 from EUR 0.15 per share to EUR 0.07 per share, in an exercise of prudence and social responsibility, reducing the pay-out from 52.6% to 24.6%. This dividend was paid on 15 April 2020 as an interim payment for the 2019 financial year, which was the only shareholder remuneration for 2019.

The Board of Directors agreed to modify, exclusively for the 2020 financial year, the policy of distributing a cash dividend in excess of 50% of the consolidated net profit, limiting it to a cash dividend of no more than 30% of the consolidated net profit.

Regarding the dividend for 2020, on 28 January 2021, having already informed the European Central Bank, the Board of Directors resolved to propose to the next General Shareholders' Meeting the distribution of a cash dividend of EUR 0.0268 per share (gross), expected to be paid during the second quarter of 2021 and charged against the profits for 2020. The approval of this dividend and the specific terms of payment by the General Shareholders' Meeting, where applicable, will be communicated to the market in due course. With the payment of this dividend, the amount of shareholder remuneration for 2020 will be equivalent to 15% of CaixaBank and Bankia's pro forma adjusted profit, in line with the recommendation made by the European Central Bank.[1]. The dividend shall be paid on all outstanding shares at the time of payment. Furthermore, it was agreed to cancel the previous dividend policy and to publish a new dividend policy in due course following the planned merger with Bankia, agreed by the new Board of Directors following the review and approval of the 2021 budget.

[1] *Maximum distributable amount: 15% of the CaixaBank Group's profit plus Bankia, adjusted for the payment of coupons of both entities, the reclassifications of OCIs against P&L and the amortisation of intangibles with a neutral impact on solvency.*

4.2. SREP and Capital Buffers

4.2.1. Minimum requirements (Pillar 1 and Pillar 2R)

Under the Basel Pillar 2 framework, CaixaBank carries out an annual Internal Capital Adequacy Assessment Process (ICAAP), covering the CaixaBank Group's banking-insurance activities and the specific characteristics of its business model. The ICAAP comprises: **(i)** three-year financial capital planning under different scenarios, including standardised and stress scenarios, **(ii)** a risk assessment to identify the risks to which the Group may be exposed, and **(iii)** an analysis of capital adequacy from a purely internal (economic) perspective in terms of equity and capital requirements. In particular, this process analyses the potential requirements for risks other than credit, operational and market risks, such as interest rate and business risk, among others.

The ICAAP is a fully integrated process in the Group's management carried out in accordance with the guidelines of the supervisor and the European Banking Authority (EBA). The results of the process are reported each year to the supervisor.

The ICAAP is a key input for the ECB's Supervisory Review and Evaluation Process (SREP).

Based on the SREP, the ECB decides annually on the minimum capital requirements applicable to each entity under its supervision. These requirements are the result of the sum of the common minimum level for all institutions (Pillar 1, under Article 92 of CRR) and a specific minimum requirement, also called Pillar 2R (under Article 104 of CRD IV). In 2020, the ECB decided to bring forward to March 2020 the applicability of Article 104a of the new capital directive (CRD V, effective from the end of December 2020), enabling Pillar 2R to be met not only by CET1 but also by Additional Tier 1 capital (AT1) up to 19% of the requirement and Tier 2 up to 25%. In the case of CaixaBank, Pillar 2R only applies on a consolidated basis and not on an individual basis.

4.2.2. Capital buffers

In addition to the minimum Pillar 1 and Pillar 2R requirements, financial institutions must comply with the combined specific capital requirements assigned to them, which comprise: **(i)** the capital conservation buffer for unexpected losses, **(ii)** the countercyclical buffer, **(iii)** the buffer for systemically important institutions, and **(iv)** the systemic risk buffer. This combined buffer requirement (CBR) must be met with the highest quality capital (CET 1).

The capital conservation buffer is established to ensure that banks accumulate capital reserves outside stress periods that can be used in the event of hypothetical losses during stress situations. CaixaBank requires a buffer of 2.5% over RWAs.

The specific countercyclical buffer is the capital buffer that must be accumulated during expansionary periods to strengthen solvency and neutralise the procyclical impact of capital requirements on credit. In general, it ranges from 0% to 2.5%. Meanwhile, the competent authorities determine on a quarterly basis which buffers to apply to RWAs for exposures located in their territory. Therefore, each institution has a specific requirement, depending on the geographical composition of its portfolio (the weighted average of the percentages of the countercyclical buffers applied in each of the territories in which it operates). It applies both at consolidated and individual levels. As of 31 December 2020, this buffer for CaixaBank stands at 0.01% in both perimeters.

The buffer for systemically important institutions is set according to whether an institution is considered globally or domestically systemically important. Since 2016, CaixaBank has been identified each year as an Other Systemically

Important Institution (O-SII). The capital surcharge has remained at 0.25% of RWAs at the consolidated level. The buffer does not apply at the individual level.

Each year, the Bank of Spain identifies financial institutions are classified, in accordance with EBA's methodology, as follows:

- Globally Systematically Important Banks (G-SIBs).
- Other Systemically Important Institutions (O-SIIs).

The EBA uses the following key criteria to calculate the systemic importance score: its size, its importance for the economy of the country of origin, its complexity (including that derived from its cross-border activities), and its interconnections with the financial system.

The buffer for classification as a G-SIB ranges from 1 % to 3.5 % of RWAs, while for an O-SII, the buffer can be as high as 3% of RWAs. If an institution is identified as both a G-SIB and an O-SII, the larger of the two buffers applies.

The CaixaBank Group's main indicators of global systemic importance as of 31 December 2019 are available on the CaixaBank website[1].

The status of these indicators as of 31 December 2020 will be published on the Bank's corporate website by not later than 30 April 2021.

The systemic risk buffer is designed to prevent long-term systemic or non-cyclical macro-prudential risks that are not covered by the CRR. These risks could potentially disrupt the financial system with profound negative implications for the financial system and the real economy. The competent authorities may require a buffer of between 1% and 3% when activated, applicable to RWAs for some or all exposures in the Member State setting the buffer, as well as for exposures in third countries and other European Union member states. This buffer may either apply to all financial institutions, whether part of a consolidated group or not, or to one or more subsectors of such institutions.

Under the new CRD V capital requirements (applicable from the end of December 2020), the systemic risk buffer must be aggregated (i.e., cumulative) with the G-SIB or O-SII buffer. The systemic risk buffer currently stands at 0%for CaixaBank.

4.2.4. MREL requirements

Table 4.2. Capital buffer requirements

In %

Capital buffer	2020
Capital conservation	2.50%
Specific countercyclical[1]	0.01%
Systemic[2]	0.25%

[1] *As the discretion of competent authorities where the exposures are located.*

[2] *At the discretion of the competent authority. Not applicable at the individual level.*

4.2.3. Total SREP requirements

For 2020, in view of the ECB's anticipation of Article 104 of CRD V in relation to Pillar 2R, the ECB has required CaixaBank to maintain a CET1 ratio of 8.10% at the consolidated level, which includes the common minimum Pillar 1 requirement of 4.5%, a specific Pillar 2R requirement of 1.5% (of which 0.84% must be covered by CET1), a capital conservation buffer of 2.5%, an O-SII buffer of 0.25%, and a specific countercyclical buffer of 0.01%.

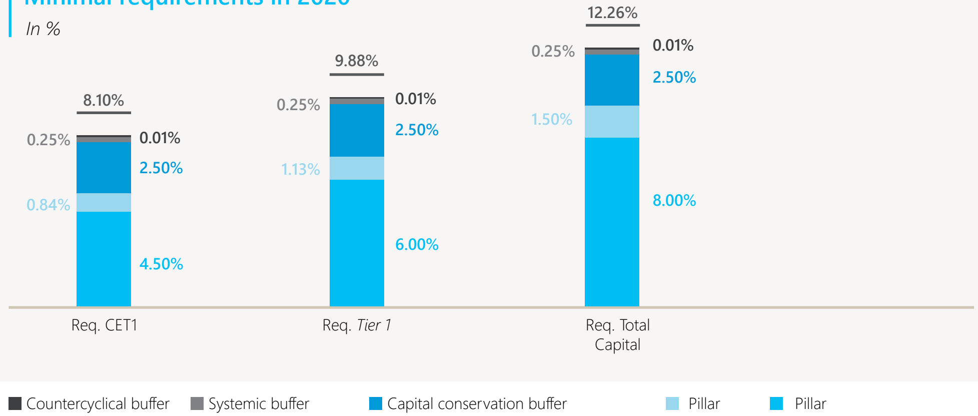
Similarly, based on the Pillar 1 requirement of 8% and Pillar 2R of 1.5%, the minimum Total Capital requirement is 12.26%.

The Pillar 2R and O-SII buffer requirements do not apply at the individual level. Therefore, the minimum individual CET1 requirement is 7.01%.

The ECB's decision establishes the regulatory CET1 level below which CaixaBank Group would be required to limit distributions in the form of dividend payments, variable remuneration and interest payments to holders of Additional Tier 1 (AT1) instruments. This threshold, known as the maximum distributable amount trigger (MDA trigger), is set at 8.10% in 2020. This threshold would need to be increased by any potential additional Tier 1 or Tier 2 capital deficits arising at any given time relative to the minimum implicit Pillar 1 and Pillar 2R levels of 1.78% and 2.38%, respectively. As of December 2020, CaixaBank did not have any of such deficits. Compared to current CET1 ratio levels, this requirement demonstrates that the requirements applicable to CaixaBank would not result in any of the limitations referred to in the solvency regulations.

Minimal requirements in 2020

In %



[1] https://www.caixabank.com/es/accionistas-inversores/informacion-economico-financiera/otra-informacion-financiera.html

In relation to the countercyclical buffer, the table below provides a geographical breakdown of exposure by country of origin. The highest degree of exposure is in Spain, where a 0% surcharge is applied.

Table 4.3. EU CCyB1 - Geographical distribution of credit exposures used in the countercyclical buffer

Millions euros and %

	Credit risk exposures[1]		Trading book exposures				Own funds requirements						
Country	STD approach[2]	IRB approach	Sum of short and long positions	Exposure for internal models	Securitisation exposures	Total	Of which: Credit risk exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	**Risk weighted exposures**	**Own funds requirement weightings**	**Percentage countercyclical capital buffer**
Spain	49,635	163,910	576	515	2,581	217,216	6,801	62	49	6,912	86,405	74.5%	0.00%
Portugal	24,763	421	-	-	104	25,288	1,152	-	5	1,157	14,460	12.5%	0.00%
Mexico	1,417	126	-	-	-	1,543	113	-	-	113	1,415	1.2%	0.00%
United Kingdom	1,386	1,549	-	-	-	2,935	143	-	-	143	1,786	1.5%	0.00%
France	1,172	1,209	-	-	14	2,396	151	-	2	152	1,904	1.6%	0.00%
Austria	12	1,305	-	-	-	1,317	98	-	-	98	1,220	1.1%	0.00%
USA	1,215	595	-	-	-	1,810	104	-	-	104	1,302	1.1%	0.00%
Luxembourg	489	672	0	-	-	1,161	62	-	-	62	772	0.7%	0.25%
Netherlands	272	1,039	2	-	-	1,313	55	0	-	55	688	0.6%	0.00%
Germany	283	1,986	-	-	-	2,269	57	-	-	57	714	0.6%	0.00%
Poland	447	476	-	-	-	922	49	-	-	49	609	0.5%	0.00%
Canada	794	7	-	-	-	801	56	-	-	56	705	0.6%	0.00%
Norway	385	16	-	-	-	401	31	-	-	31	387	0.3%	1.00%
Italy	227	367	-	-	-	594	30	-	-	30	379	0.3%	0.00%
Chile	644	53	-	-	-	697	46	-	-	46	573	0.5%	0.00%
Others	2,076	1,537	1	-	-	3,613	207	0	-	207	2,590	2.2%	0.00%
Total	**85,217**	**175,266**	**578**	**515**	**2,700**	**264,276**	**9,154**	**63**	**56**	**9,273**	**115,911**	**100.0%**	**0.01%**

[1] *Does not include EAD for Credit Value Adjustment Risk (CVA).*

[2] *For the purposes of calculating the countercyclical capital buffer, as specified in Delegated Regulation 2015/1555, the relevant credit exposures will include all those categories of exposures other than those referred to in article 112, letters a) to f) of the Regulation (EU) No 575/2013.*

Table 4.4. Amount of institution-specific countercyclical capital buffer

Millions euros and %

	Value
Total risk exposure amount	144,073
Institution-specific countercyclical buffer rate	0.01%
Institution-specific countercyclical buffer requirement	9

Under the Bank Recovery and Resolution Directive (BRRD), banks are required to comply with minimum requirements for own funds and eligible liabilities (MREL requirement), one on the total level of these instruments (total MREL) and one on instruments considered to be subordinated (subordinated MREL). These MREL requirements are determined by the Single Resolution Board (SRB).

The BRRD has recently been amended, with the new Bank Recovery and Resolution Directive ("BRRD2") entering into force on 29 December 2020. BRRD2 stipulates 1 January 2024 as the deadline for compliance with the MREL requirements, with an intermediate requirement to be met by 1 January 2022. In addition, this regulation establishes that Total and Subordinated MREL requirements must be expressed as a percentage of both RWAs and leverage ratio exposure (LRE).

At the consolidated level, CaixaBank must attain a minimum volume of own funds and eligible liabilities (total MREL requirement) of 22.95%[1] of RWAs by 1 January 2024. Regarding the interim requirement, the SRB has determined that from 1 January 2022, CaixaBank must achieve a total MREL requirement of 22.09%[2] of RWAs. In addition, from 1 January 2022, CaixaBank must comply with a total MREL requirement of 6.09% of LRE.

Total and subordinated MREL requirements

Requirement in % RWAs	2022	2024
Total MREL	22.09%	22.95%
Subordinated MREL	16.26%	16.26%

Requirement in % LRE	From 2022
Total MREL	6.09%
Subordinated MREL	6.09%

[1] In addition to the 20.19% RWA requirement, there is the combined buffer requirement (2.76% of RWAs as of December 2020).

[2] In addition to the 19.33% RWA requirement, there is a combined buffer requirement.

[3] In addition to the 13.50% RWA subordination requirement, there is a combined buffer requirement.

Regarding the requirement for a minimum amount of own funds and subordinated eligible liabilities (subordinated MREL requirement), the SRB establishes that CaixaBank, at the consolidated level, must comply with a requirement of 16.26%[3] of RWAs and 6.09% of LRE from 1 January 2022.

4.3. Regulatory capital

4.3.1. Eligible own funds

Common Tier 1 (CET1) capital consists of the highest-quality elements of own funds (mostly accounting own funds). Together with other Tier 1 capital instruments (AT1) and Tier 2 capital instruments (*Tier* 2), they make up the eligible own funds.

CaixaBank undertakes comprehensive capital management to ensure the solvency of the Bank and to comply with the minimum requirements at all levels: CET1, AT1, and *Tier 2*.

Appendix I provides a breakdown of the CaixaBank Group's eligible own funds on 31 December 2020, as set out in Appendix IV of Commission Implementing Regulation (EU) 1423/2013.

As of January 2021, it also complies with MREL requirements, which include Total Capital and other eligible subordinated instruments (primarily senior non-preferred (SNP) and senior preferred debt), in accordance with BRRD2 (based on RWAs and leverage ratio exposure [LRE]).

In the current COVID-19 landscape, the supervisor informed banks that it expected those banks that had not phased in the initial impact of IFRS 9 (1 January 2018) on their capital to do so this year, in accordance with European Parliament Regulation (EU) 2017/2395.

The application of IFRS 9 accounting standards on 1 January 2018 mainly resulted in an increase in accounting provisions due to the change in their recognition, with the expected loss model (IFRS 9) replacing the incurred loss model (IAS 39). To mitigate the effect of provisions on capital ratios, the European Parliament and the European Commission issued Regulation 2017/2395, incorporating Article 473a into the CRR, establishing a progressive phase-in regime for IFRS 9.

Accordingly, on 31 March 2020, CaixaBank adopted the transitional provisions of IFRS 9, enabling its solvency calculations to mitigate, in part, the procyclicality associated with the provisioning model under IFRS 9 over the established transitional period. The figures without transitional arrangements are presented in a table in Appendix II[4].

On 31 December 2020, CaixaBank Group's accounting own funds stood at EUR 27,118 million (EUR 871 million more than in 2019). The OCI (accumulated other comprehensive income) is added to own funds, and, from March, the adjustment for the phase-in of IFRS 9 is also included. CET1-eligible instruments are reduced by other elements, including primarily the provision for dividends to be paid for the current year and by prudent additional valuation adjustments (AVA).

The amount of the dividend payable in 2020

[4] As outlined in the EBA/GL/2020/12 disclosure guidelines on transitional impacts of the application of IFRS 9.

Table 4.5. Eligible own funds

Millions euros

	31.12.19	31.12.20
CET1 instruments	**24,114**	**25,546**
Accounting own funds	26,247	27,118
Capital	5,981	5,981
Profit	1,705	1,381
Reserves and others[1]	18,560	19,755
Minority interests and OCIs	(1,103)	(1,847)
Adjustments of comput. of minority int. and OCIs	13	(100)
Other adjustments[2]	(1,043)	375
CET1 deductions	**(6,326)**	**(5,892)**
Intangible assets	(4,232)	(3,873)
Deferred tax assets	(1,875)	(1,789)
Other CET1 deductions	(220)	(229)
CET1	**17,787**	**19,654**
AT1 instruments[3]	**2,236**	**2,984**
AT1 deductions	-	
TIER 1	**20,023**	**22,637**
T2 instruments	**3,224**	**3,407**
Financing of subordinated issues	3,150	3,153
Excess IRB provisions	74	255
T2 deductions	-	-
TIER 2	3,224	**3,407**
Total Capital	**23,247**	**26,045**
Senior *non-preferred issues* (SNP)[4]	5,632	**6,629**
Other computable subordinate MREL items[5]	48	36
SUBORDINATED MREL	**28,927**	**32,709**
Other computable MREL items[6]	3,362	5,111
MREL	**32,289**	**37,820**

[1] Reserves includes the 2019 financial results and the announced dividend payment of EUR 419 million (0.07€/share, pay-out of 24.6%)

[2] Mainly forecast of dividends to be paid (in December 2019, the forecast for 2019, and in March 2020, the forecast for 2020) and AVA. From March 2020, the impact of the IFRS 9 phase-in is included.

[3] An issuance of EUR 750 million in AT1 instruments was completed in Q4 2020.

[4] An issuance of EUR 1,000 million in senior non-preferred debt was completed in Q4 2020.

[5] Mainly subordinated debt not eligible as Tier 2.

[6] Two senior preferred debt issues of EUR 1,000 million each (in Q1 2020 and Q3 2020) were completed in 2020.

has been calculated as 15% of CaixaBank and Bankia's pro forma adjusted profit, in line with the recommendation made by the European Central Bank.

CET1-eligible instruments amounted to EUR 25,546 million (EUR 1,432 million more than in 2019).

Deductions applicable to regulatory CET1 include EUR 3,873 million for intangible assets. In December 2020, the new treatment of software assets was applied, in line with the RTS approved by the European Commission, which allows for a prudent amortisation schedule for software activated over the last three years. The remaining deductions are mainly for deferred tax assets arising from tax losses and other tax credits, as well as for irrevocable commitments to the Single Resolution Fund (SRF) and the Deposit Guarantee Fund (DGF).

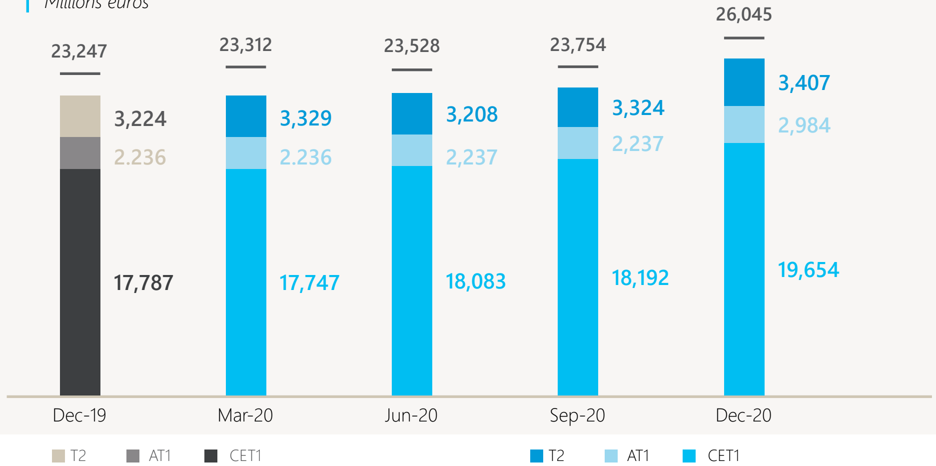
As a result, regulatory CET1 amounted to EUR 19,654 million (EUR 1,867 million more than in 2019), and the CET1 ratio stood at 13.6% of RWAs.

Additional Tier 1 (AT1) capital is composed of issuances of eligible hybrid instruments. CaixaBank currently has three issues for a nominal amount of EUR 3,000 million, one of which was issued in 2020 for EUR 750 million (the characteristics of the issue are detailed in Appendix III). Tier 1 capital stood at EUR 22,637 million (EUR 2,614 million more than in 2019), and the Tier 1 ratio reached 15.7% of RWAs.

The components of Tier 2 capital include subordinated debt and the surplus of provisions over expected losses on exposures for which capital requirements are assessed under the IRB approach.

Regulatory capital evolution

Millions euros



On 31 December 2020, CaixaBank had six subordinated debt issues with an eligible amount of EUR 3,153 million, taking into account the loss of eligibility according to the regulatory schedule. The details of these issues can be found in Appendix III of this document, as established by Appendix III of Commission Implementing Regulation (EU) 1423/2013.

Total Capital amounted to EUR 26,045 million (EUR 2,798 million more than in 2019), and the Total Capital ratio stood at 18.1%.

On 31 December, CaixaBank had a buffer of 554 basis points until the Group's MDA trigger point, amounting to EUR 7,985 million (EUR 3,180 million more than in 2019).

To meet MREL requirements, CaixaBank has eight senior non-preferred (SNP) debt issues, with an eligible amount of EUR 6,629 million, including one issue of EUR 1,000 million this year. In addition, it has seven senior preferred debt issues, with an MREL-eligible amount of EUR 5,061 million, including two issues of EUR 1,000 million each this year. As a result, the ratio of subordinated instruments (subordinated MREL) over RWAs, including mainly Total Capital and SNP debt, stood at 22.7% (8.1% over LRE), and the MREL ratio was 26.3% (9.4% over LRE), including all eligible liabilities according to the Single Resolution Board.

Table 4.6. Variation in regulatory capital

Millions euros and %

	2019-2020
CET1 at the beginning of the period	**17,787**
CET1 CET1	**1,432**
Profit	1,381
Dividend	(216)
Reserves	386
OCIs and others	(119)
CET1 CET1	**434**
Intangible assets	359
Deferred tax assets	85
Other CET1 deductions	(10)
CET1 at the end of the period	**19,654**
***Additional Tier 1* at the beginning of the period**	**2,236**
Tier 2 AT1	**748**
Eligible AT1 instruments	748
Tier 2 AT1	**-**
***Additional Tier 1* at the end of the period**	**2,984**
***Tier 2* at the beginning of the period**	**3,224**
Tier 2 deduc. movements	**183**
Subordinated debt	-
Redemption of issues	-
Other *Tier 2* instruments	183
Tier 2 deduc. movements	**-**
***Tier 2* at the end of the period**	**3,407**

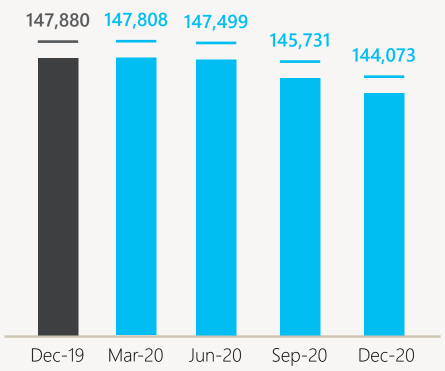
4.3.2. Capital requirements

The quantitative information in this document complies with the revised Pillar 3 disclosure requirements of the Basel Committee on Banking Supervision.

A selection of the most significant tables requested by the BCBS is published quarterly on the CaixaBank website.

RWA evolution

Millions euros



The risk-weighted assets of the equity portfolio include the RWAs of holdings in insurance companies that are not deducted from eligible own funds (mainly VidaCaixa).

As of 31 December 2020, the total volume of RWAs stood at EUR 144,073 million, EUR 3,807 million less than in 2019, mainly due to the reduction in credit and equity portfolio RWAs.

The variation in credit risk RWAs can be explained primarily by the lower exposure in the mortgage and consumer loan portfolios, as well as by the effect of the ICO guarantee facilities offered to companies and SMEs with zero RWAs in their hedged portion aiming at mitigating the economic impact of COVID-19. Additionally, during the financial year, the reducing factors for infrastructures and SMEs provided for in CRR II have been applied in advance, which has led to a decrease in APR.

Furthermore, market developments, the sale of Comercia, and the Erste provision led to a fall in RWAs.

Table 4.7. EU INS1 - Non-deducted participations in insurance undertakings

Millions euros

	Value*
Holdings of own funds instruments of a financial sector entity in which the institution has a significant investment that has not been deducted from its own funds (before risk-weighting)	2,633
Total RWA	**9,743**

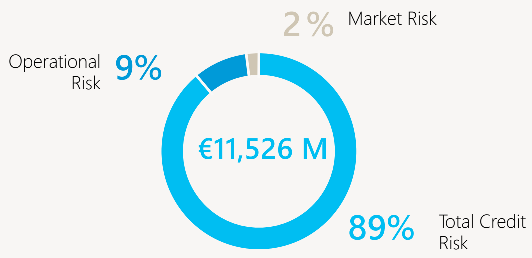
* *Corresponds to the equity position in the VidaCaixa Group, to which the provision set forth in Article 49.1 of the CRR (Danish Compromise) applies.*
The exposure does not include EUR 883 million in goodwill that is deducted from CET1.

Table 4.8. Capital consumption by segment

Millions euros and %	2019		2020	
	Capital	%	Capital	%
Credit*	10,581	89%	10,284	89%
Market	178	2%	182	2%
Operational	1,072	9%	1,060	9%
Total	**11,830**	**100%**	**11,526**	**100%**

* *Includes equity, counterparties and securitisations*

Capital consumption by segment 2020



Capital consumption by segment 2019

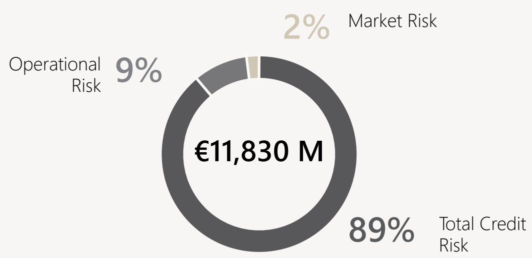


Table 4.9 shows CaixaBank Group's risk-weighted assets and capital requirements on 31 December 2020 for each type of risk. The requirements for eligible own funds are equivalent to 8% of the RWAs.

Table 4.9. EU OV1 - Overview of RWAs

Millions euros			RWA 31.12.19	RWA 31.12.20	Capital 31.12.19	Capital 31.12.20
	1	**Credit risk (excluding counterparty credit risk)**	**126,198**	**123,182**	**10,096**	**9,855**
Article 438 c) and d)	2	Of which the standardised approach	58,838	60,791	4,707	4,863
Article 438 c) and d)	3	Of which the foundation IRB (FIRB) approach	-	-	-	-
Article 438 c) and d)	4	Of which the advanced IRB (AIRB) approach	57,239	51,563	4,579	4,125
Article 438 d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	10,121	10,828	810	866
Article 107, Article 438 c) and d)	**6**	**Counterparty credit risk**	**2,867**	**2,761**	**229**	**221**
Article 438 c) and d)	7	Of which mark to market	1,853	1,936	148	155
Article 438 c) and d)	8	Of which original exposure	-	-	-	-
	9	Of which the standardised approach	-	-	-	-
	10	Of which internal model method (IMM)	-	-	-	-
	11	Of which financial collateral comprehensive method	230	156	18	12
Article 438 c) and d)	12	Of which risk exposure amount for contributions to the default fund of a CCP	1	0	0	0
Article 438 c) and d)	13	Of which CVA	783	668	63	53
Article 438 e)	**14**	**Settlement risk**	**-**	**-**	**-**	**-**
Article 449 o) i)	**15**	**Securitisation exposures in the banking book (after the cap)**	**687**	**700**	**55**	**56**
	16	Of which IRB - based on External Ratings Approach (RBA)	4	-	0	-
	17	Of which IRB - based on supervisory formula approach (SFA)	146	-	12	-
	18	Of which risk weight of 1,250%.	-	1	-	0
	19	Of which the standardised approach (SEC- SA)	-	23		2
	20	Of which standardised approach	40	-	3	-
	21	Of which Internal Ratings Based Approach (SEC-IRBA)	436	613	35	49
	22	Of which External Ratings Based Approach (SEC-ERBA)	61	63	5	5
Article 438 e)	**23**	**Market risk**	**2,224**	**2,267**	**178**	**181**
	24	Of which the standardised approach	1,232	1,158	99	93
	25	Of which IMA	992	1,109	79	89
Article 438 e)	**26**	**Large exposures**	**-**	**-**	**-**	**-**
Article 438 f)	**27**	**Operational risk**	**13,400**	**13,250**	**1,072**	**1,060**
	28	Of which basic indicator approach	-	-	-	-
	29	Of which the standardised approach	13,400	13,250	1,072	1,060
	30	Of which advanced measurement approach	-	-	-	-
Article 437 2), Article 48 and Article 60	**31**	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**2,504**	**1,913**	**200**	**153**
Article 500	**32**	**Floor adjustment**	-	-	-	-
	33	**Total**	**147,880**	**144,073**	**11,830**	**11,526**

4.3.3. Trends in solvency

The CET1 ratio stood at 13.6% as of 31 December 2020. The annual evolution of +161 basis points included +32 basis points from the extraordinary impact of the dividend reduction charged to 2019, as one of the measures adopted by the Board of Directors in face of the COVID-19 pandemic, and +55 basis points from the application of the transitional adjustment of IFRS 9.

The remaining cumulative evolution includes +99 basis points of organic growth, -15 basis points from accrual of dividend the dividend forecast for the year and -10 basis points due to the evolution of markets and other factors, including the impact of the partial sale of Comercia, the provision on the investment in Erste Group Bank, and the entry into force of the new treatment of software assets.

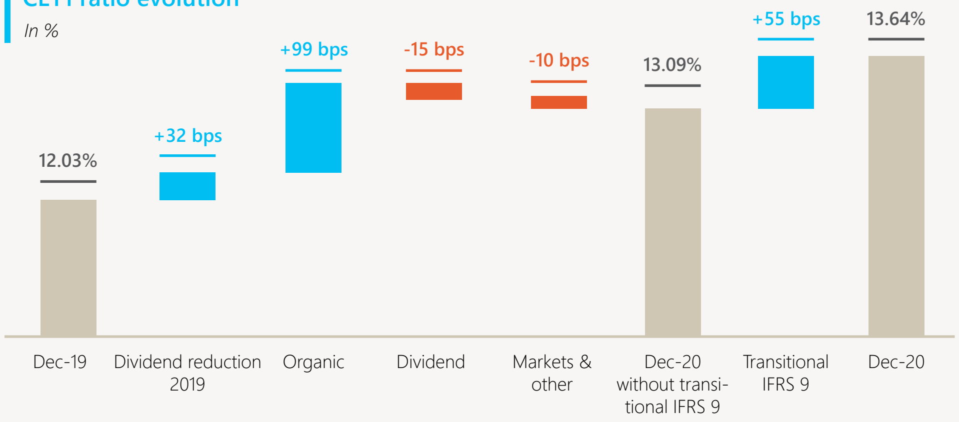
The Tier 1 ratio stood at 15.7%, +217 basis points compared year-end 2019. This improvement is partly due to the issuance of EUR 750 million in additional Tier 1 instruments. The Group remains above 1.5% of AT1 instruments, in line with Pillar 1 of capital requirements.

The Total Capital ratio stands at 18.1%, up 236 basis points compared to December 2019.

To strengthen the MREL ratio, an issue of SNP debt of EUR 1,000 million and two issues of senior preferred debt of EUR 1,000 million each were made this year, resulting in a subordinated MREL ratio of 22.7% (up 314 basis points compared with the previous year) and a total MREL ratio of 26.3% (up 442 basis points compared with year-end 2019).

CET1 ratio evolution

In %



4.3.4. Leverage ratio

The Basel 3 framework introduces the Leverage Ratio as a non-risk sensitive measure aimed at limiting excessive balance sheet growth relative to available capital.

This ratio is calculated by dividing Tier 1 capital by an exposure measure based on total assets, reduced by Tier 1 deductions and including, among others, contingent risks and commitments weighted according to applicable regulations, the net value of derivatives (plus a surcharge for potential future exposure), and other adjustments. CaixaBank publishes the calculation of the leverage ratio in the quantitative component of the P3D on a quarterly basis, and estimates of the leverage ratio are also calculated in the three-year scenarios for the ICAAP.

Since the recent amendment (CRR 2), the CRR sets a minimum requirement of 3%, applicable from June 2021.

One of the temporary measures to reduce capital requirements as a result of COVID-19 is that financial institutions can exclude central bank reserves from the leverage ratio exposure calculation. CaixaBank has opted not to implement this measure, which is expected to remain in force until June 2021.

On 31 December 2020, the CaixaBank Group had a leverage ratio of 5.6% (-25 basis points year-on-year), comfortably above the regulatory minimum established for June 2021. In 2020, the ratio was strengthened by the increase in Tier 1, mainly due to the organic evolution of activity, the impact of the phase-in of IFRS 9, and the issuance of EUR 750 million in AT1 instruments in the fourth quarter (+76 basis points). Regarding the denominator, assets have increased due to the accumulation of liquidity to be able to provide more credit, as well as the increase in credit due to the granting of ICO loans (-101 basis points).

This metric falls within the Risk Appetite Framework environment and is analysed on a quarterly basis. It is currently situated well above the internally set tolerance level (5%).

Appendix IV includes the disclosures set out in the Basel Committee on Banking Supervision document and the EBA document on leverage ratio disclosure, in accordance with Article 451 (2) of the CRR.

Table 4.10. Leverage ratio

Millions euros and %

	Value
***Tier* 1**	**22,637**
Total regulatory assets	384,687
Tier 1 deductions	(5,892)
Other adjustments[1]	24,864
Leverage exposure	**403,659**
Leverage ratio	**5.6%**

[1] *Includes off-balance exposures, derivatives, and SFTs.*

4.3.5. Financial conglomerate

CaixaBank Group has been a financial conglomerate subject to additional supervision[1] since 2014. This supervision entails a heightened degree of monitoring by the supervisor in relation to the Group's financial and insurance operations.

In accordance with article 49.1 of the CRR, CaixaBank has supervisory authorisation not to deduct its investment in insurance companies. Investments in these insurance companies are weighted at 370% in terms of RWA.

Furthermore, in addition to the capital requirements in terms of prudential banking regulations, CaixaBank periodically calculates and monitors the solvency of the financial conglomerate. In December 2020, the coverage ratio of the financial conglomerate (i.e., ratio of own funds to the minimum requirements under Solvency 2) stood at 147.3% (+1.897 bp basis points year-on-year), mainly due to the improvement in the total bank capital due to organic growth, the impact of the IFRS 9 phase-in, and the new issuance of AT1 instruments in 2020. This metric falls within the Risk Appetite Framework (RAF) environment and is analysed on a quarterly basis.

Table 4.11. Conglomerate coverage ratio

Millions euros and %

	Amount
Eligible own funds of the entity	26,045
Additional elements	1,615
Own funds at the conglomerate level	**27,660**
Total requirements of the credit institution	17,658
Other requirements	1,122
Total requirements at the conglomerate level	**18,779**
Conglomerate coverage ratio	**147.3%**

[1] *Law 5/2005 of 22 April on the supervision of financial conglomerates, amending other financial sector laws and Royal Decree 1332/2005 of 11 November, implementing Law 5/2005.*

4.4. *Stress Test*

In 2019, the EBA announced that it would conduct a new stress test on the banking sector in 2020 with baseline data as of 31 December 2019 and spanning the period from 2020 to 2022. However, on 12 March 2020, it announced the suspension of this stress test until 2021 as one of the measures to mitigate the impact of COVID-19 on the European banking sector.

Due to the merger process with Bankia, the CaixaBank Group has been excluded from the 2021 stress test exercise following approval by the General Shareholders' Meetings of BFA Tenedora de Acciones S.A.U. and CaixaBank in early December 2020, as envisaged by the EBA in the methodological note for the exercise published in November 2020.

4.5. Economic capital

CaixaBank Group has developed an economic capital model that uses internal criteria to measure available own funds and capital requirements for all risks associated with its activity. This measure complements the regulatory approach to solvency and enables better alignment with the Group's risk profile by incorporating risks that are not considered or partially considered in the regulatory requirements. This approach is used **(i)** for capital adequacy assessment, subject to presentation and periodic review in the Group's corresponding bodies; **(ii)** as a control and monitoring tool; **(iii)** for risk planning, and **(iv)** to calculate the Risk-Adjusted Return (RAR) and the pricing.

The available own funds for economic purposes are determined on the basis of adjusted regulatory own funds essentially by capital gains or losses on fixed-income and equity portfolios that are not recognised at fair value for accounting purposes and by the mark-to-market of certain VidaCaixa assets and liabilities.

Unlike regulatory capital, economic capital is determined by a internal estimate that is adjusted according to the Group's level of risk appetite, size, and type of activity. In addition to the risks already included in Pillar 1 (i.e., credit, market and operational risk), the other risks included in the Corporate Risk Catalogue (e.g., structural interest rate risk, liquidity risk, business risk, etc.) are incorporated. For management purposes, the same confidence level is typically used as in the Pillar 1 calculation (i.e., 99.9% of the Basel 3).

In terms of credit risk, two of the main differences with regard to the regulatory approach are:

1. Single large exposures Single Large Exposures have a significant impact on economic capital estimates, particularly in the equity portfolio and in the corporate and banking segments. The regulatory framework, which considers infinitely granular portfolios, is not entirely adequate to cover the level of concentration in the Group's portfolio. For this reason, the internal model reflects the possibility of having single large exposures and simulates possible defaults on these specific positions. Therefore, the simulated loss distribution incorporates individual concentration risk for large exposures. As a counter effect, this same concentration leads to additional diversification across portfolios.

2. Estimation of sensitivities and diversification: the CaixaBank Group has developed its own scheme for determining sensitivities of probabilities of default to specific economic and financial variables, thereby implicitly estimating correlations of probabilities of default adjusted to the Group's scope of activity. In practice, these estimates incorporate additional diversification across portfolios and industrial sectors due to the different sensitivities produced. It also considers specific sensitivities for international financial stakes in the equity portfolio, which provide additional diversification with the rest of the portfolio.

4.6. Recovery and Resolution Plans

Under the BRRD framework and its incorporation into Spanish law, CaixaBank prepares an annual Recovery Plan and provides the information required by the resolution authorities (the SRB as the European authority and the Bank of Spain as the national resolution authority).

Accordingly, in 2020, CaixaBank Group updated the Recovery Plan (with data from the end of 2019). This plan was approved by the Board of Directors and submitted to the Single Supervisor in September 2020.

In terms of scope, the plan covers the entire Group, including BPI and overseas branches and representative offices.

The Recovery Plan makes it possible to check the feasibility, complexity and effectiveness of a series of recovery measures that could be applied if the company were to suffer a severe crisis situation, thereby avoiding a public bailout.

Meanwhile, the resolution authorities **prepare and approve the Group's Resolution Plan**

CaixaBank Group's Recovery Plan is fully integrated into its internal management. In this regard, the plan is aligned with the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), and the Risk Appetite Framework (RAF) through recovery indicators, being part of the regular monitoring reports. These recovery indicators facilitate the monitoring and control of the financial situation, and a breach of the associated thresholds could result in escalating the decision on whether to activate the Recovery Plan.

Meanwhile, the resolution authorities prepare and approve the Group's Resolution Plan. CaixaBank collaborates with resolution authorities to ensure the availability and submission of relevant information in the event of resolution and to improve its resolvability by carrying out any projects that the European resolution authority considers a priority.

In the field of resolution, the BRRD requires financial institutions to have a buffer to absorb losses (MREL) to ensure the possible application of the bail-in resolution tool and to cover the MREL requirements (see section 4.2.4 of this document). In this regard, CaixaBank has developed an initial guide for the implementation of this tool. CaixaBank has also defined a financing plan for MREL-eligible instruments, as well as a "resolvability" culture within the Group, involving the relevant governing bodies and ensuring its operational continuity in a resolution scenario.

5. Credit and impairment risk

5. Credit and impairment risk

Credit risk RWA
€128,555M

Credit risk EAD
€384,177M

EAD under internal models
46% (73 % vs the private sector)

Credit risk arises from the banking and insurance business, treasury operations, securitisation and long-term equity investments (equity portfolio).

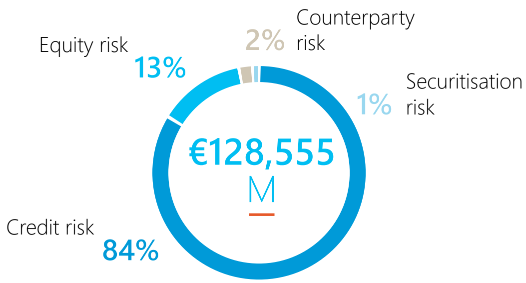
Due to the specific treatment provided by prudential regulation for certain exposures subject to credit risk, explicit details are provided of exposures to counterparty risk (derivatives), securitisations and the equity portfolio. Due to CaixaBank's business model, the first two account for just 3 % of total credit risk requirements, while the equity portfolio accounts for 13 %. Thus, the remaining 84 % of credit risk requirements come from credit investment portfolios, the fixed-income portfolio and other non-debt financial and non-financial assets.

46 % of total assets subject to credit risk are assessed using the IRB approach. If we exclude those portfolios with authorisation for the permanent application of the standard approach (risk held with the public sector and financial institutions, among others), as well as assets other than debt (real estate and others), IRB coverage is 73%.

Annual evolution

Total RWAs decreased by 3,701 million euros year-on-year. The decrease in total credit risk RWAs is mainly to: a decline in the volume of transactions by by individuals, the early application of infrastructure and SME reduction factors provided for in CRR II, and a reduced equity-portfolio risk mainly due to the fall in Telefonica's share price. It should be noted that from March 2020, there was an increase in lending to companies due to COVID-19. These loans are guaranteed by the ICO, which mitigates the risk, although they imply an increase in RWAs for the part not covered by the ICO.

Total RWA for credit risk
Breakdown by risk, %



Total EAD for the credit risk
Breakdown by approach and country %

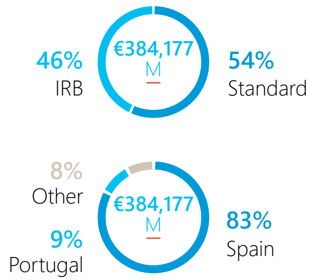


Table 5.1. Credit, counterparty, securitisation and equity risk by approach

Millions euros

	EAD			RWA			Density	Capital requirements[5]		
	Standard	IRB	Total	Standard	IRB	Total		Standard	IRB	Total
Credit risk[1]	201,228	167,800	369,028	60,791	47,575	108,366	29.4%	4,863	3,806	8,669
Counterparty risk[2]	4,983	749	5,732	2,342	419	2,761	48.2%	187	34	221
Securitisation risk[3]	121	2,578	2,700	86	613	700	25.9%	7	49	56
Equity portfolio risk[4]	-	6,717	6,717	-	16,729	16,729	249.0%	-	1,338	1,338
Total credit risks	**206,332**	**177,845**	**384,177**	**63,219**	**65,337**	**128,555**	**33,5%**	**5,057**	**5,227**	**10,284**

[1] *Credit risk exposures included. Counterparty, securitisation and equity exposures are not included.*
[2] *Counterparty credit risk includes CVA risk and default fund risk (under standardised approach).*
[3] *The EAD shown for securitisation risk corresponds to the exposure subject to risk weighting before deductions.*
[4] *Equity portfolio includes the investee business in addition to the participation in other listed companies and subsidiaries that are not globally integrated for prudential purposes (mainly VidaCaixa).*
[5] *Capital requirements as 8 % on RWA.*

5.1. Credit risk

5.1.1 Credit and fixed income portfolio

Credit risk RWA €108,366M

Credit risk EAD €369,028M

EAD under internal models 45% (74% vs the private sector)

Credit risk is the most significant risk item on the balance sheet and it includes: the impairment and default of credit investment counterparties, the fixed-income portfolio and other assets, mainly real estate assets.

As regards ordinary activity, the group focuses its lending activity towards meeting the funding needs of households and companies, and to providing value-added services to the large corporates segment, while targeting a medium-low credit risk profile, in line with the RAF.

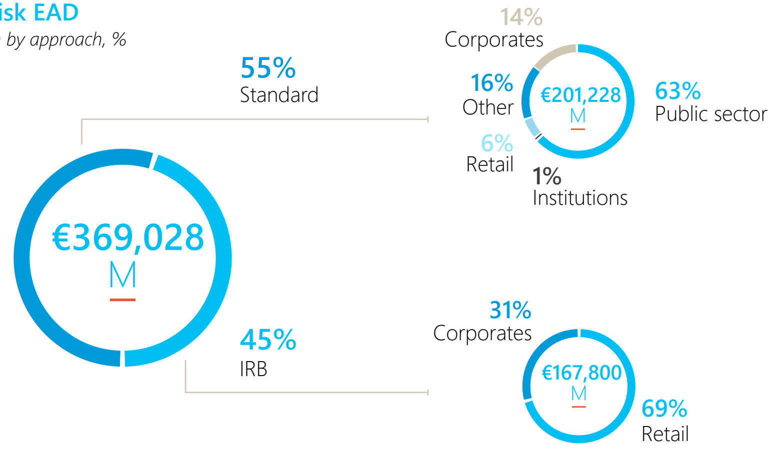
Approval of lending transactions follows the basic criterion of evaluation of the borrower's repayment capacity, and it is not the Group's policy to approve transactions merely because guarantees exist. If repayment capacity is deemed to exist, it then becomes important for the Bank to obtain additional guarantees as a risk mitigation factor, particularly in respect of long-term transactions, and to fix a price in accordance with the above two requirements.

With regard to the geographic distribution of credit risk, 83% comes from Spain, 9% from Portugal, 5% from the rest of Europe and 3% from elsewhere in the world. In terms of distribution by sector, non-financial corporations account for 35% of the total, followed by the individual clients segment with 34%. By residual maturity, 69% of the exposure has a maturity of more than 1 year, and 43% has a maturity of more than 5 years.

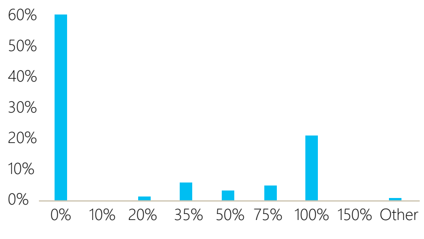
Annual evolution

Credit risk RWAs have fallen EUR 2,027 million compared to the previous year due to a decline in the volume of retail business and the early application of infrastructure and SME reduction factors provided for in CRR II. It should also be noted that from March 2020, there was an increase in RWAs due to loans from government COVID-19 aid. These loans are guaranteed by the ICO, which mitigates some of the risk, although they imply an increase in RWAs for the part not covered by the ICO.

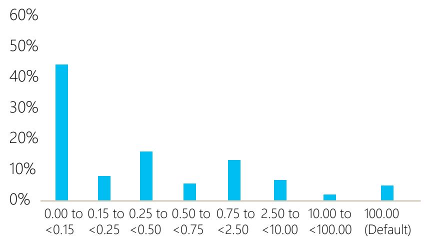
Credit risk EAD
Breakdown by approach, %



EAD under standardised approach
Breakdown by risk-weighting %



EAD under IRB approach
Breakdown by PD, %



5.1.1.1 Credit risk management

Description and general policy

Credit risk corresponds to the loss of value of the assets of CaixaBank Group through a customer or a counterparty, due to the impairment of the capacity of this customer or counterparty to meet their commitments to the Group. It is the most significant risk item from the Group's financial activity, based on banking and insurance, treasury transactions and long-term equity investments (equity portfolio).

To ensure adequate protection is given to customers, individuals and credit institutions, the current legal framework (the Sustainable Economy Act 2/2011 and Ministerial Order EHA/2899/2011 on transparency and protection of customers of banking services, or the more recent Act 5/2019, of 15 March, regulating real estate credit agreements) requires that all institutions establish policies, methods and procedures to ensure that the process of assessing and approving loans is appropriate. Therefore, as a mechanism to protect users of financial services, the concept of a "responsible loan" establishes the need to adequately evaluate customer solvency and promote practices to ensure responsible lending.

The Corporate Credit Risk Policy, approved by the Board of Directors, establishes the general framework and basic principles that serve as a reference and minimum standard for the approval, management, measurement and control of all activities related to credit risk; extending to specific policies, standards and procedures.

The key principles and policies that underpin credit risk management in the Group are as follows:

- Clear definition and allocation of responsibilities to the different areas involved in the credit risk cycle of approval, management, monitoring and control.
- Agile and transparent communication with the customer.
- Approval based on the borrower's repayment capacity, with an appropriate relationship between income and the expenses borne by the customer.
- The use of standard analysis criteria and tools for the management and monitoring.
- Suitable assessment of both the guarantees and the foreclosed assets.
- A monitoring framework that ensures that information related to credit risk exposure, borrowers and collateral is relevant and kept up to date throughout the life cycle of the credit exposures.
- Accounting classification criteria for transactions and for the quantification of expected losses and capital requirements for credit risk that accurately reflect the credit rating of the assets.
- Anticipation, objectivity, efficiency and customer focus in the impaired asset recovery process.

CaixaBank has also adhered to the Code of Good Practices for the viable restructuring of mortgage debts on primary residences included in Royal Decree-Act 6/2012 of 9 March, on urgent measures to protect mortgage obligors without funds, as amended by Act 1/2013 of 14 May, on measures to strengthen the protection of mortgage borrowers, debt restructuring and subsidised housing rentals, and Royal Decree-Act 1/2015 of 27 February, regarding second chance mechanisms and the reduction in the financial burden, and Royal Decree-Act 5/2017 of 17 March, amending Royal Decree-Act 6/2012 of 9 March and Act 1/2013 of 14 May.

In the current economic and social context, to address the impact of COVID-19, CaixaBank is responding to the financing needs of the public sector, derived from exceptional circumstances, while continuing to monitor the level of exposure and risk appetite in this segment.

With regards to the private sector in Spain, CaixaBank supplements the legal, mortgage financing and non-mortgage financing moratoria through other agreements, mainly of a sectoral nature. Also noteworthy is the efforts made to ensure the deployment of the new guarantee facilities from the ICO (Official Credit Institute), which CaixaBank is extending through working capital and special financing facilities, among others.

Other extraordinary provisions implemented by CaixaBank are those arising from the Royal Decree-Acts containing urgent measures to support the economic recovery and employment affecting the tourism, automotive, transport and housing sectors, as well as other measures to support business solvency and the energy sector. Tables 5.33, 5.34 and 5.35 include information about the loans and advances subject to legislative and non-legislative moratoria, as well as those under public guarantee schemes in response to the COVID-19 crisis.

Structure and organisation of the credit risk control and management function

First line of defence

As stated above, given the business profile and relevance of this risk for the Group, there are several originating areas that also serve the

function of a first layer of control: The General Business Division, General Risks Division, the Executive Directorate of Corporate and International Banking, the Corporate Default and Restructuring Directorate and the Individual Customer Default and Recovery Directorate.

Second line of defence

Under the scope of **Corporate Risk Management Function & Planning**, the second line of defence comprises the following divisions linked to credit risk control and management:

The ***Credit Risk Policies, Control and Reporting Direction,*** which is responsible for, inter alia, the framework of governance, review and coordination of granting policies and the management of recoveries and defaults; monitoring, classifying and providing against credit exposures identified as Large Exposures; controlling processes linked to credit risk; information and regulatory reporting; and management of the risk profile of the portfolio.

Additionally, the **Regulated Credit Risk Model and Model Validation and Risk** directorates are responsible for, respectively, the credit risk regulated models and for issuing an independent technical opinion on the appropriateness of these models as regards their goals, their implementation and integration in management.

Lastly, among other activities, the **Planning, Impairment and Regulatory Capital** directorate participates in the budgeting and budgetary monitoring of the performance of credit assets, non-performing loans (NPLs) and provisions, the integration and governance of the accounting recognition of impairment, and it is responsible for calculating regulatory capital for credit risk consumption.

Third line of defence

The functions of Internal Audit are included in Note 3.4.3 Third line of defence.

Credit risk cycle

The full credit risk management cycle covers the entire life of the transaction, from feasibility studies and the approval of risks as per established criteria, to monitoring borrower solvency and returns; and, ultimately, to recovering impaired assets. Diligent management of each of these stages is essential to successful recovery.

1. Admission and approval

The process for accepting and approving new loans is based on the analysis of the solvency and the characteristics of the transaction.

The decision on the approval of a risk must always be based on documented and verified information on the applicants and on the purpose of the loan. To this end, the authorisation system is based on an **electronic dossier** that includes all the relevant information needed to analyse and resolve the transaction at the corresponding approval level, capturing basic information —in general automatically— from the computer systems.

In particular, one major component in this process of assessing a borrower's repayment capacity is the probability of default, measured by the scoring and rating systems. These tools were developed using statistical techniques in due consideration of the past experience of default.

In order to streamline approvals, there are different Risk Admission Centres (RACs) depending on the type of customer: individuals and self-employed workers are handled by the Individual Customer Admission Centre centralised within Corporate Services; and businesses are handled by Admissions Centres distributed throughout the country, which manage the applications within the scope of its approval powers, transferring the applications that exceed this scope to Corporate Services. Except those that can be approved at branch level or by the Business Area Manager, the risk of transactions can only be approved when countersigned by a business manager and risk manager. In addition, the pre-approval of loans to individuals and legal persons in the micro and small enterprise segment for certain products is carried out in a centralised manner and in accordance with defined limits and risk criteria.

Specifically, the internal organisation of Business Risk Approvals at Central Services is based on the following specialised structure, according to the type of risk and customer segment:

Specifically, the internal organisation of Business Risk Approvals at Headquarters is based on the following specialised structure, according to the type of risk and customer segment:

Corporate risks	Centralises business groups with an annual turnover of over EUR 200 million in Corporate Centres and International Branches.
Company risk	Businesses or business groups with a turnover up to EUR 200 million and those with a turnover over EUR 200 million not managed by Corporate Centres or International Branches and that do not belong to specialised segments (Real Estate, Agri-Food, Tourism of Project Finance).
Real Estate risk	Covers developers in any segment, regardless of turnover, and real estate investment companies.
Tourism and Agri-Food risk	Covers all companies and business groups that operate in the tourism and agri-food sectors. It also includes the self-employed segment in the agricultural sector.
Project Finance	Includes all transactions presented under the project finance scheme and asset finance operations.
Institutional banking	It comprises autonomous or central institutions, town councils and local public institutions and members of economic groups or management groups whose partner/parent is one of these institutions. It also includes private institutions (foundations, universities, NGOs, religious orders, etc.) managed by the Institutional Centres.
Sovereign, Country and Financial Institution risk	Responsible for the approval and management of country risk and financial Institutional risk inherent in funding transactions for the various segments.

Finally, the Permanent Credit Committee has the authority to approve individual transactions up to EUR 100 million, provided that the accumulated risk with the customer is equal to or lower than EUR 150 million. It also has general authority to approve transactions that involve exceptions in their characteristics relative to those that can be approved in branches or in the RACs. The approval authority falls to the Executive Committee when these amounts are exceeded.

Authority system

The authority system assigns the determined approval level to employees, with a standard level of responsibility set according to their position. The authority system is based on the study of **four key parameters:**

1. Amount

The amount applied for, together with any risk already granted; this is the first key parameter and it involves calculating the accumulated risk for each of the title holders of the application and their economic group, where applicable. The amount of the transaction is defined using two alternative methods according to the sector to which the transactions belong:

- **Loss weighted by product:** based on the expected loss calculation formula, it takes into account the risk appetite according to the nature of each product. It is applied to applications whose primary holder is a legal person.
- **Nominal:** taking into account the nominal amount and guarantees of risk transactions. It is applied to individuals.

2. Guarantee

The group of assets and/or funds pledged to secure fulfilment of a repayment obligation. The guarantee may either be **personal**, consisting of the solvency of the borrower and their guarantors, or **collateral**, involving a specific asset secured as collateral for a loan.

The decision on risk must be based on the borrower's repayment capacity. Under no circumstances must guarantees substitute the lack of repayment capacity or an uncertain outcome of the transaction.

Mortgage guarantees are the main guarantees the Group uses to determine the degree of risk involved in a transaction.

To establish the approval authority levels necessary for the financing application being considered, the type, purpose and other aspects of guarantees are considered, as well as the loan-to-value ratio.

3. General risk policy

This is the set of policies identifying and evaluating the relevant variables of each type of transaction. These policies include a general study to assess certain characteristics of applications or customers, and they can be used to assign a specific risk approval level, or increase or decrease the approval risk level. They take into account aspects such as default alerts in internal or external databases, the scoring/rating diagnosis, the debt ratio, the outcome of the monitoring activities, certain characteristics of the borrower or whether the transaction concerns a small amount, whether in relative or absolute terms.

4. Term

This refers to the duration of the transactions requested, which must always be coherent with the purpose of the loan, as the longer the term, the greater the uncertainty with regard to the borrower's economic future, the value of the collateral and changes in the legal or socio-economic environment. Therefore, a longer term must be compensated, in principle, by greater returns.

There are specific policies depending on the type of the transaction and the term, which require a higher level of authority to be approved.

Risk-adjusted pricing

The purpose of calculating the risk-adjusted pricing is to determine the price that covers the total cost of the transaction.

For pricing purposes, all the factors associated with the transaction will be considered. In other words, costs involving structure, financing, customer historical returns and expected loss of the transaction. Furthermore, transactions must provide a minimum contribution to financial capital requirements, which will be calculated net of tax.

Tools related to pricing and RAR (Risk-Adjusted Return) allow the highest standards to be reached in controlling the balance between risk and return, making it possible to identify the factors determining the returns of each customer more easily and, thus, to analyse customers and portfolios in accordance with their adjusted returns.

The General Business Division is responsible for approving the prices of transactions. Following on from this, the determination of the prices is subject to an authority system focused on obtaining minimum compensation and, additionally, on establishing margins according to different businesses.

Risk concentration

In the Corporate Risk Catalogue, concentration risk is included within credit risk, since it is the main source of risk, although it covers all types of assets, as recommended by sector supervisors and as reflected in best practices.

The Group has developed methodologies, processes and tools to systematically identify its overall exposure. Wherever it is considered necessary, limits on relative exposures to each of these areas have been defined under the RAF.

Specifically, exposures are identified[1]:

(i) in relation to the customer concentration or "large exposures"—the Group monitors compliance with regulatory limits (25% on eligible own funds) and risk appetite thresholds;

(ii) in relation to the type of product—the Group monitors a full perspective of accounting positions, segregated by product and issuer/counterparty, classified under loans and advances, debt securities, equity instruments, derivatives and guarantees given, which complement the other positions and the secured investment and pension funds;

(iii) by geographical location; and

(iv) by economic sector, differentiating the position held with different activity segments of the private business sector and lending to the public sector.

> In the RAF, **the Group included specific limitations to single large exposures, sector concentration, as well as for certain portfolios.** For the private business sector in particular, a maximum concentration limit in any economic sector is established for the aggregate of recognised accounting positions, excluding treasury repo/depo transcations and held-for-trading portfolio

[1] *Refer to Note 3.3.3. Concentration Risk in the CaixaBank Group financial statements for further qualitative details on this type of risk.*

2. Mitigation of the risk

The Group's credit risk management profile is characterised by a prudent granting policy, at a price in accordance with the conditions of the borrower and suitable hedges/guarantees. In any case, long-term transactions must have more robust guarantees due to the uncertainty deriving from the passing of time. These guarantees should never be used to substitute a lack of repayment capacity or an uncertain outcome for the transaction.

Principal techniques for reducing credit risk

1. Offsetting policies and processes for on- and off-balance-sheet positions

Transaction offsetting agreements included in clauses of framework offsetting agreements provide an offsetting facility between contracts of the same sort. In this respect, when managing risk and calculating own funds, the reciprocal positions between the Group and the counterparty are offset.

Counterparty risk mitigating measures are specified in Note 5.1.2.1. Counterparty risk management.

2. Types of guarantees, and management and valuation policies and procedures

The approval of transactions and their maximum value must be related to the borrower's repayment capacity, so that they can meet their financial obligations in due time and form. If this criterion is met, the provision of additional guarantees is also assessed.

All transactions involving a risk are secured by the personal guarantee of the borrowers, irrespective of whether they are an individuals or businesses, given that they pledge all of their existing and future assets to secure fulfilment of their obligations. Furthermore, additional security may be required, representing a risk factor reducer, since it allows unforeseen contingencies to be covered. Thus, the greater the probability of these contingencies occurring, the greater the guarantees demanded must be. Additionally, these guarantees should never be used to substitute a lack of repayment capacity or an uncertain outcome for the transaction.

Effective guarantees

For accounting purposes, effective guarantees are collateral and personal guarantees that can be demonstrated as valid risk mitigators, according to: **(i)** the amount of time required to be enforced; **(ii)** the ability to realise the guarantees; and **(iii)** the experience in realising them.

The different types of guarantees are as follows:

Personal guarantees or guarantees constituted through the solvency of holders or guarantors

These include risk transactions with companies in which the collateral provided by the shareholders, irrespective of whether they are individuals or businesses, is considered relevant. In the case of individuals, the collateral is estimated on the basis of declarations of assets, and where the backer is a business, it is analysed as the holder for the purposes of the approval process.

Collateral

The main types of collateral accepted are as follows:

- **Pledged guarantees:** they notably include the pledge of funding transactions or the intermediated balances.

  To be admitted as collateral, financial instruments must, among other requirements: **(i)** be free of liens and charges; **(ii)** their contractual definition must not restrict their pledge; and **(iii)** their credit quality or change in value must not be related to the borrower. The pledge remains in place until the loan matures, is repaid early or is derecognised.

  During the guarantee registration process, the system verifies that a pledge can be applied on the security in question and determines the applicable pledge percentage depending on the type of financial instrument (between 100% for cash and 50% for equities).

  The main financial instruments that can be pledged are:

  - **Demand Deposits:** on which a pledge is drawn for a specific sum. The rest may be freely drawn and may even be used as security for another transaction.
  - **Term deposits and savings facilities:** the total sum of the deposit is withheld.
  - **Investments in mutual funds:** these must be Spanish mutual funds, or funds managed by international managers registered with the CNMV and marketed by CaixaBank through *Allfunds Bank*. The guarantee withholding is applied to the number of holdings that make up the amount of the transaction, depending on the valuation at the time of pledging. Other holdings may be pledged to secure lending transactions.
  - **Life-savings insurance policy:** the pledge is made on the associated policy and for the lowest value between the surrender value and the sum of the capital, pensions and contributions. The pledged policy is fully affected.

- **Fixed income securities:** these must be senior or mortgage bond issues, and they may not be subordinated, convertible or preference issues. The securities must be admitted for trading in a regulated market of the European Union or similar, and have a rating of at least BBB.
- **Equity securities:** they may be pledged, provided they are listed on a regulated market of the European Union or similar.

- **Mortgage guarantees:** a real right on immovable property to secure an obligation.

Internal policies establish the following:

- The **procedure for approval of guarantees** and the requirements for drawing up operations, e.g. the documentation that must be supplied and the mandatory legal certainty of this documentation.
- The **review process for the appraisals** registered, in order to ensure proper monitoring and control of the guarantees. Regular processes are also carried out to check and confirm the appraisal values, in order to detect any anomalies in the procedures used by the valuation companies supplying the Group.
- The **disbursement policy**, mainly concerning property development and self-development transactions.
- **Loan-to-value (LTV)** of the transaction. The capital to be granted in mortgage transactions is limited to percentages of the value of the guarantee, which is defined as the lowest of the appraisal value and, if the value shown on the official deed. IT systems calculate the level of approval required for each type of transaction.

In addition, the Group occasionally uses credit derivatives, contracted with entities with a high credit level and protected by collateral contracts, to hedge against credit risk. At the end of December 2020, there are no derivatives of this type in force and therefore the EU CR7 table is not included.

The following tables show information on **credit risk exposures** by type of guarantee applied to mitigate credit risk as at 31 December 2020 (not including the equity portfolio, counterparty, or securitisations)

Table 5.2. Exposure by application of mitigation techniques

Millions euros

	EAD			
Type of guarantee	Standardised approach	Advanced approach (IRB)	Total	% of total
Mortgage	17,214	103,118	120,332	32.61%
Collateral	183	1,617	1,800	0.49%
Personal	183,832	63,065	246,897	66.90%
Total	**201,228**	**167,800**	**369,028**	**100.00%**

Table 5.3. Standardised approach: exposure by application of mitigation techniques

Millions euros

	EAD			
Type of guarantee applied in the credit risk mitigation of loans assessed under standardised approach	Mortgage guarantee	Collateral	Personal guarantee	Total
Central governments or central banks	154	12	104,023	104,189
Regional governments or local authorities	351	7	16,758	17,116
Public sector entities	84	7	4,931	5,023
Multilateral development banks	-	-	888	888
International organisations	-	-	-	-
Institutions	-	-	3,386	3,386
Corporates	227	123	26,980	27,330
Retail exposures	25	32	11,766	11,823
Exposures secured by mortgages on immovable property	16,148	-	212	16,361
Exposures in default	55	1	797	853
Exposures associated with particularly high risks	169	-	123	292
Covered bonds	-	-	7	7
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-
Equity exposures	-	-	-	-
Other assets	-	-	13,961	13,961
Total	**17,214**	**183**	**183,832**	**201,228**

Table 5.4. IRB approach: exposure by application of mitigation techniques

Millions euros

	EAD			
Type of guarantee applied in the credit risk mitigation of loans assessed under advanced (IRB) approach	Mortgage guarantees	Collateral	Personal guarantees	Total
Corporates	5,219	432	35,173	40,824
SME	5,833	300	5,626	11,759
Retail - Residential Mortgage	83,663	-	-	83,663
SME - Mortgage	8,404	-	-	8,404
Retail - Qualifying Revolving	-	-	6,953	6,953
Retail - SME	-	490	8,875	9,365
Other retail	-	394	6,438	6,832
Total	**103,118**	**1,617**	**63,065**	**167,800**

3. Monitoring and measurement of credit risk

The Group has a monitoring and measurement system that guarantees the coverage of any borrower and/or transaction through methodological procedures adapted to the nature of each holder and risk:

1 BORROWER MONITORING PROCESS

SCOPE

INDIVIDUALISED MONITORING

Large exposures:
By economic group of borrowers
- Greater than EUR 20 million in general
- Lower than EUR 20 million but they meet the condition that some of their group components:
  - Exceed an exposure volume of EUR 10 million and have some weakness (defaults over 45 days, refinanced operations, etc)
  - Exceed an exposure volume of EUR 5 million and have non-performing contracts

Market and balance sheet risk:
Per borrower
- When there is market information

COLLECTIVE MONITORING

Rest of transactions/ borrowers

2 QUANTIFICATION AND ASSESSMENT OF THE CREDIT RISK

RATING METHODOLOGY

Manual:
- Expert allocation of the monitoring rating for each borrower

Automatic
- Model based on statistical patterns (Early Alerts Model), the PD calibrated with a forward-looking view and other relevant alerts

3 DEFINING THE ACCOUNTING CLASSIFICATION

STAGING: ASSESSMENT OF THE EXISTANCE OF SICR AND DEFAULT

***Single Names* (SN)**
- Borrowers that, due to their exposure volume or associated risk, require customised and expert treatment
- File on SN and ongoing and proactive management via triggers

Rest (NON-SN)
- Classification through automatic processes
- There is alignment between the monitoring rating and accounting classification

4 DEFINING THE HEDGE ACCOUNTING

BASED ON THE EXPECTED LOSS

- Calculation of the provision based on expert criteria

- *Monitoring*
- Hedging determined through statistical models based on the Group's experience and forecasts of relevant variables

1. Borrower monitoring process

The purpose of the monitoring action is to determine the quality of the risk assumed with the borrower ("Monitoring Rating") and any actions to be taken depending on its result, including the estimation of impairment. The targets of risk monitoring are the accredited holders of the debt instruments and off-balance-sheet exposures that bear credit risk, and the profit or loss is a reference for the future granting policy.

The Credit Risk Monitoring Policy is based on the type and specific nature of the exposure, which is segregated into differentiated areas, in accordance with the various credit risk measurement methods.

The Monitoring Rating is an assessment of the situation of each customer and their risks. The different ratings are, from best to worse: imperceptible, low, medium, medium-high and non-performing; and they can be generated **manually** (in the case of the scope of borrowers under individualised monitoring) or **automatically** (for the rest).

Depending on the monitoring scope and rating of the borrowers, the monitoring may be:

- **Individualised:** applied to exposures of a significant amount and/or that have specific characteristics. The monitoring of Large Exposures leads to the issuance of group monitoring reports, concluding in a monitoring rating for the borrowers in the group.
- **Group:** the ratings are obtained by combining a statistical model, referred to as the Early Alert Model (EAM), the Probability of Default (PD) calibrated with a forward-looking view (consistent with the PD used to calculate the credit risk hedges) and other relevant alerts. Both the EAM and the PD are obtained at least on a monthly basis, and daily in the case of the alerts.
- Additionally, the EAM and PD models are subject to the Credit Risk Model Corporate Policy.

2. Quantification and assessment of the credit risk

Credit risk quantifies losses that might derive from failure by borrowers to comply with their financial obligations, based on two concepts: expected loss and unexpected loss.

- **Expected Loss (EL):** the average or mathematical expectation of potential losses foreseen, calculated by multiplying three factors: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).
- **Unexpected loss:** potential unforeseen loss caused by a possible variability in losses with respect to the estimated expected loss. This can occur due to sudden changes in cycles, alterations in risk factors and the dependence between the credit risk for the various obligors. Unexpected losses have a low probability and large amount, and should be absorbed by the Group's own funds. The calculation of unexpected loss is also mainly based on the transaction's PD, EAD and LGD.

Credit risk parameters are estimated based on the historical default experience. To do so, the Group has a set of tools and techniques for the specific needs of each type of risk, described below based on how they affect the three factors for calculating the expected loss:

- **EAD:** provides an estimate of the outstanding debt in the event of default by the customer. This measurement is significant for financial instruments with a repayment structure that varies according to customer drawdowns (in general, any revolving credit product).

  This estimate is obtained based on the internal default experience, relating the drawdown levels upon default with drawdown levels over the 12 preceding months. Several variables are considered to build the model, such as product type, term to maturity and customer characteristics.

- **PD:** the Group uses management tools covering virtually all of its lending business to help predict the probability of default associated with each borrower.

  These tools, implemented in the branch network and the risk monitoring and granting channels, were developed on the basis of NPL experience and include the measurements required to fine-tune the results both to the business cycle, with a view to securing relatively stable measures in the long term, and to recent experience and future projections.

The models can be classified according to their orientation toward the product or customer:

- **Product-oriented tools** are used mainly within the scope of authorisation of new retail banking transactions (approval scoring) and take account of the obligator's characteristics, information derived from the customer relationship, internal and external alerts, as well as the specific characteristics of the transaction to determine its probability of default.

- **Customer-oriented tools** assess the obligator's probability of default. They comprise behavioural scoring models for the monitoring of risk of individuals and ratings for corporates.

  - Rating tools for **corporates** are specific according to the customer segment. The rating process for micro-enterprises and SMEs, in particular, is based on a modular algorithm, in which four different areas of data are rated: the financial statements, the information drawn from dealings with customers, internal and external alerts and certain qualitative factors.

  - As regards **large corporates**, the Group has models that require the expert criteria of analysts, and their goal is to seek to replicate and be coherent with the ratings of rating agencies. In view of the lack of sufficient frequency of internal default rates for drawing up purely statistical models, the models were built in line with Standard & Poor's methodology, enabling the global public default rates to be used, making the methodology much more reliable.

The customers are scored and rated on a monthly basis in order to keep the credit rating up to date, except for the rating of large corporates, which is updated at least annually, and whenever significant events occur that may alter credit quality. For businesses, the financial statements and qualitative information is updated periodically to achieve the maximum level of coverage of the internal rating.

- **LGD:** quantifies the percentage of debt that cannot be recovered in the event of borrower default.

The historic loss given default is calculated using internal information, taking into account the cash flows associated with contracts from the moment of default. The models enable loss given defaults to be obtained based on the guarantee, the Loan to Value ratio, the product type, the borrower's credit quality and, for uses in which it is required by regulation, the recessional conditions of the economic cycle. This calculation also makes an estimate of the indirect expenses (office staff, infrastructure costs and similar) associated with the recovery process. In the case of large corporates, loss given default also includes elements of expert judgement, coherent with the rating model.

In addition to regulatory use to determine the Group's minimum own funds and the calculation of hedges, the credit risk parameters (PD, LGD and EAD) are used in a **number of management tools**, e.g. the Risk-Adjusted Return (RAR) calculation tool, pricing tools, customer pre-qualification tools, monitoring tools and alert systems.

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3. Defining the accounting classification

Accounting definition of default and impaired positions[1]

A financial asset is considered to be impaired when there is objective evidence of an adverse impact on the future cash flows as regards those that were estimated at the time the transaction was granted, where the borrower is unable or will be unable to meet its obligations in time or form, or when the asset's carrying amount may not be fully recovered. However, a decline in fair value to below the cost of acquisition is not in itself evidence of impairment.

Positions are classified into one of the following categories, on the basis of the insolvency risk attributable to the customer or transaction:

OBSERVED IMPAIRMENT OF CREDIT RISK SINCE ITS INITIAL RECOGNITION

CREDIT RISK CATEGORY	PERFORMING STAGE 1	WATCH-LIST PERFORMING STAGE 2	NON-PERFORMING STAGE 3	WRITE-OFF
Classification and transfer criteria	Transactions whose credit risk has not significantly increased since their initial recognition	Transactions whose credit risk has significantly increased (SICR), but they do not have any default events	Transactions with credit impairment Default event with amounts past due of over 90 days	Transactions without reasonable expectations of recovery
Calculation of the impairment hedge	Expected credit loses at 12 months	Expected credit losses during the life of the operation		The recognition in results of losses for the carrying amount of the transaction and the total derecognition of the asset
Interest calculation and recognition	Calculated by applying the effective interest rate to the gross carrying amount of the operation		Calculated by applying the effective interest rate at amortised cost (adjusted to reflect any impairment value correction)	Not recognised in the income statement
Included operations	Initial recognition of the financial instruments	Transactions included in sustainability agreements that have not completed the trial period Transactions made by insolvent borrowers that should not be classified as non-performing or write-off Refinanced or restructured transactions that should not be reclassified as non-performing and that are still in the trial period Transactions with amounts past due of over **30 days** Transactions for which, through market indicators/triggers, it is possible to determine that a significant increase of risk has occurred	**Non-performing due to borrower arrears:** transactions with amounts past due of over **90 days** Transactions where all holders are classified as non-performing (personal risk criteria) **Non-performing due to reasons other than borrower arrears:** • Transactions that pose reasonable doubts regarding full repayment • Transactions with legally claimed balances • Transactions in which the collateral execution process has been initiated • Transactions and guarantees by insolvent borrowers without an application for liquidation • Refinanced transactions classifiable as non-performing • Transactions purchased/ originating with credit impairment	Transaction with remote recovery possibility Partial write-offs without the extinction of the rights (partial write-off) Transactions that are non-performing due to borrower arrears in excess of 4 years when the amount not secured by effective guarantees is fully covered for more than 2 years (except when it has effective collaterals that cover at least 10% of the gross amount) Transactions with all the holders in insolvency proceedings in the liquidation phase (unless they have effective collaterals that cover at least 10% of the gross amount)

[1] For further details on the incorporation of forward-looking information in the expected loss models, see note 3.3.2.3. Monitoring and measurement of credit risk in the CaixaBank Group annual report.

Performing or ***Stage 1*** comprises instruments that do not meet the requirements for classification into other categories.

The next tranche, ***Stage 2*** or watch-list performing, encompasses all transactions which, without qualifying individually for classification as non-performing or write-off risk, show impairment in their credit quality from the time they were granted.

With regard to ***Stage 3*** or non-performing due to customer arrears, the amount to be classified in this category includes the total amount of any debt instruments with a portion of principal, interest or contractually agreed expenses that is past-due more than 90 days, regardless of who the holder is and whatever the guarantee or collateral, unless such instruments should be classified as write-offs. This category also includes guarantees given where the guaranteed transaction is non-performing. In addition, transactions in which all the holders are non-performing due to personal risk criteria are also classified as non-performing due to arrears, i.e. when transactions with amounts past due of over 90 days account for more than 20% of the amounts pending collection.

The classification of non-performing due to reasons other than borrower arrears also applies to debt instruments which, although they do not meet the criteria for classification as write-off or non-performing due to borrower arrears, pose reasonable doubts regarding full repayment (principle and interest) within the contractual terms agreed; as well as off-balance-sheet exposures whose payment by the bank is probably and whose repayment is doubtful.

The Group classifies as write-off debt instruments for which – after an individual analysis – recovery is considered remote, regardless of whether they have matured. It proceeds to derecognise the asset, without prejudice to any actions that may be initiated to seek collection until its contractual rights are extinguished definitively by expiry of the statute-of-limitations period, forgiveness or any other cause.

In order to reclassify transactions to this category before these terms expire, it is necessary to demonstrate the remote likelihood of recovering the corresponding balances.

According to the Group's experience of recoveries, it deems the recovery of the remaining balance of mortgage transactions remote when there is no additional collateral once the good has been recovered, and therefore, the aforementioned remainder is classified as a write-off.

Prudential definition of default

The definition of default used for regulatory purposes is provided for in Article 178 of the Capital Requirements Regulation (CRR) (EU) 575/2013 implemented in the guidelines EBA/GL/2016/07; hereinafter NDoD (New Definition of Default).

The most differential aspects of the NDoD with respect to the accounting definition are as follows:

- **Thresholds:** the materiality criterion incorporates a relative component in addition to the absolute component for individuals (€100 and 1 %) and businesses (€500 and 1 %).
- **Default period counting:** a default is identified after 90 consecutive days past due taking into account the abovementioned materiality thresholds.
- **Cure period:** once the asset is no longer in default, if —during the following 3 months— there are amounts past due exceeding materiality thresholds for more than 30 consecutive days, the transaction would be considered in arrears again.
- **Drag effect:** contracts in which the best holder, or all holders, are non-performing, are transferred to default.

Accounting classification process

The accounting classification of transactions with credit risk among the different Stages of IFRS 9[1] is defined according to whether a default event has occurred and/or whether there has been a significant increase in credit risk (SICR) since the operation's initial recognition.

When there are weaknesses that may involve significantly higher losses than expected at the time the credit is granted, it will be considered that there has been an SICR and, therefore, the transaction will be classified as Stage 2. To identify weaknesses in transactions and borrowers, the Group has the monitoring and rating processes described in point 2. Quantification and assessment of the credit risk. Specifically, when the transactions meet any of the following qualitative or quantitative criteria, unless they must be classified as Stage 3.

i) Refinanced transactions that should not be classified as ***Stage*** 3.

ii) Transactions made by insolvent borrowers that should not be classified as ***Stage*** 3.

iii) Transactions with amounts past due over of 30 days (but less than 90 days, in which case they would be classified as ***Stage*** 3).

[1] *See Note 2 of the CaixaBank Group report.*

iv) Transactions for which, through market indicators/ triggers, it is possible to determine that a significant increase of risk has occurred.

v) Transactions for which an SICR has occurred since the initial recognition on the basis of any of the two following criteria (meeting one of the two criteria results in classification as ***Stage 2***), unless, for transactions with individually significant borrowers or Single Names, the individualised analysis determines that this significant increase in risk has not occurred: worsening of the monitoring rating or relative increase of the PD (see more details below).

***Stage* 1** transactions are those that no longer meet the conditions to be classified as ***Stage* 2**, unless they are identified as refinancing, refinanced or restructured operations.

With respect to **refinancing**, refinanced or restructured transactions classified as ***Stage* 2** as it is not appropriate to classify them as ***Stage* 3** on the refinancing or restructuring date or because they have been reclassified from ***Stage* 3**, they will continue to be identified as ***Stage* 2** during a **trial period** until all the following requirements are met:

i) it is concluded that they are unlikely to have financial difficulties and therefore it is highly likely that they will meet their obligations vis-a-vis the entity in both time and form;

ii) a minimum period of two years has elapsed from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from ***Stage* 3**;

iii) one of the borrowers must have no other transactions with past due amounts for more than 30 days at the end of the trial period; and

iv) the borrower has covered all the principal and interest payments from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification from ***Stage* 3**.

Furthermore, the borrower must have made regular payments of an amount equivalent to the whole amount (principal and interest) falling due at the date of the restructuring or refinancing operation, or that were derecognised as a result of it, or when it is deemed more appropriate given the nature of the transaction that the borrower complies with other objective criteria that demonstrate its payment capacity. This implies that there are no contractual clauses that may delay repayments, such as grace periods for the principal.

It will be considered that there has been a **default** and, therefore, an transaction will be classified as ***Stage* 3** when —regardless of the holder and the guarantee— there is an amount past due (capital, interests or contractually agreed costs) by more than 90 days, as well as the rest of the transactions of holders when the transactions with amounts due more than 90 days old are greater than 20% of the amounts pending collection.

Transactions classified as ***Stage* 3** due to the customer being non-performing will be reclassified to ***Stage* 1** or ***Stage* 2** when, as a result of collecting part of the overdue amounts, the reasons that caused their classification as ***Stage* 3** disappear and there remain no reasonable doubts regarding their full repayment by the holder for other reasons.

The following transactions will also be classified as ***Stage* 3**:

i) transactions with legally claimed balances;

ii) transactions for which the collateral execution process has been initiated;

iii) transactions made by insolvent borrowers that are not to be classified as write-offs;

iv) refinancing, refinanced or restructured transactions classifiable as non-performing, including those that, having been classified as non-performing before the trial period, are refinanced or restructured or that have amounts that are more than 30 days past-due; and

v) transactions with holders who, after an individualised assessment, pose reasonable doubts regarding full repayment (principal and interest) in the contractually agreed terms.

Unless they are identified as refinancing, refinanced or restructured operations, those classified as ***Stage* 3** **for reasons other than the customer being non-performing** can be reclassified to ***Stage* 1** or ***Stage* 2** if, as a result of an individualised study, the reasonable doubts regarding their full repayment by the holder in the contractually agreed terms disappear and there are no amounts overdue by more than ninety days on the date of reclassification to ***Stage* 1** or ***Stage* 2**.

In the case of refinanced, restructured or refinancing operations, in order to consider the credit quality of the transaction to have improved and, therefore, to proceed to reclassify it to ***Stage* 2**, all the following criteria must be verified in general:

i) a period of one year has elapsed from the refinancing or restructuring date;

ii) the borrower has covered all the principal and interest payments (i.e. the transaction has no overdue amounts) thereby reducing the renegotiated principal, from the date of authorisation of the restructuring or refinancing operation, or, if later, from the date of its reclassification to the non-performing category;

iii) the borrower has made regular payments of an amount equivalent to the whole, principal and interest, past due at the date of the restructuring or refinancing operation, or that were derecognised as a result of it, or when it is deemed more appropriate given the nature of the transaction that the borrower complies with other objective criteria that demonstrate its payment capacity; and

iv) one of the borrowers must have no other transactions with past due amounts for more than 90 days.

The exposures of borrowers declared **subject to bankruptcy proceedings without an application for liquidation** shall be reclassified to ***Stage* 2** if the when the borrower has paid at least 25% of the credits of the entity affected by the bankruptcy proceedings (once the agreed debt reduction, if any, has been deducted), or if two years have elapsed since the order approving the creditors' agreement was registered with the Commercial Register, provided that this agreement is being faithfully performed and the equity and financial situation of the corporation dispels any doubts regarding full repayment of its debts, all unless interest has been agreed that is noticeably lower than the market rate.

The process for determining the borrower's accounting classification is specified below:

- ***Single Name:*** These borrowers are constantly assessed as regards the existence or indications of impairment, as well as a potential significant increase in credit risk (SICR) from the initial recognition, and losses associated with the assets of this portfolio are assessed.

  In order to help with the proactive management of evidence and indications of impairment and a significant increase in risk, the Group has developed triggers, for borrowers and for the operations, that are grouped according to the sector to which they belong, since this conditions the type of information required to analyse the credit risk and the sensitivity to the evolution of variables indicative of the impairment. The triggers are an indication of impairment of the asset affecting the customer or the operations. These triggers are assessed by the analyst to determine the classification of the customer's transactions as ***Stage* 2** or ***Stage* 3**:

  1. ***Global triggers:***

     ◦ Financial difficulties of the issuer or obligator: subjective doubtful triggers (i.e. unfavourable financial information on the obligator, measured via various ratios on the available financial statements) and triggers of a minimum of ***Stage* 2** (due to deterioration of the monitoring rating).

     ◦ A breach of contract, such as a default or delinquency in interest or principal payments: ***Stage* 3** triggers (i.e. non-payments exceeding 90 days) and triggers of a minimum of ***Stage* 2** (non-payments exceeding 30 days).

     ◦ In the event of financial difficulties, the borrowers are given concessions or advantages that would otherwise not be considered. Trigger of a minimum of ***Stage* 2** (refinancing).

     ◦ Probability of the borrower declaring bankruptcy or restructuring. ***Stage* 3** trigger (declared insolvent).

     ◦ Market triggers. There are triggers referring to identifying financial difficulties of the obligator or issuer, referring to breaches of contractual clauses or to the disappearance of an active market for the financial security.

  2. **Specific triggers:** for sectors such as property developers, project finance and public administrations.

     In cases in which, in the opinion of the analyst, contracts are classified as ***Stage* 2** or ***Stage* 3**, the Group proceeds to the expert calculation of the specific provision.

- **Other contracts (not Single Name):** as previously stated, when the borrower's rating has significantly deteriorated or when there is a relative increase of relevant PD with respect to the start of the operation, the Group proceeds to classify the contract as ***Stage* 2**. For these purposes, the classification is revised on a monthly basis, using the most recent monitoring rating and PD classification, which are updated at least monthly.

  All other classification criteria in ***Stage* 2** or ***Stage* 3** are also revised monthly.

In the context of COVID-19, there have been no changes to the criteria for the determination of significant increase in risk. Notwithstanding the above, the Bank has implemented some prudent adjustments. In particular, it has reinforced these recurrent criteria by considering of other criteria in addition to those of the recurrent framework. Specifically, additional criteria have been applied for those customers where the support mechanisms for companies and households (general moratoria and state-guaranteed financing) may have affected their classification under the general criteria, whether because of the lower financial burden borne by borrowers in the retail segment or because of reasons such as the delay between the effect of COVID-19 and the formulation and presentation of company annual accounts. This is a transitional overlay on the SICR criteria, which will be reviewed as the situation evolves.

In no case has the granting of support measures meant a significant improvement in the accounting classification of risk, nor have the normal accounting management procedures for credit impairment been suspended or relaxed.

4. Defining the hedge accounting

The aim of the IFRS 9 requirements as regards impairment is to ensure recognition of the expected credit losses of operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including information of a forward-looking information.

Principles for measuring expected credit losses for the purpose of defining the credit risk loss hedges

The **calculated accounting hedge or provision** is defined as the difference between the gross carrying amount of the transaction and the estimated value of future expected cash flows, discounted at the original effective interest rate of the transaction, **considering the effective guarantees received.**

The Group estimates the expected credit losses of a transaction so that these losses reflect:

i) a weighted and non-biased amount, determined through the assessment of a series of possible results;

ii) the time value of money; and

iii) the reasonable and substantial information that is available at the reference date, at no disproportionate cost or effort, on past events, current conditions and forecasts of future economic conditions.

In line with applicable rules, the coverage calculation method is set according to whether the borrower is individually significant and its accounting classification.

- If, in addition to being **individually significant**, the customer has transactions that are non-performing (whether for reasons of delinquency or for other reasons) or in ***Stage* 2**, the specific allowances for the non-performing transactions are estimated through a detailed analysis of the holder's status and its capacity to generate future cash flows.
- In all other cases, **hedging** is estimated **collectively** using internal methodologies, subject to the **Policy of Models and Parameters** in force, based on past experience of portfolio defaults and recoveries and factoring in the updated and adjusted value of the effective guarantees. Additionally, future economic condition predictions will be considered under various scenarios.
- To determine hedging for credit losses of portfolios under collective analysis, the Group uses models to estimate the PD; the probability of correcting defaulting cycles (specifically its complementary measurement, PNC); loss given loss (LGL) in the event of no correction; recoverable value

models for mortgage guarantees (haircuts); and adjustments to include lifetime or forward-looking effects, according to the agreement's accounting classification.

The models used are re-estimated or re-trained every six months, and they are executed monthly in order to properly reflect the current economic environment at any given time. This makes it possible to reduce the differences between estimated loss and recent observations. The models will include an unbiased view of the potential forward-looking evolution to determine the expected loss, taking into account further relevant macroeconomic factors: **(i)** GDP growth, **(ii)** the unemployment rate, **(iii)** the 12-month Euribor and **(iv)** the evolution of property prices. Following on from this, the Group generates a central scenario, as well as a range of potential scenarios that make it possible to adjust the estimated expected loss, weighted by its probability.

The calculation process is structured in two steps:

- Establishing the **basis for calculation of allowances**, a two-stage process:

a. Calculation of the **exposure amount**, which is the sum of the gross carrying amount at the time of calculation plus off-balance-sheet amounts (available or exposure) expected to be disbursed when the borrower fulfils the conditions to be considered non-performing.

b. Calculation of the **recoverable value of the effective guarantee** linked to the exposure. In order to establish the recoverable value of these guarantees, for real estate collateral the models estimate the amount of the future sale of the collateral, which is discounted from the total expenses incurred until the moment of the sale.

- Establishing the **hedging** to be applied on this basis for calculation of allowances:

This calculation factors in the probability of the borrower defaulting on the transaction obligations, the probability of the situation being remedied or resolved and the losses that would occur if this did not happen.

For insignificant portfolios where it is considered that the internal model approach is not suitable due to the processes involved or a lack of past experience, the Group may use the default coverage rates established in the national regulations in force.

Both transactions classified as not bearing appreciable risk and those that, due to their type of collateral, are classified as not bearing appreciable risk, could have 0% accounting hedging. In the case of the latter, this percentage will only be applied to the guaranteed part of the risk.

The hedges estimated individually or collectively must be consistent with the treatment given to the categories in which transactions can be classified. Thus, the hedging level for a transaction must be higher than the level that would correspond to it if it were classified in another category of a lower credit risk.

The necessary improvements detected in the backtesting and benchmarking exercises are also incorporated into the review cycles. Similarly, the models developed are documented so they can be replicated by a third party. The documentation contains key definitions, information regarding the process of acquiring samples and data processing, methodological principles and results obtained, as well as the comparison of said results with those of previous years.

CaixaBank has a total of 81 models, in order to obtain the parameters necessary to calculate the hedges using a collective analysis. For each of the risk parameters, different models can be used to adapt to each type of exposure. Specifically, the models are those indicated below:

- **18** scoring and rating parameter models
- **21** PD parameter models
- **10** EAD parameter models
- **19** PNC parameter models
- **9** LGL parameter models
- **3** haircut parameter models
- **1** LT/FL (lifetime/ forward-looking) transformation parameter model

Other subsidiaries also have their own additional internal models. In the case of BPI, it has a total of 70, and in the case of CaixaBank Payments & Consumer, it has a total of 51.

Notwithstanding the foregoing, the accounting and prudential authorities have issued recommendations regarding the maintenance of an adequate level of provisions in consideration of the highly uncertain macroeconomic environment caused by COVID-19.

In this context, the Group has considered macroeconomic scenarios of varying severity, consistent with internal planning processes. These scenarios have been checked and they are in line with those issued by official bodies, following the recommendation of the European Central Bank in its letter of 1 April 2020.

This update involved setting up, on the basis of the existing provisioning models and a prudent approach, an accounting adjustment (Post Model Adjustment) in the Group amounting to EUR 1,252 million as at 31 December 2020 in the form of a generic fund. This estimation methodology is temporary (associated with the uncertainty and the effects of the pandemic), supported by the guidelines issued by the supervisory and regulatory bodies of the context of the pandemic and underpinned by well-documented processes subject to strict governance. In this regard, this generic fund will be reviewed in the future with the new available information and the reduction in uncertainty regarding the true impact of the health crisis.

4. NPL management

The default and recovery function is aligned with the Group's risk management guidelines. The default monitoring and recovery activity is particularly relevant in the current unfavourable economic context due to the COVID-19 pandemic, with the principal goal of minimising the impact on non-performing volumes o stock.

On the one hand, **the governance model and the operational framework on the management** of problematic assets have evolved, maintaining the comprehensive view of the global life cycle and reinforcing specialised management depending on the moment of default on debt. Responsibility for management is broken down into two distinct areas:

- **Cash flow management:** covers the timely management of non-performing loans of customers with defaults between day 1 and day 90 of non-payment. On the business side, the *Solutions & Collections* area centrally coordinates the network of branches and collection agencies in the management of the recovery prior to going into default. In the current economic climate, the branch network's connectivity and closeness with the customer continues to be essential in identifying their situations and needs, especially in terms of social vulnerability.
- **Stock management:** concerns the management of customers with defaults positions, with non-payment exceeding 90 days. This area is the responsibility of the Risks department, with management differentiated by the retail and corporate customer segment. The specialist team is geared towards finding definitive solutions in more advanced default scenarios.

In addition, the overall management of recoveries and default has been adapted to the economic support measures to address the pandemic adopted by CaixaBank. In terms of non-performing loans, we have collaborated in identifying and supporting customers whose debt remains structurally viable with sustainable solutions, ensuring that the financing needs of these customers, arising from the temporary decline in their income, are covered. All this management has been subject to the application of the policies and procedures in force in the Bank which, in accordance with accounting and regulatory standards, establish the guidelines for the appropriate classification of loans and estimation of hedges.

One of the main lines of work is the support provided throughout the management cycle of the moratoria and ICO-backed loans granted by the Bank, especially through active monitoring of the expiry of the measures granted.

Foreclosure assets

BuildingCenter is the Group's company responsible for the ownership of real estate assets in Spain, which basically originate from streamlining of the Group's credit activity through any of the following ways: **(i)** acquisition at auctions held after assets have been foreclosed, mainly in relation to mortgage loans; **(ii)** acquisition of mortgaged real estate assets of individuals, with the subsequent subrogation and cancellation of the debts; and **(iii)** acquisition of real estate assets of companies, mainly property developers, to cancel their debts.

The acquisition process includes conducting full legal and technical reviews of the properties using the committees appointed for such purpose.

In all cases, purchase prices are based on appraisals performed by appraisal firms approved by the Bank of Spain and in accordance with the parameters set forth in the internal rules.

The strategies undertaken for the sale of these assets are as follows:

- **Individual sales:** through Servihabitat Servicios Inmobiliario, with which there is a servicing contract until 31 December 2023, for multi-channel marketing activities through its own branches, the external collaboration of the network of real-estate agents and an active presence on the internet. This marketing activity comes in addition to a key factor: support in prescribing properties generated by the branch network.

- **Institutional sales:** the Group contemplates institutional transactions of sales of asset portfolios to other specialised companies.

- **Completion of housing developments:** a number of minor measures to improve some of these developments are made to ensure they can be sold. These measures are performed using the synergies of the Group.

- **Rental:** it is a means of benefiting from rising demand and generating recurring income, as well as creating added value on the property in the event of its future sale.

Refinancing policies

The Group has a detailed customer debt Corporate Refinancing and Recovery Policy that covers the general principles issued by the EBA for this type of transaction.

Under current legislation, these relate to transactions in which the customer has, or will foreseeably have, financial difficulty in meeting its payment obligations under the contractually agreed terms and, therefore, the agreement has been amended, cancelled and/or a new trasaction has been arranged.

These transactions may derive from:

1. A new transaction (refinancing transaction) granted that fully or partially cancels other transaction (refinanced transactions) previously granted by any Group company to the same borrower or other companies forming part of its economic group that become up-to-date on its payments for previously past-due loans.

2. The amendment of the contract terms of an existing transaction (restructured transactions) that changes its repayment schedule (grace periods, extension of loan maturities, reduction in interest rates, changes in the repayment schedule, extension of all or part of the capital on maturity, etc.).

3. The activation of contract clauses agreed at source that extend the debt repayment terms (flexible grace period).

4. The partial cancellation of the debt without the contribution of funds by the customer (foreclosure, purchase or dation of the collateral, or forgiveness of capital, interest, fees and commissions or any other cost relating to the loan extended to the borrower).

The existence of previous defaults is an indication of financial difficulty. Unless otherwise demonstrated, a restructuring or refinancing transaction is assumed to exist when the amendment to contractual term affects transactions that have been past-due for more than 30 days at least once in the three months prior to the amendment. However, previous defaults are not a requirement for a transaction to be classified as refinanced or restructured.

In contrast, debt renewals and renegotiations may be granted when the borrower does not have, or is not expected to have, financial difficulties; i.e. for business reasons and not to facilitate repayments.

For a transaction to be classified as such, the borrower must have the capacity to obtain credit from the market, at the date in question, for a similar amount and on similar terms to those offered by the bank. These terms must be adjusted to reflect the terms offered to borrowers with a similar risk profile.

For further details on the classification and risk transition criteria, see point 3 Defining the accounting classification in the Monitoring and Measurement of Credit Risk section.

The risk management procedures and policies applied allow for detailed monitoring of credit transactions. In this regard, any transaction uncovered whose terms may need to be changed due to evidence of impairment of the borrower's solvency is marked appropriately so the associated accounting classification and provision for impairment at the date of the change is made. Therefore, as these transactions are correctly classified and valued according to the Group's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

At the close of 31 December 2020, most transactions that have undergone contract amendments are limited to the context of legislative and sector moratoria, which aim to avoid a prolonged economic impact beyond the health crisis caused by COVID-19.

Given that the legislative and sector moratoria are based, respectively, on the application of legislation and a nationwide agreement applied broadly and uniformly across the sector, the conditions are met for not requiring the marking of the those transactions of borrowers who, although presenting liquidity difficulties, did not show deterioration in their solvency prior to COVID-19, as refinancing or restructuring transactions.

These transactions have continued to be classified as performing (Stage 1) to the extent that there were no reasonable doubts regarding full payment and they would not have been subject to a significant increase in credit risk.

5.1.1.2. Minimum capital requirements for credit risk

The tables in this section, both under the standardised and advanced approach, show:

- The original exposure ("Exposure prior to the application of the credit conversion factor and credit risk mitigation provisions", which includes exposures to credit risk both on and off the balance sheet).
- EAD ("Exposures post CCF and CRM").
- Risk-weighted assets (RWAs).
- The ratio of EAD to RWA gives the RWA density ratio. This calculation equates to the average weighting applied to each category of exposure.

Minimum capital requirements for credit risk under the standardised approach

Using the standardised approach, risk is weighted in accordance with the credit quality of the exposure. CaixaBank Group uses the external rating agencies designated as being eligible by the Bank of Spain, namely Standard & Poor's, Moody's, Fitch and DBRS.

Table 5.5. Credit quality level correspondence between rating agencies

Credit quality level	S&P's	Moody's	Fitch	DBRS
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AAL
2	A+ to A-	A1 to A3	A+ to A-	AH to AL
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBBH to BBBL
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BBH to BBL
5	B+ to B-	B1 to B3	B+ to B-	BH to BL
6	Lower than B-	Lower than B3	Lower than B-	CCCH and lower

Table 5.6. Correspondence of credit quality level by weighting between exposure categories[1]

Credit quality level	Central governments or central banks	Public sector entities	Rated institutions ≤ 3 months	Rated institutions > 3 months	Unrated institutions[2]	Corporates
1	0%	20%	20%	20%	20%	20%
2	20%	50%	20%	50%	50%	50%
3	50%	100%	20%	50%	100%	100%
4	100%	100%	50%	100%	100%	100%
5	100%	100%	50%	100%	100%	150%
6	150%	150%	150%	150%	150%	150%

[1] *General treatment of exposures, with the particular cases provided in the CCR falling outside the scope of the Table.*

[2] *For the category "Unrated entities", the rating corresponding to the central government of the country to which the exposure belongs is used.*

CaixaBank Group applies the standardised approach permanently to the following exposures:

- Central governments and central banks.
- Regional governments and local authorities.
- Public sector entities.
- Institutions.
- Within corporates, the specialised lending portfolio.
- All the exposure of CaixaBank Payments & Consumer Finance and CaixaBank Equipment Finance, except for card exposures, for which advanced models have been approved.

In addition, all exposures outside the scope of the internal ratings-based (IRB) models are assessed under the standardised approach, as are the exposures incorporated from Banco BPI.

According to the application of the measurement approaches set out in the regulations in force, where external ratings are not available for exposures of regional or local administrations, the rating for the next higher level of public body available is used.

The Group does not assign credit ratings for publicly traded security issues to comparable assets not included in the trading portfolio.

The following tables provide details of original exposure, EAD and RWA at December 2020 by category, under the standardised approach. This does not include exposures to counterparty risk, securitisations or the equity portfolio:

Table 5.7. EU CR4 - Standardised approach - Credit risk exposure and CRM effects

2020

Millions euros

	Exposures before CRR and CRM		Exposures post CRR and CRM		RWA and RWA density ratio	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Central governments or central banks	91,805	31	103,566	623	8,684	8.33%
Regional governments or local authorities	16,511	4,514	16,190	925	412	2.41%
Public sector entities	3,810	1,558	4,466	557	1,777	35.38%
Multilateral development banks	39	13	888	1	-	0.00%
International organisations	-	-	-	-	-	0.00%
Institutions	3,727	1,026	3,137	249	1,322	39.04%
Corporates	29,743	8,338	25,596	1,734	24,771	90.64%
Retail exposures	13,014	3,872	11,562	261	6,929	58.61%
Exposures secured by mortgages on immovable property	16,201	1,224	16,086	275	6,399	39.11%
Exposures in default	1,518	165	839	14	1,003	117.55%
Exposures associated with particularly high risks	285	109	273	19	437	150.00%
Covered bonds	7	-	7	-	1	20.00%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0.00%
Equity exposures	-	-	-	-	-	0.00%
Other assets	13,966	-	13,961	-	9,055	64.86%
Total	**190,628**	**20,849**	**196,570**	**4,658**	**60,791**	**30.21%**

2019

Millions euros	Exposures before CRR and CRM		Exposures post CRR and CRM		RWA and RWA density ratio	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Central governments or central banks	46,654	574	48,239	11	8,826	18.29%
Regional governments or local authorities	10,283	3,159	9,935	683	268	2.53%
Public sector entities	3,998	1,241	4,086	415	2,175	48.32%
Multilateral development banks	36	19	756	0	-	0.00%
International organisations	-	-	-	-	-	0.00%
Institutions	2,556	1,451	2,026	250	818	35.93%
Corporates	26,046	6,638	22,620	1,248	22,886	95.89%
Retail exposures	12,560	3,438	11,558	168	6,899	58.83%
Exposures secured by mortgages on immovable property	14,701	1,240	14,592	324	5,808	38.94%
Exposures in default	1,714	182	922	22	1,077	114.04%
Exposures associated with particularly high risks	240	191	233	66	448	150.00%
Covered bonds	7	-	7	-	1	20.00%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0.00%
Equity exposures	-	-	-	-	-	0.00%
Other assets	14,580	-	14,569	-	9,633	66.12%
Total	**133,375**	**18,133**	**129,544**	**3,187**	**58,838**	**44.33%**

The following table shows the distribution of exposure and risk-weighted assets based on CRR regulatory categories, and the risk weights applied, not including exposures to counterparty risk, securitisations or the equity portfolio:

Table 5.8. EU CR5 - Standardised approach (EAD)

2020

Millions euros

	Risk weight																
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total	Of which unrated
Central governments or central banks	97,487	-	-	-	0	-	-	-	-	5,378	3	1,320	-	-	-	-	104,189	104,185
Regional governments or local authorities	15,938	-	-	-	904	-	85	-	-	189	-	-	-	-	-	-	17,116	17,106
Public sector entities	1,663	-	-	-	321	-	2,650	-	-	388	-	-	-	-	-	-	5,023	5,022
Multilateral development banks	888	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	888	888
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	0	-	-	1,810	-	1,239	-	-	330	7	-	-	-	-	-	3,386	973
Corporates	396	-	-	-	15	-	17	-	-	26,890	11	-	-	-	-	-	27,330	27,153
Retail exposures	1,841	-	-	-	-	-	1	-	9,980	-	-	-	-	-	-	-	11,823	11,823
Exposures secured by mortgages on immovable property	-	-	-	-	-	12,556	3,239	-	100	465	-	-	-	-	-	-	16,361	16,361
Exposures in default	-	-	-	-	-	-	-	-	-	554	299	-	-	-	-	-	853	853
Exposures associated with particularly high risks	-	-	-	-	-	-	-	-	-	-	292	-	-	-	-	-	292	292
Covered bonds	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	7	7
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,765	-	-	-	177	-	-	-	-	9,019	-	-	-	-	-	-	13,961	13,961
Total	**122,979**	**0**	**-**	**-**	**3,236**	**12,556**	**7,232**	**-**	**10,080**	**43,213**	**612**	**1,320**	**-**	**-**	**-**	**-**	**201,228**	**198,623**

2019

Millions euros

Exposure classes	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total	Of which unrated
Central governments or central banks	41,331	-	-	-	1	-	-	-	-	5,647	-	1,272	-	-	-	-	48,250	48,244
Regional governments or local authorities	9,695	-	-	-	818	-	-	-	-	105	-	-	-	-	-	-	10,618	10,618
Public sector entities	381	-	-	-	353	-	3,324	-	-	442	-	-	-	-	-	-	4,500	4,500
Multilateral development banks	757	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	757	757
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	0	-	-	-	1,601	-	360	-	-	310	5	-	-	-	-	-	2,276	961
Corporates	756	-	-	-	-	-	145	-	-	22,963	4	-	-	-	-	-	23,867	25,578
Retail exposures	1,767	-	-	-	-	-	-	-	9,959	-	-	-	-	-	-	-	11,726	11,726
Exposures secured by mortgages on immovable property	-	-	-	-	-	11,620	2,713	-	110	473	-	-	-	-	-	-	14,916	14,916
Exposures in default	-	-	-	-	-	-	-	-	-	679	265	-	-	-	-	-	944	944
Exposures associated with particularly high risks	-	-	-	-	-	-	-	-	-	-	299	-	-	-	-	-	299	299
Covered bonds	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	7	7
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,780	-	-	-	196	-	-	-	-	9,593	-	-	-	-	-	-	14,569	14,569
Total	**59,467**	**-**	**-**	**-**	**2,976**	**11,620**	**6,542**	**-**	**10,068**	**40,212**	**573**	**1,272**	**-**	**-**	**-**	**-**	**132,730**	**131,119**

2020

Table 5.9. EU CR5 - Standardised approach (APR)

Millions euros

	Risk weight																	
Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	**Total**	**Of which unrated**
Central governments or central banks	-	-	-	-	-	-	-	-	-	5,378	4	3,301	-	-	-	-	8,684	8,678
Regional governments or local authorities	-	-	-	-	181	-	42	-	-	189	-	-	-	-	-	-	412	410
Public sector entities	-	-	-	-	64	-	1,325	-	-	388	-	-	-	-	-	-	1,777	1,777
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	362	-	619	-	-	330	11	-	-	-	-	-	1,322	413
Corporates	-	-	-	-	3	-	9	-	-	24,744	16	-	-	-	-	-	24,771	24,594
Retail exposures	-	-	-	-	-	-	1	-	6,929	-	-	-	-	-	-	-	6,929	6,929
Exposures secured by mortgages on immovable property	-	-	-	-	-	4,375	1,538	-	73	413	-	-	-	-	-	-	6,399	6,399
Exposures in default	-	-	-	-	-	-	-	-	-	554	449	-	-	-	-	-	1,003	1,003
Exposures associated with particularly high risks	-	-	-	-	-	-	-	-	-	-	437	-	-	-	-	-	437	437
Covered bonds	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1	1
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	35	-	-	-	-	9,019	-	-	-	-	-	-	9,055	9,055
Total	-	-	-	-	**647**	**4,375**	**3,534**	-	**7,002**	**41,015**	**917**	**3,301**	-	-	-	-	**60,791**	**59,697**

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2019

Millions euros

Exposure classes	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted	Total	Of which unrated
Central governments or central banks	-	-	-	-	0	-	-	-	-	5,647	-	3,179	-	-	-	-	8,826	8,820
Regional governments or local authorities	-	-	-	-	164	-	-	-	-	105	-	-	-	-	-	-	268	268
Public sector entities	-	-	-	-	71	-	1,662	-	-	442	-	-	-	-	-	-	2,175	2,174
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	320	-	180	-	-	310	8	-	-	-	-	-	818	370
Corporates	-	-	-	-	-	-	73	-	-	22,807	6	-	-	-	-	-	22,886	22,596
Retail exposures	-	-	-	-	-	-	-	-	6,899	-	-	-	-	-	-	-	6,899	6,899
Exposures secured by mortgages on immovable property	-	-	-	-	-	4,048	1,261	-	78	421	-	-	-	-	-	-	5,808	5,808
Exposures in default	-	-	-	-	-	-	-	-	-	679	398	-	-	-	-	-	1,077	1,077
Exposures associated with particularly high risks	-	-	-	-	-	-	-	-	-	-	448	-	-	-	-	-	448	448
Covered bonds	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1	1
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	39	-	-	-	-	9,593	-	-	-	-	-	-	9,633	9,633
Total		**-**	**-**	**-**	**595**	**4,048**	**3,175**	**-**	**6,977**	**40,004**	**859**	**3,179**	**-**	**-**	**-**	**-**	**58,838**	**58,094**

The following table shows exposure guaranteed by real estate assets, broken down into commercial and residential.

Table 5.10. Standardised approach: exposure guaranteed by real estate assets, by type of collateral

Millions euros

	Original exposure	Exposures after CRM and before CCF	EAD	RWA	RWA density	Capital (8 %)
Commercial immovable property	4,110	4,032	3,686	1,939	52.62%	155
Residential immovable property	13,315	13,275	12,675	4,460	35.19%	357
Total	**17,425**	**17,307**	**16,360**	**6,399**	**39.11%**	**512**

2019

Millions euros

	Original exposure	Exposures after CRM and before CCF	EAD	RWA	RWA density	Capital (8 %)
Commercial immovable property	3,628	3,577	3,198	1,688	52.79%	135
Residential immovable property	12,313	12,254	11,718	4,120	35.16%	330
Total	**15,941**	**15,831**	**14,916**	**5,808**	**38.94%**	**465**

Minimum capital requirements for credit risk under the advanced approach (IRB)

The Group has advanced models for calculating capital requirements for the retail portfolio (retail - residential mortgage, SME - mortgage, retail- qualifying revolving, retail - SME, other retail) and the corporates portfolio (corporates, SME, etc.) and for equities. In the sub-section "Use of the internal ratings-based approach" in 5.1.3. Quantitative aspects are related to the IRB models authorised to date.

Exposures under IRB according to the regulatory categories of the current regulation are presented below.

Table 5.11. IRB: Credit risk exposures by portfolio

2020

Million euros	Average PD[1]	Original exposure: On-balance-sheet amount	Original exposure: Off-balance-sheet amount	Original exposure: Total	EAD: On-balance-sheet amount	EAD: Off-balance-sheet amount	EAD: Total EAD	Number of obligors[2]	Average LGD	Average maturity (years)	RWA	RWA density	EL	Valuation adjustments and provisions	Capital (8%)
Corporates	**4.14%**	**48,356**	**31,097**	**79,454**	**44,090**	**8,493**	**52,583**	**38**	**34.08%**	**2.83**	**27,226**	**51.78%**	**831**	**(1,096)**	**2,178**
Corporates	3.44%	35,682	27,709	63,390	33,624	7,200	40,824	8	35.48%	2.71	21,749	53.28%	591	(675)	1,740
SME	6.60%	12,675	3,388	16,063	10,466	1,293	11,759	31	29.22%	3.26	5,477	46.58%	240	(421)	438
Retail	**6.05%**	**114,099**	**43,777**	**157,876**	**108,536**	**6,681**	**115,217**	**9,828**	**27.28%**	**4.23**	**20,349**	**17.66%**	**2,531**	**(3,273)**	**1,628**
Retail - Residential Mortgage	5.56%	83,206	24,267	107,473	83,202	461	83,663	1,422	18.25%	4.89	10,323	12.34%	1,366	(1,877)	826
SME - Mortgage	12.34%	8,261	2,320	10,581	8,223	181	8,404	100	17.55%	4.55	1,931	22.98%	272	(314)	154
Retail - Qualifying Revolving	3.30%	3,527	10,833	14,359	3,527	3,426	6,953	5,935	76.80%	1.00	1,748	25.15%	166	(160)	140
Retail - SME	6.18%	13,055	4,541	17,596	7,541	1,824	9,365	565	52.77%	1.89	3,126	33.38%	365	(523)	250
Other retail	6.96%	6,050	1,816	7,866	6,043	789	6,832	1,806	64.46%	2.32	3,221	47.14%	361	(398)	258
Total credit risk - IRB portfolio[3]	**5.45%**	**162,456**	**74,874**	**237,330**	**152,626**	**15,174**	**167,800**	**9,866**	**29.41%**	**3.79**	**47,575**	**28.35%**	**3,361**	**(4,369)**	**3,806**

2019

	Average PD[1]	Original exposure: On-balance-sheet amount	Original exposure: Off-balance-sheet amount	Original exposure: Total	EAD: On-balance-sheet amount	EAD: Off-balance-sheet amount	EAD: Total EAD	Number of obligors[2]	Average LGD	Average maturity (years)	RWA	RWA density	EL	Valuation adjustments and provisions	Capital (8%)
Corporates	**5.45%**	**42,218**	**27,671**	**69,889**	**42,218**	**7,810**	**50,028**	**34**	**35.18%**	**3.05**	**29,211**	**58.39%**	**1,027**	**(1,059)**	**2,337**
Corporates	4.61%	31,846	24,497	56,343	31,846	6,572	38,418	8	37.11%	2.97	23,229	60.46%	740	(721)	1,858
SME	8.23%	10,372	3,174	13,546	10,372	1,238	11,610	27	28.77%	3.31	5,982	51.53%	287	(339)	479
Retail	**5.93%**	**114,375**	**42,747**	**157,122**	**114,375**	**6,424**	**120,800**	**9,705**	**27.05%**	**4.25**	**22,343**	**18.50%**	**2,552**	**(2,597)**	**1,787**
Retail - Residential Mortgage	5.35%	87,667	24,049	111,716	87,667	467	88,135	1,469	18.53%	4.89	11,519	13.07%	1,377	(1,452)	922
SME - Mortgage	11.85%	9,314	2,513	11,826	9,314	253	9,567	109	17.97%	4.55	2,535	26.50%	291	(232)	203
Retail - Qualifying Revolving	3.36%	3,732	9,969	13,700	3,732	3,108	6,840	5,547	76.77%	1.00	1,778	26.00%	166	(159)	142
Retail - SME	6.57%	7,750	4,188	11,937	7,750	1,918	9,668	514	52.75%	1.60	3,502	36.22%	378	(392)	280
Other retail	6.78%	5,913	2,029	7,942	5,913	677	6,590	2,065	64.71%	2.38	3,009	45.66%	341	(362)	241
Total credit risk - IRB portfolio[3]	**5.79%**	**156,594**	**70,417**	**227,011**	**156,594**	**14,234**	**170,828**	**9,739**	**29.43%**	**3.90**	**51,554**	**30.18%**	**3,579**	**(3,656)**	**4,124**

[1] Includes portfolio in default.
[2] Number of obligors in thousands.
[3] Only includes credit risk. Counterparty, securitisation and equity exposures are not included.

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Table 5.12. EU CR6 - IRB approach - Credit risk exposures by portfolio and probability of default PD range

Million euros

2020

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CFF	Average CFF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Valuation adjustments and provisions
0.00 to <0.15	71,522	36,353	14.95%	75,797	0.07%	4,103	23.78%	4	4,653	6.14%	13	(293)
0.15 to <0.25	11,482	7,652	21.49%	12,554	0.18%	708	33.97%	3	2,627	20.93%	8	(61)
0.25 to <0.50	28,298	13,151	25.27%	29,418	0.32%	813	31.86%	3	8,799	29.91%	30	(183)
0.50 to <0.75	10,576	4,771	29.16%	10,492	0.61%	672	36.36%	3	5,197	49.53%	23	(75)
0.75 to <2.50	20,382	8,394	28.86%	19,461	1.52%	2,065	36.13%	3	11,545	59.32%	108	(260)
2.50 to <10.00	9,680	3,064	23.57%	9,678	5.33%	937	31.92%	4	8,139	84.11%	166	(268)
10.00 to <100.00	3,061	762	17.18%	2,983	23.13%	348	32.61%	4	3,859	129.36%	233	(285)
Performing Portfolio	**155,000**	**74,148**	**20.32%**	**160,383**	**1.08%**	**9,646**	**29.04%**	**4**	**44,819**	**27.95%**	**580**	**(1,425)**
100.00 (Default)	7,455	726	14.41%	7,417	100.00%	220	37.50%	4	2,756	37.16%	2,781	(2,944)
Total	**162,456**	**74,874**	**20.27%**	**167,800**	**5.45%**	**9,866**	**29.41%**	**4**	**47,575**	**28.35%**	**3,361**	**(4,369)**

2019

PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CFF	Average CFF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Valuation adjustments and provisions
0.00 to <0.15	69,634	34,725	14.70%	74,737	0.07%	3,808	23.81%	4.32	4,434	5.93%	13	(225)
0.15 to <0.25	11,958	6,239	27.04%	13,645	0.18%	648	33.56%	3.82	3,305	24.22%	8	(38)
0.25 to <0.50	24,667	11,120	22.59%	27,179	0.33%	749	31.46%	3.62	7,927	29.17%	27	(98)
0.50 to <0.75	9,573	4,512	27.59%	10,818	0.61%	657	37.01%	3.21	5,803	53.64%	24	(36)
0.75 to <2.50	18,694	7,824	29.67%	21,016	1.48%	2,319	35.61%	3.25	12,525	59.60%	111	(150)
2.50 to <10.00	10,907	4,219	24.30%	11,932	5.07%	1,008	31.87%	3.74	10,102	84.66%	193	(202)
10.00 to <100.00	3,469	836	18.69%	3,625	23.87%	332	31.25%	3.66	4,604	127.02%	279	(242)
Performing Portfolio	**148,902**	**69,474**	**20.22%**	**162,952**	**1.23%**	**9,521**	**29.06%**	**3.89**	**48,700**	**29.89%**	**655**	**(991)**
100.00 (Default)	7,692	943	19.49%	7,876	100.00%	218	37.12%	3.96	2,854	36.24%	2,924	(2,665)
Total	**156,594**	**70,417**	**20.21%**	**170,828**	**5.79%**	**9,739**	**29.43%**	**3.90**	**51,554**	**30.18%**	**3,579**	**(3,656)**

Number of obligors in thousands. Only includes credit risk. Counterparty, securitisation and equity exposures are not included.

Table 5.13. EU CR8 - RWA flow statements of credit risk exposures under IRB approach

Millions euros

	RWA amounts	Capital requirements[1]
RWA at the end of the previous reporting period	**51,554**	**4,124**
Asset size	(1,375)	(110)
Asset quality	(3,236)	(259)
Model updates	-	-
Methodology and policy	(102)	(8)
Acquisitions and disposals	(28)	(2)
Foreign exchange movements	-	-
Other	761	61
RWA at the end of the reporting period	**47,575**	**3,806**

[1] Capital requirements at 8%

During 2020, the Risk-Weighted Assets in the credit risk portfolio assessed using IRB models decreased by EUR 3,979 million (EUR 318 million in regulatory capital at 8%). This is chiefly due to a decline in the volume of retail business and the early application of infrastructure and SME reduction factors provided for in CRR II.

Impairment losses

The table below presents the Group's funds for asset impairment losses and provisions for contingent liabilities and commitments corresponding to the last four financial years and for each of the risk categories.

The change in provisions during 2020 is largely explained by the following:

- Increase in the provision fund in the portfolio under the standardised approach, chiefly in the corporates category, due to the increase in provisions for COVID fund, which is partially offset by by portfolio sales closed during the year.
- Increase in the provision fund for the IRB portfolio, chiefly in the retail category, due to the increase in provisions for the COVID fund.

Table 5.14. Provision evolution

Millions euros

	2017		2018		2019		2020	
Regulatory exposure class	Provisions	%	Provisions	%	Provisions	%	Provisions	%
Central governments or central banks	(11)	0.15%	(5)	0.08%	(0)	0.01%	(1)	0.01%
Regional governments or local authorities	(3)	0.05%	(1)	0.02%	(1)	0.02%	(2)	0.04%
Public sector entities	(79)	1.15%	(63)	1.01%	(51)	0.99%	(33)	0.56%
Multilateral development banks	-	-	-	-	(0)	0	-	0.00%
International organisations	-	-	-	-	-	-	-	-
Institutions	(0)	0.00%	(3)	0.04%	(2)	0.04%	(2)	0.03%
Corporates	(212)	3.06%	(601)	9.60%	(169)	3.29%	(410)	6.93%
Regulatory retail exposures	(136)	1.97%	(166)	2.65%	(358)	6.98%	(400)	6.76%
Exposures secured by mortgages on immovable property	(38)	0.55%	(47)	0.75%	(50)	0.97%	(50)	0.84%
Exposures in default	(1,462)	21.09%	(1,180)	18.84%	(824)	16.07%	(637)	10.76%
Exposures associated with particularly high risks	-	-	-	-	(6)	0	(8)	0.14%
Covered bonds	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-
Other assets	(16)	0	(19)	0.31%	(11)	0.21%	(5)	0.08%
Total Credit Risk - Standardised Portfolio	**(1,958)**	**28.25%**	**(2,086)**	**33.31%**	**(1,472)**	**28.70%**	**(1,548)**	**26.16%**
Corporate	**(2,409)**	**34.75%**	**(1,491)**	**23.81%**	**(1,059)**	**20.66%**	**(1,096)**	**18.52%**
Corporates	(1,626)	23.46%	(907)	14.48%	(721)	14.05%	(675)	11.41%
SME	(782)	11.29%	(585)	9.34%	(339)	6.61%	(421)	7.12%
Retail	**(2,565)**	**37.00%**	**(2,685)**	**42.88%**	**(2,597)**	**50.64%**	**(3,273)**	**55.32%**
Retail - Residential Mortgage	(1,632)	23.55%	(1,686)	26.92%	(1,452)	28.32%	(1,877)	31.73%
SME - Mortgage	(295)	4.26%	(267)	4.26%	(232)	4.52%	(314)	5.31%
Retail - Qualifying Revolving	(74)	1.07%	(117)	1.87%	(159)	3.10%	(160)	2.71%
Retail - SME	(245)	3.53%	(260)	4.15%	(392)	7.65%	(523)	8.85%
Other Retail	(319)	4.60%	(356)	5.68%	(362)	7.06%	(398)	6.73%
Total Credit Risk - IRB portfolio	**(4,973)**	**71.75%**	**(4,176)**	**66.69%**	**(3,655)**	**71.30%**	**(4,369)**	**73.84%**
Total[1]	**(6,932)**	**100.00%**	**(6,262)**	**100.00%**	**(5,128)**	**100.00%**	**(5,917)**	**100.00%**

[1] *Credit risk exposures included. Counterparty, securitisation and equity exposures are not included.*

5.1.1.3. Quantitative aspects

Distribution of exposures

This section provides information on the Group's credit risk exposures, according to the calculation method used for calculating regulatory capital requirements for the following breakdown by regulatory category:

- Average exposures
- Geographical area
- Business sector
- Residual maturity period
- Exposure credit quality
- Non-performing and refinanced exposures
- Exposures subject to measures applied in response to the COVID-19 crisis

The amounts shown in the tables in this section do not include counterparty, securitisation or equity portfolio exposures.

Average exposure value

These amounts are presented in relation to each regulatory category in accordance with the calculation method applied.

Table 5.15. EU CRB-B - Total and average net amount of exposures

Millions euros	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	91,835	69,532
Regional governments or local authorities	21,023	17,232
Public sector entities	5,335	5,261
Multilateral development banks	52	54
International organisations	-	-
Institutions	4,752	4,378
Corporates	37,671	35,093
Regulatory retail exposures	16,486	16,063
Exposures secured by mortgages on immovable property	17,375	16,633
Exposures in *default*	1,046	1,059
Exposures associated with particularly high risks	385	405
Covered bonds	7	7
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-
Equity exposures	-	-
Other assets	13,961	14,265
Total Credit Risk - Standard Approach Portfolio	**209,929**	**179,983**
Corporate	**78,358**	**73,594**
Corporates	62,715	59,169
SME	15,642	14,425
Retail	**154,603**	**154,564**
Retail - Residential Mortgage	105,596	107,930
SME - Mortgage	10,267	10,931
Retail - Qualifying Revolving	14,199	13,870
Retail - SME	17,073	14,309
Other Retail	7,468	7,524
Total Credit Risk - IRB portfolio	**232,961**	**228,158**
Total[1]	**442,890**	**408,141**

[1] *Credit risk exposures only. Counterparty, securitisation and equity exposures are not included.*

Geographical distribution of exposures

The following table presents the distribution, at 31 December 2020, of the net exposure of value adjustments and provisions, broken down by geographical area –for regions that are significant for CaixaBank Group– and by regulatory exposure category according to the approach used to calculate capital requirements.

The value of exposure includes total credit risk, not considering exposure corresponding to counterparty risk, securitisations or equity portfolio exposures.

At year-end 2020, 83% of CaixaBank Group's exposure was concentrated in Spain, 9% was in Portugal, 5% in other European Union countries and 3% elsewhere in the world.

Table 5.16. EU CRB-C - Geographical breakdown of exposures

Millions euros

	Net Value				
	Spain	Portugal	European Union	Other countries	Total
Central governments or central banks	82,050	6,617	3,027	142	91,835
Regional governments or local authorities	19,331	1,329	2	361	21,023
Public sector entities	3,653	447	915	319	5,335
Multilateral development banks	-	-	52	-	52
International organisations	-	-	-	-	-
Institutions	931	419	1,322	2,080	4,752
Corporates	14,978	9,989	5,547	7,157	37,671
Regulatory retail exposures	10,961	5,280	118	126	16,486
Exposures secured by mortgages on immovable property	4,650	12,617	86	21	17,375
Exposures in *default*	508	413	89	37	1,046
Exposures associated with particularly high risks	199	187	0	-	385
Covered bonds	7	-	-	-	7
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-
Equity exposures	-	-	-	-	-
Other assets	13,353	608	0	0	13,961
Total Credit Risk - Standard Approach Portfolio	**150,621**	**37,907**	**11,160**	**10,242**	**209,929**
Corporate	**65,538**	**902**	**9,832**	**2,085**	**78,358**
Corporates	49,896	902	9,832	2,085	62,715
SME	15,642	-	-	-	15,642
Retail	**153,111**	**11**	**951**	**530**	**154,603**
Retail - Residential Mortgage	104,256	8	872	460	105,596
SME - Mortgage	10,238	0	14	14	10,267
Retail - Qualifying Revolving	14,096	2	56	46	14,199
Retail - SME	17,070	0	1	2	17,073
Other Retail	7,452	1	7	9	7,468
Total Credit Risk - IRB portfolio	**218,649**	**913**	**10,784**	**2,615**	**232,961**
Total	**369,271**	**38,820**	**21,943**	**12,856**	**442,890**

Distribution of exposures by business sector

The following tables show the distribution of exposures for CaixaBank Group at 31 December 2020, in terms of the net carrying value (corrected for valuation adjustments and provisions), split by activity sector according to each of the regulatory exposure categories and by approach used to calculate regulatory capital.

The details by business sector include total credit risk, not considering exposure corresponding to counterparty risk, securitisations or equity portfolio exposures.

Table 5.17. EU CRB-D - Concentration of exposures by industry orcounterparty types (Net Value)

Millions euros

							Non-financial business activities																
Regulatory exposure class	**Total**	Central Banks	Public administration	Credit entities	Other business financial activities	Households	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services[1]
Central governments or central banks	**91,835**	41,833	50,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional governments or local authorities	**21,023**	-	21,023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	**5,335**	-	5,335	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	**52**	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
International organisations	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	**4,752**	-	-	4,703	-	-	-	9	28	-	-	-	10	-	-	0	-	2	-	-	-	-	-
Corporates	**37,671**	-	2	-	6,496	458	458	107	2,730	7,150	403	3,976	2,100	3,812	721	363	2,825	2,441	923	202	476	146	1,883
Regulatory retail exposures	**16,486**	-	0	-	27	11,531	389	14	889	24	58	427	1,118	245	388	148	244	263	139	89	191	118	183
Exposures secured by mortgages on immovable property	**17,375**	-	-	-	351	12,708	103	5	96	9	0	1,398	94	5	259	51	1,660	269	29	66	96	69	107
Exposures in *default*	**1,046**	-	19	-	14	267	13	0	64	30	7	93	33	107	18	33	28	30	2	21	4	12	253
Exposures associated with particularly high risks	**385**	-	-	-	-	5	0	-	0	-	-	212	0	-	31	-	132	0	0	-	-	4	0
Covered bonds	**7**	-	-	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets[2]	**13,961**	-	0	-	0	-	1	0	3	0	0	1	3	11	1	0	1	1	2	0	1	0	13,935
Total Credit Risk - SA Portfolio	**209,929**	**41,833**	**76,381**	**4,703**	**6,898**	**24,969**	**963**	**135**	**3,811**	**7,213**	**468**	**6,107**	**3,359**	**4,181**	**1,418**	**594**	**4,890**	**3,006**	**1,096**	**378**	**767**	**349**	**16,410**
Corporates	**78,358**	**-**	**-**	**-**	**8,909**	**1**	**936**	**445**	**12,923**	**6,008**	**760**	**9,682**	**9,046**	**4,964**	**4,837**	**3,112**	**5,621**	**3,927**	**2,047**	**200**	**872**	**570**	**3,497**
Corporates	**62,715**	-	-	-	8,586	1	420	413	10,662	5,866	647	6,323	6,422	4,329	3,113	2,834	3,797	3,253	1,786	97	622	346	3,198
SME	**15,642**	-	-	-	322	-	517	32	2,262	142	113	3,359	2,624	635	1,723	278	1,824	674	261	102	250	224	299
Retail	**154,603**	**-**	**-**	**-**	**93**	**124,022**	**1,748**	**84**	**3,198**	**171**	**90**	**4,582**	**6,852**	**1,634**	**2,792**	**850**	**2,323**	**2,642**	**826**	**498**	**904**	**455**	**840**
Retail - Residential Mortgage	**105,596**	-	-	-	-	101,614	284	9	313	21	10	472	773	244	414	114	94	456	97	182	281	47	170
SME - Mortgage	**10,267**	-	-	-	27	2,806	366	8	362	22	13	2,064	949	180	547	234	1,664	480	114	62	166	74	132
Retail - Qualifying Revolving	**14,199**	-	-	-	-	12,141	93	3	121	4	2	149	459	130	203	43	44	443	53	42	91	44	137
Retail - SME	**17,073**	-	-	-	66	337	931	63	2,386	123	65	1,881	4,606	1,068	1,578	454	516	1,220	555	205	353	284	382
Other Retail	**7,468**	-	-	-	-	7,125	75	0	17	1	0	17	65	12	51	5	5	44	7	6	13	5	20
Total Credit Risk - IRB portfolio	**232,961**	**-**	**-**	**-**	**9,002**	**124,023**	**2,685**	**529**	**16,122**	**6,179**	**850**	**14,264**	**15,898**	**6,598**	**7,629**	**3,962**	**7,944**	**6,569**	**2,872**	**697**	**1,776**	**1,024**	**4,337**
Total	**442,890**	**41,833**	**76,381**	**4,703**	**15,900**	**148,992**	**3,648**	**665**	**19,932**	**13,392**	**1,318**	**20,371**	**19,256**	**10,779**	**9,047**	**4,557**	**12,834**	**9,575**	**3,969**	**1,076**	**2,543**	**1,373**	**20,747**

[1] *Activities of households, extraterritorial organisations and institutions, other services.*
[2] *Mainly mainly foreclosed real estate assets, real estate investments in buildings, furniture and facilities, etc.*

Table 5.18. EU CRB-D - Concentration of exposures by industry or counterparty types (RWA)

Millions euros

							Non-financial business activities																
Regulatory exposure class	**Total**	Central Banks	Public administration	Credit entities	Other business financial activities	Households	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Education	Human health services and social work activities	Arts, entertainment and recreation	Other services[1]
Central governments or central banks	**8,684**	9,071	(387)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional governments or local authorities	**412**	-	398	-	-	-	2	-	-	-	-	-	-	13	-	-	-	-	-	-	-	0	-
Public sector entities	**1,777**	-	1,777	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	**1,322**	-	-	1,254	-	1	-	1	16	9	6	1	15	9	0	0	5	2	0	-	2	0	1
Corporates	**24,771**	-	1	114	4,193	222	331	88	1,795	4,911	256	2,101	1,331	3,014	516	285	1,271	1,493	702	152	349	94	1,550
Regulatory retail exposures	**6,929**	-	0	-	8	5,249	159	4	284	4	20	122	356	107	122	66	86	85	51	31	74	39	64
Exposures secured by mortgages on immovable property	**6,399**	-	-	-	151	4,295	41	2	36	7	0	634	34	1	113	20	770	135	8	32	47	29	43
Exposures in *default*	**1,003**	-	19	-	1	272	12	0	66	41	7	52	27	45	13	33	23	28	2	25	3	12	322
Exposures associated with particularly high risks	**437**	-	-	-	-	8	0	-	1	-	-	240	0	-	38	-	146	0	0	-	-	5	0
Covered bonds	**1**	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity exposures	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets[2]	**9,055**	-	0	-	0	-	1	0	3	0	0	1	3	11	1	0	1	1	2	0	1	0	9,028
Total Credit Risk - SA Portfolio	**60,791**	**9,071**	**1,809**	**1,368**	**4,355**	**10,048**	**546**	**96**	**2,200**	**4,972**	**290**	**3,151**	**1,766**	**3,199**	**803**	**403**	**2,302**	**1,743**	**766**	**242**	**476**	**179**	**11,007**
Corporates	**27,226**	**-**	**-**	**-**	**2,623**	**0**	**341**	**125**	**3,862**	**709**	**225**	**4,812**	**2,454**	**1,783**	**1,957**	**943**	**3,130**	**1,283**	**763**	**82**	**620**	**201**	**1,314**
Corporates	**21,749**	-	-	-	2,502	0	154	117	3,256	657	187	3,095	1,782	1,611	1,469	865	2,376	1,083	673	58	542	136	1,187
SME	**5,477**	-	-	-	121	-	188	8	606	53	38	1,717	673	172	488	78	754	200	90	24	78	64	127
Retail	**20,349**	**-**	**-**	**-**	**17**	**14,808**	**376**	**12**	**567**	**30**	**14**	**1,008**	**1,182**	**341**	**503**	**135**	**448**	**371**	**140**	**58**	**104**	**76**	**160**
Retail - Residential Mortgage	**10,323**	-	-	-	-	9,802	40	2	41	2	1	76	106	33	71	12	12	46	17	10	20	7	24
SME - Mortgage	**1,931**	-	-	-	6	298	65	2	67	6	2	576	184	30	113	42	353	93	25	10	23	15	22
Retail - Qualifying Revolving	**1,748**	-	-	-	-	1,512	8	0	12	0	0	19	53	18	39	5	4	33	7	5	7	5	20
Retail - SME	**3,126**	-	-	-	11	88	239	9	441	22	10	332	818	255	260	75	77	187	88	31	50	47	86
Other Retail	**3,221**	-	-	-	-	3,109	24	0	5	0	0	5	21	5	20	1	1	12	2	2	4	2	7
Total Credit Risk - IRB portfolio	**47,575**	**-**	**-**	**-**	**2,640**	**14,809**	**717**	**138**	**4,429**	**740**	**238**	**5,820**	**3,636**	**2,124**	**2,460**	**1,078**	**3,578**	**1,653**	**903**	**140**	**723**	**277**	**1,473**
Total	**108,366**	**9,071**	**1,809**	**1,368**	**6,995**	**24,856**	**1,263**	**234**	**6,629**	**5,711**	**528**	**8,971**	**5,403**	**5,323**	**3,263**	**1,481**	**5,880**	**3,397**	**1,668**	**381**	**1,199**	**456**	**12,481**

[1] *Activities of households, extraterritorial organisations and bodies, other services.*
[2] *Mainly mainly foreclosed real estate assets, real estate investments in buildings, furniture and facilities, etc.*

Distribution of exposures by residual maturity

The following tables show the distribution of exposures for CaixaBank Group at 31 December 2020, in terms of the net value of valuation adjustments and provisions, split according to the residual maturity term and the exposure categories, for each of the approaches used to calculate minimum capital requirements.

The breakdown by maturity includes the total credit risk, excluding exposures relating to counterparty risk, securitisations or equity portfolio exposures.

By residual maturity, 69% of the exposures have a maturity greater than 1 year, and 43%, greater than 5 years. This is primarily due to the weight of the mortgage portfolio in the overall exposure.

Table 5.19. EU CRB-E - Maturity of exposures

Millions euros	Exposure amount breakdown by maturity[1 2 3]						
	On demand	< 3 months	3 months - 1 year	1 -5 years	> 5 years old	No stated maturity	Total
Central governments or central banks	44,521	6,955	6,224	19,522	7,852	6,761	91,835
Regional governments or local authorities	0	2,273	4,125	9,768	4,607	250	21,023
Public sector entities	1	174	1,437	2,027	1,284	412	5,335
Multilateral development banks	5	-	39	-	-	8	52
International organisations	-	-	-	-	-	-	-
Institutions	465	1,414	984	949	257	683	4,752
Corporates	706	3,951	4,186	9,220	17,433	2,175	37,671
Regulatory retail exposures	2,612	620	2,676	4,705	3,901	1,972	16,486
Exposures secured by mortgages on immovable property	19	8	49	1,393	15,620	286	17,375
Exposures in *default*							1,046
Exposures associated with particularly high risks	0	1	10	83	225	65	385
Covered bonds	-	-	-	7	-	-	7
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other assets	2,073	-	0	0	7,444	4,444	13,961
Total Credit Risk - SA Portfolio	**50,402**	**15,397**	**19,730**	**47,673**	**58,625**	**17,057**	**209,929**
Corporate	**1**	**5,510**	**12,613**	**35,432**	**18,216**	**6,586**	**78,358**
Corporates	0	4,377	10,767	30,353	11,292	5,927	62,715
SME	1	1,133	1,846	5,080	6,923	659	15,642
Retail	**1,620**	**1,963**	**3,736**	**32,547**	**113,853**	**884**	**154,603**
Retail - Residential Mortgage	-	57	133	3,870	101,536	0	105,596
SME - Mortgage	-	61	67	1,077	9,054	8	10,267
Retail - Qualifying Revolving	22	117	815	12,730	515	-	14,199
Retail - SME	7	1,664	2,430	10,883	1,221	867	17,073
Other Retail	1,591	64	291	3,986	1,526	9	7,468
Total Credit Risk - IRB portfolio	**1,621**	**7,473**	**16,349**	**67,979**	**132,069**	**7,470**	**232,961**
Total	**52,023**	**22,870**	**36,079**	**115,652**	**190,693**	**24,527**	**442,890**

[1] Exposures post-CCF and impairment adjustment.
[2] Maturity is calculated as the number of years between the maturity date and December 31 (on a 360-day annual basis).
[3] Including real estate assets other tangible assets and cash.

Table 5.20. EU CRB-E - Distribution of RWA by residual maturity

Millions euros

Distribution of RWA by residual maturity	Exposure amount breakdown by maturity[1 2 3]						
	On demand	< 3 months	3 months - 1 year	1 -5 years	> 5 years old	No stated maturity	Total
Central governments or central banks	-	-	-	5	-	8,678	8,684
Regional governments or local authorities	-	42	8	63	298	1	412
Public sector entities	0	61	484	481	670	82	1,777
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	92	228	304	431	133	135	1,322
Corporates	97	2,983	2,725	6,329	12,393	243	24,771
Regulatory retail exposures	480	326	511	2,334	2,416	862	6,929
Exposures secured by mortgages on immovable property	1	3	17	630	5,732	17	6,399
Exposures in default							1,003
Exposures associated with particularly high risks	1	2	15	121	296	3	437
Covered bonds	-	-	-	1	-	-	1
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other assets	-	-	-	-	6,731	2,324	9,055
Total Credit Risk - SA Portfolio	**671**	**3,645**	**4,064**	**10,394**	**28,668**	**12,345**	**60,791**
Corporate	**0**	**1,539**	**3,339**	**10,198**	**11,030**	**1,120**	**27,226**
Corporates	0	1,127	2,684	9,191	7,738	1,010	21,749
SME	0	412	655	1,007	3,292	111	5,477
Retail	**438**	**662**	**971**	**5,357**	**12,865**	**56**	**20,349**
Retail - Residential Mortgage	-	42	10	165	10,105	0	10,323
SME - Mortgage	-	18	9	129	1,775	0	1,931
Retail - Qualifying Revolving	15	17	103	1,559	54	-	1,748
Retail - SME	2	549	704	1,439	379	55	3,126
Other Retail	421	36	144	2,067	552	0	3,221
Total Credit Risk - IRB portfolio	**438**	**2,200**	**4,310**	**15,555**	**23,895**	**1,176**	**47,575**
Total	**1,109**	**5,846**	**8,374**	**25,950**	**52,563**	**13,521**	**108,366**

[1] *Exposures post-CCF and impairment adjustment.*
[2] *Maturity is calculated as the number of years between the maturity date and December 31 (on a 360-day annual basis).*
[3] *Including real estate assets other tangible assets and cash.*

Credit quality of exposures

Exposures in default amounted to EUR 9,944 million by year-end 2020, including EUR 859 million in off-balance-sheet exposures. The default rate among exposures stood at 2.51% of total exposure (3.64% for loans) and the coverage ratio of the provisions recognised on the exposures in default was 58.27% of the total exposures (61.61% for loans).

The following table shows information on changes in the stock of non-performing loans between the previous and current year-ends.

Table 5.21. EU CR2-B - Changes in the stock of *defaulted* and impaired loans and debt securities

Millions euros	Gross carrying amount of defaulted exposures
Opening balance (Dec-19)	**8,500**
Loans and representative debt securities that have gone into a *default* situation or whose value has deteriorated since the last reference period	2,087
Reclassification to non-*default* situation	(460)
Amounts recognized as failed	(1,503)
Other changes	461
Closing balance (Dec-20)	**9,085**

In general terms, the gross carrying amount of *non-performing* loans and debt securities increased by EUR 585 million in 2020, going from EUR 8,500 million at year-end 2019 to EUR 9,085 million at year-end 2020.

In total terms, the gross carrying amount of CaixaBank's exposures stood at EUR 396,835 million at 31 December 2020, with 63% relating to the loan portfolio, 26% relating to off-balance sheet exposures, and the remaining 11% relating to debt securities.

Table 5.22. EU CR1-A - Credit quality of exposures by FINREP sector

The following table shows CaixaBank's exposures by FINREP sector, i.e. by the different sectors or segments of CaixaBank Group financial statements at 31 December 2020.

Millions euros	Gross carrying amount of						
	Defaulted *exposures* (a)	Non-*defaulted exposures* (b)	Specific credit risk adjustment (c)	General credit risk adjustment (c)	Accumulated failures (e)	Credit risk adjustment charges	Net Values (a+b-c-d)
Central Banks	-	4	-	-	-	-	4
General governments	37	58,412	9	-	46	2	58,440
Credit institutions	12	7,429	1	-	2	(1)	7,440
Other financial corporations	5	7,090	10	-	44	(4)	7,085
Non-financial corporations	4,115	155,123	2,553	-	9,071	253	156,685
Households	5,775	158,833	3,222	-	4,307	611	161,386
Total	**9,944**	**386,891**	**5,794**	**-**	**13,469**	**861**	**391,041**
Of which: Loans	9,073	240,084	5,590	-	13,469	883	243,567
Of which: Debt securities	13	42,616	11	-	-	5	42,617
Of which: Off-balance sheet exposures	859	104,191	193	-	-	(27)	104,857

As the table shows, a substantial portion of the portfolio relates to funding for households (41% of the gross carrying amount), which also accounts for 58% of non-performing exposures and 56% of all provisions.

On the other hand, 41% of non-performing exposures relate to non-financial corporations, accounting for 44% of provisions. The following table provides information on loans to non-financial corporations, by economic sector.

A substantial portion of the portfolio is concentrated in wholesale and retail trade (15.7% of gross carrying amount), construction (15.5%), manufacturing (13.3%) and other services (10.9%), whilst non-performing exposure is primarily concentrated in the manufacturing industry (14.4%), wholesale and retail trade (13.3%), real estate activities (10.9%) and other services (10.9%).

Table 5.23. EU CR1-B - Credit quality of loans for non-financial companies by economic sector

Millions euros	Gross carrying amount of						
	Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (c)	Accumulated failures (e)	Credit risk adjustment charges	Net Values (a+b-c-d)
Agriculture, forestry and fishing	108	1,904	61	-	158	11	1,952
Mining and quarrying	7	558	10	-	24	6	555
Manufacturing	453	14,094	305	-	908	69	14,242
Electricity, gas, steam and air conditioning supply	82	7,714	95	-	22	-	7,702
Water supply	8	891	16	-	28	3	883
Construction	528	9,615	321	-	4,635	(287)	9,821
Wholesale and retail trade	535	12,958	338	-	877	(61)	13,156
Transport and storage	229	8,516	159	-	184	55	8,585
Accommodation and food service activities	196	6,829	131	-	232	84	6,893
Information and communication	86	2,358	54	-	159	(3)	2,390
Real estate activities	321	10,740	199	-	621	86	10,862
Professional, scientific and technical activities	228	4,546	159	-	816	52	4,616
Administrative and support service activities	46	2,947	54	-	234	27	2,939
Public administration and defence; compulsory social security	-	947	5	-	1	5	942
Education	59	398	41	-	19	(3)	416
Human health services and social work activities	97	1,323	85	-	18	71	1,335
Arts, entertainment and recreation	55	765	43	-	37	10	777
Other services	372	10,641	333	-	95	174	10,680
Total	**3,409**	**97,746**	**2,408**	**-**	**9,071**	**299**	**98,748**

The following table shows CaixaBank's exposures broken down by geography: Spain, Portugal, the rest of the European Union, and the rest of the world.

Table 5.24. EU CR1-C - Credit quality of exposures by geography

Millions euros

	Gross carrying amount of						
	Defaulted exposures (a)	Non-defaulted exposures (b)	Specific credit risk adjustment (c)	General credit risk adjustment (c)	Accumulated failures (e)	Credit risk adjustment charges	Net Values (a+b-c-d)
Spain	8,946	308,142	5,161	-	13,226	714	311,927
Portugal	679	38,520	485	-	21	83	38,714
European Union	135	16,901	36	-	91	20	17,000
Rest of the world	185	23,327	113	-	131	43	23,400
Total	**9,944**	**386,891**	**5,794**	**-**	**13,469**	**861**	**391,041**

Table 5.25. EU CR3 - Credit risk mitigation techniques – overview

Millions euros

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	122,629	126,527	122,291	945	-
Total debt securities	42,262	367	364	3	-
Total exposures	**164,891**	**126,894**	**122,655**	**948**	**-**
Of which defaulted	3,463	5,622	4,287	4	-

Of the total of all exposures at year-end 2020, the exposures secured by collateral represented 43% of the total, 51% in the case of loans. As for the exposures in *default*, those guaranteed with collateral represent 62% of the total.

Non-performing and foreborne exposures

Further details are provided below on non-performing and foreborne exposures exposures, in accordance with EBA/GL/2018/10 guidelines.

Table 5.26. Template 1. Credit quality of forborne exposures

Millions euros

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measure
			Of which: *defaulted*	Of which: impaired				
Loans and advances	**1,959**	**4,901**	**4,880**	**4,781**	**70**	**1,464**	**4,324**	**3,075**
Central Banks								
General governments	206	3	3	2	0	0	104	0
Credit institutions								
Other financial corporations	2	1	1	1	0	0	2	0
Non-financial corporations	905	1,550	1,538	1,437	44	672	1,115	635
Households	846	3,348	3,339	3,341	25	792	3,103	2,440
Debt securities	**1**	**12**	**12**	**12**	**0**	**4**		
Loan commitments given	**18**	**16**	**15**	**15**	**0**	**2**	**15**	**11**
Total	**1,979**	**4,929**	**4,906**	**4,807**	**70**	**1,470**	**4,338**	**3,086**

Table 5.27. Template 3: Credit quality of performing and non-performing exposures by past due days

Millions euros

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which:*defaulted*
Loans and advances	**239,998**	**239,566**	**432**	**9,159**	**4,768**	**465**	**709**	**801**	**1,126**	**579**	**712**	**9,073**
Central Banks	4	4	-	-	-	-	-	-	-	-	-	-
General governments	16,063	16,061	2	37	28	1	0	1	4	1	3	37
Credit institutions	5,858	5,852	6	11	11	-	-	-	-	-	-	11
Other financial corporations	3,535	3,535	0	2	0	0	0	1	1	0	0	2
Non-financial corporations	97,746	97,525	221	3,409	2,323	134	244	278	271	57	102	3,378
Of which SMEs	39,831	39,747	84	2,116	1,282	103	190	230	177	49	85	2,086
Households	116,791	116,588	203	5,700	2,405	330	464	521	850	522	607	5,645
Debt securities	**42,616**	**42,616**	**-**	**13**	**12**	**-**	**-**	**1**	**-**	**-**	**-**	**13**
Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	37,338	37,338	-	-	-	-	-	-	-	-	-	-
Credit institutions	582	582	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,730	1,730	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	2,965	2,965	-	13	12	-	-	1	-	-	-	13
Off-balance sheet exposures	**104,099**			**951**								**859**
Central Banks	-			-								-
General governments	5,010			0								0
Credit institutions	989			1								1
Other financial corporations	1,825			3								3
Non-financial corporations	54,371			734								725
Households	41,905			212								130
Total	**386,713**			**10,123**								**9,944**

Table 5.28. Template 4: Performing and non-performing exposures and related provisions

Millions euros	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
		Of which: *Stage 1*	Of which: *Stage 2*		Of which: *Stage 2*	Of which: *Stage 3*
Loans and advances	**239,998**	**220,179**	**19,453**	**9,159**	**598**	**8,282**
Central Banks	4	4	-	-	-	-
General governments	16,063	15,612	367	37	4	22
Credit institutions	5,858	5,821	5	11	1	0
Other financial corporations	3,535	3,175	117	2	0	2
Non-financial corporations	97,746	89,400	8,341	3,409	434	2,727
Of which SMEs	39,831	34,261	5,568	2,116	237	1,802
Households	116,791	106,167	10,622	5,700	159	5,531
Debt securities	**42,616**	**42,460**	**104**	**13**	**-**	**13**
Central Banks	-	-	-	-	-	-
General governments	37,338	37,338	-	-	-	-
Credit institutions	582	581	-	-	-	-
Other financial corporations	1,730	1,679	-	-	-	-
Non-financial corporations	2,965	2,861	104	13	-	13
Off-balance sheet exposures	**104,099**	**100,682**	**3,418**	**951**	**186**	**682**
Central Banks	-	-	-	-	-	-
General governments	5,010	4,983	26	0	0	0
Credit institutions	989	988	1	1	-	0
Other financial corporations	1,825	1,728	97	3	0	3
Non-financial corporations	54,371	52,755	1,616	734	179	473
Households	41,905	40,226	1,678	212	6	206
Total	**386,713**	**363,320**	**22,974**	**10,123**	**784**	**8,977**

Millions euros	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	erforming exposures - accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which: *Stage 1*	Of which: *Stage 2*		Of which: *Stage 2*	Of which: *Stage 3*			
Loans and advances	**1,856**	**843**	**1,034**	**3,733**	**32**	**3,692**	**-**	**158,846**	**4,912**
Central Banks	-	-	-	-	-	-	-	-	-
General governments	3	3	0	6	-	5	-	885	15
Credit institutions	0	0	-	-	-	-	-	1,451	-
Other financial corporations	8	4	3	1	0	1	-	1,546	1
Non-financial corporations	873	463	438	1,535	21	1,504	-	57,062	1,496
Of which SMEs	563	289	275	900	17	875	-	33,237	1,141
Households	972	373	593	2,191	11	2,181	-	97,902	3,400
Debt securities	**7**	**2**	**5**	**4**	**-**	**4**	**-**	**8,673**	**-**
Central Banks	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	7,101	-
Credit institutions	-	-	-	-	-	-	-	62	-
Other financial corporations	0	0	-	-	-	-	-	1,323	-
Non-financial corporations	7	2	5	4	-	4	-	187	-
Off-balance sheet exposures	**76**	**54**	**21**	**118**	**8**	**110**	**-**	**36,920**	**559**
Central Banks	-	-	-	-	-	-	-	-	-
General governments	0	0	-	0	-	0	-	70	0
Credit institutions	1	1	-	-	-	-	-	30	-
Other financial corporations	0	0	0	0	0	0	-	761	2
Non-financial corporations	46	28	17	88	8	80	-	10,942	412
Households	28	25	4	30	0	30	-	25,117	144
Total	**1,939**	**900**	**1,061**	**3,855**	**40**	**3,805**	**-**	**204,439**	**5,471**

Table 5.29. Template 9: Collateral obtained by taking possession and execution processes

Of CaixaBank's total exposures at year-end 2020, EUR 10,123 million are *non-performing*, while EUR 9,944 million are exposures at default.

The restructured and refinanced loan portfolio, meanwhile, totalled EUR 6,908 million at 31 December 2020, including EUR 1,979 million in performing and EUR 4,929 million in non-performing loans.

Millions euros	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	-	-
Other than PP&E	**3,360**	**(585)**
Residential immovable property	2,935	(479)
Commercial immovable property	425	(105)
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other	-	-
Total	**3,360**	**(585)**

Changes in impairment losses and provisions

1. Changes in provisions

A breakdown of the change in value corrections applied to the various headings of CaixaBank Group's consolidated balance sheet and to its provisions and contingent liabilities in 2020 is shown below[1]

Table 5.30. EU CR2-A - Changes in stock of general and specific credit risk adjustments

Millions euros

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	4,926	-
Increases by origination and acquisition	706	-
Decreases due to derecognition	(1,876)	-
Changes by credit risk variation (net)	2,376	-
Changes by modifications without derecognition (net)	31	-
Changes by updating the entity estimation method (net)	5	-
Decrease in the corrective account of value due to written off failed amounts	(398)	-
Other adjustments	17	-
Closing balance	**5,786**	**-**
Recoveries on failed amounts which have been written off in the income statement	1,108	-
Written off failed amounts in the income results	(269)	-

[1] *See note 14 "Financial assets at amortised cost" and note 14 "Provisions" to the CaixaBank Group's 2020 financial statements.*

2. Impairment losses and reversals of previously recognised losses

The following table contains details of the impairment losses and reversals of previously recognised losses on assets written off, recognised directly in the income statement for CaixaBank Group in 2020[1].

Table 5.31. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

Million euros

	2020	2019
Financial assets at amortised cost/loans and receivables	**(1,942)**	**(425)**
Loans and advances	(1,942)	(425)
Net loan-loss provisions	(1,694)	(410)
Of which Credit Institutions	(1)	(2)
Of which Customers	(1,693)	(408)
Provisions	(698)	(799)
Recovered assets written off	450	784
Debt securities		-
Financial assets at fair value with changes in other/ Financial assets available for sale	**(1)**	-
Provisions	(1)	-
Equity instruments	-	-
Debt securities	(1)	-
TOTAL	**(1,943)**	**(425)**

[1] *Refer to Notes 36 "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss" and 37 "Impairment or reversal of impairment on non-financial assets" to CaixaBank Group's 2020 financial statements*

Table 5.32. Impairment or reversal of impairment on non-financial assets

Million euros

	2020	2019
Tangible assets	**(110)**	**(80)**
Tangible assets - own use	(30)	(35)
Provisions	-	(3)
Cash and cash equivalents	5	7
Provisions	(35)	(39)
Property investments	(80)	(45)
Provisions	(145)	(111)
Cash and cash equivalents	**65**	66
Provisions	-	-
Provisions	-	(4)
Cash and cash equivalents	-	1
Provisions	(14)	(22)
Other	**12**	**(1)**
Stock		-
Provisions	(4)	(2)
Cash and cash equivalents	2	2
Other	14	(1)
TOTAL	**(112)**	**(106)**

Exposures subject to measures applied in response to the COVID-19 crisis

The table below presents a breakdown of the legislative and non-legislative moratoria for loan repayments applied in face of the COVID-19 crisis.

The following table shows the detail on CaixaBank Group's outstanding moratoria as of 31 December 2020.

Table 5.33. Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

Million euros

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition, but without credit impairment (Stage 2)		Of which: exposures with restructuring or refinancing measures	Of which: Unlikely to pay but not past due or past due <= 90 days			Of which: exposures with restructuring or refinancing measures	Of which: Instruments with a significant increase in credit risk since initial recognition, but without credit impairment (Stage 2)		Of which: exposures with restructuring or refinancing measures	Of which: Unlikely to pay but not past due or past due <= 90 days	Inflows of exposures from non-performing exposures
Loans and advances subject to moratorium	**14,356**	**13,641**	**341**	**4,440**	**716**	**579**	**631**	**(406)**	**(210)**	**(13)**	**(181)**	**(196)**	**(94)**	**(107)**	**142**
of which: Households	11,136	10,521	270	3,867	616	518	537	(319)	(161)	(9)	(147)	(158)	(70)	(74)	101
of which: Backed by residential property	10,590	9,994	267	3,727	596	514	522	(231)	(110)	(9)	(106)	(121)	(68)	(65)	86
of which: Non-financial corporations	3,220	3,120	71	573	100	61	94	(88)	(49)	(4)	(35)	(38)	(24)	(33)	42
of which: Small and medium companies	2,309	2,216	42	357	93	55	88	(74)	(37)	(3)	(25)	(37)	(24)	(33)	26
of which: Backed by commercial property	726	674	21	167	52	34	51	(20)	(6)	(0)	(4)	(14)	(11)	(14)	21

The following table shows the moratorium details offered and granted based on maturity:

Table 5.34. Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratorium by their residual maturity

Million euros	Number of obligors*	Gross carrying amount							
					Residual maturity of moratoria				
			Of which: legislative moratoria	Of which: past due	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances which have been offered a moratorium	**357**	**18,928**							
Loans and advances subject to moratorium (granted)	306	16,826	5,053	2,469	7,425	1,863	4,936	133	-
of which: Households		13,419	1,725	2,282	7,392	1,843	1,895	7	-
of which: collateralised by residential property		11,544	1,542	954	7,203	1,590	1,790	7	-
of which: Non-financial corporations		3,407	3,328	187	33	20	3,041	126	-
of which: Small and medium companies		2,443	2,398	134	24	12	2,207	66	-
of which: Backed by commercial property		728	704	2	14	13	573	126	-

Number of obligors in thousands.

The newly originated exposures subject to public guarantee programmes are indicated below:

Table 5.35. Template 3: Information on loans and advances recently originated under public guarantee systems recently introduced in response to the COVID-19 crisis

Millions euros	Gross carrying amount		Maximum guarantee amount that can be considered	Gross carrying amount
		of which: restructured or refinanced	Public guarantees received	Inflows of non-performing exposures
New loans and advances subject to public guarantee programmes	**13,190**	**14**	**11,539**	**86**
of which: Households	1,217			3
of which: Backed by residential property	-			-
of which: Non-financial corporations	11,974	14	10,495	83
of which: Small and medium companies	8,202			43
of which: Backed by commercial property	-			-

2. Impairment losses and reversals of previously recognised losses

The following table contains details of the impairment losses and reversals of previously recognised losses on assets written off, recognised directly in the income statement for CaixaBank Group in 2020[7].

Utilisation of the IRB approach

CaixaBank has supervisory authorisation to use of the Internal Ratings-Based Approach (IRB) to calculate capital requirements for the following credit exposure classes:

- **Mortgage loans to individuals** (behaviour and approval models), applying internal estimates of losses in the event of non-payment and credit conversion factors.
- **Personal loans to individuals** (behaviour and approval models), applying internal estimates of losses in the event of non-payment and credit conversion factors.
- **Credit cards for individuals** (behaviour and approval models), applying internal estimates of losses in the event of non-payment and credit conversion factors.
- **SMEs, for the range of medium-sized enterprises, small enterprises and micro-enterprises**, applying internal estimates of losses in the event of non-payment and credit conversion factors.
- **Developer SMEs**, with application of internal estimates of losses in the event of non-payment or credit conversion factors
- **Corporate,** applying internal estimates of losses in the event of non-payment or credit conversion factors.
- **Equity,** with internal models (VaR), PD/LGD and simple risk-weighting.

The Bank of Spain authorised the use of the IRB approach for the calculation of capital requirements for credit exposures arising from transactions by Nuevo Micro Bank, S.A.

1. Implementation of internal estimates in the management process

The results of the tools mentioned above are used to develop the following actions[8]:

- Back-up for the decision-making process.
- Authority system for expected loss risk-approval for companies.
- System of diagnostics by PD/Master Scale in the authorisation of retail lending.
- Optimisation of internal processes and monitoring function.
- Risk-Adjusted Return (RAR) system.
- Risk approval *pricing* system.
- Calculation of provisions and accounting classification using internal models under IFRS9 or Bank of Spain Circular 4/2017.

2. Management process and recognition of risk reduction

The result of the application of risk mitigating techniques on the IRB portfolio is reflected in the estimation and allocation of loss given default (LGD) parameters, which vary in accordance with the guarantees or collateral provided. To this end, the type of guarantee is observed for each transaction: financial, real estate or other collateral. Moreover, in the case of real estate used as collateral, the nature of the property is checked to determine whether it is residential or commercial.

[7] The end of this section provides more information on incorporationon incorporation of internal estimates into management.

Description of the internal rating assignment process, for each exposure class

1. Structure of the internal rating systems

The Group has internal credit rating models which, by assigning solvency or internal ratings to customers, provide predictions of the probability the probability of default of each borrower, covering practically all lending activity.

These internal models, used at both a product and customer level, have been developed on the basis of historical experience of defaults and incorporate the necessary measurements to adjust the results to the business cycle.

Product-oriented tools take into consideration the specific characteristics of the obligator relating to the product concerned, and are mainly used for approval of new retail banking transactions.

Customer-orientated tools assess the obligator's probability of default on a general basis, though the results for individuals may differ according to the product. They comprise behaviour scores for individuals and credit ratings for companies. They are implemented across the entire branch network and integrated within the normal asset product approval tools.

The rating tools for companies operate at the customer level, and vary considerably depending on the segment to which they belong. The rating results are also adjusted to the business cycle using the same structure as that employed for individuals.

The Group has a Corporate Rating function in place to provide specialised ratings for the large corporates segment, for which it has developed internal rating models. These are expert models that require the participation of analysts. These models have been built in line with Standard & Poor's methodology, meaning that the global default rates published by this rating agency can be used, making the methodology more reliable.

- **Probability of default (PD) estimation models**

  There are 26 internal probability of default (PD) estimation models in place, covering most of the Group's portfolios.

  The type of probability of default (PD) that the Group uses in its estimates is through the cycle: the scores assigned by the rating models are associated with the average PDs for a full economic cycle. The estimate is obtained by anchoring the PD curve to the long-term trend (central trend) estimated for each portfolio. When a probability of default has been assigned to each contract/customer, it is then transferred to the Master Scale, a categorisation to which the results of all scoring and rating tools are linked for easier interpretation.

- **Exposure at default (EAD) estimation models**

  CaixaBank has 10 internal exposure at default (EAD) estimation models.

  Exposure at default (EAD) is defined as the amount a customer is expected to owe to the credit institution at the time, in the event of hypothetically going into default at some point over the next 12 months.

  EAD is calculated as the current balance (amount included as assets on the Group's balance sheet) plus a percentage of the unused (available) credit facility that has been granted, i.e. an equivalence factor known as Credit Conversion Factor (CCF), which represents a quantitative estimate of the percentage available to the customer that is expected to be drawn down on at the time default occurs.

  The method used to estimate EAD is the variable-horizon approach (setting a one-year horizon for the calculation of realised CCFs). On the one hand, the models for available balance commitments have been developed according to the holder segment and product

- **Loss given default (LGD) estimation models**

  CaixaBank has 36 internal loss given default (LGD) estimation models.

  LGD is the economic loss arising from a default. The Bank currently estimates average long-term LGD, as well as LGD in adverse cycle conditions (downturns) for all transactions that are not in default. For transactions that are in default, a "Best Estimate" of loss is also calculated.

2. Rating models

A description of the rating models approved for use in the calculation of capital requirements through the IRB approach is described below:

Individuals and the self-employed

- **Asset behavioural model:** provides a monthly evaluation of all customers who have been with the Bank for at least 6 months (both individuals and self-employed workers) and who hold a product with either a personal guarantee or a mortgage.

  This is mainly used to monitor the risk outstanding on all transactions that were originated at least 6 months ago.

  The methodology of construction of the model is based on a multivariate analysis (logistic regression), according to the customer's financial behaviour.

- **Non-asset-related behavioural model:** provides a monthly evaluation of all customers (private customers and self-employed workers) who hold no asset-related contracts other than credit cards.

  This is mainly used to monitor the risk outstanding on cards that were issued at least 6 months ago, as well as overdrafts.

  The method used to build the model is logistic regression, primarily based on data regarding the customer's financial behaviour.

- **Customer Mortgage:** used to evaluate the approval of mortgage guarantee transactions for customers. The rating at the time of approval is maintained over the first six months of the transaction.

  The estimate model is based on a multivariate analysis (logistic regression), using information concerning the transaction, socio-demographic information and information relating to the customer's financial behaviour.

- **Non-customer Mortgage model:** used for evaluation in the approval of mortgage guarantee transactions for non-customers. The rating at the time of approval is maintained over the first six months of the transaction.

  The method used by this model is different to that of the Mortgage Customer model, as it only uses information relating to the transaction, the collateral and socio-demographic information about the holder.

- **Self-employed Customer model:** used for evaluation in the approval of transactions with a non-mortgage guarantee for customers to be used for business purposes. The rating at the time of approval is maintained over the first six months of the transaction.

  A multivariate analysis methodology was used to build the model (logistic regression). It is based on information concerning the transaction, socio-demographic information and information concerning the customer's financial behaviour.

- **Customer Credit Cards model:** used for evaluation in the approval of credit cards for customers. The rating at the time of approval is maintained over the first six months of the transaction.

  A *Gradient Boosting Machine (GBM)* methodology was used to build the model It is based on information concerning the transaction, socio-demographic information and information concerning the customer's financial behaviour.

- **Non-Credit Cards model:** used for evaluation in the approval of credit cards for non-customers. The rating at the time of approval is maintained over the first six months of the transaction.

  A multivariate analysis methodology was used to build the model (logistic regression). It is based on information about the holder (socio-demographic, work-related, economic, etc.) and internal and external alerts.

Corporates

- ***Ratings* of SMEs and Property Developer SMEs:** the aim of the SME and property developer SME rating model is to assign an internal rating to private companies classified as micro-enterprises, small enterprises, medium-sized enterprises or property developer SMEs in accordance with the internal risk segmentation system. The entire SME and property developer SME portfolio is evaluated monthly, as well as whenever a new transaction is approved for an SME or property developer SME, if no calculated rating is available.

  A multivariate analysis methodology was used to build the four models (logistic regression). It is based on:

  - **Financial Information:** information available from balance sheets and income statements. For example: total assets, equity and net profit.
  - **Operating information:** bank and credit information on the customer company, in connection with CaixaBank or other banks in the Spanish financial system (Bank of Spain's Risk Information Facility - CIRBE). For example: average balance of liabilities or average CIRBE utilisation.
  - **Qualitative information:** based on the company's characteristics and position within its sector. For example: the company manager's experience, real estate asset status, etc.

- ***Corporate rating:*** the aim of the Corporate rating model is to assign an internal rating to private companies and property developers classified as large corporates, in accordance with CaixaBank's internal risk segmentation system. The corporate rating is calculated by a centralised unit, and its validation and approval in cases where these ratings are proposed on a decentralised basis. The frequency of recalculation of the rating will depend on the receipt of new information added to the appraisal, with a maximum validity of 12 months.

  The corporate model is based on an expert opinion produced in accordance with the Standard & Poor's methodology, using a number of different rating tools (templates) depending on the sector to which the company belongs.

  The variables used for the corporate model take into account both qualitative and quantitative factors:

  - **The qualitative variables** represent business risk – the position of the company within the sector, for example.
  - **Quantitative variables** are usually financial ratios – total debt/EBITDA, for example.

Exposure values and RWA for IRB loan portfolios

The following tables show information on CaixaBank Group's exposures at 31 December 2020 by IRB segment, for the various obligator levels.

Table 5.36. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (Corporates)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	7,698	7,939	25.64%	9,642	0.11%	1	32.09%	3	2,260	23.44%	3	(16)
0.15 to < 0.25	3,534	4,997	22.30%	4,617	0.18%	0	40.65%	2	1,777	38.50%	3	(8)
0.25 to < 0.50	10,857	7,734	29.05%	12,549	0.28%	2	35.72%	3	5,598	44.61%	12	(40)
0.50 to < 0.75	4,909	2,470	27.37%	5,122	0.59%	1	35.59%	3	3,393	66.24%	11	(19)
0.75 to < 2.50	5,018	2,931	23.63%	5,133	1.62%	2	36.94%	3	4,911	95.66%	31	(38)
2.50 to < 10.00	2,133	969	30.75%	2,263	6.55%	1	30.87%	3	2,828	124.97%	46	(21)
10.00 to < 100.00	547	319	22.27%	516	20.37%	0	31.66%	3	886	171.73%	33	(27)
Performing Portfolio	**34,697**	**27,359**	**26.08%**	**39,842**	**1.05%**	**7**	**35.23%**	**3**	**21,653**	**54.35%**	**139**	**(170)**
100.00 *(Default)*	984	350	18.72%	982	100.00%	1	45.97%	2	97	9.84%	452	(505)
Total	**35,682**	**27,709**	**25.98%**	**40,824**	**3.44%**	**8**	**35.48%**	**3**	**21,749**	**53.28%**	**591**	**(675)**

Table 5.37. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (SMEs)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	2,079	527	44.10%	1,906	0.12%	4	30.84%	3	393	20.60%	1	(15)
0.15 to < 0.25	623	104	38.86%	547	0.15%	2	28.19%	3	122	22.38%	0	(6)
0.25 to < 0.50	2,912	782	41.59%	2,737	0.30%	8	29.26%	3	923	33.73%	2	(21)
0.50 to < 0.75	1,905	491	39.69%	1,642	0.61%	4	30.55%	3	772	47.03%	3	(15)
0.75 to < 2.50	3,231	905	34.57%	2,959	1.53%	9	27.38%	3	1,809	61.14%	12	(43)
2.50 to < 10.00	999	429	34.24%	1,069	5.13%	2	29.01%	4	1,025	95.94%	16	(31)
10.00 to < 100.00	301	107	32.73%	304	19.43%	1	27.09%	4	379	124.62%	16	(24)
Performing Portfolio	**12,050**	**3,344**	**38.50%**	**11,163**	**1.62%**	**30**	**29.09%**	**3**	**5,424**	**48.59%**	**51**	**(154)**
100.00 *(Default)*	625	45	12.59%	596	100.00%	1	31.65%	4	53	8.94%	189	(267)
Total	**12,675**	**3,388**	**38.16%**	**11,759**	**6.60%**	**31**	**29.22%**	**3**	**5,477**	**46.58%**	**240**	**(421)**

* *Number of obligors in thousands. Credit risk exposures included. Counterparty, securitisation and equity exposures are not included.*

Table 5.38. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (Retail - Covered by Residential Mortgage)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	54,624	18,740	1.96%	54,989	0.06%	990	16.61%	5	1,465	2.66%	5	(215)
0.15 to < 0.25	5,098	1,182	1.88%	5,120	0.19%	78	19.57%	5	389	7.60%	2	(24)
0.25 to < 0.50	9,391	2,525	1.48%	9,429	0.38%	148	19.40%	5	1,178	12.50%	7	(66)
0.50 to < 0.75	1,645	306	1.74%	1,650	0.72%	25	21.10%	5	353	21.38%	2	(15)
0.75 to < 2.50	4,000	681	2.06%	4,013	1.47%	64	21.20%	5	1,366	34.03%	12	(53)
2.50 to < 10.00	3,105	538	1.93%	3,115	4.84%	55	19.29%	5	1,899	60.97%	29	(81)
10.00 to < 100.00	1,276	211	1.95%	1,280	22.51%	21	19.69%	5	1,364	106.56%	57	(91)
Performing Portfolio	**79,138**	**24,184**	**1.90%**	**79,596**	**0.74%**	**1,380**	**17.61%**	**5**	**8,014**	**10.07%**	**115**	**(546)**
100.00 *(Default)*	4,068	83	0.00%	4,066	100.00%	42	30.78%	5	2,308	56.77%	1,252	(1,332)
Total	**83,206**	**24,267**	**1.90%**	**83,663**	**5.56%**	**1,422**	**18.25%**	**5**	**10,323**	**12.34%**	**1,366**	**(1,877)**

Table 5.39. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (SMEs - Covered by Residential Mortgage)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	1,900	703	3.18%	1,919	0.07%	34	13.09%	5	36	1.88%	0	(9)
0.15 to < 0.25	437	130	9.98%	448	0.17%	5	16.05%	5	22	4.87%	0	(3)
0.25 to < 0.50	1,205	425	12.85%	1,256	0.36%	13	17.28%	5	117	9.34%	1	(9)
0.50 to < 0.75	306	102	24.80%	330	0.64%	2	18.76%	5	53	15.94%	0	(3)
0.75 to < 2.50	2,018	482	10.04%	2,056	1.43%	18	17.92%	5	519	25.25%	5	(21)
2.50 to < 10.00	1,262	364	4.33%	1,271	4.87%	16	17.17%	5	728	57.29%	11	(30)
10.00 to < 100.00	256	49	1.83%	255	26.66%	3	16.93%	5	211	82.62%	12	(16)
Performing Portfolio	**7,385**	**2,254**	**8.00%**	**7,534**	**2.23%**	**91**	**16.35%**	**5**	**1,686**	**22.38%**	**29**	**(90)**
100.00 *(Default)*	877	66	0.86%	869	100.00%	8	27.92%	4	245	28.17%	243	(224)
Total	**8,261**	**2,320**	**7.79%**	**8,404**	**12.34%**	**100**	**17.55%**	**5**	**1,931**	**22.98%**	**272**	**(314)**

* *Number of obligors in thousands. Credit risk exposures included. Counterparty, securitisation and equity exposures are not included.*

Table 5.40. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (Retail Qualifying Revolving)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	1,281	7,531	31.38%	3,644	0.06%	2,836	77.00%	1	116	3.19%	2	(6)
0.15 to < 0.25	196	852	34.08%	487	0.20%	501	77.00%	1	41	8.32%	1	(2)
0.25 to < 0.50	184	602	34.75%	393	0.33%	372	77.00%	1	50	12.76%	1	(2)
0.50 to < 0.75	268	693	31.21%	484	0.55%	477	76.99%	1	89	18.50%	2	(3)
0.75 to < 2.50	689	809	30.60%	936	1.48%	814	76.93%	1	370	39.52%	11	(9)
2.50 to < 10.00	559	299	30.47%	650	4.98%	586	76.81%	1	596	91.70%	25	(23)
10.00 to < 100.00	238	35	26.72%	248	25.79%	251	75.98%	1	486	196.26%	48	(40)
Performing Portfolio	**3,415**	**10,820**	**31.67%**	**6,841**	**1.71%**	**5,837**	**76.93%**	**1**	**1,748**	**25.55%**	**90**	**(84)**
100.00 *(Default)*	112	13	0.00%	112	100.00%	98	68.49%	1	0	0.21%	77	(76)
Total	**3,527**	**10,833**	**31.63%**	**6,953**	**3.30%**	**5,935**	**76.80%**	**1**	**1,748**	**25.15%**	**166**	**(160)**

Table 5.41. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (Retail SME)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	1,947	816	46.50%	1,670	0.08%	56	53.74%	2	158	9.46%	1	(20)
0.15 to < 0.25	1,043	365	43.12%	778	0.17%	37	53.10%	2	127	16.27%	1	(13)
0.25 to < 0.50	2,692	1,055	41.86%	1,992	0.34%	128	52.17%	2	503	25.23%	4	(32)
0.50 to < 0.75	1,243	421	37.36%	848	0.61%	24	52.70%	2	315	37.18%	3	(15)
0.75 to < 2.50	4,376	1,314	40.43%	2,738	1.45%	186	50.60%	2	1,346	49.16%	20	(69)
2.50 to < 10.00	1,105	365	31.54%	751	5.00%	88	51.29%	2	483	64.31%	19	(41)
10.00 to < 100.00	205	37	23.79%	142	28.99%	14	55.14%	2	152	106.88%	22	(27)
Performing Portfolio	**12,610**	**4,373**	**40.95%**	**8,920**	**1.49%**	**533**	**52.09%**	**2**	**3,084**	**34.57%**	**70**	**(217)**
100.00 *(Default)*	444	168	19.50%	445	100.00%	32	66.42%	2	43	9.55%	296	(306)
Total	**13,055**	**4,541**	**40.16%**	**9,365**	**6.18%**	**565**	**52.77%**	**2**	**3,126**	**33.38%**	**365**	**(523)**

Number of obligors in thousands. Credit risk exposures included. Counterparty, securitisation and equity exposures are not included.

Table 5.42. EU CR6 - IRB - Credit risk exposures by portfolio and probability of default PD range (Other Retail Exposures)

Millions euros

PD scale	Original on balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors*	Average LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions
0.00 to <0.15	1,992	99	34.99%	2,026	0.06%	180	61.79%	3	225	11.08%	1	(12)
0.15 to < 0.25	551	22	31.76%	557	0.19%	85	66.83%	2	150	26.84%	1	(5)
0.25 to < 0.50	1,056	27	29.38%	1,063	0.37%	144	66.03%	2	429	40.37%	3	(13)
0.50 to < 0.75	300	289	40.33%	417	0.64%	139	62.65%	2	221	53.13%	2	(5)
0.75 to < 2.50	1,051	1,272	45.29%	1,626	1.61%	973	61.51%	2	1,224	75.32%	16	(28)
2.50 to < 10.00	516	100	45.04%	559	5.37%	188	67.43%	2	580	103.68%	20	(40)
10.00 to < 100.00	238	5	34.35%	239	27.11%	58	69.29%	2	382	160.11%	45	(62)
Performing Portfolio	**5,705**	**1,815**	**43.49%**	**6,487**	**2.00%**	**1,767**	**63.67%**	**2**	**3,211**	**49.50%**	**87**	**(164)**
100.00 (Default)	345	2	11.28%	346	100.00%	38	79.31%	3	10	2.79%	274	(234)
Total	**6,050**	**1,816**	**43.46%**	**6,832**	**6.96%**	**1,806**	**64.46%**	**2**	**3,221**	**47.14%**	**361**	**(398)**

* *Number of obligors in thousands. Credit risk exposures included. Counterparty, securitisation and equity exposures are not included.*

Comparative analysis of estimates and results obtained

1. Introduction

Regulatory expected loss includes estimated annual average loss for a complete economic cycle. It is calculated taking the following items into consideration:

- **Probability of Default - Through the Cycle (PD):** Indicates the ratio of defaults to average total risk on performing assets expected during one year of the economic cycle for a given credit rating.
- **Downturn Loss Given Default (DT LGD):** indicates the proportion of debt expected to not be recovered in a downturn of the cycle. Consequently, the loss given default that is initially estimated – based on flows from processes to recover contracts in default and in accordance with the portfolio – is stressed using an explanatory variable or is estimated based on an estimate sample restricted to a downturn in the cycle.
- **Exposure at Default (EAD):** expected exposure when default occurs.

Given that expected loss is calculated using a probability of default anchored to the cycle and a representative loss given default in a downturn in the cycle, the value used for expected loss will vary only, given certain risk parameters, as a result of changes in the composition or characteristics of the portfolio.

In addition, the effective loss is the value of the adjusted loss incurred in the portfolio during a specific period. It can be broken down into the following concepts:

- **Observed Default Frequency (ODF):** proportion of performing loans that default in a one-year time horizon.
- **Realised Loss Given Default (LGD):** calculated based on recovery flows and losses on contracts in default. This LGD indicates the proportion of debt recovered during the recovery process.
- **Realised exposure:** risk assigned to a contract at the time of default.

Because effective loss is calculated using the values corresponding to each observation period, the values obtained for this item will depend directly on the economic situation during that period.

According to the above definitions, the historical ODFs and comparisons applied to the main IRB portfolios are:

- **ODF vs PD:** a comparison is made of the ODF risk tranche for 2020 with the PD calculated at 31 December 2019 and used to calculate the capital requirements at the same date.
- **EAD vs realised exposure:** for contracts that entered into default in 2020, the estimated EAD at 31 December 2019 is compared to the actual realised exposure when the default was identified.
- **DT LGD vs realised LGD:** compares downturn LGD at 31 December 2017 with realised LGD of defaults identified in a one-year period whose recovery process has been completed. A reference date prior to that used for the rest of the parameters is taken to allow the recovery cycles to mature so as to have a more representative sample for the analysis.
- **Observed loss vs. expected loss:** the estimated expected loss at 31 December is compared to the realised loss on the portfolio during the following year. This analysis covers the period 2016-2020.

The large corporates portfolio is not included in the analysis of LGD, since the low number of defaults in this portfolio are not considered representative.

2. Historical ODFs

Historical ODFs show the level of default on exposures contracted with CaixaBank over time.

Table 5.43. ODF series

Historical ODF(*)					
	2016	2017	2018	2019	2020
Retail	1.27%	1.41%	1.56%	1.87%	1.97%
Corporates	3.57%	3.44%	3.33%	4.48%	4.60%

The ODFs for 2016-2019 are based on the old definition.

3. Comparison of ODFs and PD

The regulatory estimate of own fund requirements for covering expected and unexpected losses in a year is made based on a measurement of the PD of each customer/contract using the information available at the previous year end.

Pursuant to the prudential requirement regulations, and to maintain stability in the estimates, a portfolio's Through-the-Cycle PD (hereinafter "PD" for simplicity) at year-end is not intended to predict default for the following year, but rather to measure the mean probability of default throughout the cycle.

Therefore, ODFs during weak points in the economic cycle should be naturally higher than the respective estimated PDs, whilst in expansionary times ODFs should be lower than PDs.

Despite their different roles in reflecting the impact of business cycles, a comparison of the two variables indicates the size of the adjustment to the cycle made in PD estimates. As can be seen from the following charts, in most tranches, ODFs are close to estimated PD levels.

New criteria for default set down in Circular 4/2016 were adopted in October 2016. This resulted in an increase in the observed default frequency (ODF), due to a wider range of reasons for refinancing being considered as doubtful and a larger drag effect. Nevertheless, the entry into force of Circular 4/2017 did not have any additional impact on default rates.

CaixaBank implemented the EBA's new definition of default (EBA/GL/2016/07) in December 2019.

Depending on the score for contracts as compared to that of individuals, or on the ratings of businesses, each portfolio is segmented into various levels of credit quality, as defined in the master scale, with various PD levels.

The accuracy of the models may be analysed by comparing the ODF actually obtained in the year with the PD estimate at the beginning of the year, for each credit-quality tranche of each portfolio. This analysis seeks to:

- Confirm that the relationship between ODF and the master scale is a monotonically increasing function, which is what is expected of models with significant discriminatory power, as are those of the Group.
- Compare the levels for analysing the cyclical nature of the estimate with actual data.

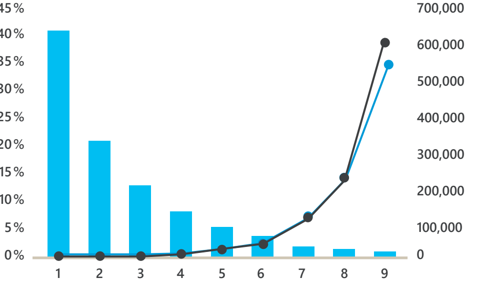
In this section, a comparison is made for each risk tranche in each portfolio:

- 2020 ODFs. Figures for default between January and December 2020 are used.
- The PDs for 2020 estimated at year-end 2019.

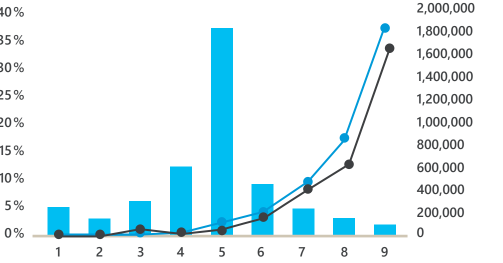
The data shows a distribution of the number of retail contracts along with the number of business customers at year-end 2019, in order to facilitate its understanding.

Retail

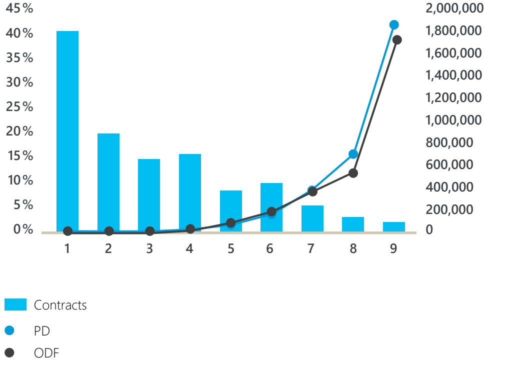
Graph 1. Mortgages



Graph 2. Consumer



Graph 3. Credit cards

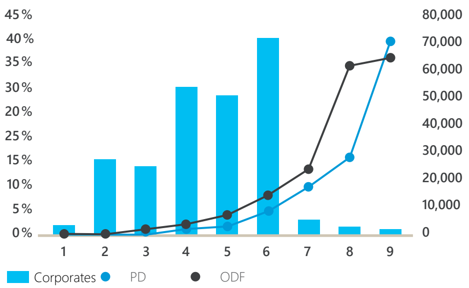


The retail portfolio confirms that the ODF series is a monotonically increasing function of the master scale. In other words, as indicated previously, it reflects the fact that the internal retail models discriminate customers correctly by level of risk.

The PD for the mortgage portfolio is in line with the default frequency observed in 2020 for the lower tranches of the master scale, which is where the majority of this portfolio's exposure is concentrated; while in all other products, PD is generally above the ODF.

SME

Graph 4. Non-Real Estate Developer SMEs



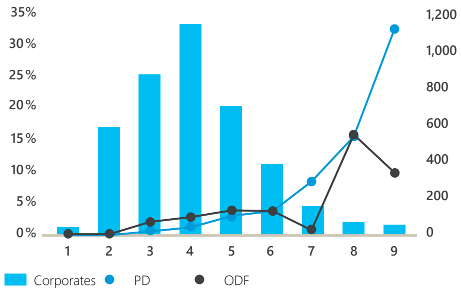
In the non-property developer SME portfolio, the ODF is a monotonically increasing function with respect to the master scale. Thus, the internal models are correctly classifying customers by risk level.

This portfolio has a PD that lies slightly below the ODF, demonstrating that in the case of this portfolio we are still at a point in the cycle above the central trend, as is explained in greater detail further below.

Corporates

The small numbers of customers in the large corporates portfolio means that the ODF on the master scale does not provide statistically

Graph 5. Large corporates



conclusive inferences. However, the ODF series is generally a monotonically increasing function with respect to the master scale, except the last tranches, where the volume of observations is particularly low.

Average PD and ODF for IRB loan portfolios

The following tables show information on the average PD of the Group's exposure at 31 December 2020, and the average annual default frequency for the last five years, for each IRB segment, based on the PD scales defined by the master scale.

Table 5.44. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporates non-SME portfolio

Number of obligors in units

PD scale	External rating equivalent			Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
	S&P's	Fitch	Moody's			End of 2019	End of 2020			
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.11%	0.14%	762	952	0	0	0.43%
0.15 to < 0.25	BBB	BBB	Baa2	0.18%	0.18%	229	293	0	0	0.89%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.28%	0.28%	1,541	1,945	19	0	1.08%
0.50 to < 0.75	BB	BB	Ba2	0.59%	0.59%	1,012	1,076	8	0	1.42%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.62%	1.47%	2,610	2,126	58	0	2.58%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	6.55%	5.91%	642	624	12	0	3.92%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	20.37%	22.96%	192	220	22	3	10.63%
100.00 (Default)	D	D	D	100.00%	100.00%	755	609			

Table 5.45. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporate SME portfolio

Number of obligors in units

PD scale	External rating equivalent			Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
	S&P's	Fitch	Moody's			End of 2019	End of 2020			
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.12%	0.11%	3,474	4,491	10	0	0.21%
0.15 to < 0.25	BBB	BBB	Baa2	0.15%	0.16%	1,575	1,974	7	0	0.39%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.30%	0.32%	6,103	7,580	41	1	0.52%
0.50 to < 0.75	BB	BB	Ba2	0.61%	0.60%	2,669	3,657	33	2	0.89%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.53%	1.41%	7,904	9,056	128	5	2.27%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	5.13%	4.99%	3,102	2,350	120	1	4.15%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	19.43%	25.81%	792	502	111	2	19.25%
100.00 (Default)	D	D	D	100.00%	100.00%	969	939			

Table 5.46. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Retail – residential mortgage

Number of obligors in units

PD scale	External rating equivalent			Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
	S&P's	Fitch	Moody's			End of 2019	End of 2020			
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.06%	0.05%	998,883	990,429	634	1	0.09%
0.15 to < 0.25	BBB	BBB	Baa2	0.19%	0.19%	84,849	78,110	188	1	0.35%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.38%	0.38%	160,303	147,516	526	4	0.49%
0.50 to < 0.75	BB	BB	Ba2	0.72%	0.72%	26,422	24,654	148	1	0.81%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.47%	1.49%	71,116	63,618	852	4	1.58%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	4.84%	4.75%	63,063	54,535	2,922	10	5.31%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	22.51%	23.22%	25,193	20,944	6,137	69	23.16%
100.00 *(Default)*	D	D	D	100.00%	100.00%	39,538	41,717			

Table 5.47. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Retail – SME mortgage

Number of obligors in units

PD scale	External rating equivalent			Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
	S&P's	Fitch	Moody's			End of 2019	End of 2020			
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.07%	0.06%	35,415	33,998	41	0	0.15%
0.15 to < 0.25	BBB	BBB	Baa2	0.17%	0.18%	5,109	4,982	13	0	0.37%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.36%	0.37%	12,971	12,686	84	1	0.54%
0.50 to < 0.75	BB	BB	Ba2	0.64%	0.67%	2,568	2,191	13	0	0.90%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.43%	1.45%	18,035	17,593	241	3	1.49%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	4.87%	4.66%	22,453	16,483	1,056	1	4.80%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	26.66%	26.55%	4,010	3,271	987	5	23.87%
100.00 *(Default)*	D	D	D	100.00%	100.00%	8,463	8,459			

Table 5.48. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio (Eligible Revolving Retail)

Number of obligors in units

	External rating equivalent					Number of obligors				
PD scale	S&P's	Fitch	Moody's	Weighted average PD	Arithmetic average PD by obligors	End of previous year	End of the year	Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.06%	0.07%	2,557,075	2,836,386	1,199	57	0.07%
0.15 to < 0.25	BBB	BBB	Baa2	0.20%	0.19%	447,487	500,674	717	72	0.20%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.33%	0.33%	333,424	371,798	1,176	72	0.52%
0.50 to < 0.75	BB	BB	Ba2	0.55%	0.56%	468,611	476,800	2,237	41	0.48%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.48%	1.53%	820,250	814,250	10,929	608	1.22%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	4.98%	5.29%	582,440	586,210	24,357	2,213	3.81%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	25.79%	23.02%	240,118	251,042	36,320	2,962	15.09%
100.00 *(Default)*	D	D	D	100.00%	100.00%	98,018	98,006	-	-	

Table 5.49. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio (Other SME)

Number of obligors in units

	External rating equivalent					Number of obligors				
PD scale	S&P's	Fitch	Moody's	Weighted average PD	Arithmetic average PD by obligors	End of previous year	End of the year	Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.08%	0.07%	45,886	56,339	138	4	0.22%
0.15 to < 0.25	BBB	BBB	Baa2	0.17%	0.17%	29,487	36,565	108	4	0.50%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.34%	0.36%	98,972	127,961	754	65	1.00%
0.50 to < 0.75	BB	BB	Ba2	0.61%	0.64%	18,268	24,268	214	1	1.40%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.45%	1.38%	150,236	185,563	4,171	191	3.53%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	5.00%	4.60%	124,247	88,173	8,291	357	7.42%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	28.99%	28.11%	13,429	14,257	4,225	43	31.10%
100.00 *(Default)*	D	D	D	100.00%	100.00%	33,528	32,373	-	-	

Table 5.50. EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio (Other Retail)

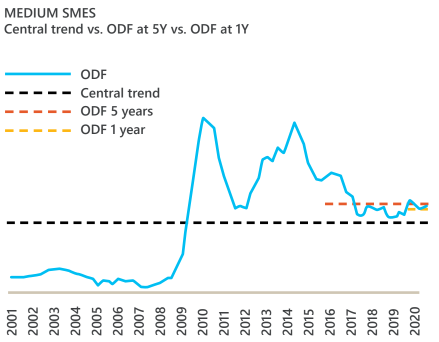
Number of obligors in units

	External rating equivalent					Number of obligors				
PD scale	S&P's	Fitch	Moody's	Weighted average PD	Arithmetic average PD by obligors	End of previous year	End of the year	Defaulted obligors in the year	of which: new obligors	Average historical annual default rate
0.00 to <0.15	AAA / AA+ / AA / AA-	AAA / AA+ / AA / AA-	Aaa / Aa1 / Aa2 / Aa	0.06%	0.08%	166,296	180,430	266	0	0.20%
0.15 to < 0.25	BBB	BBB	Baa2	0.19%	0.19%	79,101	85,022	374	2	0.63%
0.25 to < 0.50	BBB- / BB+	BBB- / BB+	Baa3 / Ba1	0.37%	0.36%	136,031	144,000	1,479	11	1.29%
0.50 to < 0.75	BB	BB	Ba2	0.64%	0.58%	137,305	139,029	762	5	0.87%
0.75 to < 2.50	BB- / B+	BB- / B+	Ba3 / B1	1.61%	1.69%	1,248,865	972,617	5,860	123	1.05%
2.50 to < 10.00	B / B-	B / B-	B2 / B3	5.37%	5.12%	212,292	188,404	9,335	275	4.74%
10.00 to < 100.00	CCC+ / CCC / CCC-	CCC+ / CCC / CCC-	Caa1 / Caa2 / Caa3	27.11%	23.97%	48,376	57,987	11,909	274	23.13%
100.00 *(Default)*	D	D	D	100.00%	100.00%	36,786	38,265			

It is observed that the average annual default frequency for the last five years is, in some cases, above the average PD of the current portfolio (at 31 December 2020). This difference is due to the fact that, on the one hand, the PD is a through-the-cycle metric, the purpose of which is to assess the the average probability of default of the cycle, while on the other hand, the ODF reflects the default frequency at the present time.

The effect described in the previous paragraph is highlighted in the following chart for medium SMEs, although the analysis would be similar for all other portfolios. It is worth noting that through-the-cycle PDs are obtained from a central trend equal to the average ODF between 1991 and December 2020.

Graph 6. Comparison of default frequencies with the central trend



.4. Comparison of EAD and realised exposure

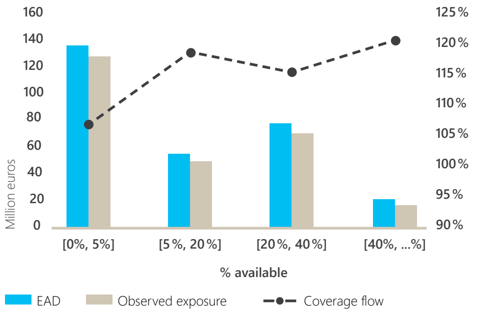
EAD (exposure at default) is defined as the estimated amount that will be drawn by the customer at the time of default. This value is obtained as the amount drawn when the estimation is made plus a percentage of the amount that could be drawn, determined by the Credit Conversion Factor (CCF).

To verify the usefulness of the estimated CCF for the main portfolios in which the customer is permitted to draw down up to the contractual limit (open-end credit, credit cards and credit accounts), estimated EAD at 31 December 2019 is compared to the realised exposure at the date the default was identified. This comparison is made by tranches of undrawn commitments, calculated as the amount available or undrawn divided by the limit or potential maximum amount drawn down.

The coverage ratio is also defined as a measure to assess the accuracy of the estimates obtained. This ratio is defined as estimated EAD divided by realised exposure.

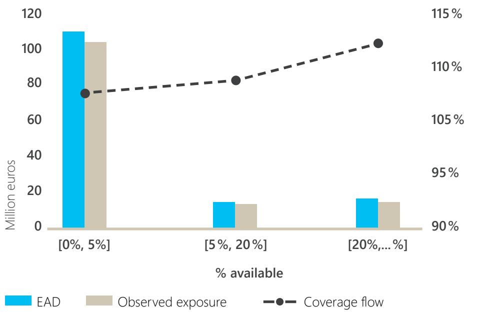
Retail

Graph 7. Open-end credit



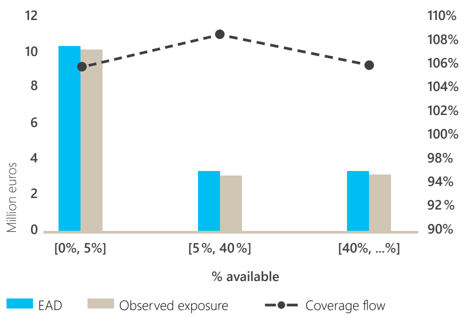
Open-end credit is one of the main products with undrawn balance in CaixaBank, especially in its retail portfolio. In this portfolio, most of the exposure is concentrated in lower undrawn tranches, with an average coverage ratio of **107%**, indicating that the CCF of this product provides an accurate prediction of the exposure at the time of default.

Graph 8. Credit cards



In the portfolio of credit cards for individuals, most of the exposure is also concentrated in lower undrawn tranches, with an average coverage ratio of **106%**.

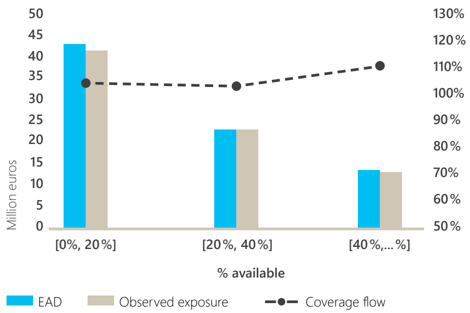
Graph 9. Credit accounts



In the credit accounts portfolio, where exposure is significantly lower than in the open credit portfolio, estimated EAD at the beginning of the year was also higher than realised EAD when the default occurs, with an average coverage ratio of **105%**.

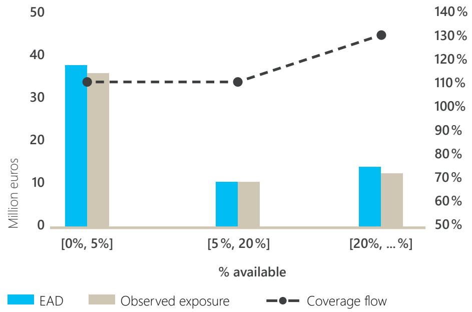
SME

Graph 10. Open-end credit



In all undrawn tranches, total estimated EAD for open-end credit to SMEs is higher than realised exposure at the time of default. This situation gives rise to a coverage ratio for the portfolio of **104%**.

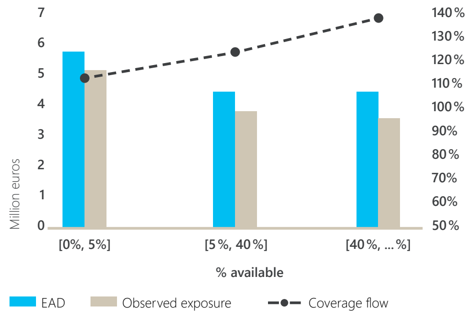
Graph 11. Credit accounts



The fact that there is a significant concentration in the most used tranche is a good indicator that the credit limits are aligned correctly with the needs of SMEs, not offering drawdowns that could pose a higher risk to the Group.

The coverage ratio of this portfolio is **111%**. Therefore, a relatively conservative CCF has been estimated, for instance in the case of retail customers for this product, resulting in an EAD that comfortably covers the realised exposure at the time of default.

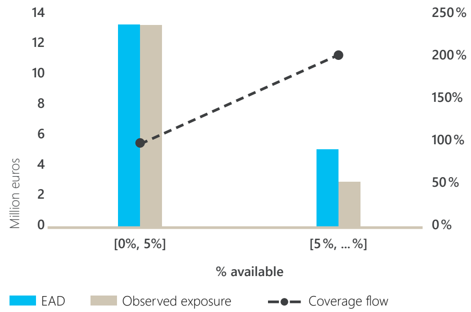
Graph 12. Credit cards



In all undrawn tranches, total estimated EAD for SME cards is slightly higher than realised exposure at the time of default, with a coverage ratio of **112%**.

Corporates

Graph 13. Credit accounts



In all undrawn tranches, total estimated EAD for open-end credit to companies is higher than realised exposure at the time of default, especially in the highest undrawn tranche, although the low volume of defaults in this portfolio makes the results statistically unrepresentative.

Similarly, although not shown in the charts, the credit card and open-end credit portfolios for large corporates also have high coverage ratios and are unrepresentative.

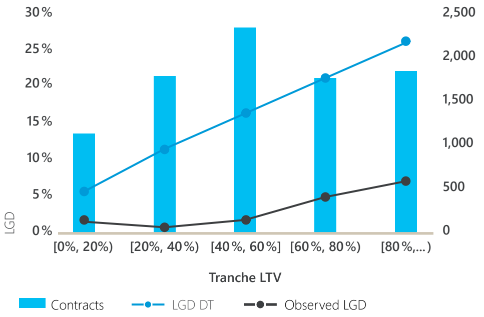
5. Comparison of DT LGD and realised LGD

LGD (loss given default) measures the proportion of EAD that it has not been possible to recover after completing the recovery process. Therefore, as the real loss on a default will only become certain upon conclusion of the recovery process, which can take anywhere from a few days up to several years, realised LGD can only be calculated for completed processes, i.e. completed cycles. This situation requires a longer observation period than for the ODF of exposure to obtain the realised LGD. Moreover, for the same portfolio in default, the average realised LGD can vary from one year to another due to the inclusion of new completed defaults.

To provide an observation period longer than one year, in the following analyses, defaults of performing loans at 31 December 2017 that went into default in 2018 and for which the recovery process was completed by 31 December 2020 were selected.

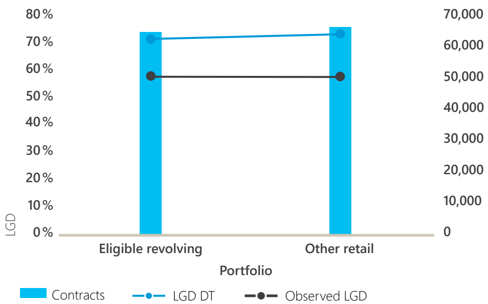
Retail

Graph 14. Mortgage guarantee



Generally speaking, realised LGD for individuals with mortgage collateral (3%) is much lower than estimated DT LGD (17.13%): this is to be expected, since the observation period corresponds to a time of economic recovery (2018 – 2020).

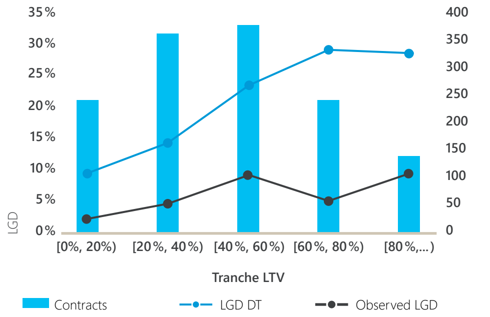
Graph 15. Personal guarantee



In the retail portfolio without guarantees, realised LGD (55.10%) is much lower than estimated LGD (71.29%). CaixaBank's estimate therefore includes a substantial prudential margin.

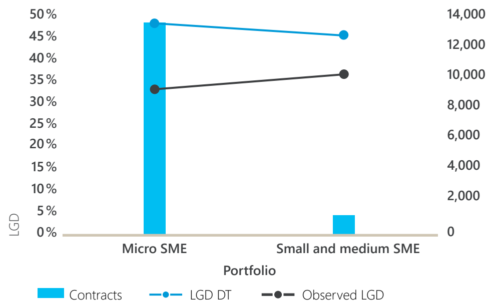
SME

Graph 16. Mortgage guarantee



In the SME portfolio with mortgage guarantee, realised LGD (5.75%) is also below estimated LGD (19.37%).

Graph 17. Personal guarantee



Realised LGD (33.51%) for the SME-without-guarantees portfolio is below estimated LGD (46.88%), indicating that the estimate was based on extremely prudent criteria, and that recovery processes and policies are effective.

6. Comparison between effective loss and regulatory expected loss

The goals for this exercise are:

- Verifying that regulatory expected loss remains stable over the cycle, while realised loss directly depends on the economic situation at any given time.
- Evaluating the extent to which the size of the difference between the two figures is reasonable.

Regarding the first goal, regulatory expected loss is estimated to be the annual average loss for the economic cycle and, therefore, cannot be considered an estimator in line with expected loss in a specific year or period. Consequently, whereas regulatory expected loss should show stable values over time, realised loss will fluctuate in accordance with the phase of the economic cycle and the internal recovery policies.

To compare expected loss and effective loss, performing loans at 31 December of each year measured using an advanced IRB approach were used, with expected loss at that time compared to realised loss observed the following year. In light of existing restrictions, the following assumptions were used to calculate effective loss:

- Effective loss is only calculated for defaulted loan contracts contracts, whereby the exposure value is taken as the realised exposure at the time of default. Therefore, those that have not defaulted during the following year will have an effective loss of EUR 0.
- For contracts in default for which the default cycle has not been completed, and for which there is, therefore, no realised loss, expected loss at 31 December 2020 is used as the best estimate of effective loss. This means that, for the most recent year (2020), where the majority of the uncompleted cycles are concentrated, effective loss for such contracts cannot be estimated with adequate certainty. Previous years are not exempt from this problem, although it affects them to a lesser extent. For this reason, the effective loss for 2020 has been excluded from the comparison.
- Effective loss could vary from one year to another for the same period due to the completion of recovery processes.
- The percentage values of expected loss and effective loss have been calculated using the performing EAD at the end of the previous year.

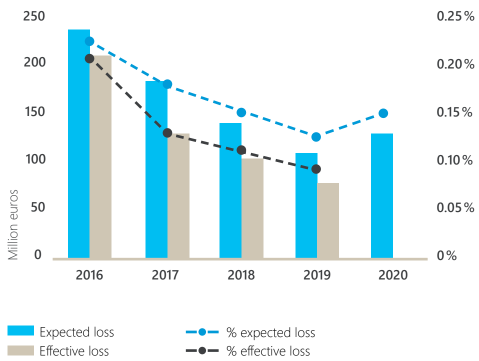
Finally, CaixaBank carries out an adjustment process in which it calibrates the parameters for calculating expected loss through the use of an additional year of internal information on defaults and the associated losses. The adjustment process improves the quality of the estimated parameters in two ways:

- First, having a sample with adjusted data, and a larger volume of data, improves the precision of the estimated parameters.
- Second, through the continuous process of analysing and studying the information contained in the systems, which makes it possible to identify new patterns and explicative variables and/or to renew the existing patterns and variables, thus improving the predictability of expected loss

Changes in expected loss and effective loss in recent years in different advanced IRB portfolios are shown below:

Retail

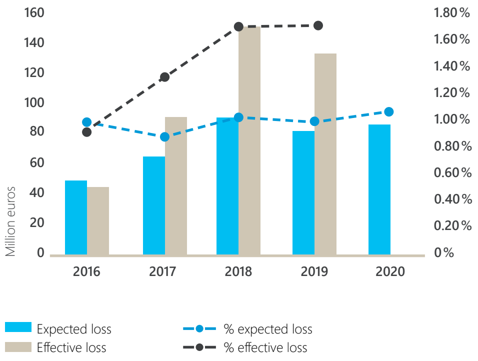
Graph 18. Expected and effective loss in the retail mortgage portfolio



In general, expected loss and effective loss on the retail portfolio with mortgage guarantee behave similarly.

Moreover, the relative indicators show that the reduction in total loss are chiefly due to improved credit quality, despite the fact that there is also a reduction in the portfolio's exposure.

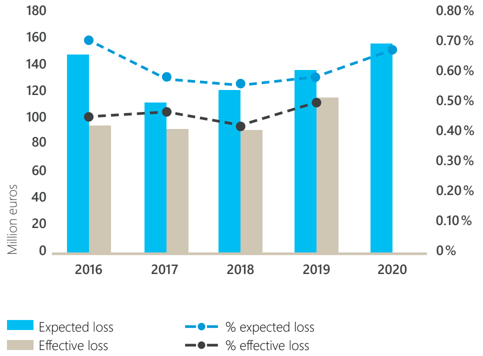
Graph 20. Expected and effective loss in the other retail portfolio



At the start of the historical series, effective losses from consumer transactions stood below the expected loss, after which the trend is reversed. This is due to the efforts made since 2018 to reduce NPLs.

SME

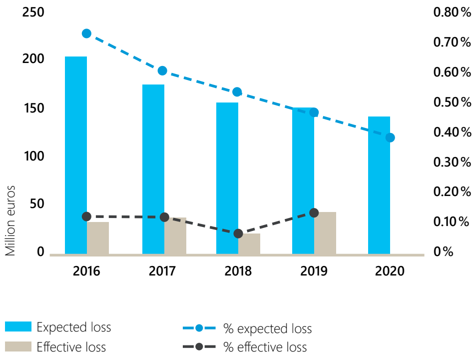
Graph 21. Expected and effective loss in the SME portfolio



The trend of the SME portfolio in recent years is upheld, with the expected loss always above the effective loss.

Corporates

Graph 22. Expected and effective loss in the large corporates portfolio



In the large corporates portfolio, expected loss was higher than effective loss over the period observed. Notably, although expected loss in percentage terms fell in recent years, portfolio exposure increased, indicating that the growth in the portfolio involves higher quality transactions.

Integration of internal risk estimates in management

The use of risk parameters, PD, LGD and EAD, is key to managing CaixaBank's credit risk and goes beyond regulatory use.

The main risk-measurement parameters are taken into account in decision-making, from approval through to the monitoring of exposure, as well as in managing incentives and monitoring the profitability of business segments.

The main tools and policies are listed below:

- **Authority system for expected loss in the company-risk approval**

  Calculating the level of risk for expected loss (PD x EAD x LGD) improves risk control, bringing approval authorisations into line with the measured risk of the customer and, if applicable, that of the customer's economic group.

  The calculation of an application's level of risk combines the expected loss and the maximum loss (exposure x severity) of all of a customer's applications and contracts and those of its business group across the Bank, including new lending and excluding any transactions that are earmarked for cancellation.

  The limit on maximum loss prevents excessively high nominal amounts from being authorised when the customer's PD is extremely low.

  The level of risk approval is determined in accordance with expected loss amounts and maximum cumulative loss amounts for each borrower's transactions and those of its related economic group, as appropriate.

- **System of diagnostics by PD/Master Scale in the authorisation of retail lending**

  Automatic action-recommendation system for the approval of transactions with individuals according to the probability of default (PD).

  Establishing a transaction acceptance/denial boundary point, with a penalisation in the approval authorisations when they involve an especially high-risk level.

- **Risk-Adjusted Return (RAR) system**

  Calculation of the return on capital consumption, after deducting expected loss, operating costs and the cost of the funds:

$$RAR=\frac{\text{Operating Results - Expected Loss - Tax}}{\text{Capital Requirement}}$$

  The minimum return on capital that a transaction should achieve is determined by the cost of capital, which is the minimum return required by shareholders.

  When a transaction yields a positive risk-adjusted return, this means that it shares in the Bank's profit, but it will only create shareholder value when the return exceeds the cost of capital.

  This system allows for greater control over the balance between return and risk relative to the Bank's customer portfolio.

- **Risk approval pricing system**

  Ensures a proper relationship between return and risk, at the application level. It offers an estimate of the price of the transaction as the sum of:

  - The expected loss.
  - The cost of capital.
  - An estimate of internal operating costs.
  - The cost of other funds
  - Other expenditure

- **Calculation of provisions using internal models under IFRS9 or Bank of Spain Circular 4/2017:**

  This Circular establishes that – with the exception of the non-performing portfolio corresponding to assets classified as Single Names – expected loss shall be calculated using internal models sharing a significant basis with IRB models. Such internal models differ from IRB models in the nature of their estimates, which are forward-looking rather than through-the-cycle, since they have to reflect the economic conditions of the present and those expected in the future.

  In addition, internal models are also used in classifying risk in terms of their accounting stage.

5.1. Credit risk

5.1.2 Counterparty risk

RWA for counterparty, *default fund* and CVA risk
€2,761M

EAD for counterparty, *default fund* and CVA risk
€5,732M

EAD for counterparty, *default fund* and CVA risk under internal models
13 %

Counterparty risk, including CVA *(credit valuation adjustment)* risk and *Default Fund* risk, quantifies losses arising from potential default by a counterparty prior to eventual settlement of the cash flows of transactions involving derivative instruments, repo agreements, securities lending and deferred settlement.

CaixaBank Group manages counterparty risk prudently by assigning internal limits and using risk-mitigation policies and techniques in order to reduce exposure to counterparty risk. An integrated system is used which provides real-time data on the available exposure threshold of any counterparty, product and maturity bucket.

Through this counterparty risk management approach, the assumption of this risk is aligned with the Group's business objectives, according to the principles set out in the RAF.

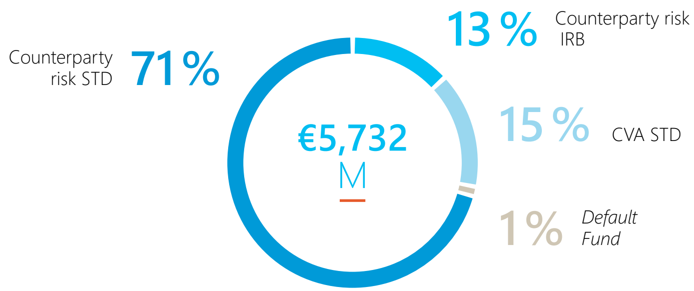
The counterparty, *default fund* and CVA risk represents 2% of RWA of total credit risk. 85% of total counterparty risk is subject to the standardised approach, of which 59% corresponds to institutions, while 35% corresponds to corporates. The rest is assessed using the IRB approach and corresponds mainly to corporates.

Annual evolution

The EAD of counterparty risk was reduced by EUR 104 million compared to the previous year, mainly due to the change in position and the effect of the variation in market prices on exposure. The RWA of counterparty risk remain in line with those of the previous year, increasing by EUR 9 million.

The EAD for CVA risk decreased by EUR 106 million compared to the close of the previous year, and the corresponding RWA were reduced by EUR 114 million.

EAD for counterparty, DF and CVA risk
Breakdown by approach, %



Counterparty risk EAD (standard)
Breakdown by type of exposure, %

5.1.2.1. Counterparty risk management

Description and general policy

As defined in article 272 of the CRR, counterparty risk is “the risk that the counterparty in a transaction could enter into default before the eventual settlement of the cash flows of the transaction”. Counterparty risk arises in transactions involving: derivative instruments, repo agreements, securities lending and deferred settlement.

The Group controls and monitors counterparty risk for two purposes: on the one hand, it does so to ensure that the risk generated by transactions of this nature are correctly treated in the general control and monitoring system for credit risk. On the other hand, it is to control the specific aspects that affect counterparty risk in order to optimise it and elaborate specific monitoring reports, both for management and Governing Bodies and for the supervisor.

The approval of new transactions involving counterparty risk in CaixaBank is subject to an internal framework that has been approved by the Global Risk Committee and that enables rapid decision-making on assuming such risk, for both financial and other counterparties.

In the case of transactions with financial institutions, the Group has a credit approval system that has been approved by the Global Risk Committee and in which the maximum authorised exposure to credit risk with an institution (including counterparty risk) is determined by a calculation, mainly based on the institution’s *ratings* and an analysis of its financial statements. This framework also includes the model for determining limits and calculating risk consumption with central counterparties (CCPs).

In transactions with other counterparties, including retail customers, derivative transactions related to loan applications (loan interest rate risk hedging) are approved jointly. All other transactions are approved depending on whether the assigned risk limit is met, or depending on individual analysis. Approval of transactions corresponds to the risk areas responsible for analysis and approval.

The granting of pre-approved risk limits for counterparties means the amount available for contracting new transactions is always known

The definition of limits for counterparty risk is complemented by internal concentration limits, mainly for country risk and large exposures.

The **granting of pre-approved risk** limits for counterparties means the amount available for contracting new transactions is always known

Structure and organisation of the risk management function

The **areas of CaixaBank with direct responsibilities for the quantification, monitoring and control of counterparty risk are**:

First line of defence

The areas where this risk originates are the Executive Directorate of Corporate and International Banking and the Executive Finance Division. Additionally, there are other departments such as:

- The **Country, Bank and Institutions Risk Department,** part of the *Business Lending Office*, is responsible for risks undertaken by CaixaBank with financial entities, regardless of the type of transaction and the business activity that generates them. Its main counterparty risk functions are:

- Analysis and monitoring of counterparties and risks.
- Controlling the use of limits, and authorising breaches and exceptions to the internal framework

- **Other centres reporting to the Business Lending Office and centres reporting to the Retail Lending Office,** which are responsible for approving risks with non-financial entities (companies and individuals, respectively) on behalf of CaixaBank, irrespective of the type of transaction and the business activity that generates them. This, therefore, also includes transactions that generate counterparty risk.

- The **Operational Treasury Services Department,** which is part of the Banking Services Subdivision and is under the Resources Executive Directorate. This unit is responsible for the day-to-day operational management of bilateral collateral contracts for derivative instruments, repos and securities lending, as well as collateral contracts with central counterparties (for both OTC *(Over the Counter)* and organised market trades). Its main functions include:
  - Generating *margin calls* for counterparties.
  - Reconciling encumbered positions and managing disputes.
  - Monitoring settlements and the accounting entries associated with the management of such contracts.

- The Executive Directorate of **Legal Advice,** which is responsible for drawing up framework contracts between CaixaBank and the counterparties.

Second line of defence

The **Department of Structural and Non-Financial Risks** is part of the Executive Directorate of *Corporate Risk Management Function & Planning* and its main functions, relating to counterparty risk, are:

- Defining and implementing calculation methodologies for estimating the equivalent credit exposure.
- Daily valuation of transactions under OTC derivative collateral agreements, repos and securities lending.
- Calculation of the minimum capital requirements for counterparty risk and completion of recurring reports for the supervisor.
- Preparing regular information on counterparty risk for internal bodies.

Third line of defence

The Internal Audit functions, as the third line of defence, are included in section 3.4.3 Third line of defence.

Measurement and information systems for management of counterparty risk

The counterparty risk relating to derivative transactions is quantitatively associated with the related market risk, since the amount owed by the counterparty must be calculated by reference to the market value of the contracts and their related potential value (possible changes in their future value under extreme market price conditions, based on known historical patterns of market prices).

Similarly, the equivalent credit exposure for derivatives is understood as the maximum potential loss over the life of a transaction that the bank might incur should the counterparty default at any time in the future. This is calculated using Montecarlo simulation with portfolio effect and netting of positions, if applicable, at a 95% confidence interval, based on stochastic models incorporating the volatility of the underlying and all the characteristics of the transactions.

Counterparty risk exposure for repos and securities lending is calculated in CaixaBank as the difference between the market value of the securities/cash granted to the counterparty and the market value of the securities/cash received from the counterparty as collateral, considering the applicable volatility adjustments in each case.

It also considers the mitigating effect of collateral received under Framework Collateral Agreements (see the section "Hedging policies and mitigation techniques for counterparty risk"). In general, the counterparty risk exposure calculation methodology described above is applied both when new transactions are approved and in the recurring calculations on subsequent days.

Counterparty risk in the Group for financial counterparties is controlled through an integrated system that provides real-time data on the available exposure limit for any counterparty, product and maturity. For the remaining counterparties, counterparty risk is controlled through corporate applications, which contain both the limits of the lines of derivatives risk (if any) and credit exposure of derivatives and repos.

Hedging policies and mitigation techniques for counterparty risk

The main counterparty risk mitigation policies and techniques used as part of the daily management of exposures to financial entities involve the use of:

1. **ISDA/CMOF agreements.** Standardised master agreements for global derivative transactions with a counterparty. These explicitly provide for the possibility of offsetting the flows of outstanding collections and payments between the parties for all derivatives trading hedged by the contracts.
2. **CSA agreements / CMOF appendix III.** Agreements whereby each of the parties undertake to provide collateral (usually a cash deposit) as guarantee for the net counterparty risk position arising from the derivatives traded between them, on the basis of a prior close-out netting agreement included in the clauses of the ISDA/CMOF contracts.
3. **GMRA/ CME/ GMSLA agreements (repo agreements and securities lending)**. Agreements whereby the parties undertake to deliver collateral to each other for the net counterparty risk exposure arising from differences between the value of the sum accrued by simultaneous buying and selling of securities and the market value of the securities.
4. **Break-up clauses.**Such clauses provide for early termination of the agreement by one of the parties of its own free will, at a certain point in a contract. This mitigates counterparty risk by reducing the effective duration of the transactions subject to the clause, or reducing the counterparty's counterparty risk exposure.
5. **Delivery against payment in settlement systems.** Systems that eliminate settlement risk with a counterparty, since clearing and settlement occur simultaneously and in an inseparable way. One major system is the CLS system for delivery against payment in the case of simultaneous collection and payment flows in different currencies.
6. **Central Counterparties (CCPs).** The use of CCPs in derivatives and repo transactions can mitigate the associated counterparty risk, as these entities act as intermediaries on their own account between the two parties to the transaction, thus absorbing the counterparty risk. The EMIR regulations set forth an obligation to clear certain OTC derivatives contracts through these Central Counterparties, as well as to give notification of all transactions conducted.

For non-financial counterparties, the mitigation techniques for counterparty risk involve: ISDA/CMOF agreements, CSA agreement/CMOF Appendix III and break-up clauses, pledges of financial guarantees and guarantees issued by counterparties with higher credit quality than the original counterparty in the transaction.

> Counterparty risk in the Group for financial counterparties is controlled through an **integrated system** that provides real-time data on the available exposure limit for any counterparty, product and maturity

Methodology for allocation of capital

The capital allocation process for counterparty risk is done in conjunction with credit risk.

Analysis and policies regarding exposure to wrong-way risk

The approval and monitoring processes for counterparty risk enable the identification of cases in which CaixaBank is exposed to wrong-way risk. This circumstance is contained in the internal counterparty risk framework approved by the Global Risk Committee and is adequately addressed in the counterparty risk approval and monitoring processes. The Group has identified the very specific cases in which it is exposed to this risk. In these cases, it applies sufficiently conservative metrics for estimating credit exposure, both at the time of contracting and throughout the life of the transaction.

Effectiveness of collateral

As mentioned previously, the Group applies collateral agreements, mainly with financial institutions, in order to guarantee transactions that are subject to counterparty risk. Risk is often quantified by marking to market all outstanding transactions (normally on a daily basis). This entails revision and modification, as necessary, of the collateral delivered by the obligator.

Meanwhile, the impact on collateral of a hypothetical downgrade to CaixaBank's rating would not be significant, as most of the collateral agreements do not include surcharges related to its rating. Bearing in mind that most contracts with financial institutions have a zero threshold[10], and that in contracts with a rating-linked clause the value of the portfolio does not usually exceed the threshold amount, in a worst-case scenario a rating downgrade would entail an insignificant outlay of cash. The CSA agreements signed by the subsidiary, BPI, include such surcharges which, in the event of a rating downgrade of two notches, would require an increase in collateral of EUR 5.3 million.

5.1.2.2. Minimum capital requirements for counterparty risk, default fund and CVA

This section provides information on exposures and RWA for counterparty, default fund and CVA risk. This enables the alignment of this information with that disclosed to the EBA in the CRD IV reports (commonly known as COREP statements).

The EAD of counterparty risk was reduced by EUR 103 million compared to the previous year, mainly due to the change in position and the effect of the variation in market prices on exposure. The RWA of counterparty risk remain in line with those of the previous year, increasing by EUR 9 million.

The EAD for CVA risk decreased by EUR 106 million compared to the close of the previous year, and the corresponding RWA were reduced by EUR 114 million.

Table 5.51. RWA for counterparty risk, default fund and CVA

Millions euros

Method	RWA
Standardised Approach	**2,342**
of which Counterparty	1,673
of which Credit Value Adjustment (CVA)	668
of which Default Fund (DF)	0
IRB Approach	**419**
Total	**2,761**

[10] *The amount from which collateral has to be delivered to the counterparty.*

Table 5.52. EU CCR1 - Analysis of CCR exposure by approach

Millions euros

	Notionals	Replacement cost/current market value	Potential future credit exposure	Effective EPE	Multiplier	EAD post CRM	RWA
Mark to market		8,607	2,981			4,120	1,936
Original exposure	-				-	-	-
Standardised approach		-		-	-	-	-
IMM (for derivatives and SFTs)				-	-	-	-
Of which securities financing transactions				-	-	-	-
Of which derivatives and long settlement transactions						-	-
Of which from contractual cross-product netting						-	-
Financial collateral simple method (for SFTs)						-	-
Financial collateral comprehensive method (for SFTs)						727	156
VaR for SFTs							-
Total	**-**	**8,607**	**2,981**	**-**	**-**	**4,847**	**2,092**

CaixaBank Group calculates EAD for counterparty risk using the mark-to-market method, rather than the internal model method. Therefore, table EU CRR7, which relates to counterparty risk internal models, is not shown in the IRP.

5.1.2.3. Quantitative aspects

The following table displays EAD for counterparty risk, under the standardised approach, for different degrees of risk weighting according to the agency rating mapping dictated by the EBA:

Table 5.53. Exposures to counterparty risk and effects of techniques for mitigation

Millions euros

	Original exposure	EAD	RWA	RWA density	Capital (8 %)
Central governments or central banks	41	41	-	0.00 %	-
Regional governments or local authorities	114	114	0	0.03%	0
Public sector entities	80	80	40	49.93%	3
Multilateral development banks	-	-	-	-	-
International organisations	-	-	-	-	-
Institutions	2,428	2,428	504	20.74%	40
Corporates	3,433	1,423	1,114	78.25%	89
Retail	1	1	1	57.79%	0
Secured by mortgages on immovable property	-	-	-	-	-
Exposures in default	15	11	15	136.43%	1
Items associated with particularly high risks	-	-	-	-	-
Covered bonds	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-
Equity exposures	-	-	-	-	-
Other exposures	-	-	-	-	-
Total standardised approach	**6,112**	**4,098**	**1,673**	**40.83 %**	**134**

2019

Millions euros

	Original exposure	EAD	RWA	RWA density	Capital (8 %)
Central governments or central banks	9	9	-	0.00 %	-
Regional governments or local authorities	39	39	0	0.10%	0
Public sector entities	158	158	79	49.94%	6
Multilateral development banks	-	-	-	0.00 %	-
International organisations	-	-	-	0.00 %	-
Institutions	2,167	2,166	457	21.09%	37
Corporates	3,239	2,010	1,209	60.13%	97
Retail	1	1	1	59.94%	0
Secured by mortgages on immovable property	-	-	-	0.00 %	-
Exposures in default	15	11	14	134.37%	1
Items associated with particularly high risks	-	-	-	0.00 %	-
Covered bonds	-	-	-	0.00 %	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	0.00 %	-
Collective investment undertakings	-	-	-	0.00 %	-
Equity exposures	-	-	-	0.00 %	-
Other exposures	-	-	-	0.00 %	-
Total standardised approach	**5,628**	**4,394**	**1,759**	**40.05 %**	**141**

Table 5.54. EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk (EAD)

Millions euros

	EAD												
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which unrated**
Central governments or central banks	41	-	-	-	-	-	-	-	-	-	-	41	41
Regional governments or local authorities	114	-	-	-	0	-	-	-	-	-	-	114	114
Public sector entities	-	-	-	-	0	80	-	-	-	-	-	80	80
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	5	188	-	2,149	39	-	-	47	-	-	2,428	138
Corporates	205	-	-	-	-	-	-	-	1,218	-	-	1,423	1,422
Retail	-	-	-	-	-	-	-	1	-	-	-	1	1
Exposures in default	-	-	-	-	-	-	-	-	3	8	-	11	11
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**360**	**5**	**188**	**-**	**2,149**	**119**	**-**	**1**	**1,268**	**8**	**-**	**4,098**	**1,807**

Only counterparty risk is included. Credit risk, Securitisation and Equity exposures are not included.

Table 5.55. EU CCR3 - Standardised approach - Exposures to Counterpart Risk (RWA)

Millions euros

	RWA												
Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which unrated**
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	-	0	-	-	-	-	-	-	0	0
Public sector entities	-	-	-	-	0	40	-	-	-	-	-	40	40
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	0	8	-	430	20	-	-	47	-	-	504	64
Corporates	-	-	-	-	-	-	-	-	1,114	-	-	1,114	1,113
Retail	-	-	-	-	-	-	-	1	-	-	-	1	1
Exposures in default	-	-	-	-	-	-	-	-	3	12	-	15	15
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**0**	**8**	**-**	**430**	**60**	**-**	**1**	**1,163**	**12**	**-**	**1,673**	**1,233**

Only counterparty risk is included. Credit risk, Securitisation and Equity exposures are not included.

The following tables show detailed information by portfolio on counterparty risk exposures subject to the RWA calculation using the IRB method.

Table 5.56. IRB: counterparty risk exposure by portfolio

2020

Millions euros

	Average PD	Original exposure	EAD	Number of obligors [1]	LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions	Capital (8%)
Corporates	**1.78%**	**713**	**713**	**2**	**34.38%**	**3**	**409**	**57.33%**	**4**	**(0)**	**33**
Corporates	1,70%	559	559	1	34.95%	3	337	60.36%	2	(0)	27
SME	2.03%	154	154	1	32.34%	3	71	46.36%	1	(0)	6
Retail	**2.64%**	**36**	**36**	**2**	**48.98%**	**2**	**10**	**28.79%**	**0**	**(0)**	**1**
Retail - Residential Mortgage	0.00%	-	-	-	0.00%	-	-	0.00%	-	-	-
SME - Mortgage	0.00%	-	-	-	0.00%	-	-	0.00%	-	-	-
Retail - Qualifying Revolving	0.00%	-	-	-	0.00%	-	-	0.00%	-	-	-
Retail - SME	2.67%	35	35	2	48.59%	2	10	28.45%	0	(0)	1
Other Retail	0.43%	1	1	0	76.56%	5	0	52.95%	0	-	0
Total Credit Risk - IRB portfolio	**1.82%**	**749**	**749**	**4**	**35.08%**	**3**	**419**	**55.97%**	**4**	**(0)**	**34**

[1] Number of obligors in thousands
Only counterparty risk is included. Credit risk, Securitisation and Equity exposures are not included.

2019

Millions euros

	Average PD	Original exposure	EAD	Number of obligors [1]	LGD	Average maturity (years)	RWA	RWA density	EL	Value adjustments and provisions	Capital (8%)
Companies	**1.95%**	**536**	**536**	**2**	**34.26%**	**4**	**317**	**59.11%**	**2**	**(0)**	**25**
Corporates	1.81%	460	460	1	34.72%	3	268	58.32%	2	(0)	21
SME	2.81%	76	76	1	31.47%	4	48	63.89%	1	(0)	4
Retail	**3.97%**	**21**	**21**	**2**	**48.07%**	**3**	**7**	**32.82%**	**0**	**(0)**	**1**
Retail - Residential Mortgage	0.00%	-	-	-	0.00%	-	-	0.00%	-	-	-
SME - Mortgage	0.00%	-	-	-	0.00%	-	-	0.00%	-	-	-
Retail - Qualifying Revolving	0.00%	-	-	-	0.00%	-	-	0.00%	-	-	-
Retail - SME	4.06%	20	20	2	47.44%	3	7	33.17%	0	(0)	1
Other Retail	0.08%	0	0	0	75.65%	5	0	17.43%	-	-	0
Total Credit Risk - IRB portfolio	**2.02%**	**557**	**557**	**4**	**34.87%**	**4**	**324**	**58.13%**	**3**	**(0)**	**26**

[1] Number of obligors in thousands
Only counterparty risk is included. Credit risk, Securitisation and Equity exposures are not included.

Table 5.57. EU CCR4 - IRB approach - CCR exposures by portfolio and PD scale

Millions euros

	PD scale	EAD	Average PD	Number of obligors [1]	LGD	Average maturity	RWA	RWA density
Corporates								
	0.00 to <0.15	132	0.13%	0	26.23%	3.1	33	24.77%
	0.15 to <0.25	99	0.18%	0	44.88%	3.0	51	51.11%
	0.25 to <0.50	100	0.28%	0	35.28%	3.1	51	50.56%
	0.50 to <0.75	91	0.59%	0	33.75%	3.2	59	64.55%
	0.75 to <2.50	103	1.62%	0	33.65%	2.8	90	87.57%
	2.50 to <10.00	28	5.80%	0	52.33%	2.6	52	185.13%
	10.00 to <100.00	1	18.67%	0	37.17%	3.9	2	194.15%
	Default	5	100.00%	0	10.95%	2.6	1	12.64%
	Subtotal	**559**	**1.70%**	**1**	**34.95%**	**3.0**	**337**	**60.36%**
SME								
	0.00 to <0.15	25	0.14%	0	34.42%	2.5	6	22.56%
	0.15 to <0.25	9	0.15%	0	32.60%	1.8	2	18.34%
	0.25 to <0.50	38	0.29%	0	32.41%	2.4	13	33.36%
	0.50 to <0.75	37	0.60%	0	32.16%	2.2	18	48.77%
	0.75 to <2.50	35	1.50%	0	30.28%	3.5	23	65.67%
	2.50 to <10.00	5	4.78%	0	31.80%	4.4	5	97.10%
	10.00 to <100.00	3	17.61%	0	34.26%	4.3	5	153.19%
	Default	1	100.00%	0	46.35%	4.1	0	16.39%
	Subtotal	**154**	**2.03%**	**1**	**32.34%**	**2.7**	**71**	**46.36%**

[1] Number of obligors in thousands

Only counterparty risk is included. Credit risk, Securisitation and Equity exposures are not included.

PD scale	EAD	Average PD	Number of obligors*	LGD	Average maturity	RWA	RWA density
Retail - Residential Mortgage							
0.00 to <0.15	0	0.00%	0	0.00%	0.0	0	0.00%
0.15 to <0.25	0	0.00%	0	0.00%	0.0	0	0.00%
0.25 to <0.50	0	0.00%	0	0.00%	0.0	0	0.00%
0.50 to <0.75	0	0.00%	0	0.00%	0.0	0	0.00%
0.75 to <2.50	0	0.00%	0	0.00%	0.0	0	0.00%
2.50 to <10.00	0	0.00%	0	0.00%	0.0	0	0.00%
10.00 to <100.00	0	0.00%	0	0.00%	0.0	0	0.00%
Default	0	0.00%	0	0.00%	0.0	0	0.00%
Subtotal	**0**	**0.00%**	**0**	**0.00%**	**0.0**	**0**	**00.00%**
SME - Mortgage							
0.00 to <0.15	0	0.00%	0	0.00%	0.0	0	0.00%
0.15 to <0.25	0	0.00%	0	0.00%	0.0	0	0.00%
0.25 to <0.50	0	0.00%	0	0.00%	0.0	0	0.00%
0.50 to <0.75	0	0.00%	0	0.00%	0.0	0	0.00%
0.75 to <2.50	0	0.00%	0	0.00%	0.0	0	0.00%
2.50 to <10.00	0	0.00%	0	0.00%	0.0	0	0.00%
10.00 to <100.00	0	0.00%	0	0.00%	0.0	0	0.00%
Default	0	0.00%	0	0.00%	0.0	0	0.00%
Subtotal	**0**	**0.00%**	**0**	**32.34%**	**0.0**	**0**	**0.0%**

** Number of obligors in thousands*

Only counterparty risk is included. Credit risk, Securisitation and Equity exposures are not included.

	PD scale	EAD	Average PD	Number of obligors*	LGD	Average maturity	RWA	RWA density
Retail - Qualifying Revolving								
	0.00 to <0.15	0	0.00%	0	0.00%	0.0	0	0.00%
	0.15 to <0.25	0	0.00%	0	0.00%	0.0	0	0.00%
	0.25 to <0.50	0	0.00%	0	0.00%	0.0	0	0.00%
	0.50 to <0.75	0	0.00%	0	0.00%	0.0	0	0.00%
	0.75 to <2.50	0	0.00%	0	0.00%	0.0	0	0.00%
	2.50 to <10.00	0	0.00%	0	0.00%	0.0	0	0.00%
	10.00 to <100.00	0	0.00%	0	0.00%	0.0	0	0.00%
	Default	0	0.00%	0	0.00%	0.0	0	0.00%
	Subtotal	**0**	**0.00%**	**0**	**0.00%**	**0.0**	**0**	**00.00%**
Retail - SME								
	0.00 to <0.15	8	0.11%	0	48.34%	1.5	1	11.82%
	0.15 to <0.25	5	0.15%	0	49.42%	1.6	1	14.36%
	0.25 to <0.50	8	0.31%	0	49.68%	1.6	2	24.19%
	0.50 to <0.75	4	0.60%	0	50.05%	1.6	1	36.30%
	0.75 to <2.50	9	1.39%	1	46.86%	2.6	4	47.76%
	2.50 to <10.00	1	5.06%	0	50.20%	2.9	1	67.09%
	10.00 to <100.00	0	31.78%	0	53.85%	2.6	0	123.68%
	Default	1	100.00%	0	44.62%	4.7	0	11.34%
	Subtotal	**35**	**2.67%**	**2**	**48.59%**	**1.9**	**10**	**28.45%**

** Number of obligors in thousands*

Only counterparty risk is included. Credit risk, Securisitation and Equity exposures are not included.

	PD scale	EAD	Average PD	Number of obligors*	LGD	Average maturity	RWA	RWA density
Other Retail								
	0.00 to <0.15	0	0.05%	0	58.23%	1.5	0	8.71%
	0.15 to <0.25	0	0.18%	0	77.18%	1.5	0	23.83%
	0.25 to <0.50	0	0.44%	0	77.18%	5.0	0	54.60%
	0.50 to <0.75	0	0.67%	0	76.99%	1.0	0	52.52%
	0.75 to <2.50	0	0.00%	0	0.00%	0.0	0	0.00%
	2.50 to <10.00	0	0.00%	0	0.00%	0.0	0	0.00%
	10.00 to <100.00	0	0.00%	0	0.00%	0.0	0	0.00%
	Default	0	0.00%	0	0.00%	0.0	0	0.00%
	Subtotal	**1**	**0.43%**	**0**	**76.56%**	**4.9**	**0**	**52.95%**
TOTAL		749	**1.82%**	**4**	**35.08%**	**2.9**	**419**	**55.97%**

** Number of obligors in thousands*
Only counterparty risk is included. Credit risk, Securisitation and Equity exposures are not included.

CaixaBank

The following table shows the effect of netting agreements and guarantees on counterparty risk exposure in derivative contracts at 31 December 2020.

Table 5.58. EU CCR5-A- Impact of netting and collateral held on exposure values

Millions euros

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	20,254	11,647	8,607	6,644	1,963
SFTs	7,831	7,104	727	-	727
Cross-product netting	-	-	-	-	-
Total	**28,086**	**18,751**	**9,334**	**6,644**	**2,691**

The following table provides details of all collateral provided or received in relation to transactions with derivatives and securities financing transactions (SFTs). It also includes transactions cleared through a central counterparty. In the case of SFTs, both parts of each trade are considered collateral (i.e. the cash and securities received and delivered).

Table 5.59. EU CCR5-B- Composition of collateral for exposures to CCR

Millions euros

	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash - domestic currency	-	1,491	-	5,272	-	2,765	-	693
Cash - other currencies	-	0	-	472	-	-	-	327
Domestic sovereign debt	-	4,923	229	75	3,084	1,834	42	5,601
Other sovereign debt	-	1,770	384	-	28	505	105	40
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	1,281	-	1,181
Securitisations	-	-	-	-	-	1,006	3,361	-
Equity securities	-	59	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-
Total	**-**	**8,243**	**613**	**5,819**	**3,112**	**7,392**	**3,508**	**7,841**

The following table shows CaixaBank Group's exposure with Central Counterparties (CCPs), detailing the types of exposure and the corresponding minimum capital requirements.

Table 5.60. EU CCR8 - Exposures to CCPs

Millions euros

Method	EAD post CRM	RWA
Exposures to qualifying CCPs (total)	**945**	**150**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	902	149
(i) OTC derivatives	817	133
(ii) Exchange-traded derivatives	81	16
(iii) SFTs	5	0
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	3	1
Prefunded default fund contributions	40	0
Alternative calculation of own funds requirements for exposures	-	-
Exposures to non-QCCPs (total)	**-**	**-**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Prefunded default fund contributions	-	-
Unfunded default fund contributions	-	-

The regulatory EAD of exposure to Central Counterparties (CCPs) is calculated in accordance with section 9 (Own funds requirements for exposure to Central Counterparties) of chapter 6 (Counterparty Credit Risk) of part 3 of the CRR.

Pursuant to article 306 "Own funds requirements for trade exposures" of the CRR, assets furnished as guarantees to a CCP, and that are immune to bankruptcy in the event that the CCP is declared insolvent, represent zero EAD. Therefore, EAD on the segregated initial margin category is zero.

Due to the health crisis caused by COVID-19, the entry into force of the initial margin exchange obligation between financial counterparties, initially established for 1 September 2020, as per EU Regulation 2016/2251, has been postponed until 1 September 2021, as per EU Regulation 2021/236.

The following table details the value of RWA for credit valuation adjustment (CVA) risk. CaixaBank calculates this amount for all OTC derivatives subject to this requirement under the standardised approach.

Table 5.61. EU CCR2- CVA capital charge

Millions euros

		Exposure value	RWA
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) SVaR component (including the 3× multiplier)		-
4	All portfolios subject to the standardised method	845	668
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**845**	**668**

The following table shows the outstanding exposure to credit derivatives at year-end 2020, all of which are in the held-for-trading portfolio.

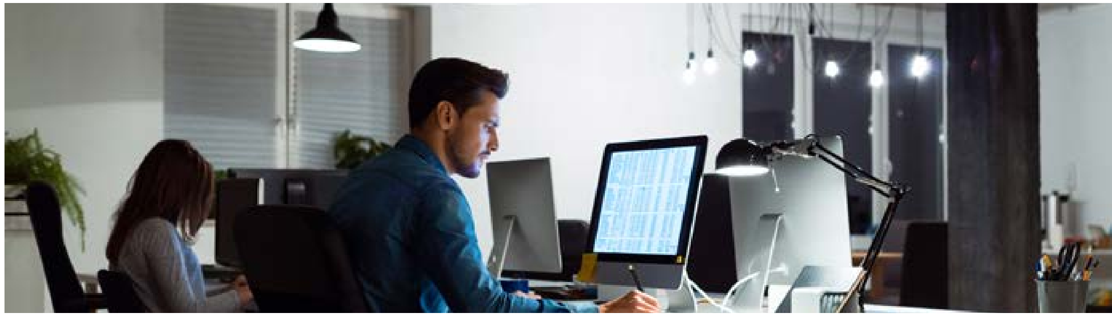


Table 5.62. EU CCR6 - Credit derivatives exposures

Millions euros	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps (CDS)	-	-	-
Index credit default swaps	583	10	-
Total return swaps	-	-	-
Credit options	-	-	-
Other credit derivatives	-	-	-
Total notionals	**583**	**10**	**-**
Fair values			
Positive fair value (asset)	-	-	-
Negative fair value (liability)	(47)	(0)	-

Exposure to credit derivatives includes the hedging derivatives bought in 2020 to hedge credit risk for CVA.

As of 31 December 2020, CaixaBank Group had not contracted any internal hedging for credit risk in the banking book through the purchase of protection involving credit derivatives, and it was also not involved in any intermediation activity for credit derivatives.

5.1. Credit risk

5.1.3 Securitisations

Credit risk in securitisations quantifies the losses of principal and interest of issuances, derived from the potential breach of financial obligations by the borrowers of securitised assets.

The CaixaBank Group is not an active investor in the securitisation market, and intervenes in securitisation transactions mainly as an originator and with the aim of acquiring liquidity. Investments in third-party securitisations represent a residual risk. Securitisation risk represents 0.5% of total credit risk RWA.

CaixaBank transforms pools of homogeneous loans and credits from its portfolio into fixed-income securities through the transfer of such assets to various traditional securitisation funds, generally retaining all of these securities.

In addition, in relation to capital management, the CaixaBank Group has three synthetic securitisations of its own with a significant transfer of risk, with a total outstanding securitised balance of EUR 2,774 million.

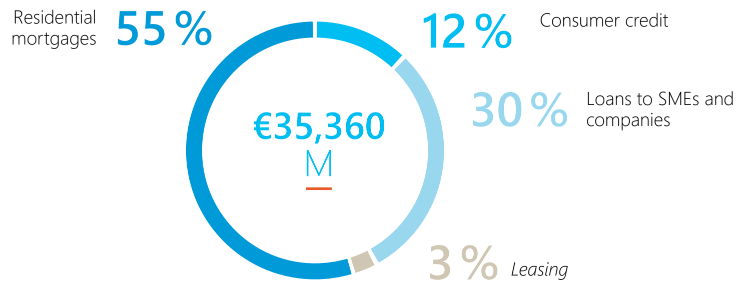
Securitisation risk APR	EAD of securitisation risk (before deductions)	EAD under internal models	Total current amount of securitised exposures*
€700 M	€2,700 M	95.6 %	€35,360 M

Annual evolution

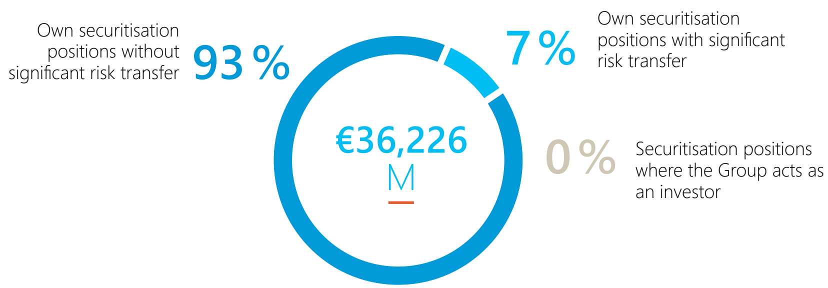
During 2020, the CaixaBank Group originated two traditional securitisations, for a total initial securitised balance of €6,100 million.

EAD subject to RWA after deductions, corresponding to positions held in own securitisations with a significant transfer of risk and to positions in third-party securitisations, decreased by EUR 842 million. This reduction is primarily due to the clean-up call of the Gaudí I synthetic securitisation, as well as the end of the replenishment period and the start of the amortisation period of the Gaudí II synthetic securitisation. RWA from credit risk in securitisations remained in line with those of the previous year, increased by EUR 13 million. The increase in RWA due to the full entry into force of Regulation (EU) 2017/240 was mainly offset by the implementation of the WAM (Weighted Average Maturity) in synthetic securitisations, and the reduction in the EAD subject to RWA in synthetic securitisations during the year.

Securitised loan portfolio
Distribution by exposure type, %



Securitisation exposure
Breakdown by recognition of significant risk transfer and origin of risk, %



** Current amount of securitised exposures: Consistent with the data reported in COREP c14.00, it is the drawn securitised amount at the reporting date.*

5.1.3.1. Qualitative aspects

Description and general policy

The CaixaBank Group treats securitisation transactions as set forth in Regulation (EU) 2017/2401 and Regulation (EU) 2017/2402.

Regulation (EU) 2017/2401 of the European Parliament and of the Council, of 12 December 2017, amending Regulation (EU) 575/2013, on prudential requirements for credit institutions and investment firms, entered into force fully on 31 December 2019, after being a transitional provision since 1 January 2019.

Regulation (EU) 2017/2402 of the European Parliament and of the Council, of 12 December 2017. establishing a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU, and Regulations (EC) 1060/2009 and (EU) 648/2012 (OJ L 347, 28.12.2017, p. 35)) sets out the substantive elements of a comprehensive securitisation framework, with criteria for identifying simple, transparent and standardised securitisations ('STS'), and a supervisory system to monitor the correct application of these criteria by originators, sponsors, issuers and institutional investors. It also establishes a set of common risk retention, due diligence and reporting requirements applicable to all financial services sectors.

According to both Regulations, the following definitions are established:

1. **Securitisation:** a transaction or scheme through which the credit risk associated with an exposure or pool of exposures is split into different tranches. It features the following two characteristics:
    - Payments are dependent upon the performance of the exposure or pool of exposures.
    - The subordination of tranches determines the distribution of losses during the ongoing life.
2. **Securitisation position:** an exposure to a securitisation.
3. **Tranche:** a contractually established segment of the credit risk associated with an exposure or a number of exposures. A position in the segment entails a risk of credit loss either greater or less than a position of the same amount in each other such segment, without taking account of credit risk protection provided by third parties directly to the holders of positions in the segment or in other segments.
4. **First loss or equity tranche:** the most subordinated tranche in a securitisation. It is the first to bear losses incurred on the securitised exposures. It therefore provides protection to the second loss tranche and, where applicable, higher ranking tranches.
5. **Intermediate risk or mezzanine tranche:** a tranche that is subordinate to the senior tranche and has a higher seniority than the first loss tranche. It is subject to a risk weight of less than 1,250% and more than 25%, based on the risk weight obtained by one of the securitisation RWA calculation methods established in Regulation (EU) 2017/2401.
6. **Senior tranche:** a position backed or secured by a first-priority claim on the underlying exposures as a whole, excluding amounts due under derivative interest-rate or currency contracts, fees or other similar payments, and any maturity mismatch with respect to one or more senior tranches to which such a position bears loss allocation on a pro rata basis.
7. **Traditional securitisation:** a securitisation involving the economic transfer of the exposures being securitised. This is accomplished through the transfer of ownership of the securitised exposures from the originator institution to an SSPE (securitisation special purpose entity) or through sub-participation by an SSPE. The securities issued do not represent payment obligations of the originator institution.
8. **Synthetic securitisation:** a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator institution.
9. **Re-securitisation:** a securitisation in which at least one of the underlying exposures is a securitisation position.
10. **Originator**, an institution that:
    a. Itself or through related entities, directly or indirectly, was involved in the original agreement which created the current or potential obligations of the current or potential obligator, giving rise to the exposure being securitised.
    b. Purchases a third party's exposures itself and then securitises them.
11. **Sponsor:** an institution other than the originating entity, which:

a. Establishes and manages an asset-backed commercial paper programme or other securitisation scheme whereby exposures to third-party entities are acquired; or

b. Establishes an asset-backed commercial paper or other securitisation programme that acquires exposures from third-party entities and delegates the day-to-day management of the active portfolio associated with that securitisation to an entity authorised to carry out such an activity in accordance with Directive 2009/65/EC, Directive 2011/61/EU or Directive 2014/65/EU.

The objectives of securitisation

Asset securitisation facilitates effective balance sheet management, as it fosters:

- **Acquisition of liquidity:** securitisation makes it possible to mobilise the balance sheet, transforming non-liquid assets into liquid ones and to attracting funding in wholesale markets by selling them or using them as collateral. In addition, retained securitisation positions can be used as collateral to be discounted by the ECB.

- **Diversification of funding sources:** another objective related to obtaining liquidity is to diversity the Group's sources of finance, in terms of both maturities and product types.

- **Credit risk management and diversification:** selling securitised bonds to the market can reduce exposure to the credit risk that arises in the normal course of business activity.

- **Optimisation of capital structure:** securitisation transactions that transfer a significant portion of their risk also allow for the management of capital structure to be optimised.

The nature of the risks inherent to the securitisation business

Securitisations offer a number of advantages for liquidity and risk management. However, securitisations also entail risks, which are basically assumed by the originator entity and/or the investor entities.

- **Credit risk:** the risk that the borrower will fail to meet their contractual obligations in due time or form, resulting in impairment to the asset underlying the securitisation positions established. This is the main risk transferred to investors through the instruments issued in the securitisation.

- **Pre-payment risk:** the risk of early redemption, in part or in full, of the underlying assets for the securitisation, meaning that the actual maturity of the securitisation positions will be shorter than the contractual maturity of the underlying assets.

- **Basis risk:** this occurs when the interest rates (or maturities) of securitised assets do not match those of the securitisation positions. This risk is usually hedged through interest rate swaps.

- **Liquidity risk:** this risk can be understood in several ways.

  From the originator's perspective: this is reduced by the securitisation process, which transforms assets (that are intrinsically non-liquid) into debt securities that can be traded in organised financial markets.

  From the investor's perspective: there is no guarantee that there will be sufficient trading volumes or frequency for the bonds in the market to enable it to unwind its position at a particular time.

Risk in the ranking of securitisation positions

In relation to the seniority risk of underlying securitisation positions, securitised bonds are issued according to a certain order of seniority of payments. The structure of the funds in which the CaixaBank Group participates usually contains a certain number of tranches, each with its own credit rating.

The first set of tranches is described as preferred or 'senior'. This comprises the bonds of the highest credit quality and, therefore, with the highest credit rating. These are followed by intermediate or 'mezzanine' tranches, which are subordinate to the senior tranches. At the base of the structure we find the tranches of the lowest credit quality, which are known as 'first loss' or equity tranches: in some cases, these are subordinated loans that the CaixaBank Group has granted to the fund, whilst in others they are a series of bonds. The first loss tranches meet the first percentage of losses on the securitised portfolio.

Functions performed by the CaixaBank Group in the securitisation process

The main functions performed by the Group in the securitisation processes carried out are as follows:

- **Originator:** the CaixaBank Group participates in various securitisation funds to which, either individually or, occasionally, jointly with other institutions, it assigns some of its residential mortgage loans, loans to small and medium-sized enterprises (SMEs), credit rights under financial leasing agreements and consumer finance contracts to individuals.

- **Administrator of securitised portfolios:** the CaixaBank Group acts as the administrator of the securitised assets, managing collections of repayments and interest, carrying out monitoring and undertaking recovery actions for impaired assets.

- **Funding provider:** CaixaBank also acts as the supplier of finance for securitisation funds in relation to subordinated loans for the purposes of establishing reserve funds, as well as supplying loans to finance the initial costs these vehicles incur.

- **Provider of treasury account:** CaixaBank operates the treasury account for some securitisation funds.

- **Payment agent:** CaixaBank acts as the payment agent for some securitisation funds, while in the majority of the BPI securitisation funds the payment agent is a third party.

- **Underwriter for bond issues:** the CaixaBank Group acts as the underwriter for some securitisation funds. The underwriter role is usually undertaken in transactions originated to create collateral that is retained. To a lesser extent, this role is also undertaken in transactions placed in the market, in which case the CaixaBank Group has sometimes underwritten the lowest-ranking tranches of the fund.

- **Counterparty in swaps:** the CaixaBank Group acts as a counterparty in swaps set up in securitisation funds to reduce the interest rate risk in such structures.

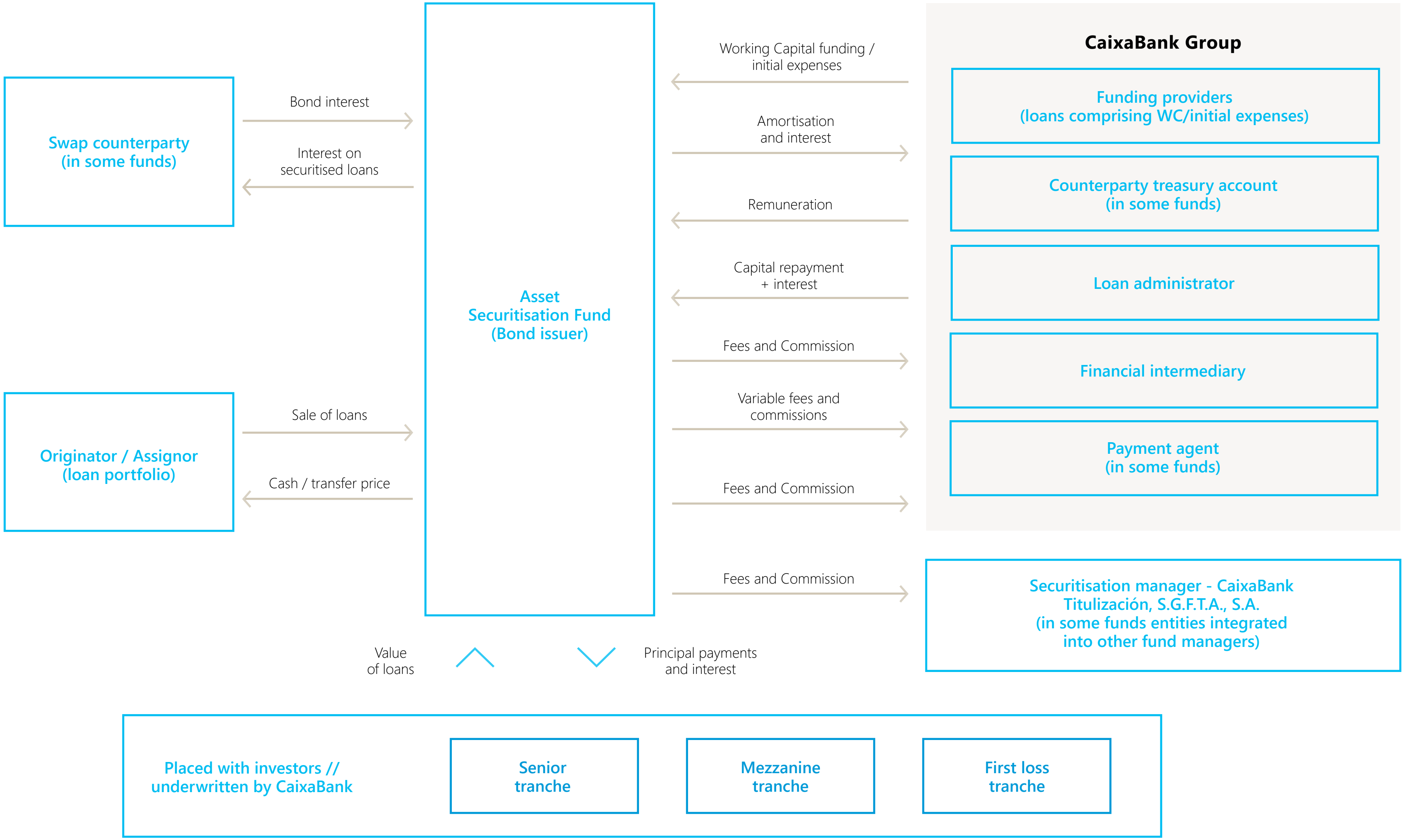
- **Securitisation fund manager:** CaixaBank Titulización S.G.F.T., S.A.U., a CaixaBank Group company, acts as CaixaBank's securitisation fund manager. For securitisations where BPI is the originator, and which are outstanding at the close of 2020, the manager is '*GTI Asset Management*'.

It also acts as an investor of securitisation transactions that have been originated by other institutions.

There are various departments involved in the securitisation process, notably the Executive Directorate of Finance, the Executive Directorate of Intervention, Control, Management and Capital and the Executive Directorate of Corporate Risk Management, Function and Planning. The structure of lines of defence established for each risk managed throughout the securitisation has been maintained.

The following chart summarises the functions performed in the securitisation process and the degree of involvement of the CaixaBank Group:

Functions in the securitisation process and degree of involvement of the Group



For the purpose of quantifying its degree of involvement in these tasks, the following table shows the securitisation exposures in which the Group acts as originator, sponsor or investor.

Table 5.63. Securitisation exposure by type of Group activity

Millions euros

Type of exposure	2020	2019
Securitisation positions where the Group acts as originator	36,122	36,388
Securitisation positions where the Group acts as investor	104	134

Functions performed by CaixaBank in synthetic securitisations

The main differential functions performed in the field of synthetic securitisation have been as follows:

- **Protection purchaser:** the CaixaBank Group acts as a purchaser of protection against the credit risk passed on to investors.
- **Monitoring agent and credit event controller:** the CaixaBank Group acts as the holder of the securitised assets, managing collections of repayments and interest, and monitoring and undertaking recovery actions for assets in a credit event.
- **Calculation agent:** the company CaixaBank Titulización S.G.F.T., S.A.U., which forms part of the CaixaBank Group, acts as the calculation agent.

Other considerations

As already mentioned, the CaixaBank Group's main activity with regard to securitisations is as an originator/assignor. This involves transforming homogenous parts of its loan and credit portfolio into fixed-income securities by transferring assets to traditional securitisation funds. It generally retains all such instruments. CaixaBank also retains residual positions in traditional securitisations, in which CaixaBank Group was not the originator (third-party securitisations). While the positions remain in the portfolio, they are marked-to-market daily and creditworthiness is reviewed regularly.

In terms of processes for monitoring variations in credit risk on securitisation exposure (in securitisations where there is no transfer of risk, which represent most of CaixaBank's exposure to securitisations), changes in the credit risk of the securitisation exposure mirror those of the underlying assets (depending on the proportion retained). In securitisations where a significant part of the risk is transferred, changes in the credit risk of the securitisation exposure are measured and reviewed regularly, through the relevant external credit rating. For synthetic securitisations, the securitised assets are subject to specific monitoring on a monthly basis, together with monitoring of changes in risk weightings for calculating RWA for these securitisations.

All of CaixaBank's securitisation positions belong to the held-to-maturity portfolio, and there are no securitisation positions in the held-for-trading portfolio. Therefore, all securitisation positions are excluded from the capital requirements for market risk.

At CaixaBank, the governance of future issuances with risk transfer (both synthetic and traditional) is set out in the Internal Framework for Significant Risk Transfer, approved by the Global Risk Committee.

The CaixaBank Group does not act as the sponsor in any securitisation schemes or as the originator in any re-securitisations.

The CaixaBank Group does not use personal guarantees or specific hedging to offset the risks of exposure to retained securitisations.

The CaixaBank Group does not provide implicit support in synthetic securitisations that involve a significant transfer of risk at a regulatory level.

Traditional securitisation funds that are originated use the following external ratings agencies, irrespective of the underlying assets securitised: Standard & Poor's, DBRS, Moody's, Fitch and SCOPE. In the case of synthetic securitisations issued to date, no external rating has been requested.

CaixaBank Group had no assets pending securitisation at 31 December 2020.

Securitisation activity in 2020

CaixaBank originated two traditional securitisation funds in 2020. These are managed by CaixaBank Titulización S.G.F.T., S.A.U., and all of the securities issued have been retained. They are broken down as follows:

- **CAIXABANK *CONSUMO 5,* F.T. (June 2020):** Traditional securitisation of consumer credit contracts with an initial securitised balance of EUR 3,550 million.
- **CAIXABANK PYMES 12, F.T. (November 2020):** A traditional securitisation of SME loans, with an initial securitised value of EUR 2,550 million.

Risk management. Accounting policies

Criteria for derecognising or retaining securitised assets on the balance sheet

All or part of a financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the entity transfers the asset to a third party outside the entity.

The accounting treatment applied to transfers of assets depends on the extent to which the risks and rewards associated with ownership of the transferred assets are transferred to third parties:

- If, substantially, all the risks and rewards of ownership of the transferred asset are transferred (such as in the case of, among others, unconditional sales, a sale with an option to repurchase the financial asset at its fair value at the time of repurchase, a sale of a financial asset together with a put or call option that is deep out of the money, or asset securitisations in which the transferor does not retain any subordinated loans and does not provide any type of credit enhancement to the new owners), it is derecognised, and any rights or obligations retained or arising as a result of the transfer are simultaneously recognised.
- If the risks and rewards of ownership of the transferred financial asset are substantially retained (such as in the case of, among others, sale and repurchase transactions where the repurchase price is a fixed price or the sale price plus a lender's return, a securities lending agreement under which the borrower has the obligation to return the securities or similar), it is not derecognised and continues to be measured by the same criteria used before the transfer, and the following are recognised:
  1. A financial liability equal to the consideration received, which is subsequently measured at amortised cost, unless it meets the requirements to be classified under other liabilities at fair value through profit or loss.
  2. The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offset.
- If, substantially, all the risks and rewards of ownership of the transferred financial asset are neither transferred nor retained (such as, among others, in the case of a sale of a financial asset together with a put or call option that is neither deep in the money nor deep out of the money, securitisations in which the transferor assumes a subordinated loan or some other type of credit enhancement for part of the transferred asset), the following distinction is made:
  1. If the transferor does not retain control over the financial asset transferred, then it is derecognised and any right or obligation retained or arising from the transfer is recognised.
  2. If the transferor retains control over the financial asset transferred, then it continues to recognise the asset for an amount equal to its exposure to changes in the asset's value, recognising a liability associated with the financial asset transferred.

The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or at fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

According to the terms of the transfer agreements in place, practically the entire portfolio of loans and receivables securitised by the Group does not need to be written off the balance sheet.

To determine whether there is control over a structured entity, and therefore whether it should be consolidated, the Group analyses the contractual rights other than voting rights. To do this, it considers the purpose and design of each entity and, inter alia, evidence of the ability to direct the relevant activities, potential indications of special relationships or the ability to influence the amount of the returns to which it is exposed. With regard to securitisation funds, the Group is highly exposed to variable returns and has decision-making power over the entity, either directly or through an agent, so they are consolidated.

Criteria for the recognition of gains or losses in cases where assets are derecognised from the balance sheet

In order for the Group to recognise the gain or loss generated in a sale of financial instruments, it must derecognise them from its accounts. To do this, the requirements regarding substantial transfer of risks and rewards described in the previous point must be met.

The gain or loss should be recognised in the income statement and will be calculated as the difference between the net book value and the total consideration received, including any new asset obtained less any liabilities that are assumed.

When the amount of the financial asset being transferred matches the total amount of the original financial asset, any new financial assets, financial liabilities and liabilities from the provision of services that arise as a result of the transfer will be recognised at fair value.

In the case of the issuances of securitisations that the CaixaBank Group carries out, it retains the underlying assets on its balance sheet. Therefore, at present, when a securitisation is generated in the CaixaBank Group, no gain or loss is produced in the accounting records.

Assumptions for assessing the retention of risks and rewards on securitised assets

The Group considers that the risks and rewards of securitisations are substantially retained when the subordinated bonds of issuances are kept or subordinated loans are granted to the securitisation funds in question, which involve substantially retaining the expected credit losses of the loans that are transferred.

Synthetic securitisations

With regard to synthetic securitisations, the transfer of credit risk takes the form of a financial guarantee and it is not considered a substantial transfer of risks and rewards. Therefore, the underlying exposure is retained on the balance sheet.

5.1.3.2. Minimum equity requirements for securitisation risk

As previously stated, on 31 December 2019, Regulation (EU) 2017/2401 fully came into force, amending Regulation (EU) 575/2013, on prudential requirements for credit institutions and investment firms, with respect to securitisations. Thus, in 2020, the CaixaBank Group's minimum capital requirements for securitisation risk were calculated in accordance with Regulation 2017/2401 for all securitisations, thus ending the transitional phase that was maintained throughout 2019 under Regulation (EU) 2017/2401 and Regulation (EU) 575/2019.

This Regulation establishes that, for securitisation funds that do not meet the requirements for there to be considered a significant risk transfer (Articles 244 and 245 of Regulation 2017/2401), the method used to calculate the capital requirements for securitisation transactions will be the same as the method used for the underlying assets if the underlying assets have not been securitised. For funds that do meet these requirements, they shall be calculated using a securitisation method (SEC IRBA, SEC SA, SEC ERBA or 1,250%).

The entry into force of these new securitisation methods results in a differentiated treatment for STS securitisations, greater risk sensitivity in determining risk weights, more conservative calibration and a reduced reliance on external ratings.

It should be noted that in the SEC ERBA approach, external credit ratings are required for the calculation of securitisation capital requirements. For this purpose, the CaixaBank Group uses the ratings published by the four external rating agencies considered eligible by the regulator (Moody's, S&P, Fitch and DBRS) for any type of securitisation exposure.

Exposures in which the CaixaBank Group acts as originator

The following table displays the exposure of securitisations in which the transfer of a significant portion of the risk is recognised, and shows investor tranches of multi-seller securitisations where the CaixaBank Group acts as the originator, and for which the calculation of capital requirements is independent of whether or not the risk on the originator tranches has been transferred.

At year-end 2020, the CaixaBank Group chiefly applied the SEC-IRBA (Internal Ratings-Based Approach) both for traditional securitisations and synthetic securitisations. The table also shows that most of the securitisation exposure subject to capital charge receives the lowest level of risk weighting (less than 20%), or the following level (less than 50%).

Compared to the previous year, regulatory exposure subject to RWA after deductions has decreased by EUR 812 million, chiefly due to the clean-up call of the Gaudí I synthetic securitisation, at the end of the replenishment period and the start of the amortisation period of the Gaudí II synthetic securitisation.

RWAs remain in line with the previous year, increasing by €33 million compared to year-end 2019. The full entry into force of Regulation (EU) 2017/240 implied an increase in the RWA of securitisations, with a significant impact on the senior tranches of the Gaudí I and Gaudí II synthetic securitisations (the RWA of the Gaudí III synthetic securitisation was not impacted because it was calculated from its issuance under Regulation (EU) 2017/240, as it was issued in 2019 and, consequently, was under the transitional period of Regulation (EU) 2017/240). This increase in RWA was mainly offset by a reduction in the EAD subject to RWA of synthetic securitisations, and by a change in the formula for calculating the maturity of the tranches of synthetic securitisations, replacing legal maturity with WAM (calculation of maturity based on information on the contractual payments of each tranche using forecasts of the securitised portfolio).

Table 5.64. EU SEC3 - Securitisation exposures in the banking book and associated regulatory capital requirements (bank acting as originator or sponsor)

Millions euros	Exposure value[4] (by RW bands)					Exposure value[4] (by regulatory approach)				RWA before cap (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap				
	≤ 20% RWA	> 20% to 50% RWA	> 50% to 100% RWA	> 100% to 1,250% RWA	1,250% RWA	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	Equity deductions
Total exposure	**1,257**	**1,313**	**0**	**17**	**6**	**2,578**	**1**	**14**	**-**	**701**	**2**	**23**	**-**	**613**	**2**	**23**	**-**	**49**	**0**	**2**	**-**	**1**
Traditional securitisation	**94**	**0**	**0**	**17**	**6**	**103**	**1**	**14**	**-**	**114**	**2**	**23**	**-**	**26**	**2**	**23**	**-**	**2**	**0**	**2**	**-**	**1**
Of which securitisation	94	0	0	17	6	103	1	14	-	114	2	23	-	26	2	23	-	2	0	2	-	1
Of which retail underlying	94	0	0	17	6	103	1	14	-	114	2	23	-	26	2	23	-	2	0	2	-	1
Of which wholesale underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	**1,163**	**1,313**	**-**	**-**	**-**	**2,475**	**-**	**-**	**-**	**587**	**-**	**-**	**-**	**587**	**-**	**-**	**-**	**47**	**-**	**-**	**-**	**-**
Of which securitisation	1,163	1,313	-	-	-	2,475	-	-	-	587	-	-	-	587	-	-	-	47	-	-	-	-
Of which retail underlying	-	1,313	-	-	-	1,313	-	-	-	413	-	-	-	413	-	-	-	33	-	-	-	-
Of which wholesale underlying	1,163	-	-	-	-	1,163	-	-	-	174	-	-	-	174	-	-	-	14	-	-	-	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The table above only reports on the regulatory exposure of securitisations with significant and effective risk transfer. It also includes the exposure of the investor tranches of multi-seller securitisations in which the CaixaBank Group participates as originator, whose capital requirement calculation is independent to the risk transfer in originator tranches.

[1] SEC-IRBA (Internal Ratings Based Approach): IRB method, based on internal ratings.
[2] SEC-ERBA (External Ratings Based Approach): Based on external ratings.
[3] SEC-SA (Standardised Approach): SA method based on internal calculations.
[4] Exposure (EAD) after deductions of equity. Corresponds to regulatory exposure, net of impairment losses, calculated using the criteria for reporting securitisation EAD in COREPs.

Exposures in which the CaixaBank Group acts as investor

Table SEC4 shows that the SEC-ERBA method (External Ratings Based Approach) is chiefly applied to securitisation positions in which the CaixaBank Group acts as investor.

Table 5.65. EU SEC4 - Securitisation exposures in the banking book and associated regulatory capital requirements (bank acting as investor)

Millions euros	Exposure value[4] (by RW bands)					Exposure value[4] (by regulatory approach)				RWA before cap (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap				
	< 20% RWA	> 20% to 50% RWA	> 50% to 100% RWA	> 100% to 1,250% RWA	1,250% RWA	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	SEC-IRBA[1]	SEC-ERBA[2]	SEC-SA[3]	SEC-1,250%	Equity deductions
Total exposure	-	34	70	-	0	-	104	-	0	-	61	-	1	-	61	-	1	-	5	-	0	-
Traditional securitisation	-	34	70	-	0	-	104	-	0	-	61	-	1	-	61	-	1	-	5	-	0	-
Of which securitisation	-	34	70	-	0	-	104	-	0	-	61	-	1	-	61	-	1	-	5	-	0	-
Of which retail underlying	-	-	70	-	-	-	70	-	-	-	45	-	-	-	45	-	-	-	4	-	-	-
Of which wholesale underlying	-	34	-	-	0	-	34	-	0	-	16	-	1	-	16	-	1	-	1	-	0	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[1] SEC-IRBA (Internal Ratings Based Approach): IRB method, based on internal ratings.
[2] SEC-ERBA (External Ratings Based Approach): Based on external ratings.
[3] SEC-SA (Standardised Approach): SA method based on internal calculations.
[4] Exposure (EAD) after deductions of equity. Corresponds to regulatory exposure, net of impairment losses, calculated using the criteria for reporting securitisation EAD in COREPs.

5.1.3.3. Quantitative aspects

Exposures in securitisation transactions and amount of assets securitised

Set out below are the on- and off-balance-sheet positions in securitisations by the CaixaBank Group, at 31 December 2020, by type of exposure and role in the action, regardless of whether there is material risk transfer at the regulatory level.

Table 5.66. Securitisation positions by exposure type

Millions euros

	2020		2019
Type of exposure	Exposure	% of total	Exposure
1) Securitisation positions where the Group acts as originator	**36,122**	**100%**	**36,388**
A) Positions in on-balance securitisation exposures	**36,117**	**100%**	**36,371**
Senior tranche securitisation bonds	29,245	81%	29,682
Mezzanine tranche securitisation bonds	5,144	14%	1,238
Equity tranche securitisation bonds	315	1%	3,567
Subordinated Loans	1,412	4%	1,884
B) Positions in off-balance securitisation exposures	**5**	**0%**	**17**
Liquidity facilities	0	0%	7
Interest rates derivatives	5	0%	10
2) Securitisation positions where the Group does not act as originator	**104**	**0%**	**134**
A) Positions in on-balance securitisation exposures	**104**	**0%**	**134**
Senior tranche securitisation bonds	104	0%	134
Mezzanine tranche securitisation bonds	0	0%	-
Equity tranche securitisation bonds	0	0%	0
Subordinated Loans	0	0%	-
B) Positions in off-balance securitisation exposures	**0**	**0%**	**-**
Liquidity facilities	0	0%	-
Interest rates derivatives	0	0%	-
Total value	**36,226**	**100%**	**36,522**

Compared to the previous year, CaixaBank's regulatory exposure in securitisation tranches has decreased overall by EUR 296 million, mainly due to:

- An increase in exposure of EUR 6,277 million due to the retention of the two new traditional securitisations issued in 2020 (CaixaBank Consumo 5, F.T. and CaixaBank Pymes 12, F.T.).
- A reduction of EUR 89 million due to the liquidation of the securitisations AyT Hipotecario Mixto II F.T.A. - C.T.H., AyT 7 Promociones Inmobiliarias F.T.A., AyT Hipotecario Mixto F.T.A., AyT Génova Hipotecario II F.T.H., BV-Bancaja VPO1 F.T.A. and Foncaixa Ftgencat 4 F.T.A.
- A reduction of EUR 248 million due to the clean-up call on the Gaudí I synthetic securitisation.
- A decrease of EUR 584 million due to the end of the replenishment period and the start of the amortisation of the Gaudí II synthetic securitisation.
- A reduction in exposure of EUR 5,652 million due to the periodic write-off of securitisation positions in force at the end of 2020 and 2019.

The table SEC1 shows further details of the CaixaBank Group's positions in securitisation transactions at year-end 2020, broken down by type of exposure, type of securitisation and type of securitisation action. Unlike the previous table, the exposure does not include value corrections for asset impairment.

Thus, the change shown in the SEC1 table-compared to the previous year is due to the same reasons.

In the table above, regulatory exposure is reported regardless of the recognition (or not) of significant risk transfer. The exposure of the investor tranches of multi-seller securitisations where the CaixaBank Group acts as originator, whose calculation of capital requirements do not depend on the risk transfer in the corresponding originator tranches, is also reported (in point 1).

Table 5.67. EU SEC1 - Securitisation exposures in the banking book

Millions euros

	CaixaBank acts as originator			CaixaBank acts as sponsor			CaixaBank acts as investor		
	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal	Traditional	Synthetic	Subtotal
Retail (total) - of which	**28,444**	**1,338**	**29,782**	**-**	**-**	**-**	**70**	**-**	**70**
residential mortgage	19,660	-	19,660	-	-	-	-	-	-
credit card	-	-	-	-	-	-	-	-	-
other retail exposures	8,784	1,338	10,122	-	-	-	70	-	70
re-securitisation	-	-	-	-	-	-	-	-	-
Wholesale (total) - of which	**5,856**	**1,184**	**7,041**	**-**	**-**	**-**	**34**	**-**	**34**
loans to companies	4,719	1,184	5,903	-	-	-	-	-	-
commercial mortgage	-	-	-	-	-	-	-	-	-
lease and receivables	1,137	-	1,137	-	-	-	34	-	34
other wholesale exposure	-	-	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-	-	-
Total	**34,301**	**2,522**	**36,823**	**-**	**-**	**-**	**105**	**-**	**105**

In the table above, original exposure, without considering value adjustments for asset impairment, is reported, regardless of the recognition (or not) of significant risk transfer. The exposure of the investor tranches of multi-seller securitisations where the CaixaBank Group acts as originator, whose capital requirements do not depend on the risk transfer in the corresponding originator tranches, is also reported (in the section 'CaixaBank acts as originator').

As previously mentioned, all of the CaixaBank Group's securitisation positions belong to the held-to-maturity portfolio, there are no securitisation positions in the held-for-trading portfolio. Therefore, the 'Exposure to securitisation in the held-for-trading portfolio' (SEC2) table has not been included in this document.

Below are details of the regulatory exposure of the securitisations originated and retained, broken down by type of exposure, and the outstanding balance of the securitised contracts together with the volume of impaired transactions or those in default, as well as the losses recorded by the Group.

Table 5.68. Distribution by type of securitised assets

Millions euros

	Retained position in exposures of originated securitisation	Total current amount* of securitised exposures	Current amount* of exposures securitised in traditional securitisations	Current amount* of exposures securitised in synthetic securitisations	Of which: current amount of transactions impaired or in default	Effective impartment losses
Residential mortgages	19,378	19,599	19,599	-	598	284
Commercial mortgages	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Leasing	1,118	1,137	1,137	-	20	19
Loans to companies or SMEs treated as companies	10,551	10,356	7,581	2,774	294	237
Consumer loans	5,075	4,268	4,268	-	142	185
Accounts receivable	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**36,122**	**35,360**	**32,586**	**2,774**	**1,055**	**724**

* *Current amount of securitised exposures: Consistent with the data reported in COREP c14.00, it is the drawn securitised amount at the reporting date.*

As regards traditional securitisations, the Group retains the instruments issued after its activity as originator, and the portfolio of securitisations originated chiefly concerns **residential mortgages**

As regards traditional securitisations, the Group retains the instruments issued after its activity as originator, and the portfolio of securitisations originated chiefly concerns residential mortgages.

Finally, at the date of this report, the Group held no securitised positions in revolving structures, understood to be securitisation transactions in which outstanding customer balances are permitted to fluctuate within a previously defined range, in accordance with their availability and repayment decisions.

5.2. Impairment risk of other assets

5.2.1 Equity portfolio

Equity portfolio risk **RWA**
€16,729 M

Equity portfolio risk **EAD**
€6,717 M

EAD under internal models
100 %

The risk associated with equity holdings (or 'investees') entails the possible loss or reduction in the Group's solvency through equity instruments caused by adverse movements in market prices, potential losses in sales or investee insolvency.

This category comprises the minority equity holdings not included in Financial assets at fair value through profit or loss, as well as holdings in subsidiaries that are not fully consolidated in the prudential balance sheet due to the nature of their business activity, primarily VidaCaixa, the parent company of CaixaBank's insurance group.

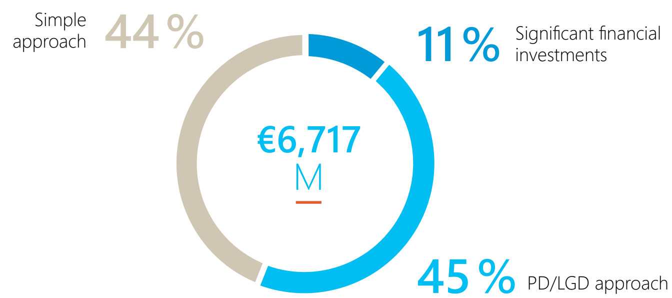
As part of the necessary monitoring and control of the risks associated with the portfolio, there is a Corporate Policy on Investee Risk Management. This policy establishes the mechanisms for governing investment and divestment of share holdings of CaixaBank Group companies, and, within the Risk Appetite Framework, a structure of alerts and limits.

The CaixaBank Group uses the PD/LGD approach to measure capital requirements in the equity portfolio, supplemented by the simple method, except for significant positions (i.e. above 10%) in financial institutions, where a fixed weighting of 250% is applied for the part not deducted from own funds.

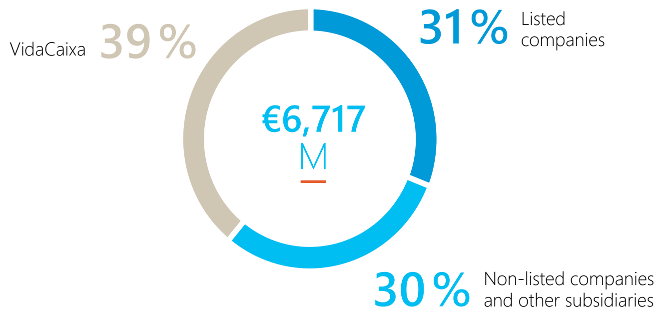
Annual evolution

During 2020, equity portfolio RWA were reduced by EUR 1,580 million, representing a 9% decrease compared to the previous year. This decrease is mainly due to the reduced variable income listing of Telefónica.

EAD for the equity portfolio
Distribution by approach, %



EAD for the equity portfolio
Breakdown by listed/unlisted instruments, %



5.2. Impairment risk of other assets

5.2.1 Equity portfolio

5.2.1.1 Equity portfolio risk management

Definition and general policy

The risk associated with equity holdings (or 'investees') — which are often part of the credit risk for investments that are not classified in the held-for-trading portfolio, rather in the Corporate Risk Taxonomy, they have their own status as a component of the Risk of Impairment of Other Assets — entails the possible loss or reduction in the Group's solvency through equity instruments with a medium- to long-term time horizon, caused by adverse movements in market prices, potential sales or investee insolvency.

Structure and organisation of the risk management function

In the Group, equity holdings are subject to monitoring and specialist analysis. This monitoring and analysis is carried out at a deeper level in the case of permanent shareholdings, or those involving a more material investment amount and impact on capital.

In relation to risk management and control, there are several levels to the Group's organisational structure.

First line of defence

- **Financial control and analysis:** through specialists focusing exclusively on monitoring changes in economic and financial data, as well as understanding and issuing alerts in the event of changes in regulations and competition in the countries and sectors in which the investees operate. These analysts are in the Executive Directorate of Financial Accounting, Control and Capital.
- They are also responsible for liaising with listed investees' investor relations departments and gathering the information — including reports by third parties (e.g. investment banks, rating agencies) — needed to gain an overview of possible risks to the value of the holdings.
- In general, with the most significant shareholdings, both the estimates of and actual data on investees' contributions to income and equity (where applicable) are updated regularly by the analysts. In these processes, the outlook for securities markets and analysts' views (e.g. recommendations, target prices, ratings) are shared with Senior Management for regular comparison with the market.
- The conclusions on the profit and loss and the most relevant alerts of changes in the contributions of equity investments are submitted to the Management Committee and shared with CaixaBank's Governing Bodies, generally at least once per quarter.
- **Accounting recognition:** the Financial Accounting division, also located within the Executive Directorate of Financial Accounting, Control and Capital, ensures that all necessary information meets the relevant quality requirements, is entered into the Group's IT systems by the required deadlines, and that the subsequent external reporting is carried out. In this process, the controls established in the Internal Control over Financial Reporting (ICFR) system are applied, and the regulations set out therein are fulfilled. In matters of finance, changes in shareholders' equity in companies accounted for using the equity method are also recognised, as well as comparing the investees ratings.

Second line of defence

The Internal Financial Control department, within the Executive Directorate of Corporate Risk Management, Function & Planning, and reporting to the Executive Directorate of Financial Accounting, Control and Capital, performs investee impairment risk management functions, by analysing their impairment tests, as well as those necessary to ensure the integrity and accuracy of all the financial information, through the ICFR.

In addition, the Executive Directorate of Corporate Risk Management Function & Planning monitors and reports the exposure and regulatory capital consumption associated with investees, as well as other measurement metrics such as Value at Risk (VaR).

It also performs functions related to risk quantification and monitoring, such as (i) the incorporation, on a daily basis, of the market risk of derivatives and the exchange risk associated with the investee portfolio into the Group's market risk monitoring procedures; and (ii) the ongoing monitoring of risks in relation to financial market transactions in connection with financial investee companies.

Third line of defence

The Internal Audit function, as the third line of defence, is described in section 3.4.3 Third line of defence.

Management of equity risk at CaixaBank

As part of the necessary monitoring and control of the risks associated with the portfolio, there is a Corporate Policy on Investee Risk Management. This policy establishes the mechanisms for governing investment and divestment of share holdings of Group companies, and, within the Risk Appetite Framework, a structure of alerts and limits.

Measurement and information systems

Within the margins established by the regulation, and taking into account the incentive to adopt the more risk-sensitive advanced methods, the criteria for assigning the different risk measurement approaches to equity holdings not included in the trading book are set out below.

First, the items eligible for deductions from own resources under Article 36 of the CRR are identified. The capital requirements of the non-deducted portion of holdings are assessed based on their accounting classification, strategic nature and availability of internal rating.

This takes into account the provisions of Article 143.3 of the CRR, which stipulates that all components of the equity portfolio must receive the same methodological treatment in institutions authorised to use internal models. Thus, in general terms, the methodological classification for capital consumption will depend on:

1. The **accounting classification of the holding:** for investments classified in the portfolio at fair value with changes in other comprehensive income, the calculation is carried out a priori using the internal VaR model.

2. The **permanence strategy:** for those investments where there is a long-term permanence strategy and, in some cases, there is a long-term relation in their management, the PD/LGD approach is applied whenever possible.

   The internal models on which this approach is based are those described in previous sections (see subsection 'Use of the internal ratings-based method' in 5.1.3.), and they are assigned according to the relevant segmentation criteria.

   In application of Article 155.3 of the CRR, the Group adopts a conservative approach to the standard, assigning an LGD of 90 % in any case.

If the requirements for applying the aforementioned methods are not met, or there is insufficient information on the equity position in order to asses an internal rating and assign a reliable and duly justified PD, the simple risk-weighting method is applied in accordance with current regulations.

In the case of exposure not deducted from equity in significant financial holdings, Article 48 of the CRR states that its weighting will be fixed at 250 %. Except for VidaCaixa, given that it is a subsidiary of the insurance sector that belongs to the same financial conglomerate with authorisation to apply article 49.1 of the CRR, the tangible exposure of the holding is exempt from deductions from equity and the general regime must be applied to it, which, in this case, is the simple approach with a risk weighting of 370 %.

The result obtained from using internal models to measure capital charges (VaR, PD/LGD) is a key element for calculating the quantity and quality of the risk assumed, without prejudice to the analysis of other types of measurements that supplement those required by regulations and are designed to determine the market value of the holdings, their liquidity, and the estimated contribution to the Group's profit and loss, and capital.

To illustrate this point, below are some of the reports which the Executive Directorate of Corporate Risk Management Function & Planning generates and distributes to the pertinent Committees:

- The Market Risk Report, monitoring the risk (VaR) of the Group's trading derivatives in connection with its strategic holdings.

- The Report on Currency Risk in Investee Companies, which includes monitoring of risk (VaR) for the exchange rate associated with these holdings.

- The Group's Positioning Report for financial instruments, which is part of the global monitoring of the positions that comprise market transactions, and covers both the fixed-income and equity positions held by the Group, including those in VidaCaixa, and guaranteed mutual and pension funds.

5.2.1.2 Minimum capital requirements for risk associated with the equity portfolio

The following table contains a breakdown of exposure and RWA for the equity portfolio. This information is presented in accordance with the calculation methods set out in the European capital requirements regulation (CRD IV and CRR), and also in accordance with the equity instrument category.[1]

Table 5.69. Equity portfolio exposures

2020

Millions euros

Method	% over total exposure	Original exposure	EAD	LGD	RWA	RWA density	EL	Capital (8 %)
Simple risk-weight approach	44 %	2,938	2,938	90 %	10,828	369 %	70	866
PD/LGD approach*	45 %	3,014	3,014	90 %	3,988	132 %	5	319
VaR approach	0	-	-	0	-	-	-	-
Significant financial investments	11 %	760	765	90 %	1,913	250 %	-	153
Total	**100 %**	**6,712**	**6,717**	**90 %**	**16,729**	**249 %**	**75**	**1,338**

** Based on LGD of 90 %*

2019

Method	% over total exposure	Original exposure	EAD	LGD	RWA	RWA density	EL	Capital (8 %)
Simple risk-weight approach	34 %	2,748	2,748	90 %	10,121	368 %	65	810
PD/LGD approach*	53 %	4,307	4,307	90 %	5,684	132 %	10	455
VaR approach	0	-	-	0	-	-	-	-
Significant financial investments	12 %	995	1,002	90 %	2,504	250 %	-	200
Total	**100 %**	**8,050**	**8,057**	**90 %**	**18,310**	**227 %**	**76**	**1,465**

** Based on LGD of 90 %*

[1] *Described in section 5.2.1.1. of this document.*

5.2.3.1 Quantitative aspects

Description, accounting recognition and measurement

The Group's equity investment portfolio features top-rate companies that hold a prominent position in their respective markets and have the capacity to generate recurring value and profits. In general, these are strategic investments, and the Group is involved in their Governing Bodies and in defining their future policies and strategies. The 2020 Financial Statements of the CaixaBank Group show a breakdown of the companies in the group's equity investment portfolio, with information on their area of business and scope of activity.

Stakes in these companies are recorded under the following asset categories:

- **Investments[1]:** investments in the capital of entities classified as Group companies, jointly controlled entities or associates. This is classified under the asset in 'Investments in joint ventures and associates'.
- Other shareholdings in equity instruments: in general, the Group irrevocably exercises the option in the initial recognition by including — in the portfolio of **'Financial assets at fair value with changes in other comprehensive income'** — investments in equity instruments that are not classified as held for trading and that, in the event of not exercising this option, would be classified as **'Financial assets compulsorily measured at fair value through profit or loss'.**

The accounting policies and measurement methods used for each of the categories are described below.

Investments

Investments are measured using the equity method, with the best estimate of their underlying carrying amount when the Financial Statements are drawn up. Generally accepted valuation methods are employed — for example, discounted cash flow (DCF) models, regression lines, dividend discount (DDM) models, and others. No potential control premiums are considered for the purposes of valuation. Balance sheet and income statement forecasts are made for five years, as these are long-term investments. They are updated and adjusted on a half-yearly basis. Moderate hypotheses are used, obtained from reliable sources of information in addition to individual discount rates for each business activity and country. The growth rates used to calculate the terminal value beyond the period covered by the forecasts drawn up are determined on the basis of the data for the last period projected, and never exceed the estimated GDP growth of the country or countries in which the investees operate.

In addition, sensitivity analyses are performed for the assumptions using reasonable changes in the key hypotheses on which the recoverable amount is based, to confirm whether this continues to exceed the amount to be recovered.

Financial assets at fair value with changes in other comprehensive income

Financial assets at fair value with changes in other comprehensive income are always measured at fair value, with any changes in value, less the related tax effect, recognised with a balancing entry in Equity. For holdings in listed companies, fair value is determined on the basis of the price that would be paid in an organised, transparent and deep market. At the time of sale, the corresponding loss or gain previously recognised in other comprehensive income is taken to reserves.

Fair value and carrying amount of equity holdings

The following table shows the fair value and carrying amount of the Groups' stakes and equity instruments not held for trading or in the portfolio of financial assets at fair value through profit or loss, at 31 December 2020.

Table 5.70. Carrying amount of stakes and equity instruments not held for trading

Millions euros

Financial assets at fair value with changes in other comprehensive income*	**1,414**
Shares in listed companies	843
Non-listed companies	571
Investments	**6,144**
Listed	1,203
Unlisted	4,941
Total carrying amount	**7,558**

** The carrying amount of these assets is equal to their fair value.*

[1] *For prudential purposes, subsidiaries that cannot be consolidated in view of their business activity are included in this heading, since they are accounted for using the equity method.*

Table 5.71. Fair value of stakes and equity instruments not held for trading

Millions euros

Financial assets at fair value with changes in other comprehensive income*	**1,414**
Shares in listed companies	843
Non-listed companies	571
Investments	**6,004**
Listed	1,063
Unlisted	4,941
Total fair value	**7,418**

* *The carrying amount of these assets is equal to their fair value.*

At 31 December 2020, the market value of the Group's portfolio of listed investee companies, which includes those classified as 'Investments in joint ventures and associates' and as 'Financial assets at fair value with changes in other comprehensive income — equity instruments', amounted to **EUR 1,906 million.**

At 31 December 2020, the market value of the portfolio of 'Financial assets compulsorily measured at fair value through profit or loss — equity instruments' amounted to **EUR 180 million.**

The table below shows changes in other cumulative comprehensive income in equity instruments measured at fair value for the CaixaBank Group in 2020, with the amounts taken to the income statement.[3]

At 31 December 2020, the market value of the Group's portfolio of listed investee companies, which includes those classified as 'Investments in joint ventures and associates' and as 'Financial assets at fair value with changes in other comprehensive income — equity instruments', amounted to **EUR 1,906 million**

At 31 December 2020, the market value of the portfolio of 'Financial assets compulsorily measured at fair value through profit or loss — equity instruments' amounted to **EUR 180 million**

Table 5.72. Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income

Millions euros

Balance at 31.12.2019	Amounts transferred to Reserves	Liabilities/Assets deferred taxes	Capital gains and losses due to valuation[1]	Balance at 31.12.2020[2]
(1,011)	(32)	(4)	(688)	(1,734)

[1] *Before taxes*
[2] *Includes the adjustments attributed to the Group*

[3] *Refer to Note 22.2 'Other comprehensive income' of CaixaBank Group's 2020 Financial Statements.*

Value of equity investment exposures

At 31 December 2020, the EAD for the risk associated with the equity portfolio amounted to EUR 6,717 million. This amount includes the value of the portfolio of Financial assets at fair value with changes in other comprehensive income, stakes in associates and those in subsidiaries that are not consolidated due to their business activity.

Table 5.73. Exposures in equity investments not held for trading

Millions euros

Exposures	Original exposure	EAD	LGD	RWA	RWA density	EL
Financial assets at fair value with changes in other comprehensive income*	**1,548**	**1,548**	**90%**	**3,289**	**212%**	**8**
Shares in listed companies	**849**	**849**		**1,230**	**145%**	**2**
Simple risk-weight approach	53	53		153	290%	0
VaR approach	-	-		-	0%	-
PD/LGD approach	797	797		1,076	135%	1
Non-listed companies	**699**	**699**		**2,059**	**295%**	**6**
Simple risk-weight approach	250	250		926	370%	6
PD/LGD approach	41	41		115	279%	0
Significant financial investments	407	407		1,018	250%	-
Stakes (subsidiaries, multigroup and associated)	**5,164**	**5,169**	**90%**	**13,440**	**260%**	**67**
Listed company	**1,195**	**1,195**		**1,152**	**96%**	**1**
PD/LGD approach	1,195	1,195		1,152	96%	1
Significant financial investments	-	-		-	-	-
Unlisted company	**3,969**	**3,974**		**12,288**	**309%**	**66**
Simple risk-weight approach	2,635	2,635		9,749	370%	63
PD/LGD approach	982	982		1,644	167%	3
Significant financial investments	352	358		895	250%	-
Total	**6,712**	**6,717**	**90%**	**16,729**	**249%**	**75**

** Including the exposure in 'Mandatory financial assets at fair value with changes in P&L'.*

Other information

The table below reports details on the value of the equity portfolio exposure in accordance with the simple risk-weight approach, broken down into risk-weight categories.

Table 5.74. EU CR10 - IRB (specialised lending and equities)

Millions euros

Equities under the simple risk-weighted approach						
Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWA	Capital requirements
Private equity exposures	-	-	190,00 %	-	-	-
Exchange-traded equity exposures	53	-	290,00 %	53	153	12
Other equity exposures	2,885	-	370,00%	2,885	10,675	854
Total	**2,938**	**-**	**-**	**2,938**	**10,828**	**866**

CaixaBank does not have a specialised financing portfolio by IRB methodology

The following table reports details on the risk exposure associated to the equity portfolio, LGD and average risk-weight. This shows that most shareholdings are concentrated in PD tranches of a good credit quality (with a PD below 0.50 %).

Table 5.75. Exposure by category and obligator grade

Millions euros

PD Range	Average PD	Original exposure	EAD	LGD	RWA	RWA density	EL	Capital (8 %)
0.00 to <0.15	0.09 %	1,213	1,213	90 %	1,174	97 %	1	94
0.15 to <0.25	0.18 %	805	805	90 %	1,089	135 %	1	87
0.25 to <0.50	0.29 %	943	943	90 %	1,578	167 %	2	126
0.50 to <0.75	0.00 %	0	0	0	0	0	0	0
0.75 to <2.50	1.25 %	53	53	90 %	146	276 %	1	12
2.50 to <10.00	3.64 %	0	0	90 %	1	259 %	0	0
10.00 to <100.00	0.00 %	0	0	0 %	0	0	0	0
Performing Portfolio	**0.20 %**	**3,014**	**3,014**	**90 %**	**3,988**	**132 %**	**5**	**319**
100.00 *(Default)*	100.00 %	0	0	90 %	0	0	0	0
Total	**0.20 %**	**3,014**	**3,014**	**90 %**	**3,988**	**132 %**	**5**	**319**

5.2.2 Risk of impairment of other assets

Risk of impairment of other asserts is defined as the risk of a reduction in the carrying amount of shareholdings and in non-financial assets of the Group, specifically:

- **Shareholdings:** mainly positions in securities representing the share capital of companies, regardless of whether or not they are listed on an official market, over which CaixaBank, directly or indirectly, may or may not exercise control in accordance with article 42 of the Spanish Commercial Code. These positions may originate in explicit management decisions to take a position or from the integration of other entities, or they may result from the restructuring or execution of guarantees within what was initially a credit transaction (see Note 3.4.1 of the 2020 Financial Statements).

- **Tangible assets:** the greatest contribution is from real estate assets, both for own use and foreclosed assets for sale and rental. Most of the foreclosed assets are owned by the Group's real estate subsidiary BuildingCenter, S.A.U. In terms of appraisal of the foreclosed assets, prevailing regulations are complied with.

- **Intangible assets:** mainly goodwill generated in business combination processes, allocated to a cash-generating unit of the Group, software and other intangible assets with a defined useful life.

- **Tax assets:** mostly deferred tax assets generated by the temporary differences between accounting and fiscal criteria for profit allocation, as well as tax credits for deductions and tax loss carryforwards generated both in the CaixaBank Group itself and in integration processes (both those from the integrated company and those generated in Purchase Price Allocation).

  To manage the risk, a review of compliance with the policies and ongoing monitoring of the different metrics, risk thresholds and effectiveness of the established controls is carried out. An analysis and review of impairment and recoverability tests based on generally accepted methodologies is also carried out.

For the purposes of capital consumption and RWAs, the risk components are distributed in accordance with the indications of mapping in section 3.2.2. Corporate Risk Taxonomy, in section 5.1.1 Credit investment and fixed income and in section 5.2.1. Equity portfolio.

6. Actuarial risk

6. Actuarial Risk

The European regulatory framework of reference for insurance companies, known as Solvency II, is transposed into to the Spanish legal system through Act 20/2015 and Royal Decree 1060/2015, which are known, respectively, as LOSSEAR and ROSSEAR. This framework is supplemented by the technical standards approved by the European Commission (ITS), which are directly applicable, and guidelines published by EIOPA, which have been adopted by the Directorate General for Insurance and Pension Funds (DGSFP) as their own.

In accordance with the European Solvency II Directive, actuarial risk is defined in the Corporate Risk Taxonomy as the risk of loss or adverse change in the value of commitments taken on via insurance contracts or pensions with customers or employees, derived from the divergence between the estimate for actuarial variables employed in pricing and reserves and their real evolution.

Actuarial risk is inherent to the activity of entering into insurance contracts which, within the Group, is focused in the sub-group of companies headed by VidaCaixa.

In addition to the activity of entering into contracts, actuarial risk also arises from the defined benefit pension commitments of the Group companies with their employees. At CaixaBank, the risks inherent in these agreements are managed by the VidaCaixa Group through by entering into insurance contracts, while at Banco BPI they are implemented through a Pension Fund managed by BPI Vida e Pensões, a VidaCaixa Group company.

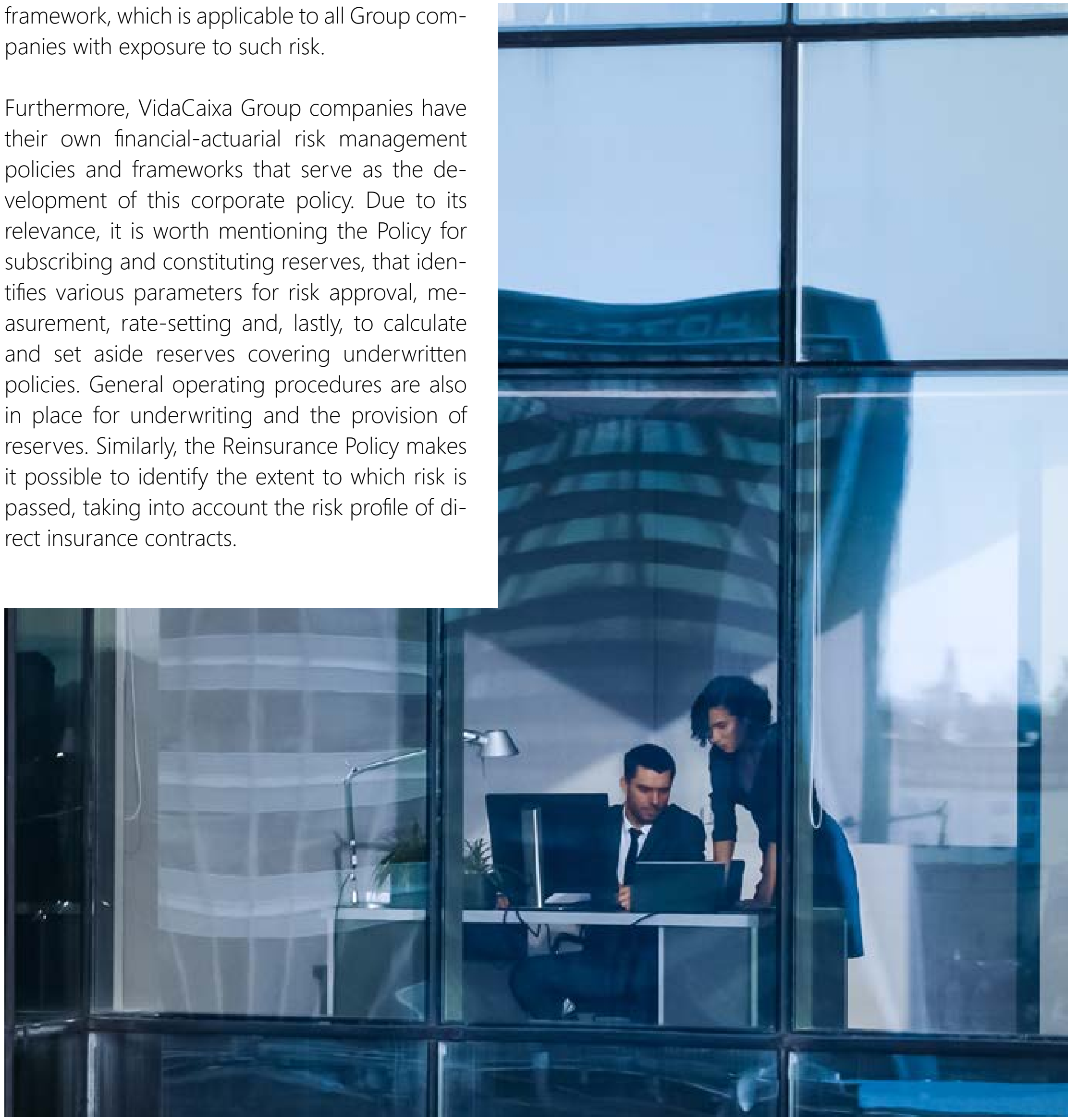
In general, this risk is managed in order to ensure the Group has the capacity to meet commitments to its insured parties, to optimise the technical margin and to preserve balances.

Within the prudential scope, capital requirements related to VidaCaixa Group's actuarial risk is implicit in the quantification of the Group's actuarial risk, in accordance with the provisions of legislation applicable to capital for investment in insurance companies. **In the particular case of CaixaBank and VidaCaixa, the particular circumstance that they form a financial conglomerate subject to additional supervision is also observed.**

Through the VidaCaixa Group, CaixaBank Group is exposed to actuarial risks chiefly as a result of adverse change in the following risk factors: mortality, longevity, disability and morbidity, catastrophic, crash and expenses[7].

With the aim of ensuring correct risk management, the Group has a Corporate Policy for managing financial-actuarial risk, which lays down the corporate principles, governance framework, control framework and information reporting framework, which is applicable to all Group companies with exposure to such risk.

Furthermore, VidaCaixa Group companies have their own financial-actuarial risk management policies and frameworks that serve as the development of this corporate policy. Due to its relevance, it is worth mentioning the Policy for subscribing and constituting reserves, that identifies various parameters for risk approval, measurement, rate-setting and, lastly, to calculate and set aside reserves covering underwritten policies. General operating procedures are also in place for underwriting and the provision of reserves. Similarly, the Reinsurance Policy makes it possible to identify the extent to which risk is passed, taking into account the risk profile of direct insurance contracts.



6.1 Structure and organisation of the risk management function

CaixaBank's Board of Directors is ultimately responsible for outlining and supervising the risk management framework, approving and monitoring the Corporate Policy for managing financial-actuarial risks. Through this policy, the Board of Directors delegates actuarial risk supervision and management tasks to CaixaBank's Risk Committee and Global Risk Committee.

Within the Group's consolidated scope, the Executive Directorate of Corporate Risk Management Function & Planning and the Executive Directorate of Internal Audit, as the Areas responsible for the risk management and internal audit functions in the parent company, respectively, assume the strategic guidance, supervision and coordination with regard to the respective internal control functions of the subsidiaries, while safeguarding the scope of these functions.

When undertaking its corporate function, the Executive Directorate of Corporate Risk Management Function & Planning develops the Corporate Policy for managing financial-actuarial risk and oversees the adequate corporate alignment with respect to the management and control functions of financial-actuarial risk.

VidaCaixa's Board of Directors outlines and supervises the risk management framework, approving and monitoring the proprietary policies that develop the Corporate Policy for the management of financial-actuarial risk. Through these policies, the Board of Directors delegates actuarial risk management tasks to VidaCaixa Group's Global Risk Committee. This Committee includes the fundamental Risk Management, Actuarial, Regulatory Compliance and Internal Audit functions.

During 2020, the Risk Committee was created in VidaCaixa as a specialised committee of the VidaCaixa Board of Directors, with the aim of supporting and advising the company's Board of Directors on overall risk propensity, as well as its strategy, and its main functions include supervising the effectiveness of risk management systems.

Coordination of the Executive Directorate of Corporate Risk Management Function & Planning with the Actuarial and Risk Function Division of VidaCaixa ensures an adequate system of control and monitoring of the insurance business at the corporate level.

6.2 Risk management Measurement and information systems

Actuarial risk management in the Group, through the sub-group of companies headed by VidaCaixa Group, stems from the European regulatory framework of reference for the insurance sector, Solvency II, as mentioned in previous sections.

The management and control of actuarial risk assumed in the commitments is conducted jointly with the financial assets acquired to cover them. Therefore, when considering Actuarial risk, the financial risks associated with these assets is taken into account in a manner consistent with the overall balance sheet management (active-liabilities) conducted.

Actuarial risk factors notably include mortality and longevity risk in life insurance sectors where VidaCaixa includes a partial internal model in its management, which provides a more adjusted view of the insured group's risk profile and the accident rate in insurance sectors other than life insurance.

In relation to interest rate risk, through its insurance company VidaCaixa, the Group manages this risk considering insurance contract commitments and the affected assets jointly using financial immunisation techniques envisaged in the provisions of the DGSFP.

For credit and liquidity risk in the insurance business, the Group has risk management frameworks that outline minimum credit quality and diversification levels.

In measuring, monitoring and controlling financial-actuarial risk, it must be noted that VidaCaixa:

- Monitors financial-actuarial risk through various indicators. The most relevant metrics are included as metrics in the Risk Appetite Frameworks (RAF) of the VidaCaixa Group and CaixaBank Group, which are aligned with each other.
- Frequently analyses the evolution of the risk profile of the subscribed insurance portfolios.
- Performs ongoing analysis of the evolution of the asset and liability items, including information regarding the profitability and duration of the items according to maturities, the asset-liability gap and the estimated evolution of the financial technical margin.
- Frequently analyses the liquidity situation of the various portfolios.
- It performs stress exercises on an annual basis within the ORSA (Own Risk and Solvency Assessment) exercise on self-assessment and projection of the risks and solvency of the VidaCaixa Group.

6.3 Reporting

The position and control of the risks of the insurance company VidaCaixa is monitored regularly by VidaCaixa's Management, Investment and Global Risk committees and CaixaBank's Global Risk Committee and ALCO. This involves calculation and analysis of the sufficiency of technical provisions, analysis of the sufficiency of expenses, and analysis of products and operations. **Some of the reports prepared include:**

- The Expense Surcharges Sufficiency Report.
- The SME Business Monitoring Report.
- The Collective Risk Policies Results Monitoring Report.
- The Internal Longevity and Mortality Calibration Report.
- The Actuarial Function Report.

With respect to the application of Solvency II, in 2020 the annual QRTs report (European reporting for supervision, statistics and accounting) was presented to the insurance supervisor (DGSFP). In addition, the VidaCaixa Group Solvency and Financial Condition Report was published in May 2020.

6.4 Hedging policies and mitigation techniques

One of the elements available to the Group to mitigate the actuarial risk assumed is to pass on part of the risk to other entities, through reinsurance contracts. To do so, the Group, and specifically its insurance company, has a Reinsurance Policy – updated at least annually – that identifies the extent to which risk is passed on, taking into account the risk profile of direct insurance contracts, and the type, suitability and effectiveness of the different reinsurance agreements.

By doing so, an insurance company can reduce risk, stabilise solvency levels, use available capital more efficiently and expand its underwriting capacity. However, regardless of the reinsurance taken out, the insurance company is contractually liable for the settlement of all claims with policyholders.

With this Reinsurance Policy through VidaCaixa Group, CaixaBank Group establishes:

- The specification of the types of reinsurance.
- The risk management and information process.
- The criteria for selecting reinsurance companies.

In this sense, through the VidaCaixa Group, it establishes limits on retained net risk by business line, risk or event (or a combination of these factors). These limits are justified in an assessment of the desired risk profile and the cost of reinsurance.

7. Market risk

7. Market risk

Market risk **RWAs**
€2,267M

Annual average VaR 10d-2020
€7.7M

RWAs under internal models
49 %

The market risk of CaixaBank Group's trading book quantifies possible losses that might arise due to changes in: interest rates, foreign exchange rates, equity prices, commodity prices, volatility, inflation rates and credit spreads on corporate fixed-income positions.

The Group's activity in the financial markets focuses on providing a service to customers, minimising exposure to risk.

CaixaBank uses internal models to estimate capital requirements for market risk. CaixaBank's CVA hedges and BPI's held-for-trading and foreign exchange positions are assessed under the standardised approach.

CaixaBank carries out three types of stress testing on the value of its positions (under extreme crisis scenarios) in order to estimate potential losses on the portfolio in the event of extraordinary changes in the risk factors to which they are exposed.

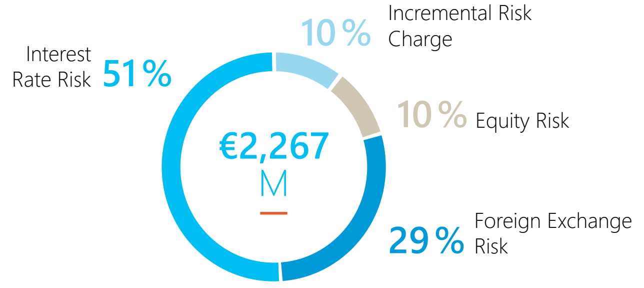
In order to verify that the risk estimates provided by the internal model are appropriate, actual daily results are compared with the estimated loss calculated using VaR (Value at Risk). This process known as backtesting. The results of these comparisons in 2020 were satisfactory, therefore implying no additional capital requirements for this risk.

The capital requirements for exchange rate risk are concentrated in BPI's shareholding in Banco de Fomento de Angola (BFA).

Annual Evolution

RWAs increased by 44 million, 2% more than the previous year. The evolution is explained by the increases in both exposure and volatility in equities and credit spreads, reflected in VaR, and by the decrease in exposure due to exchange rate risk using the standard method.

Market risk RWA
Breakdown by type of risk, %



7.1. Market risk management

Definition and general policy

The Group identifies market risk as the loss of value, with impact on Profit & Losses or solvency, of a portfolio (set of assets and liabilities), due to adverse movements in prices or market rates.

In prudential terms, the scope of market risk consists of financial assets and liabilities that are held for trading or form part of a portfolio of financial instruments (jointly identified and managed) for which there is specific evidence of a trading intention. According to points (85) and (86) of Article 4(1) of Regulation EU 575/2013, "trading intent" exists when positions are intended to be either resold in the short term or held to benefit from actual or expected short term price difference between buying and selling prices or from other price or interest rate variations. Therefore, trading activity includes:

- Transactions related to the management of market risk arising from commercial or distribution efforts involving typical transactions in financial markets with the Group's customers.
- Transactions carried out to obtain returns through trading and positioning in, mainly, money, fixed-income, equity and currency markets.
- CVA hedging derivatives for credit and market risk, which are recognised from an accounting perspective in the trading book.

The regulatory scope of market risk also includes the deposits and repos arranged by trading desks for management.

CaixaBank has policies and procedures in place for managing the Group's trading books, bearing in mind its own ability to manage risks and best market practices, and for determining which positions are to be calculated based on the internal model for regulatory capital requirements.

The specific policy for determining, identifying, managing, monitoring and controlling this scope for inclusion in the internal model is checked on a daily basis. A specific unit of the Risk area, which operates independently of the business areas, measures and calculates the performance and risks of the trading book and ensures compliance with the policy.

Risk factors are managed according to the risk-return ratio determined by market conditions and expectations, the limits structure and the authorised operating framework.

The Group also has sufficient systems and controls that provide prudent and reliable estimates of the fair value of financial instruments, such as policies and procedures setting out the responsibility of each area in the measurement process and reporting lines (ensuring the independence of this function from the business areas), the data sources used, the eligible models and the timing of closing prices.

Structure and organisation of the risk management function

Market risk governance is structured according to the Three Lines of Defence Model, upon which the Group's internal control framework is based, that guarantees the strict segregation of functions and the existence of several layers of independent control:

First line of defence

Comprising business units that cause exposure to market risk, i.e., the Markets and ALM, Treasury & Funding Areas in the Executive Finance Division and the Transactions Area in the Resources Executive Directorate. This risk's managers are responsible for identifying, managing and controlling the risks associated with its activity and for implementing the approved policies and procedures.

Second line of defence

CaixaBank's Structural and Non-financial Risk Department, part of CaixaBank's Executive Directorate of Corporate Risk Management Function & Planning is responsible for the valuation of financial instruments, as well as for the measurement, control and monitoring of the related risks, for the estimation of counterparty risk and for the operational risk associated with activities in financial markets. Furthermore, the Model Validation and Risk Department performs internal validation of the models and methodologies used to quantify and monitor market risk.

Third line of defence

The internal audit functions – such as the third line of defence – are included in section 3.4.3


Third line of defence.

Risk management. Measurement and information systems

The benchmark market risk measurement is VaR at 99% with a one-day time horizon for which the RAF defines a limit for the Group's trading activities of EUR 20 million (excluding the economic hedging CDSs for the CVA, recognised for accounting purposes in the held-for-trading portfolio).

CaixaBank's daily VaR is defined as the highest of the following three calculations:

- The *parametric VaR* technique with a covariance matrix based on a 75-day historical observation period, giving more weight to recent observations. The parametric VaR is based on volatility and matching fluctuations in the prices and *interest and exchange rates of the assets comprising the portfolio.*
- *Parametric VaR* with a covariance matrix arising from historical performance over one year and equal weightings.
- The *historical VaR* technique, based on calculating the impact on the value of the current portfolio of historical changes in risk factors. daily changes observed over the last year are taken into account, with a confidence interval of 99%.

Moreover, since a downgrade in the credit rating of asset issuers can also give rise to adverse changes in market prices, quantification of risk is completed with an estimate of the losses arising from changes in the volatility of the credit spread on private fixed-income and credit derivative positions (spread VaR), which constitutes an estimate of the specific risk attributable to the security issuers. This calculation is made using a historical method while taking into account the potentially lower liquidity of these assets, with a confidence interval of 99%, and assuming absolute weekly variations in the simulation of credit spreads.

To verify the suitability of the risk estimates, two backtests (gross, i.e. actual; and net, i.e. hypothetical) are conducted to compare the daily results to the VaR. Stress tests are also performed on the value of the Market Area positions and on positions included in the internal model in order to calculate the potential losses on the portfolio in situations of extreme market conditions.

In BPI, the standard measurement for market risk is parametric VaR at 99% with a 10-day time horizon.

Hedging policies and mitigation techniques

Formalising and updating the risk appetite presented to the governing bodies delimits and validates that the market risk metrics defined by CaixaBank Group are commensurate with the established risk tolerance levels. The Risk Appetite Framework (RAF) approved by the Board of Directors sets a limit for VaR with a one-day time horizon and confidence level of 99% for the Group's trading activities, excluding hedging derivatives for the Credit Valuation Adjustment (CVA), which are considered within the CVA management framework. Moreover, positions in both the trading book and in the banking book are restricted to the concentration limits set out in the Risk Appetite Framework (RAF) (e.g. concentration in large exposures, in the public sector or in the economic sector).

As part of the required monitoring and control of the market risks undertaken, the Board of Directors and, and on a more restricted basis,

> As part of the required **monitoring and control of the market risks undertaken,** the Board of Directors and, and on a more restricted basis, CaixaBank's Global Risk Committee and the Executive Finance Division approve a structure of overall VaR and sensitivity limits for the assumption of market risk in CaixaBank

CaixaBank's Global Risk Committee and the Executive Finance Division approve a structure of overall VaR and sensitivity limits for the assumption of market risk in CaixaBank. This structure establishes the following types of limits:

- **Global limit.** The Board of Directors is responsible for defining the maximum level of market risk that may be assumed in the Group's treasury and trading management operations.
- **Limit on transactions of CaixaBank's Markets Division.** In accordance with the general framework determined by the Board of Directors, CaixaBank's Global Risk Committee or the Executive Finance Division are authorised to implement the market risk limits structure and to determine lower levels of maximum risk if appropriate given the market circumstances or the approved management approach. This has been used to draw up specific limits for these operations, both on a global basis (VaR, stop loss, stress test, as determined by the Global Risk Committee) and by risk factors (as determined by the Executive Finance Division).
- **Limit on trading derivatives linked to equity holdings.** In accordance with the general framework determined by the Board of Directors, the Global Risk Committee approves specific limits (VaR, stop loss and stress test) for this activity, which is managed with market risk management criteria and included in the internal model for market risk.

In addition, CaixaBank's Global Risk Committee supplements the limit structuring by defining specific limits on the IRC of the fixed-income portfolios, as well as on stressed VaR.

Furthermore, BPI's General Risks Division determines the overall limit structure of VaR and sensitivities for the market risk acceptance activity in the Portuguese subsidiary within the thresholds and levels set by the Group's Risk Appetite Framework (RAF).

7.2 Minimum capital requirements for market risk

CaixaBank Group's capital requirements for market risk at 31 December 2020 were EUR 181 million. The table below shows the breakdown of RWAs separated into position risk of the trading book and foreign exchange risk and risk for the position in gold under the standardised approach.

Table 7.1. EU MR1 - Market risk according to the standardised method

Million euros

	RWAs	Capital requirements
Simple products		
Interest rate risk (general and specific)	576	46
Equity risk (general and specific)	1	0
Exchange rate risk	581	
Raw materials risk	-	-
Options*		
Simplified method	0	0
Delta plus method	-	-
Scenario method	-	-
Securitisation (specific risk)	-	-
Total	**1,158**	**93**

** This applies only in the case of the use of standardised approaches.*

Market risk capital requirements for hedging derivatives of CVA credit risk (in this case, credit default swaps, also included in the held-for-trading portfolio in the accounts) are calculated under the standardised approach (specific interest rate risk), as are the requirements for balance sheet exchange rate risk in the banking book and in equity holdings.

Similarly, capital requirements for market risk attributable to BPI are calculated under the standardised approach. These include requirements for exchange risk, which is concentrated in BPI's equity investment in Banco de Fomento de Angola (BFA).

Capital requirements for market risk under internal models amount to EUR 89 million, which represents 49% of the total requirements for market risk.

There were no requirements for settlement risk on the reporting date.

Capital requirements for market risk under internal models amount to **EUR 89 million,** which **represents 49% of the total requirements for market risk**

7.3. Quantitative aspects

Internal models

The Group is subject to market risk as the result of adverse movements in the following risk factors: interest rate, foreign exchange rates, share prices, inflation, volatility and changes in the credit spread of private fixed-income positions and credit derivatives. All material risk factors are captured in the metrics of the internal model for VaR, stressed VaR and incremental default and migration risk. Estimates are drawn up daily, on the basis of sensitivity and VaR, aggregated and also segmented by risk factor and business unit.

The scope of application of the internal model encompasses the aforementioned risk factors for the held-for-trading accounting portfolio, except for those arising from CVA credit default swaps. Deposits and repos arranged by trading desks are also included in the scope of the model. The risk management function is performed through three business units, which report to the Executive Finance Division: Markets (divided into Rates and Equity Derivatives, Fixed Income and Foreign Exchange), CVA and FVA Management and Pricing, and Investee Derivatives[1]:

- **Markets'** main function is the trading and execution of transactions in the market, so as to meet the funding needs of CaixaBank customers and generation of income by taking proprietary positions.

- **CVA and FVA Management and Pricing** is responsible for hedging the CVA risk, as well as for determining the marginal CVA and FVA of new derivatives that are acquired.
- **Banking Book Equity derivatives** manages and ensures the profitability of the equity portfolio by trading derivatives.

In July 2006, CaixaBank requested authorisation from the Bank of Spain to use an internal VaR model for the calculation of minimum capital requirements for market risk in the trading book, foreign exchange risk, gold risk and commodity price risk. In 2007, following the appropriate validation process, the Bank of Spain authorised use of this internal model, which was first applied for the calculation of capital requirements at 31 December 2007. Subsequently, in 2011, a request was made for the Bank of Spain to permit the use of internal models to calculate the capital requirements for IRC and stressed VaR. In 2012, following the appropriate validation process, the Bank of Spain authorised the use of this internal model, which was first applied for the calculation at 31 December 2011. Within the Group, only

[1] *The CVA and FVA Management and Pricing business units, as well as Derivatives on Investees are assigned to the ALM, Treasury & Funding Area.*

CaixaBank uses internal models to determine capital requirements for market risk. Since that time, the internal model has been updated to date through successive non-material changes.

Characteristics of the models used

The methodologies used to comply with the requirements of Part 3, Title IV, Chapter V, Sections 1-4 of Regulation EU 575/2013 for calculating own fund requirements according to the Group's internal model are as follows.

As a general rule, there are two types of measurements which constitute a common denominator and market standard for the measurement of market risk: sensitivity and VaR.

- Sensitivity represents risk as the impact a slight change in risk factors has on the value of positions, without providing any assumptions about the probability of such a change.
- To standardise risk measurement across the entire portfolio, and provide certain assumptions regarding the extent of changes in market risk factors, VaR methodology is employed using a one-day time horizon and a statistical confidence interval of 99% (i.e. 99 times out of 100, actual losses will be less than the losses estimated in the VaR model). Two methodologies are used to obtain this measurement, parametric VaR and historical VaR:

- **Parametric VaR** is based on the assumption that the returns of risk factors follow a normal distribution.

  Distribution parameters (volatility and matching) are statistically determined on the basis of the fluctuations of prices, interest rates and exchange rates of portfolio assets, using two time horizons updated on a daily basis: a 75-day data window (giving more weight to recent observations through exponential smoothing), and a one-year data window (giving equal weight to all observations).

- **Historical VaR** is calculated according to the impact on the portfolio's present value of historical daily changes in risk factors over the past year, with daily updating of the observation window. Historical VaR is a useful system for completing the estimates obtained by the parametric VaR technique, since it does not include any assumptions on the statistical behaviour of risk factors. The parametric VaR technique assumes fluctuations of performance that can be modelled using normal statistical distribution.

  Historical VaR also includes the consideration of non-linear relationships between the risk factors. Risk factors are modelled using relative changes, except for interest rate variations, for which absolute changes are used. A large majority of the changes are calculated with a full revaluation, verifying that the estimated VaR is immaterial where delta-vega approximations are used.

Total VaR is the aggregate VaR arising from fluctuations in interest rates, exchange rates (and the volatility of both) and from the spread VaR - which are aggregated on a conservative basis, assuming zero correlation between the two groups of risk factors - and the addition of VaR of the equities portfolio and VaR of the commodities portfolio (currently with no position), assuming in both cases a correlation of one with the other risk factor groups.

A single model is used that splits out the general and specific risk of equities, whilst the specific risk of private fixed income and credit derivatives is estimated in a separate calculation (spread VaR), and added to the VaR of the interest rate and exchange rate portfolios with zero correlation. Interest rate VaR separates out the general and specific risk of sovereign debt in a single model.

Daily VaR is defined as the highest of the three quantifications (historical VaR, 1-year parametric VaR and 75-day parametric VaR).

Daily VaR is defined as the highest of the three quantifications (historical VaR, 1-year parametric VaR and 75-day parametric VaR)

Additional measures to VaR

As an analysis measurement, the Group completes the VaR measurements with the following risk metrics, updated weekly:

- **Stressed VaR** indicates the maximum loss on adverse movements in market prices based on a stressed historical period of one year, with a 99% confidence level and a daily time horizon (subsequently extrapolated to the regulatory horizon of 10 market days, multiplying by the root of 10). The stressed VaR calculation is leveraged by the same methodology and infrastructure as the historical VaR, with the only significant difference being the historical window selected.

- The **incremental default and migration risk** reflects the risk related to changes in credit ratings or default in fixed-income positions and credit derivatives in the trading book, with a confidence level of 99.9%, a one-year time horizon, and a quarterly liquidity horizon. The latter is justified by the high liquidity of portfolio issuances and is due to the existence of strict inclusion criteria that limit the concentration by country, rating, issuance and issuer. It is estimated using the Monte Carlo simulation of possible future states for external issuer and issue ratings, based on transition matrices published by the main rating agencies, where dependence among credit quality variations between the different issuers is modelled using Student's t-distributions calibrated using historical CDS data series. This allows for higher correlations of default in the simulation. Similar to the IRB models, this sets a minimum probability of default of 0.03% a year. Incremental default and migration risk is mainly concentrated in the fixed-income desk, which is responsible for market making of sovereign debt and brokerage of private fixed-income securities. It covers all products with specific fixed-income risk: bonds, bond futures and credit derivatives.

The models used for regulatory and management purposes are the same, except in the calculation horizon, both regulatory VaR and regulatory stressed VaR are calculated with a 10-market-day time horizon, scaling the values obtained with the one-day horizon by multiplying them by the square root of 10. The maximum, minimum and average values of these measurements during 2020, as well as their value at the close of the reference period, are shown in the following table.

The different elements determining final regulatory charges using the internal market risk model and RWA flows of the previous year for each of the aforementioned measurements are shown below. Charges for VaR and stressed VaR are identical and correspond to the maximum of the most recent available value and the arithmetic mean of the last 60 values, multiplied by a factor depending on the number of times the daily result was less than the estimated daily VaR. Similarly, requirements for incremental default and migration Risk is the maximum of the last value and the arithmetic mean of the preceding 12 weeks. "Model updates/changes" in the RWA flows table mainly reflects the impact on RWAs of changes to the calibration and current time frame: weekly for IRC and stressed VaR, and daily for VaR.

Table 7.2. EU MR3 - Values under the IMA assessment methodology for held-for-trading books

Million euros

VaR (10 days, 99%)		
1	Maximum value	20
2	Average value	8
3	Minimum value	2
4	Period end	11
SVaR (10 days, 99 %)		
5	Maximum value	37
6	Maximum value	15
7	Maximum value	6
8	Maximum value	18
IRC (99.9 %)		
9	Maximum value	22
10	Average value	15
11	Minimum value	8
12	Period end	18
Comprehensive risk capital charge (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

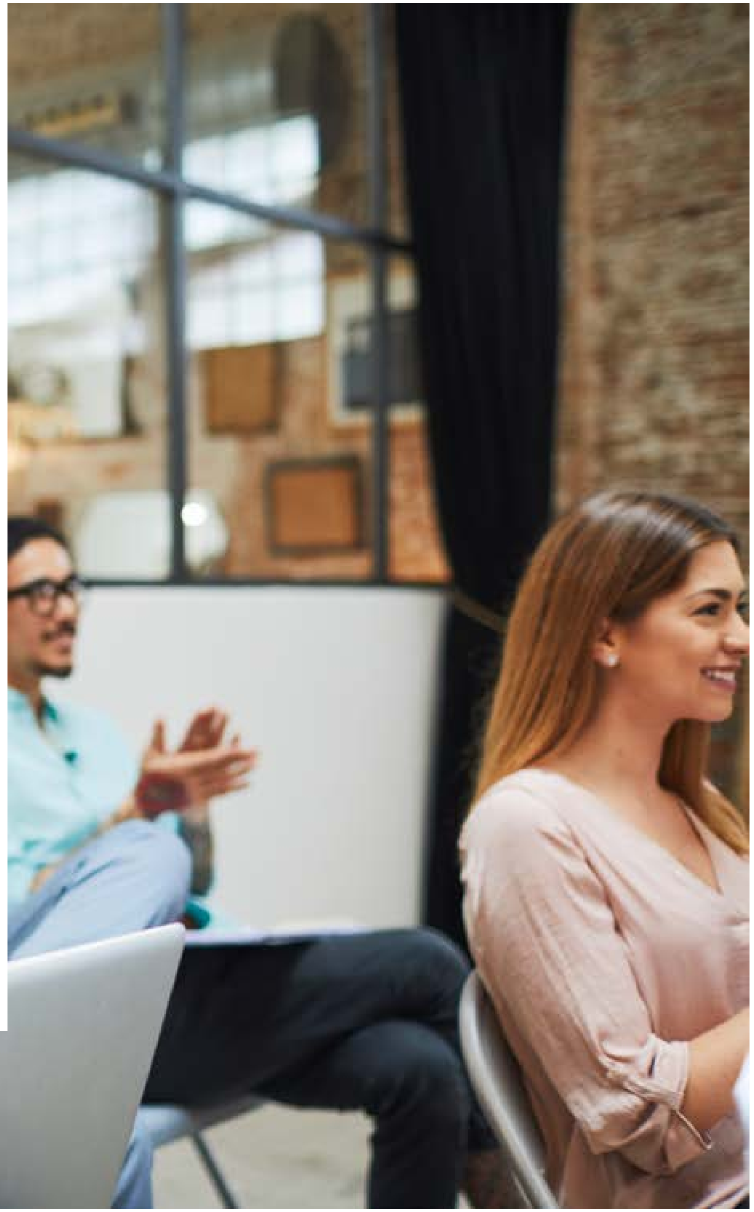



Table 7.3. EU MR2A - Market risk under the internal model approach (IMA)

Million euros

	RWAs	Capital requirements
VaR [higher of values a and b]	**313**	**25**
Previous value		11
60D average x multiplication factor		25
Stressed VaR [higher of values a and b]	**575**	**46**
Last value		18
60D average x multiplication factor		46
IRC	**222**	**18**
Latest value		18
12-week average		15
Comprehensive risk	**-**	**-**
Latest value		-
12-week average		-
Other		-
Total	**1,109**	**89**

The increase in Risk-Weighted Assets in the Internal Model is explained by the increases in both exposure and volatility in equities and credit spreads, reflected in increases in VaR and by Incremental Default and Migration Risk Charge (IRC).

Although appropriate measurement models and inputs are used, in line with standard market practice, the fair value of an asset may be exposed to a certain degree of uncertainty arising from the existence of alternative market data sources, the bid-offer spreads[1], alternative models to those used and their unobservable parameters, concentration or scarce liquidity of the underlying asset. The measurement of this uncertainty in fair value is carried out by the adjustment of eligible own funds through Additional Valuation Adjustments (AVA).

Adjustments for this uncertainty are applied and calculated mainly for assets with limited liquidity, where the most conservative bid-offer spread from comparable sources or conservative assumptions under the scope of the mark-to-model measurement are used. It should be noted that the volume of Level III[2] assets in the trading book is marginal (EUR 40 million in fixed income), and null for the internal market risk model perimeter, thereby significantly reducing he potential model risk.

Table 7.4. EU MR2-B - RWA flow statement

Million euros

		VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total capital requirements
1	**RWAs at the close of the previous year**	**183**	**623**	**185**	**-**	**-**	**992**	**79**
1a	Regulatory adjustment	135	419	(26)	-	-	527	42
1b	**RWAs at the close of the previous year (end of day)**	**48**	**204**	**159**	**-**	**-**	**412**	**33**
2	Variation in risk levels	61	(98)	124	-	-	87	7
3	Updates/variations on the model	31	114	(61)	-	-	84	7
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Exchange rate fluctuations	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	**RWAs at the period end (end of day)**	**140**	**221**	**222**	**-**	**-**	**583**	**47**
8b	Regulatory adjustment	172	354	-	-	-	526	42
8	**RWAs at the period end**	**313**	**575**	**222**	**-**	**-**	**1,109**	**89**

[1] *Difference between bid and offer prices.*

[2] *Assets for which valuation techniques are used where some of the significant assumptions are not supported by directly observable market inputs. For further details, see note 40 on Information on the fair value of the CABK Group Financial Statements for 2020.*

Verification of the reliability and consistency of the internal models

To confirm the suitability of the estimates of the internal model, daily results are compared against the losses estimated under the VaR technique, an exercise known as backtesting. The risk estimate model is checked in two ways:

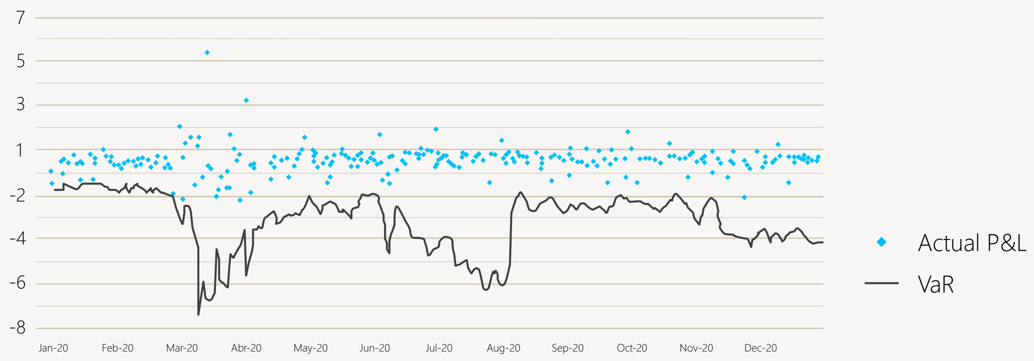
- **Net (or hypothetical) backtesting,** which relates the portion of the daily marked-to-market P&L of open positions at the close of the previous session to the estimated VaR over a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This backtesting is the most appropriate means of performing a self-assessment of the methodology.

- **Gross (or actual) backtesting** which compares the actual P&L obtained during the day (including intraday transactions) to VaR for a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This provides an assessment of the importance of intraday transactions in generating profit and estimating the risk.

The daily result used in both backtesting exercises does not include mark-ups, reserves, fees or commissions.

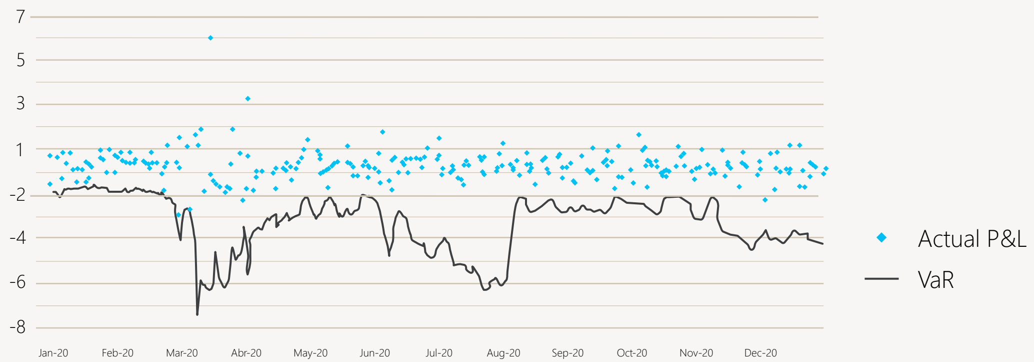
EU MR4 - Equity portfolio exposures (PD/LGD method)

Distribution of daily net results vs. daily VaR
Millions of euros



EU MR4 - Equity portfolio exposures (PD/LGD method)

Distribution of daily gross result vs. daily VaR
Millions of euros



During the year, there was a single overshooting in gross and net backtesting, due to adverse results in the derivatives desks of the Linear Interest Rate and Equity, caused by market movements due to the crisis arising from COVID-19

During the year, there was a single overshooting in gross and net backtesting, due to adverse results in the derivatives desks of the Linear Interest Rate and Equity, caused by market movements due to the crisis arising from COVID-19.

No backtesting of the IRC model is performed. Simulations, with an annual liquidity horizon or bell curve, run with different numbers to verify stability, are used to validate the internal consistency and accuracy of the results of the model. In its annual review, the Model Validation and Risk Department analyses the methodology used to calculate the IRC and describes any changes made since the last review. In addition, the IRC of the portfolio at a reference date is checked with the use of an internal tool developed independently of the one used to calculate capital requirements. Lastly, an assessment is made of the IRC's sensitivity to changes in the matrix of correlations, recovery rates and the probabilities of default.

Stress test

Two stress testing techniques are used on the value of the trading positions to calculate the possible losses on the portfolio in situations of extreme stress:

- **Systematic stress:** this technique calculates the change in value of the portfolio in the event of a specific series of extreme changes in the main risk factors. It considers parallel interest rate shifts; changes at various points of the slope of the interest rate curve; variation of the spread between the instruments subject to credit risk and public debt securities (bond-swap spread); parallel shifts in the EUR/USD curves; higher and lower volatility of interest rates; variation of the euro with respect to the USD, JPY and GBP; variation in exchange rate volatility, share prices; and higher and lower volatility of shares and commodities.

- **Historical scenarios:** this technique addresses the potential impact of actual past situations on the value of the positions held, such as: the collapse of the Nikkei in 1990; the US debt crisis and the Mexican peso crisis in 1994; the 1997 Asian crisis; the 1998 Russian debt crisis; the emergence of the technology bubble in 1999 and its collapse in 2000; the terrorist attacks that have caused the most severe effects on the financial markets in recent years; the credit crunch of the summer of 2007; the liquidity and confidence crisis caused by the collapse of Lehman Brothers in September 2008; the increase in credit spreads in peripheral countries of the euro zone due to the contagion effect of the crises in Greece and Ireland in 2010; and the Spanish debt crisis in 2011 and 2012.

- **Reverse stress test:** a technique that assumes a high-vulnerability scenario given the portfolio's composition and determines what variations in the risk factors lead to this situation.

The analysis of historical scenarios and of systematic stress is based on all business units, except for credit spread stress, which is only performed on the private fixed-income portfolio.

In IRC, stress testing is carried out in different types of scenarios, such as default scenarios of significant exposures, a rating downgrade of one notch of different exposures, and so on. Depending on the characteristics of the portfolio, alternative scenarios are defined. These may include a rating downgrade for long positions and an upgrade for short positions, if there are significant offsetting positions. Lastly, an assessment is made of the IRC's sensitivity to changes in the matrix of correlations, recovery rates and the probabilities of default.

Monitoring and control

The General Risks Division carries out a supervisory function, the main objective of which is to ensure a quality risk profile and preserve the solvency and guarantee mechanisms, thereby ensuring the comprehensive management of the various risks.

As part of the monitoring and control of the market risks assumed, there is a structure of overall VaR limits complemented by the definition sub-limits, stressed VaR and incremental default and migration risk, stress test and stop loss results and sensitivities for the various management units that could assume market risk.

The risk factors are managed using economic hedges on the basis of the risk-return ratio determined by market conditions and expectations, always within the assigned limits.

Beyond the trading book, fair-value hedge accounting is used, which eliminate potential accounting mismatches between the balance sheet and the

The General Risks Division carries out a supervisory function, the main objective of which is to **ensure a quality risk profile and preserve the solvency and guarantee mechanisms,** thereby ensuring the comprehensive management of the various risks

profit and loss statement caused by the different treatment of hedged instruments and their hedges at market values. In terms of market risk, levels for each hedge are established and monitored, expressed as ratios between total risk and the risk of the hedged items.

The Market and Assessment Risk Division, which is part of the Structural and Non-financial Risk Department, is responsible for monitoring these risks. To perform its functions, it monitors the contracts traded, calculates how changes in the market will affect the positions held (daily marked-to-market results), quantifies the market risk assumed, monitors compliance with global limits and analyses the ratio of actual return to the risk assumed. With the results obtained from these activities, it produces a daily report on positions, risk quantification and the utilisation of risk thresholds, which is distributed to Senior Management, the officers in charge of managing these risks, the Model Validation and Risk Department and the Internal Audit Department.

As noted previously, this division is responsible for daily monitoring of compliance with market risk limits and for reporting any breaches to Senior Management and to the appropriate risk-taking unit, with an instruction to restructure or close the positions leading to this situation or to obtain explicit authorisation to maintain them from the appropriate body. The risk report is distributed daily, and provides an explicit comparison between actual consumption and the authorised limits. Daily estimates on sensitivity and VaR, aggregated and segmented by risk factors and business units, are also provided.

On a daily basis, the department draws up and distributes the following market risk monitoring reports for Management, supervisors and Internal Audit:

- All the activity of the Markets division.
- The position constituted by the internal market risk model for the calculation of capital requirements, including equity derivatives on investees.
- The foreign currency position in the banking book.

The monitoring process generally consists of three different sections: daily risk measurement, backtesting and stress testing.

In addition, CaixaBank's treasury and market activities and the risk measurement and control mechanisms used for these activities are subject to ongoing internal audit.

The management of market risk on trading positions in markets is **in accordance with current methodological and monitoring guidelines**

Operational risk 8.

8. Operational risk

Operational risk RWAs
€13,250M

Operational Losses: Commercial practices (50%) and process management (22%)
72 %

RWAs under standardised approach
100 %

In the regulatory context, operational risk is defined as the possibility of incurring financial losses due to inadequate or failed internal processes, people and systems or from external events.

Given the varying nature of the operational events, CaixaBank has included the following operational risks in the Corporate Risk Taxonomy: Legal/ Regulatory, Conduct, IT, Information Reliability, Model and Other Operational Risks.

For each of these risks in the Taxonomy, the Group maintains specific management frameworks, without prejudice to the existence of an additional global operational risk management framework.

CaixaBank integrates operational risk into its management processes in order to deal with the financial sector's complex regulatory and legal environment. The objective of managing this risk is to improve the quality of business management, supplying the appropriate information to allow decisions to be made that ensure the organisation's long-term continuity, improvements to its processes and the quality of both internal and external customer service.

Although the standardised method is used to calculate regulatory capital, the Group's operational risk measurement and management is based on policies, processes, tools and methodologies that are risk-sensitive, in line with market best practices.

Annual evolution

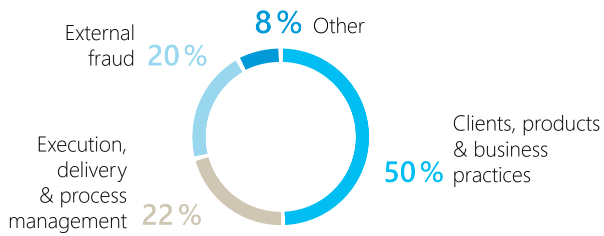
The consolidation of operational risk management continued during 2020, with a strong drive to integrate the Operational Risk Management Corporate Policy to extend best practices throughout the Group, enabling better loss prevention and mitigation.

The year has been determined by the pandemic situation that has arisen, with strengthened management in terms of business continuity and IT infrastructures, in order to support teleworking and increased use of digital channels. The operational losses recorded have dropped compared to the figures of recent years, insofar as the courts were closed in April and May due to COVID-19, and the lockdown has limited the processing of claims and actions.

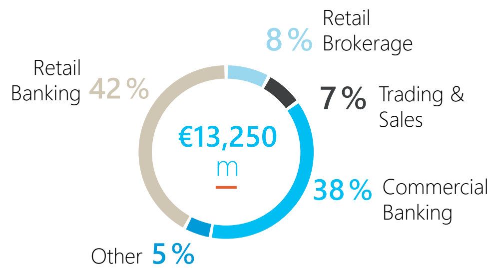
In 2020, the composition of operational losses reflects the impact that the pandemic has had on economic activity in general and CaixaBank in particular, which, while the nature of the recorded operational losses has not significantly changed, the relative importance of the different categories within these has changed.

The capital requirements for operational risk have remained practically stable relative to 2019, registering a 1% increase on 2019, in line with the evolution of the business.

Operational losses
Distribution by operational risk category, %



RWAs for operational risk
Distribution by business line, %



8.1 Operational risk management

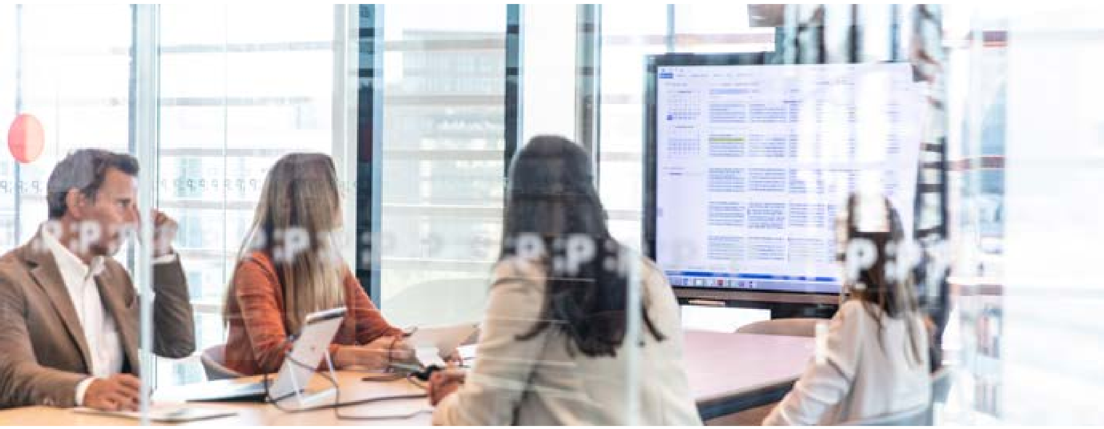
Definition

Operational risk is defined as the possibility of incurring losses due to the failure or unsuitability of processes, people, internal systems and external events. Given the varying nature of the operational events, CaixaBank does not list operational risk as a single item in the Corporate Risk Taxonomy. Instead, it has included the following operational risks: Legal/ Regulatory, Conduct, IT, Information Reliability, Model and Other Operational Risks. For each of these risks in the Taxonomy, the Group maintains specific management frameworks, without prejudice to the existence of an additional operational risk management framework corporate policy.

General policy

The Group seeks to manage operational risk consistently across all companies within its scope as a financial conglomerate. It achieves this by promoting consistency in the tools, measurements and reporting used for all of them, ensuring the existence of full and comparable information for operational risk decisions. It also promotes the use of advanced measurement and management models for each business sector; these are implemented consistently with the degree of development and maturity in each sector.

The Group manages operational risk in accordance with best practices in the market, for which it has put in place the necessary tools, policies and structures.



Structure and organisation of the management of operational risk

Governance framework

The pillars on which the Group's operational risk governance framework is based are:

- Compliance with the principles set out in corporate policy by Group companies within their scope.
- Corporate supervision of the parent company.
- Alignment of strategies between Group companies, and alignment with best practices, supervisory expectations and current regulations.
- Maximum involvement of the governing bodies and management of Group companies.
- Internal control framework based on the three lines of defence model that guarantees the strict segregation of functions and the existence of several layers of independent control.

Control framework

CaixaBank promotes a risk culture in the Group that fosters risk control and compliance, as well as the establishment of a robust internal control framework throughout the entire organisation that allows fully informed decisions to be made on the risks assumed.

The three lines of defence model, upon which the Group's internal control model hinges, guarantees the strict segregation of functions and the existence of several layers of independent control:

- The **first line of defence** is integrated into the procedures and processes of the operational units that effectively manage operational risk. They are responsible for the application of internal policies and procedures in the field of operational risk; they proactively implement measures to identify, manage and mitigate operational risk; and establish and implement appropriate controls.
- The risk management function (RMF), as an internal control function that comprises **the second line of defence** of operational risk, ensures the quality of the entire operational risk management process; reviews the consistency with internal policy and public guidelines of processes related to operational risk; conducts specific controls; supports the first line in the application of policies (self-assessment, loss capture, KRIs), obtaining information and implementing actions for risk management; with the collaboration of the Information System, it drives the implementation of the procedures for capturing operational loss events (promoting the consistency and integrity of the data and its accounting validation) and the protocol for capturing the measurements of indicators; and promotes the action and mitigation plans established in the first line in its operational risk management, supporting its preparation and monitoring.

The cross-cutting tasks of the second line of defence of operational risk are conducted by the Risk Management Function. Additionally, for legal/regulatory and conduct risk of an operational nature, the Compliance function acts as a second line of defence.

The internal audit functions – as the third line of defence – are included in section 3.4.3 Third line of defence.

Operational risk categories

Operational risks are structured into four categories or hierarchical levels, from the most generic to the most specific and detailed.

The main risk categorisation in the Group is based on levels 1 and 2, as defined under the regulations (the most generic or aggregated). These are extended and developed for risk circumstances up to levels 3 and 4, which are specific to the Group. These are obtained from detailed analysis of operational risk at divisional/Group company level, based on the regulatory tiers (1 and 2).

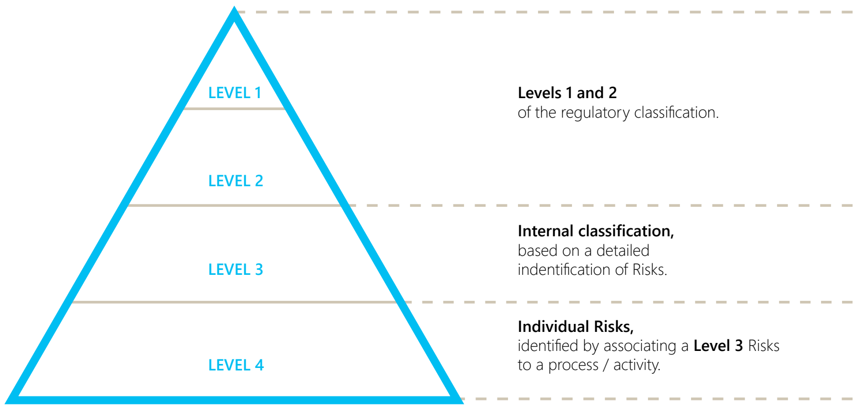
Tier 1 comprises 7 sub-categories (Internal Fraud; External fraud; Employment and safety practices in the workplace; Customers, products and business practices; Damage to physical assets; Business interruptions and system failures; and execution, delivery and management of processes) and tier 2 comprises 20 sub-categories.

The Group has defined its own main risk categorisation based on an analysis of operational risk in the various divisions and companies of the Group. This categorisation is the same for the entire Group and is shared by the qualitative approaches to identifying risks and the quantitative measurement approaches based on an operational loss database.

Level 3 risk represents the combined individual risk of all the business areas and Group companies.

Level 4 represents the materialisation of particular level 3 risks in a specific process, activity or business area.

The diagram below illustrates the classification of operational risk types (levels 1-4) in the Group.



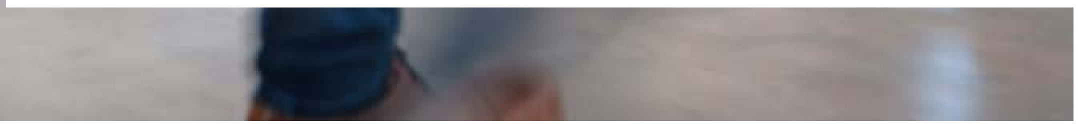
Risk management. Measurement and information systems

The Group's overall objective with regard to the management of operational risk comprises a number of specific objectives that form the basis for the organisation and working methodology for managing operational risk. These objectives are:

- To identify and anticipate existing and/or emerging operational risks.
- To adopt measures to mitigate and sustainably reduce operational losses.
- To promote the establishment of systems for continuous improvement of the operating process and of the control structure.
- To exploit operational risk management synergies.
- To promote an operational risk management culture.
- To comply with the current regulatory framework and requirements for the applicability of the management and calculation models chosen.

The main milestones in 2020 were:

- Progress achieved in the implementation of the Three Lines of Defence scheme for managing the risks associated with the Corporate Risk Taxonomy, and in the integration of the Operational Risk Management Policy throughout the company as a whole (formal adherence from Group companies).
- Risk Appetite Framework (RAF): redesign of the IT risk metric.
- Monitoring of COVID-19 event.
- Evolution of internal modelling capabilities for economic capital.
- Annual updating of operational risk self-assessments and related controls, and extreme operational loss scenarios.
- Specific projects to reduce the main recurrent operational losses.
- Monthly budgetary monitoring of operational losses.
- Optimisation of the set of operational risk indicators, KRIs.
- Calculation and regular monitoring of fraud rates for PSD2.



8.2 Minimum capital requirements

The following table shows the Group's RWAs for operational risk capital at 31 December 2020.

Table 8.1. Breakdown of RWAs by operational business line

Million euros

	Average relevant income	RWAs	RWA density	Capital requirements
Retail banking	3,690	5,535	150%	443
Retail brokerage	729	1,094	150%	88
Asset management	176	264	150%	21
Commercial banking	2,697	5,057	188%	405
Agency services	31	59	188%	5
Trading and sales	410	923	225%	74
Business financing	141	318	225%	25
Payment and settlement	-	-	-	-
Total	**7,875**	**13,250**	**168%**	**1,060**

Calculation of eligible own fund requirements

The Group applies the standardised approach for calculating regulatory capital requirements for operational risk.

The standardised approach involves multiplying a relevant indicator of exposure to operational risk by a coefficient.

This indicator is practically equivalent to the three-year average of gross income taken from the income statement.

The regulations establish that the indicator should be broken down into eight regulatory business lines, with the part assigned to each of these being multiplied by a specific coefficient, as shown in the following table:

Table 8.2. Operational risk: business lines and risk-weighting coefficients

	Risk-weighting coefficient
Business financing	18%
Trading and sales	18%
Retail brokerage	12%
Commercial banking	15%
Retail banking	12%
Payment and settlement	18%
Agency services	15%
Asset management	12%

This assumes that financial institutions are able to map the corresponding part of the Relevant Indicator to each of these regulatory business lines.

The regulations establish that financial institutions using the standardised approach must comply with certain requirements for operational risk management and measurement.

8.3 Operational risk management mechanisms

The management model is structured as follows:

The different methodologies implemented through operational risk management mechanisms and the measurement, monitoring and mitigation tools and procedures form part of the set of basic operational risk identification, measurement and evaluation tools, representing best practice in the sector.

The technological environment of the operational risk system provides all the functionality required and is fully integrated into the bank's transactional and information systems.

The main system is supported by an integrated tool, which has been customised to the Bank's needs. This component provides most of the functionality required for day-to-day operational risk management.

The tool is fed by multiple data sources from the transactional systems (of the bank itself and some Group companies) on a daily basis to capture key events, losses and key risk indicators (KRIs) for operational risk. It also offers interfaces for updating the organisational structure and other companies included in the data model.

All risk self-assessment processes, loss enrichments, KRI management, identification of weaknesses, action plans, etc. are carried out through workflows managed and controlled by the product itself, keeping the persons responsible for pending tasks up to date with what is happening.

The system also offers supports when reporting losses to the international Operational Riskdata eXchange (ORX).

Lastly, it is also important to note the integration with the Bank's information system: multiple interfaces have been designed for downloading all information from the system and uploading it into the Big Data environment to provide an analytical environment.

Quantitative measurement

Internal database

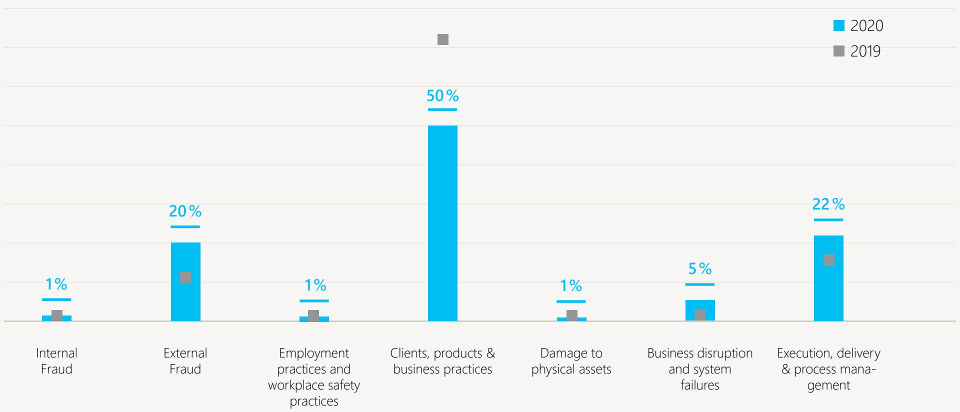
The internal operational loss database is one of the foundations for managing operational risk (and the future calculation of capital for operational risk).

An operational event is the implementation of an identified operational risk, an event that causes an operational loss. It is the central concept in the internal database model. Loss events are defined as each individual economic impact related to an operational loss or recovery.

Therefore, an operational event may result in one, several or no operational effects, which may in turn be identified in one or several areas.

The breakdown of gross operational losses by type of risk as follows:

Graphic.
Gross loss amount by operational risk type



External database

CaixaBank supplements the data on internal losses with the anonymous quarterly exchange of external losses, which occur in other entities of the sector, through an association formed for this purpose.

This information allows us to increase the volume of information on events that is used as an initial element in the qualitative scenario methodology, identify new operational risks using and analysing external data on this type of risk, and improve analytical capabilities for measuring operational risk.

Qualitative measurement

One of the foundations of the Group's management of operational risk is identification through qualitative techniques.

Self-assessments

Operational risks are subjected to self-assessments on an annual basis, which make it possible to: i) obtain greater knowledge of the operational risk profile and the new critical risk; and ii) maintain a standardised update process for the taxonomy of operational risks, which is the foundation upon which this risk's management is defined.

The self-assessments process involves the following phases:

- The centres update and confirm the operational risk map.
- Assessment of the risk by the area. The input parameters requested are estimates of data relating to: the potential frequency and impact of possible loss events, the allocation of the risk to the appropriate Business Line, and assessment of the associated control.
- Validation of the assessment by the area manager.
- Final validation by the Operational Risk and Integration Division.

During 2020, the annual update of the self-assessment of operational risks has been completed (having identified approximately 670), which can be used as the starting point for the 2021 budget.

Operational risk scenarios

A series of expert workshops and meetings are also held to generate hypothetical extreme operational loss scenarios. The objective is to use these scenarios to detect areas of improvement in the management and to supplement the available external and internal historical data on operational losses.

Operational risk indicators (KRIs)

Key Risk Indicators (KRIs) relating to operational risk are a tool used to measure quantitative or qualitative aspects that make it possible to: (i) anticipate changes in operational risks, enabling a forward-looking approach to their management; and (ii) provide information on changes to the operational risk profile and the reasons for such changes. A KRI is a metric that allows changes in the levels of this risk to be detected and anticipated; its monitoring and management is integrated in the operational risk corporate management tool. KRIs are not by nature a direct result of risk exposure. They are metrics that can be used to identify and actively manage operational risk.

The main concepts in the definition and structure of KRIs for operational risk are: the definition of each KRI (including any sub-KRIs), thresholds, alerts (and related actions), frequency, the updating method and criticality.

In 2020, a comprehensive analysis and optimisation project has been continued with regard to KRIs. The objectives have been to maximise the coverage of risks or centres, as well as to review the suitability of the set of pre-existing indicators.

Action and mitigation plans

With the aim of mitigating the operational risk, action plans that entail appointing a centre to be in charge, setting out the actions to be undertaken to mitigate the risk, the percentage or degree of progress, which is updated regularly, and the plan's final commitment date have been defined. This allows mitigation by (i) decreasing the frequency at which the events occur, as well as their impact; (ii) having a solid control structure in place, based on policies, methodologies and systems; (iii) integrating information generated by the operational risk management mechanisms into the Group's day-to-day management processes.

The action and mitigation plans may originate from any of the operational risk management tools or other sources: self-assessments, scenarios, external sources, KRIs, losses due to operational events, and internal audit and internal validation reports.

The process of defining and monitoring action and mitigation plans takes place in three stages, as illustrated below:

1 Identification > 2 Definition > 3 Deployment

Budget of operational losses

An operational loss budgeting exercise is carried out annually, that covers the entire scope of management and allows monthly monitoring to analyse and, where applicable, correct possible deviations.

Risk transfer (insurance)

> The corporate insurance programme for mitigating operational risk is designed to cover certain risks, and it is updated annually. Risk transfer depends on risk exposure, tolerance and risk appetite at any given time

Each year, an action plan is drawn up for the risk and insurance management system. The plan is predicated on the identification and assessment of operational and fortuitous risks, the analysis of risk tolerance, and the reduction of the total cost of risk (retention + transfer). This enables risk management and coverage to be integrated and streamlined as efficiently as possible, at the lowest cost possible, and with optimal security in accordance with the defined standards.

Reporting framework

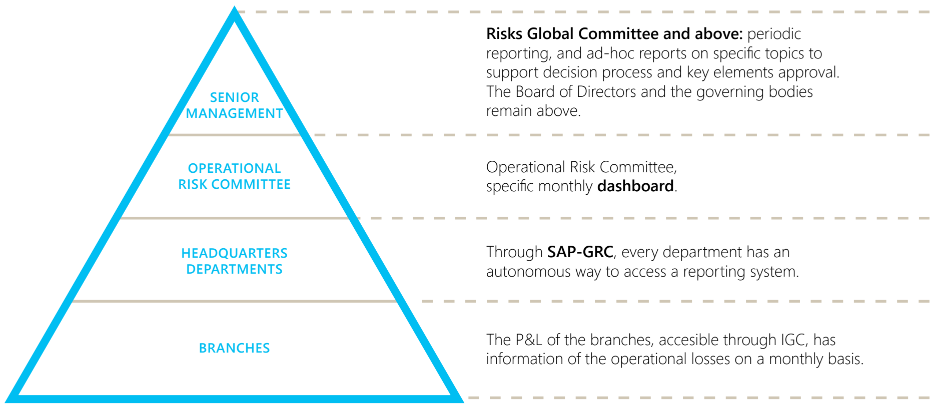
Establishing an adequate reporting framework is essential for managing operational risk.

The core goals of the reporting framework are:

- Providing Senior Management and the Governing Bodies with timely, accurate, clear and sufficient information to facilitate decision-making and to verify that transactions are being conducted within the set risk tolerance.
- Meeting the reporting requirements of the supervisory bodies.
- Keeping shareholders and the Group's stakeholders informed.
- Providing the managers of the different areas, especially the management and control areas, with the data necessary to carry out their duties in the field of Operational Risk.

This information is presented directly to the Operational Risk Committee by the responsible areas or by the referred persons of other committees or delegated taskforces.

The Global Risk Committee also receives regular reporting from the Operational Risk Committee regarding the matters approved and the information addressed in its sessions, as well as aspects that may materially affect the fulfilment of the risk appetite or the level of capital requirements.



Along these lines, the Risk Management Function regularly provides Senior Management and Governing Bodies with information on operational risk management, which includes at least an annual summary of the activities carried out by the second line of defence, in relation to the management of this risk (Activity report).

Operational risk training and culture initiatives

One of the fundamental goals of the operational risk management model is to ensure it is applied correctly on a day-to-day basis. To this end, the model is promoted through training sessions on operational risks and fostering a culture around these risks throughout the Group.

The objectives of training and fostering this culture are:

- to raise awareness on operational risk throughout the Group, specifically in areas and companies in which it could materialise and which could foresee or detect it; and
- to internalise operational risk as inherent to all the organisation's processes, ensuring that it is considered by all Group areas and companies, when defining and developing processes, activities and methodologies.

Operational risk training processes are conducted on three levels (virtual classroom, supplementary documentation and specific initiatives), which cover with differing scope and depth of training requirements both at the general management tool level and at the specialised level of the various types of risks included in the set of operational risk.

8.4 Connection with the Corporate Risk Taxonomy

The **risks in the Corporate Taxonomy** that are identified in the regulatory framework as operational risk are as follows: Legal/ Regulatory, Conduct, IT, Information Reliability, Model and Other Operational Risks

8.4.1. Conduct risk

Definition and general policy

Within the framework of operational risk according to the regulatory definition, conduct risk is defined as the risk of the Group applying criteria for action contrary to the interests of its customers and stakeholders, or actions or omissions by the Group that are not aligned with the legal or regulatory framework, or with internal policies, regulations or procedures, or with the codes of conduct, ethical standards and good practice. The Group's objective is to: **i)** to minimise the probability of this risk occurring and **ii)** if it does, to detect, report and address the weaknesses promptly.

The management of conduct risk is not limited to any specific area, but rather the entire Group. All employees must ensure compliance with prevailing regulations, applying procedures that translate such regulations into their activities.

In order to manage conduct risk, the dissemination and promotion of the values and principles set out in the Code of Business Conduct and Ethics are encouraged, and CaixaBank Group employees and members of its governing bodies must ensure that they are compliant as a core criterion guiding their day-to-day activities. Therefore, as the first line of defence, the divisions whose business is exposed to conduct risk implement and manage first-level indicators and controls to detect potential sources of risk and act effectively to mitigate them.

8.4.2. Legal and regulatory risk

Legal and regulatory risk is understood as the potential loss or decrease in the profitability of CaixaBank Group as a result of changes in the legislation, the improper implementation or interpretation of said legislation in the Group's processes and its various operations, improper management of legal and administrative requirements or claims or complaints received.

This risk is managed by following certain activity principles in order to ensure that the risk appetite and tolerance limits defined in the Group's Risk Appetite Framework are respected.

Accordingly, the Group undertakes actions for the adequate implementation of standards, as well as ongoing monitoring and control of regulatory changes with a view to ensuring greater legal protections and in defence of its legitimate interests[1]. These actions are coordinated through the Regulation Committee, the body responsible for establishing the strategic positioning of the Group in matters concerning financial regulation, promoting the representation of the Bank's interests and coordinating the regular assessment and the regulatory initiatives and proposals that may affect the Group.

In the same vein, a set of committees (Transparency Committee, Privacy Committee), whose purpose is to monitor, is coordinated in each of the Bank's initiatives, its adaptation to consumer protection standards and its privacy, notably including the dedication to developing a friendly contractual style of the language and layout of the content to communicate the rights and obligations of customers in a more understandable way, without reducing the technical rigour. Emphasis is also placed on the design of transparent marketing processes, incorporating innovative tools aimed at facilitating the customer's understanding of the product offered, its economic consequences and its risks.

To ensure the correct interpretation of the rules, as well as a study of precedent and the rulings from the competence authorities, the competent administrative authorities are also consulted when necessary, in order to adjust its actions to these criteria.

In relation to the claims filed with the Customer Service Office, as well as the sustained flow of existing litigation, the Group has policies, criteria and procedures for analysing and monitoring these claims and judicial processes. These allow a better understanding of the activities carried out by the Group, the identification and establishment of constant improvements in contracts and processes, the implementation of regulatory disclosure measures and leadership in cross-cutting projects to swiftly adapt to the current jurisprudence, the early restoration of the rights of customers, in the event of possible incidents, through agreements and the establishment of the accounting coverages, where applicable, in the

[1] *Chiefly those described in Note 3.1 to the 2020 Annual Accounting Report, in relation to the regulatory environment.*

form of provisions, to cover the potential outflow of economic resources whenever this is considered a probable result of unfavourable rulings, both in and out of court (i.e. customer claims), and administrative sanctions brought against the Group, whether of a civil, criminal, fiscal or administrative nature or in relation to employment law.

8.4.3. IT risk

Also with regard to regulatory operational risk, the Corporate Risk Taxonomy defines information technology risk as the risk of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyberattacks or other circumstances, that could compromise the availability, integrity, accessibility and security of the infrastructures and data. The risk is broken down into 5 categories that affect ICT (Information and Communications Technology): **i)** availability; **ii)** information security; **iii)** change management and operation; **iv)** data integrity; and **v)** governance and strategy.

The current measurement of this risk is included in a monthly-monitored RAF (Risk Appetite Framework) indicator, calculated using individual indicators and controls linked to the different fields comprising IT risk. Regular spot checks are carried out to verify the quality of the information and the methodology used in creating the indicators reviewed.

The internal frameworks of governance associated with the various areas of IT risk have been designed according to leading international standards, and they are aligned with the Guidelines published by the different supervisors:

- IT governance, designed and developed under the ISO 38500 standard.
- Information Security, designed and developed in accordance with the ISO 27002 Standard and the Information Security Management System certification based on the ISO 27001 standard.
- Technological contingency, designed and developed under the ISO 27031 standard.
- Governance of information and data quality, designed and developed in accordance with the standard BCBS 239.

With the different governance frameworks and management systems, CaixaBank guarantees:

- Compliance with the recommendations of regulators: Bank of Spain, European Central Bank, etc.
- Maximum security in operations, both in habitual processes and in extraordinary situations.

And it also demonstrates to its customers, investors and other stakeholders:

- Its commitment to the governance of information technology, security and business continuity; and
- The implementation of management systems in accordance with the most recognised international standards; and
- The existence of different cyclical processes based on ongoing improvement.

Similarly, CaixaBank has been designated a critical infrastructure operator by virtue of the provisions of Act 8/2011 and is under the supervision of the National Centre for the Protection of Critical Infrastructures dependent on the State Secretary of Home Office Security.

Furthermore, CaixaBank has a general emergency plan and various internal regulations on security measures, which include priority aspects such as: **i)** cybersecurity strategy; **ii)** the fight against customer fraud and internal fraud; **iii)** data protection; **iv)** security governance and disclosure; and **v)** supplier security.

8.4.4. Information reliability risk

The risk affecting the reliability of non-financial information was added to the Corporate Risk Taxonomy in 2020. The former financial information reliability risk was consequently renamed information reliability risk, covering both financial and non-financial information.

Information reliability risk is defined in the Corporate Risk Taxonomy as the risk of deficiencies in the accuracy or integrity of and the criteria used to prepare the data and information necessary to evaluate the financial and equity situation of CaixaBank Group or the information provided to stakeholders and that is published to allow the market a holistic vision of the sustainability of the business in terms of its environment and in relation to environmental, social and governance (ESG) principles.

The Group has Corporate Policies approved by the CaixaBank Board of Directors that establish the risk control and management framework, including:

- **The purpose of the corporate management policy of financial information reliability risk is to establish and outline the following**:
  - a reference framework that allows it to manage financial information reliability risk related to the individual and consolidated information generated at CaixaBank to be disseminated, homogenising criteria on control and verification activities;
  - the scope of the financial information to be covered;
  - a framework of governance to follow, both for the information being disseminated and for the verification of the documentation defined;
  - the criteria related to the control and verification of the information to be disclosed in order to guarantee the existence, design, implementation and correct transaction of Internal Control over Financial Reporting (ICFR), making it possible to mitigate the financial information reliability risk, and a description of the governance and review process laid down in relation to the Statement of Non-financial Information included in the Management Report.
  - In relation to the non-financial information reliability risk, in 2020, work has been carried out on formalising and implementing governance and on the review processes laid down covering the statement of non-financial information included in the management report.

    In 2021, the scope of the corporate policy for managing the financial information reliability risk is expected to be extended, with the aim of broadening the scope of information and covering non-financial information, among other purposes. In this regard, the update of the aforementioned policy in 2020 already describes both the governance and the review processes established in relation to the aforementioned information.
- **Corporate policy on information and data quality governance,** which regulates the governance of data and the presentation of reports.

This risk is managed, in the main, by assessing whether the information of the Group complies with the following principles:

- The transactions, facts and other events presented in the financial information exist and were recorded at the right time (existence and occurrence).
- The information includes all transactions, facts and other events in which the Group is the affected party (completeness).
- The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
- The transactions, facts and other events are classified, presented and disclosed in the financial and non-financial information in accordance with applicable standards (presentation, disclosure and comparability).
- The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

8.4.5. Model risk

The model risk management Corporate Policy defines model risk as the potential adverse consequences for the Group arising from decisions based mainly on the results of internal models due to errors in the construction, application or use thereof.

Specifically, the subrisks identified under model risk that are the subject of management and control are:

- **Quality risk:** potential negative impact due to unpredictive models, either due to construction defects or due to the lack of updates over time.
- **Governance risk:** potential negative impact due to inadequate governance of model risk (e.g., models not formalised in committees, relevant models without second-line defence opinion or models that have not been correctly inventoried).
- **Control environment risk:** potential negative impact due to shortcomings in the model control environment (e.g., models with overdue recommendations or unfulfilled mitigation plans).

The general strategy of model risk is based on the following pillars:

- **Identification of model risk, using the Corporate Inventory of Models as a key element to lay down the boundaries of the models within the scope.** In order to be able to manage model risk, it is necessary to identify existing models, assessing the quality thereof and how they are used by the Group. It is necessary to have a single record of models that unifies the model concept and to define a homogeneous taxonomy that includes, among other attributes, their relevance and assessment.
- **Model governance,** which addresses key aspects such as:
  - Identifying the most relevant phases within the life cycle of a model, defining the minimum roles and standards to exercise these activities.
  - The concept of tiered management, in other words, the way in which the control framework of the models can be modulated according to the relevance of the model in general terms. This attribute will condition the model's control environment, such as the type and frequency of validation, the type and frequency of the model's monitoring, the body that has to approve the use of a model, the level of internal supervision and the level of involvement of senior management.
  - The governance and management of changes in models from a cross-cutting perspective, offering different model owners the necessary flexibility and agility to change the affected models, following the most appropriate governance in each case.
  - Defining Internal Validation standards that guarantee the correct application of controls for an independent unit to assess models.
- **Monitoring,** based on a control framework with an anticipatory approach to model risk, which enables risk to be maintained within the parameters laid down in the Group's Risk Appetite Framework, by regularly calculating appetite metrics and other specific model risk indicators.

In 2021, Model Risk management is expected to be gradually deployed proportionally, in subsidiaries that are susceptible to its implementation.

8.4.6. Other operational risks

Definition and general policy

Within the Corporate Risk Taxonomy, this is defined as the losses or damage caused by errors or shortcomings in processes, due to external events or due the accidental or intentional actions of third parties outside the Group. This includes risk factors related to outsourcing, the custody of securities or external fraud.

All of the Group's divisions and companies are responsible for the operational risks within their respective remits. This means identifying, assessing, managing, controlling and reporting on the operational risks of their activity and helping CaixaBank Group's Non-financial Risk Division to implement the management model throughout the Group.

A specific example of this would be the operational resilience that refers to an organisation's ability to continue to deliver products or services at acceptable predefined levels following a disruptive incident. In this area, CaixaBank has developed a Business Continuity Management System designed and developed in accordance with the ISO 22301 Standard.

9. Business return risk

9.

Business return risk

Business return risk refers to obtaining results below market expectations or Group targets that, ultimately, prevent the company from reaching a level of sustainable returns that exceeds the cost of capital.

The return targets, backed by a process of financial planning and monitoring, are defined in the Group's 3-year Strategic Plan, and they are set each year in the Group's budget and in the Commercial Network Challenges.

The Group has a Corporate policy on business return risk management. The business return risk management is based on 4 management visions:

- **Group Vision:** the overall aggregated return at CaixaBank Group level.
- **Business/Territory Vision:** the return of businesses/territories.
  - **Financial and Accounting Vision:** the return of the different corporate businesses.
  - **Commercial and Management Vision:** the return of the management of CaixaBank's commercial network.
- **Pricing Vision:** the return based on the pricing of CaixaBank products and services.
- **Project Vision:** the return of the Group's significant projects.

The Business Return risk management strategy is closely integrated with the Group's solvency and liquidity management strategy and is based on strategic risk processes (Corporate Risk Taxonomy, Risk Assessment and RAF).

10. Liquidity and funding risk

10. Liquidity and funding risk

€114,451 M
Total liquid assets
(HQLAs + collateral available in ECB credit facility)

276 %
LCR at 31 December

87 %
Retail funding over total funding

Liquidity risk measures the Group's capacity to meet the acquired payment obligations and to finance its investment activity.

CaixaBank Group manages its liquidity risk to ensure that payment obligations can be met comfortably on time, without harming investment activity owing to a lack of borrowable funds, whilst remaining compliant with the Risk Appetite Framework (RAF) at all times.

This goal allows a stable and balanced funding structure to be maintained, with a predominant contribution from customer deposits and limited use of wholesale markets, in line with the Group's funding strategy.

Annual evolution

Liquidity metrics remained at comfortable levels throughout 2020. At 31 December 2020, total liquid assets stood at €114,451 million, up €25,024 million in the year mainly due to the generation and pledge of collateral to the ECB credit facility and the net liquidity contribution from the commercial funding gap.

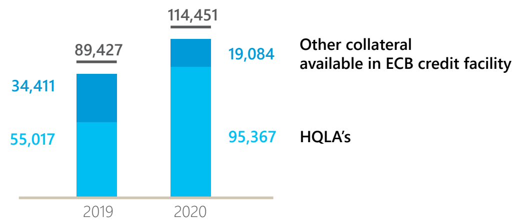
As of 31 December 2020, the Liquidity Coverage Ratio (LCR) stood at 276%[1], well above the minimum requirement of 100%, and the Net Stable Funding Ratio (NSFR) stood at 145%[2], also above the 100% minimum regulatory requirement that will enter into force in June 2021.

The funding strategy is built on two key aspects: **(i)** a funding structure based mainly on customer deposits, as reflected in an LTD ratio of 97% at 31 December 2020; **(ii)** supplemented with funding in capital markets.

The structure of wholesale issuances is diversified and the maturity profile is comfortable, with relatively low amounts maturing over the coming financial years.

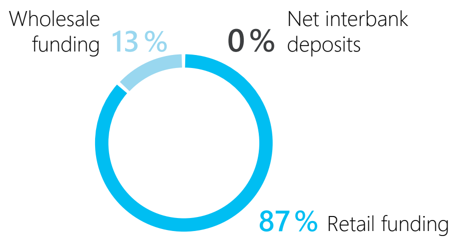
Total liquid assets

In million euros



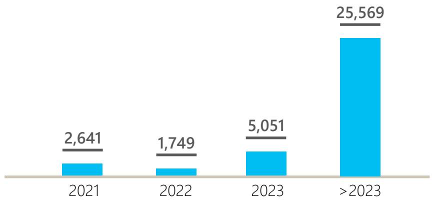
Funding structure

Breakdown by source of funding, %



Maturities

Breakdown of wholesale issuances by year of maturity, in millions of euros.



[1] 12 months average LCR at 248 %.

[2] Calculated according to the regulatory criteria established by the regulation (EU) 2019/876 of the European Parliament and of the Council, from 20 may 2019.

10.1. Liquidity and funding risk management

Definition and general policy

Liquidity and funding risk is the risk of insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.

In order to ensure adequate risk management, the Group has a corporate liquidity risk management policy that establishes the corporate principles, the governance framework, the control framework and the information reporting framework applicable to all Group companies with exposure to this risk.

The Group manages this risk in order to maintain liquidity at levels that ensure payment obligations can be met comfortably on time, without harming investment activity owing to a lack of lendable funds, whilst remaining complaint with the Risk Appetite Framework (RAF) at all times.

Liquidity risk management is decentralised to three units (CaixaBank subgroup, BPI subgroup and CaixaBank Wealth Management Luxembourg, S.A.).

Drafting and updating the RAF presented to the Governing Bodies delimits the liquidity risk metrics defined for CaixaBank Group and for the three management units, validating that they are commensurate with the established risk tolerance levels.

Strategies and processes in the management of the liquidity risk:

a. The identification of relevant liquidity risks for the Group and its liquidity management units.

b. The formulation of the strategic principles the Group must follow in managing each of these risks.

c. The definition of relevant metrics for each of these risks.

d. The establishment of appetite, tolerance and, where applicable, recovery thresholds within the RAF.

e. The development of management and control procedures for each of these risks, including systematic internal and external monitoring mechanisms.

f. The definition of a stress-testing framework and a Liquidity Contingency Plan to ensure that liquidity risk is managed accordingly in moderate and serious crisis situations.

g. And a Recovery Planning framework, in which scenarios and measures are devised for an extreme crisis situation.

The liquidity strategy can be summarised as the maintenance of liquidity levels within the RAF thresholds in order to ensure payment obligations can be met comfortably on time, without harming the investment activity owing to a lack of lendable funds.

In particular, the Group holds specific strategies with regard to: **(i)** management of intraday liquidity; **(ii)** management of short-term liquidity; **(iii)** management of the funding sources/concentrations; **(iv)** management of liquid assets; and **(v)** management of encumbered assets.

Furthermore, the Group has procedures to minimise liquidity risks in stress conditions through **(i)** the early detection of the circumstances that could cause it; **(ii)** minimisation of the negative impacts; and **(iii)** active management to overcome a potential crisis situation.

CaixaBank has established risk appetite indicators at Group and management unit level. Of these indicators, it is worth underscoring the most relevant in:

- **Level 1**[1] where 5 indicators are established in the areas of: **(i** and **ii)** short-term liquidity (position and LCR- Liquidity Coverage Ratio), **(iii** and **iv)** long-term funding structure (NSFR and retail), **(v)** cost of wholesale funding.

- **Level 2**[2] where 9 secondary indicators are established in the areas of: **(i)** short-term liquidity (position), **(ii)** balance sheet structure (wholesale), **(iii)** concentration of wholesale funding maturities, **(iv)** concentration of funding from large counterparties, **(v** and **vi)** concentration of ECB funding, **(vii)** intraday liquidity, **(viii)** encumbered assets and **(ix)** stress metric.

Additionally, in order to ensure the integration of stress exercises in management and Risk Appetite, there is a metric of stress. This metric is based on an internal stress model that was developed to comply with best practices (EBA "Guidelines on institutions stress testing (EBA/GL/2018/04)" and the EBA ILAAP guidelines called "Guidelines on ICAAP and ILAAP information collected for SREP purposes").

[1] Set by the Board of Directors and reported periodically to the Board of Directors.

[2] Limits that the Board of Directors has delegated to the entity's management for monitoring, management and control.

CaixaBank Group uses liquidity stress tests (internal model, survival period based on LCR assumptions, liquidity stress for ICAAP and liquidity stress for recovery plan) as a key element for decision-making in the field of liquidity risk. Among other things, these tests can verify RAF liquidity targets and project metrics to anticipate breaches of liquidity targets and limits set in the Risk Appetite Framework (RAF). The internal liquidity model and the recovery plan use as an assumption all risk sources identified in the process of liquidity risk identification. Among other assumptions, it takes into account the behaviour of depositors (outflows), the maturity of issues and stress in asset valuation and ratings. CaixaBank Group uses tests at a consolidated level (in accordance with the EBA guidelines on stress) but also for each of its liquidity risk management units.

The strategic principles used to achieve the liquidity management goal are the following:

- Decentralised liquidity management system in three units (the CaixaBank subgroup and the BPI subgroup, and CaixaBank Wealth Management Luxembourg, S.A.), in which a segregation of functions exists to ensure optimal management, control and monitoring of risks.
- Maintenance of an efficient level of liquid funds to meet commitments made, fund business plans and comply with regulatory requirements.
- Active liquidity management through continuous monitoring of liquid assets and balance sheet structure.
- Sustainability and stability as core principles of its funding sources strategy, based on:
  - A funding structure mainly consisting of customer deposits.
  - Funding in capital markets to complement the funding needs.

Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)

The Board of Directors has assigned functions related to the ongoing monitoring of risk management to the Risk Committee and to the Global Risk Committee. The ALCO is responsible for managing, monitoring and controlling liquidity risk. To do so, it monitors, on a monthly basis, compliance with the Risk Appetite Framework (RAF), the Bank's long-term funding plan, trends in liquidity, expected gaps in the balance sheet structure, indicators and alerts to anticipate a liquidity crisis so that it can take corrective measures in accordance with the Liquidity Contingency Plan. It also analyses the potential liquidity levels under each of the hypothetical crisis scenarios.

First line of defence

The ALM (Asset and Liability Management) Division, which reports to CaixaBank's Executive Finance Division, is responsible for analysing and managing liquidity risk, ensuring that liquid assets are permanently available in the balance sheet, i.e. minimising the liquidity risk in the banking book in accordance with the guidelines established by the ALCO. The Balance Sheet Analysis and Monitoring Division, which also reports to the Executive Finance Division of CaixaBank, is responsible for analysing and monitoring liquidity risk. The analysis is performed under both business-as-usual and stress market situations.

Second line of defence

Independently of the divisions that make up the first line of defence, the Market Risk and Balance Sheet Risk Division, which reports to the Executive Directorate of Corporate Risk Management Function & Planning, is responsible, as a second line of defence, for risk control, monitoring and assessment of the risk control environment and for the identification of potential areas of improvement.

Third line of defence

See section 3.4.3. Third line of defence for further details.

Scope and nature of liquidity risk reporting and measurement systems

Liquidity risk is measured, monitored and controlled through static measurement of the liquidity position, dynamic measurement of liquidity projections and stress test exercises for liquidity under different scenarios. In addition, static and dynamic comparisons of the funding structure are performed and regulatory ratios are calculated (LCR, NSFR and Asset Encumbrance).

Static measurements of liquidity are calculated on a daily basis, including certain Risk Appetite Framework (RAF) metrics. Monthly liquidity projections are performed, including the most relevant RAF metrics, together with two stress test exercises (quarterly internal model and survival period based on monthly LCR assumption). Annual liquidity stress tests are carried out for the Recovery Plan and the Internal Capital Adequacy Assessment Process (ICAAP).

An Internal Liquidity Adequacy Assessment Process (ILAAP) is carried out every year. This includes a review of the Management Framework for Liquidity and Funding Risk, in accordance with the requirement received from the supervisor. In addition, the CaixaBank Board of Directors makes

a declaration about the adequacy of liquidity buffers for existing liquidity and funding risks and approves the key elements of the ILAAP.

With regard to the Declaration on the adequacy of liquidity in the 2019 ILAAP:

It has been declared that liquidity risk management and the liquidity levels maintained at the consolidated group of credit institutions headed by CaixaBank are adequate.

The content of such Declaration is as follows:

- **Scope of application:** The scope of application of the ILAAP corresponds to the Consolidated CaixaBank Group, including CaixaBank S.A. as the parent company, and its subsidiary companies integrated into the regulatory consolidation. Liquidity risk management is decentralised across two units (CaixaBank subgroup and BPI subgroup).

- **Identification of liquidity risks and formulation of liquidity risk strategies:** CaixaBank Group regularly carries out a comprehensive identification process for all material liquidity risks, which allows dynamic management and anticipation of these risks. All material risks have a corresponding liquidity risk strategy. The goal of the general liquidity risk strategy is to maintain liquidity levels at all times within the Risk Appetite Framework (RAF) thresholds to ensure payment obligations can be met comfortably on time, without harming investment activity owing to a lack of lendable funds.

With a view to meeting regulatory expectations, thresholds have been established for non-material risks. Thresholds are not set for material risks because they have a corresponding specific strategy, and they are linked to RAF indicators that allow them to be monitored and controlled.

- **Liquidity risk governance:** CaixaBank Group has sound liquidity risk and funding risk governance processes that comply with best practices in the field of governance. This enables the Group to exchange information among its different companies, manage the risks in its various subsidiaries or entities, as well as in the Group as a whole, thereby ensuring effective supervision of the Group.

- **Funding strategy and plan:** CaixaBank Group has an appropriate funding structure, which adheres to the funding risk management strategy in place and is in line with the established Risk Appetite Framework. Funding through deposits opened through the branch network plays a predominant role, underpinned by wholesale funding that is diversified through the use of a variety of instruments, investors and maturities.

- **Management of liquidity buffers:** CaixaBank Group also has robust procedures in place to identify, manage, monitor and control its liquid asset base. The Group has a satisfactory level of liquid assets, considering the regulatory restrictions, risk appetite, and liquidity and funding risks identified.

- **Management of asset encumbrance:** CaixaBank Group has classified asset encumbrance risk as a material risk, and has therefore drawn up a specific strategy to manage this risk, and a metric for measuring it and setting a threshold in the RAF. CaixaBank Group has solid monitoring procedures for asset encumbrance, maintaining a reasonable level and within the levels established in RAF.

- **Transfer pricing system:** CaixaBank Group has a transfer pricing system that is fully integrated into its management processes, through which funding transactions are remunerated, while funding costs are passed on to lending transactions. The system is an essential part of segment accounting.

- **Intraday liquidity:** CaixaBank Group has sufficient procedures in place in each management and control unit for intraday liquidity risk, maintaining very comfortable levels with respect to the risk appetite level.

- **Liquidity stress tests:** CaixaBank Group carries out various liquidity stress tests: two specific internal liquidity tests (internal stress model and LCR-based survival period), and two other tests carried out annually, corresponding to the Recovery Plan and the ICAAP. In all cases, the results are satisfactory. Even in the more severe scenarios, the liquidity targets established in the Risk Appetite Framework (RAF) are met.

- **Liquidity Contingency Plan:** The Group's liquidity management units have a robust Liquidity Contingency Plan that includes: **(i)** an early-detection framework; **(ii)** a governance and activation model; **(iii)** a broad range of measures intended to generate liquidity, which is quantified regularly; and **(iv)** an internal and external Communications Plan.

- **ILAAP self-assessment:** CaixaBank Group has carried out an ILAAP self-assessment.

Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

The measures in place for liquidity risk management and anticipatory measures feature:

a. Authority from the General Meeting of Shareholders or, as the case may be, from the Board of Directors to issue, depending on the nature of the type of instrument.

b. Availability of several facilities open with: **(i)** the ICO, under credit facilities – mediation **(ii)** the EIB; and **(iii)** the Council of Europe Development Bank (CEB). In addition, there are funding instruments with the ECB for which a number of guarantees have been pledged to ensure that liquidity can be obtained immediately.

c. Maintaining issuance programmes aimed at expediting formalisation of securities issuances in the market.

d. In order to ease access to short-term markets, CaixaBank currently maintains the following:

1. Interbank facilities with a significant number of financial institutions (national and international), as well as with central banks.

2. Repo facilities with a number of domestic and foreign counterparties.

3. Access to central counterparty clearing houses for repo business (LCH SA – Paris, BME – Madrid and EUREX – Frankfurt).

e. The Contingency Plan and Recovery Plan contain a wide range of measures to generate liquidity in diverse crisis situations. These include potential issuances of secured and unsecured debt, use of the repo market, and so on. For all these, viability is assessed under different crisis scenarios and descriptions are provided of the steps necessary for their execution, as well as the expected period of execution.

Strategy for the management of funding sources/ concentrations:

CaixaBank Group has developed a decentralised funding model based on autonomous entities that are responsible for meeting their own liquidity needs and based on the following principles:

a. Maintaining a stable funding base of customer deposits, pursuing maximum customer loyalty, leading to greater stability in their balances. Knowledge of the different stability levels of retail deposits according to customers' loyalty and operating level.

b. Active management of wholesale funding with continuous monitoring of wholesale funding markets, availability of a broad range of instrument types for the execution of transactions, ratings by different agencies (credit rating of institution and of instruments issued), close relationship with investors in order to optimise funding costs and market access. The execution of these transactions seeks to diversify instruments, investors and maturities.

Several metrics are used to monitor and control the funding structure (loan-to-deposits ratio, NSFR, wholesale funding ratio) and concentration metrics (concentration of counterparties, wholesale funding maturities and ECB funding).

10.2. Quantitative aspects

The table below provides a breakdown of CaixaBank Group's high-quality liquid assets (HQLAs):

Table 10.1. Liquid Assets (HQLAs)

Amounts in millions euros

	2019		2020	
	Market value	Applicable weighted amount	Market value	Applicable weighted amount
Level *1* Assets	53,098	53,021	94,315	94,280
Level *2A* Assets	42	36	344	292
Level *2B* Assets	3,670	1,960	1,590	795
Total*	**56,809**	**55,017**	**96,249**	**95,367**

** Criteria established to determine the LCR (Liquidity Coverage Ratio).*

Banking liquidity, measured by the high-quality liquid assets (HQLAs) used to calculate the LCR,in addition to the balance that can be drawn on the credit facility with the European Central Bank that does not comprise the aforementioned assets, amounted to €114,451 million and €89,427 million at December 2020 and December 2019, respectively.

Compliance with the Liquidity Coverage Ratio became mandatory on 1 October 2015. This entails maintaining an adequate level of high-quality liquid assets (HQLAs) available to meet liquidity needs over a 30-day horizon under a stress scenario which considers a combined financial sector-wide and idiosyncratic crisis. The regulatory limit established is 100%. CaixaBank has included thresholds for this metric within the Risk Appetite Framework (RAF).

The LCR ratio in point-in-time data at 31 December is shown below:

Table 10.2. LCR Ratio (liquidity coverage ratio)

Amounts in millions euros

	2019	2020
High quality liquid assets (numerator)	55,017	95,367
Total net cash outflows (denominator) (a-b)	30,700	34,576
Cash outflows (a)	36,630	42,496
Cash inflows (b)	5,931	7,920
Liquidity Coverage Ratio (LCR)*	**179%**	**276%**

** According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (as amended by Delegated Regulation (EU) 2018/1620 of July 2018) supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards liquidity coverage requirements for credit institutions.*

The LCR ratio in monthly average data for the last four quarters is detailed below.

Table 10.3. EU LIQ1 - Liquidity Coverage Ratio (LCR)

Amounts in millions euros

Consolidated CaixaBank		Total unweighted value (average)				Total weighted value (average)			
Quarter ending		31.03.20	30.06.20	30.09.20	31.12.20	31.03.20	30.06.20	30.09.20	31.12.20
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					58,429	62,096	71,373	81,018
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	140,564	145,904	152,669	161,055	8,453	8,789	9,210	9,747
3	Stable deposits	112,953	116,954	122,105	128,285	5,648	5,848	6,105	6,414
4	Less stable deposits	27,612	28,950	30,564	32,770	2,805	2,941	3,105	3,333
5	Unsecured wholesale funding	58,754	58,456	58,960	60,373	23,202	22,893	22,888	23,223
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	18,436	18,226	18,737	20,443	4,543	4,489	4,608	5,018
7	Non-operational deposits (all counterparties)	39,523	39,471	39,523	39,244	17,863	17,646	17,579	17,519
8	Unsecured debt	796	758	700	686	796	758	700	686
9	Secured wholesale funding					1,316	1,266	906	895
10	Additional requirements	53,441	56,458	59,923	62,123	5,376	5,488	5,800	6,186
11	Outflows related to derivative exposures and other collateral requirements	1,183	1,186	1,171	1,141	1,183	1,186	1,171	1,141
12	Outflows related to loss of funding on debt products	261	94	94	332	261	94	94	332
13	Credit and liquidity facilities	51,997	55,177	58,658	60,650	3,932	4,207	4,535	4,713
14	Other contractual funding obligations	805	789	765	733	122	119	113	102
15	Other contingent funding obligations	30,417	32,509	31,490	31,716	157	149	96	75
16	TOTAL CASH OUTFLOWS					38,626	38,703	39,013	40,229
CASH INFLOWS									
17	Secured lending (eg reverse repos)	3,573	3,366	3,098	2,827	13	10	10	3
18	Inflows from fully performing exposures	10,038	9,970	9,838	9,930	5,626	5,991	6,284	6,738
19	Other cash inflows	1,338	1,364	1,000	1,033	1,338	1,364	1,000	1,033
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	14,949	14,700	13,936	13,790	6,977	7,365	7,294	7,773
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows Subject to 90 % Cap -	-	-	-	-	-	-	-	-
EU-20c	Inflows Subject to 75 % Cap -	13,432	13,211	12,544	12,333	6,977	7,365	7,294	7,773
21	LIQUIDITY BUFFER					58,429	62,096	71,373	81,018
22	TOTAL NET CASH OUTFLOWS					31,649	31,338	31,719	32,455
23	LIQUIDITY COVERAGE RATIO (%)					185 %	198 %	224 %	248 %

Qualitative information relating to the LCR:

Concentration of liquidity and funding sources: One of the principles of liquidity management in the Group is the diversification of wholesale funding sources either by instruments, investors, markets or maturities. On the other hand, the main basis of funding, given its commercial nature, is funding from retail customer deposits, which by its very nature is a more stable type of funding than wholesale funding.

Derivative exposures and possible calls for collateral: Most derivative transactions are subject to collateral contracts, which hedge the market value of these transactions. The liquidity risk posed by the impact of an adverse market scenario, which would lead to changes in the market values of these derivatives, and therefore to additional liquidity needs due to increased collateral, is included in the LCR ratio, where the most significant 30-day net change over the preceding 24-month time horizon is calculated and added as liquidity needs.

Currency mismatch in the LCR: CaixaBank has no significant currencies (foreign currency balance > 5 liabilities excluding equity) other than the base currency (euro).

NSFR (Net Stable Funding Ratio)

The NSFR is currently calculated according to the regulatory criteria established in Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, which enters into force in June 2021, with a regulatory limit of 100% set from that date onwards. The ratio has a large weighting in (more stable) customer deposits in the Group's funding structure and limited use of wholesale markets for short-term funding. This provides a balanced funding structure, which results in an NSFR of 145% at the end of 2020.

Asset encumbrance

The table below reports the assets collateralising certain financing transactions and those that are unencumbered or unsecured with 2020 median values calculated on the basis of quarterly data:

Table 10.4. Assets securing financing transactions and unencumbered assets

Amounts in millions euros

	2020 median calculated on quarterly data							
	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Equity instruments	-	-			2,020	1,181		
Debt securities	8,924	8,608	8,997	8,682	36,000	32,796	36,318	33,100
of which: covered bonds	6	-	6	-	4	1	4	1
of which: asset-backed securities	-	-	-	-	78	-	101	-
of which: issued by general governments	7,497	7,497	7,575	7,575	31,889	31,889	32,240	32,240
of which: issued by financial corporations	987	880	992	884	1,403	504	1,361	458
of which: issued by non-financial corporations	365	186	365	186	2,779	444	2,772	443
Other assets	91,303	-			245,960	44,353		
Loans and discounts	85,622	-			202,045	42,206		
Total	**99,429**	**8,608**			**283,916**	**78,319**		

These assets relate mainly to loans securing issuances of mortgage-covered bonds (covered bonds and mortgage bonds) and asset-backed securities, debt securities that are delivered under repurchase agreements, asset-backed securities pledged as collateral for securities lending transactions and assets pledged as collateral (loans or debt instruments) for access to ECB refinancing operations. They also include the balance of cash delivered to secure derivatives transactions. All the encumbered assets are held by CaixaBank, S.A. and Banco BPI.

As a complement to the previous table referring to own assets, the following table includes information on assets received. These guarantees received are mainly for reverse repos, securities-lending, cash and debt securities received to secure trading in derivatives and own senior debt securities issued, as well as covered bonds and securities issued and not pledged. The table below reports assets securing financing operations, and those that are encumbered or unencumbered with median values of 2020 calculated on quarterly data:

Table 10.5. Assets received to secure financing transactions and unencumbered assets

Amounts in millions euros

	2020 median calculated on quarterly data			
	Fair value of encumbered collateral received or own debt securities issued		Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	**3,254**	**2,652**	**12,797**	**11,017**
Loans on demand	10	-	-	-
Equity instruments	-	-	-	-
Debt securities	3,243	2,652	11,441	11,017
of which: covered bonds	544	544	321	321
of which: asset-backed securities	686	-	422	-
of which: issued by general governments	1,914	1,914	10,507	10,507
of which: issued by financial corporations	1,308	717	941	522
of which: issued by non-financial corporations	36	19	1	1
Other collateral received	-	-	1,382	-
Own debt securities issued other than own covered bonds or asset-backed securities	**-**	**-**	**128**	**-**
Own covered bonds and asset-backed securities issued and not yet pledged			**25,512**	**-**
Total Assets, collateral received and own debt securities issued	**102,465**	**11,484**		

The following table reports the asset encumbrance ratio, based on median values of quarterly data for 2020.

Table 10.6. Asset encumbrance ratio median values

Amounts in millions euros

	Median*
Encumbered assets and collateral received	**102,465**
Equity instruments	-
Debt securities	12,345
Credit portfolio	85,628
Other assets	5,570
Total assets + total assets received	**401,020**
Equity instruments	2,020
Debt securities	61,190
Credit portfolio	288,633
Other assets	51,099
Asset encumbrance ratio	**25.55 %**

* *Median calculated on quarterly data.*

The table below presents the asset encumbrance ratio at 31 December 2020 and 2019:

Table 10.7. Asset encumbrance ratio

Amounts in millions euros

	2019	2020
Encumbered assets and collateral received	**61,255**	**101,010**
Equity instruments	-	-
Debt securities	7,027	10,667
Credit portfolio	49,156	84,846
Other assets	5,071	5,498
Total assets + total assets received	**345,988**	**400,891**
Equity instruments	3,063	1,849
Debt securities	50,652	58,285
Credit portfolio	240,524	292,814
Other assets	51,748	47,944
Asset encumbrance ratio	**17.70 %**	**25.20 %**

The ratio has increased by 7.50 percentage points, from 17.70% at 31/12/2019 to 25.20% at 31/12/2020. This increase was mainly due to the higher encumbrance associated to the use of ECB credit facility (take-up of TLTRO III).

The following table reports the relationship between the liabilities guaranteed and the assets by which they are guaranteed, using median values of quarterly data for 2020:

Table 10.8. Guaranteed liabilities, median quarterly values

Amounts in millions euros

	Median values*	
	Matching liabilities, contingent liabilities or security lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**82,842**	**98,314**
Derivatives	6,212	6,573
Deposits	59,722	71,771
Debt securities issued	17,338	20,654
Other sources of encumbrance	**4,029**	**4,456**

** Median calculated on quarterly data of 2020. The median is calculated on all components of the table.*

The table above reports the liabilities guaranteed and the assets by which they are guaranteed. This table shows the charges resulting from activities with derivatives, deposits (including asset transfer transactions, central bank funding and securities loans with VidaCaixa), issuances (covered bonds and securitisation bonds) and others.

As shown in the previous table, the value of the encumbered assets exceeds the liabilities they cover. These excess guarantees are mainly due to:

- Funding with mortgage-covered bonds: where a balance of 125% of the assets covered must be held for each mortgage-covered bond issued.
- ECB funding, guaranteed using mortgage-covered bonds, public sector covered bonds, retained securitisations and loans as main collateral. There are two reasons for these excess guarantees: firstly, the valuation haircuts applied by the central bank and the Over-collateralisation (OC) established for the various issuances, 125% for mortgage-covered bonds and 142% for public sector-covered bonds.

The data of the asset encumbrance ratio in relation to the business model and the differences between the reporting scope of the ratio and other information are explained below:

- CaixaBank Group is a predominantly retail bank that carries out a strategy and maintains a funding structure that is mainly based on maintaining a stable base of customer deposits, supplemented by active and conservative management of wholesale funding. Customer deposits make up 87% of the funding structure.
- This business model facilitates a collateral management strategy oriented towards maintaining a prudent level of encumbered assets that can mitigate the uncertainty of unsecured credits. This facilitates access to funding sources (secured and unsecured), and also contributes to the availability of a sufficient collateral reserve, which is of particular importance in stress situations. CaixaBank Group has an asset encumbrance ratio of 25.20% at 31 December 2020, which illustrates the foregoing.
- With regard to the segmentation and use of collateral, the main source of collateral is the loan portfolio used for covered bond issues and securitisations (market and own portfolio), as well as the pledging of the facility in the European Central Bank, followed by the securities portfolio and paper received from short-term transactions (repo) and assets received from derivatives.

Data within the consolidation scope is used for disclosures of the LCR, NSFR and Asset Encumbrance data for regulatory or prudential purposes in the Pillar 3 Disclosures. This scope differs from the scope used for disclosure of public information owing to the non-consolidation of the insurance company.

11. Structural risk

11. Structural risk

Sensitivity of the 1-year net interest income of sensitive balance sheet items in an interest rate scenario of +/- 100 bps.

7.19 % / 0.25 %

Sensitivity of the economic value of the balance sheet in an interest rate scenario of +/- 100 bps. divided by the Tier 1 figure.

7.12 % / -6.53 %

Interest rate risk is inherent to the banking activity. It arises from the impact that changes in market interest rates might have on the net interest income and economic value of a financial institution's balance sheet.

The Group's management of this risk seeks:

- to optimise the net interest income and
- to preserve the economic value of the balance sheet.

To carry out these management procedures, measurements are taken of net interest income and of the economic value in an interest rate baseline scenario (implicit market rates) and in other stressed scenarios. The results of the stressed scenarios are compared with those of the baseline scenario to obtain risk measurements, which are then compared with the risk thresholds established in the Risk Appetite Framework (RAF).

Projection models are updated monthly and assumptions are periodically reviewed to ensure that measurements are appropriate to the current market situation and characteristics of the balance sheet.

The Group is comfortably within the risk limits defined at the regulatory and management levels within the RAF.

At 31 December 2020, the Group uses fair value macro-hedges as a strategy to mitigate its exposure to interest rate risk and to preserve the economic value of its balance sheet.

Annual evolution

In 2020, CaixaBank keeps its balance sheet position in front of interest rate increases. The reasons for this balance sheet positioning are structural and management-related. Specifically, from a structural point of view, exceptionally low interest rates have continued to drive the shift from term deposits to sight deposits.

From a management point of view, the balance sheet structure has continued to be adapted to the expected environment.

11.1. Management of interest rate risk in the banking book

Definition and general policy

Risk considered to be the negative impact on the economic value of the balance sheet's items or on the net interest income due to changes in the temporary structure of interest rates and its impact on asset and liability instruments and those off the Group's balance sheet not recorded in the trading book.

As balance sheet assets and liabilities are linked to different reference rates and have differing maturities, they may be contracted (in the case of new production) or renewed at interest rates different to those currently prevailing. This can affect their fair value and the margin they generate.

With the aim of ensuring adequate risk management, the Group has a Corporate policy on interest rate risk management, which sets out corporate principles, the governance framework, control framework and reporting framework that applies to all Group companies with exposure to this risk.

The management of this risk by the Group seeks to **(i)** optimise the net interest income and **(ii)** maintain the economic value of the balance sheet, while at all times taking into account the metrics and thresholds of the Risk Appetite Framework in terms of volatility of the financial margin and value sensitivity.

Measurements are made of net interest income and of the economic value in an interest rate baseline scenario (implicit market rates) and in other stressed scenarios. The results of the stressed scenarios are compared with those of the baseline scenario to obtain risk measurements, which are then compared with the risk thresholds set out in the RAF.

Different stress scenarios are considered:

- Scenarios for parallel increases and decreases in interest rates and of different magnitudes (+/-100 bp, + /-200 bp).
- In addition to the parallel rate shift scenarios, six shock scenarios are used with non-parallel shifts of the interest rate curve.
- In the case of the scenarios applied to interest rate metrics, the spreading of the stresses is applied both instantaneously and gradually.

Given the normalised negative interest rate situation, it is important to consider how to limit the shock impacts applied so that these scenarios are realistic. To this end, the Group uses two complementary approaches:

- Management floor: a dynamic limit on the magnitude of the shock applied in each scenario is set. Its value changes depending on the type of scenario and the current level of interest rates, fluctuating between -1% and the shock being considered in each scenario (-200 bp in the case of parallel scenarios, and -250 bp and -100 bp in the case of the scenarios with a change at the short and long end of the curve, as well as a change in the slope). The size of the shock to be applied at any given time is calculated according to the spread between the minimum historical rate observed for the Euribor reference rate and the current rate.
- Regulatory floor: the limit applied is defined in the regulatory guides and it is used in the definition of the supervisory test (SOT). This limit establishes that the negative rates cannot be less than -1% and this limit will increase until reaching the 0% level within 20 years. Therefore, the floor is set at the level of rates and not the applied shock, unlike the management floor.

The stress scenarios and the two criteria in applying a floor to negative rates are combined to set up a complete framework of scenarios in the RAF that takes into account management and regulatory criteria, as follows:

For economic value, the following scenarios, which include the supervisory outlier test (SOT), are applied:

- Up + 200 bp: Immediate and parallel increase of 200 bp.
- Down -200 bp with a minimum rate of -1%: Immediate and parallel drop of 200 bp for all currencies and with a minimum rate of -1%.
- *Parallel Up:* Immediate and parallel rise in interest rates of 200 bp for the EUR currency and of different amounts for other currencies.
- *Parallel Down:* Immediate and parallel drop in interest rates of 200 bp for the EUR currency and of different amounts for other currencies. In this scenario, the Group applies a floor, or minimum rate, which can be below 0% as set out in previous sections.
- Parallel Down SOT: Impact of -200 bp for the EUR currency but applying the floor defined by the SOT (for other less significant currencies, the impact is slightly different).

- *Steepening:* General increase of the slope of the curve.
- Steepening SOT: General increase of the slope of the curve with the floor defined in the SOT.
- *Flattening:* General flattening of the slope of the curve.
- Flattening SOT: General flattening of the slope of the curve with the floor defined in the SOT.
- Short Up: Rate increase at the short end of the curve.
- *Short Down:* Rate reduction at the short end of the curve.
- Short Down SOT: Rate reduction at the short end of the curve with the floor defined in the SOT.
- *Long Up:* Rate increase at the long end of the curve.
- *Long Down:* Rate reduction at the long end of the curve.

Additionally, for net interest income, the following scenarios are used:

- Up + 200 bp: Progressive rise of 200 bp.
- Down -200 bp with a minimum rate of -1%: Progressive reduction of 200 bps with a minimum rate of -1%.
- UP + 100 bp: Instant rise of 100 bp.
- Down -100 bp with a minimum rate of -1%: Instant reduction of 100 bps with a minimum rate of -1%.

Projection models are updated monthly and assumptions are periodically reviewed to ensure that measurements are appropriate to the current market situation and characteristics of the Group's balance sheet.

Structure and organisation of the risk management function

The Board of Directors has assigned functions related to the ongoing monitoring of risk management to the Risk Committee and to the Global Risk Committee. The ALCO is in charge of managing, monitoring and controlling interest rate risk in the banking book. To this end, it monitors compliance with the RAF on a monthly basis, focusing both on the net interest income and on economic value.

First line of defence

The ALM department, dependent on CaixaBank's Executive Finance Division, is responsible for management of interest rate risk in the banking book, within the constraints imposed by management and regulatory thresholds.

The Balance Sheet Analysis and Monitoring Division, which reports to the Executive Finance Division, is responsible for modelling, analysis and monitoring of interest rate risk, and maintenance of the databases and forecasting tools needed to carry out such measurements. It also proposes and implements the methodologies and improvements required for its function.

As part of its functions, the Balance Sheet Analysis and Monitoring Division reports on changes arising in the risk, and the factors affected by such changes, not only to the ALCO but also to those responsible for internal monitoring and the second and third lines of defence:

Second line of defence

The Market Risk and Balance Sheet Risk Division, within the Corporate Risk Management Function & Planning department, is responsible for interest rate risk in the banking book.

Third line of defence

Refer to section 3.4.3 for further details.

Risk management. Measurement and information systems

This risk is analysed considering a broad set of market rate scenarios, including the potential impact of all possible sources of structural interest rate risk, i.e. Gap risk (with its components of repricing risk and yield-curve risk), basis risk and optionality risk. Optionality risk considers automatic optionality related to the changes in interest rates and the optionality of customer behaviour, which is not only dependent on interest rates.

The Group applies best market practices and the recommendations of regulators in measuring interest rate risk. It sets risk thresholds based on these metrics related to net interest income and the economic value of its balance sheet and considering the complexity of the balance sheet.

It uses both static and dynamic measurements:

Static measurements: static measurements are those that are not designed based on assumptions of new business and refer to a specific point in time.

- **Static gap:** this shows the contractual distribution of maturities and interest rate revisions for applicable balance sheet and/or off-balance-sheet aggregates at a particular date. Gap analysis is based on comparison of the values of the assets and liabilities revisions or that mature in a particular period.

- **Economic value of the balance:** this is calculated as the sum of: **(i)** the fair values of net interest rate-sensitive assets and liabilities on the balance sheet; **(ii)** the fair value of off-balance-sheet (derivatives); and **(iii)** the net carrying amounts of non-interest rate-sensitive asset and liability items.

- **Economic value sensitivity:** the economic value of sensitive items on and off the balance sheet is reassessed under the various stress scenarios considered by the Group. The difference between this value and the economic value calculated at current market rates gives us a numeric representation of the sensitivity of economic value to the various scenarios applied.

  The Group then uses this sensitivity measurement to define management risk thresholds for economic value in particular interest rate scenarios.

- **Balance sheet VaR:** defined as the maximum economic value that could be lost from the balance sheet in a certain period of time, applying market prices and volatilities as well as correlation effects using a specific confidence level and time horizon.

  A 1-month horizon and a 99.9% confidence interval is used when measuring balance sheet VaR. Accordingly, the VaR figure should be interpreted as an estimate that, with a 99.9% probability, the one-month loss should not exceed the calculated VaR.

  The treasury methodology is used to calculate balance sheet VaR. This involves performing a historical VaR calculation over a 250-day period, assuming that what occurred to the value of the balance sheet over the last 250 days is a good guide for estimating what might happen between today and tomorrow.

  In addition, a VaR is calculated with a 1-month horizon and a 99% confidence level on positions in the Fair Value OCI fixed-income portfolio, including for interest rate risk and credit spread risk.

  Risk thresholds are also set for this VaR measure.

Dynamic measurements: these are based on the balance sheet position at a given date and also take into account new business. Therefore, in addition to considering the current on- and off-balance-sheet positions, growth forecasts for the Group's budget are included.

- **Net interest income projections:**

  The Group projects future net interest income (1, 2 and 3 years ahead) under various interest rate scenarios. The goal is to project net interest income according to current market curves, the outlook for the business and wholesale issuances and portfolio purchases and sales, and to predict how it will vary under stressed interest rates scenarios.

  Net interest income projection depends on assumptions and events other than just the future interest rate curve; customer behaviour (early cancellation of loans and early redemption of fixed-term deposits), of non-maturity deposits and the future performance of the Group's business are other factors also taken into account.

- **Net interest income volatility:**

  The difference between these net interest income figures (the differences resulting from an increase or decrease compared to the baseline scenario) compared to the baseline scenario gives us a measure of the sensitivity, or volatility, of net interest income.

  The Group then uses this sensitivity measurement to define operating risk thresholds for net interest income for particular interest rate scenarios.

With regard to measurement tools and systems, information is obtained at the transaction level of the Group's sensitive balance sheet transactions from each Information Technology (IT) application used to manage the various products. From this information, databases with a certain degree of aggregation are prepared to speed up the calculations without losing quality or reliability of the information.

The assets and liabilities management application is parametrised in order to include the financial specifics of the products on the balance sheet, using customer behaviour models based on historical data (pre-payment models). Growth data budgeted in the financial planning (volumes, products and margins) and information on the various market scenarios (interest and exchange rate curves) is also fed into this tool, in order to perform a reasonable estimate of the risks involved. It measures the Group's static gaps, net interest income and economic value.

Hedging policies and mitigation techniques

To mitigate the interest rate risk in the banking book, the Group actively manages risk by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet as a result of the complementarity between the sensitivity to fluctuations in interest rates on deposits and on lending transactions with customers or other counterparties. At 31 December 2020, CaixaBank uses fair value macro-hedges as a strategy to mitigate its exposure to interest rate risk and to preserve the economic value of its balance sheet.

11.1.1. Quantitative aspects

Interest rate risk in the banking book is subject to specific control and includes various risk measures, such as analysis the sensitivity of interest rates over the net interest income and the present value of future cash flows in different interest rate scenarios, including scenarios of negative interest rates, and Value at Risk (VaR) measurements.

The sensitivity of net interest income shows the impact on the review of balance sheet transactions caused by changes in the interest rate curve. This sensitivity is determined by comparing a net interest income simulation, at one or two years, on the basis of various interest rate scenarios (immediate parallel and progressive shifts of varying intensities, as well as 6 scenarios of changes in slope).

The most likely scenario, which is obtained using implicit market rates, is compared with other scenarios of rising or falling interest rates and parallel and non-parallel shifts in the slope of the curve. The one-year sensitivity of net interest income of the sensitive balance sheet assets and liabilities, taking into account scenarios of immediate rising and falling interest rates of 100 bp in each case, is approximately 7.19 % in the rising scenario and 0.25 % in a lower scenario.

The economic value sensitivity of equity to interest rates measures the effect of interest rate fluctuations on economic value. The sensitivity of economic value of equity, taking into account scenarios of immediate rising and falling interest rates of 100 bp in each case, is approximately 7.12 % in the rising scenario and -6.53 % in the falling scenario, compared to the Tier 1 figure.

The following table reports measurements of this risk for the current year and the previous year in the different scenarios used for management of the Group's balance sheet for both economic value and for net interest income. The table follows the document structure of the Basel (BIS) standard and responds to principle 8 in the document on the obligation of banks to disclose relevant IRRBB measurements.

The sensitivities of net interest income and equity are measurements that complement each other and provide an overview of risk in the banking book, which focuses more on the short and medium term, in the case of net interest income, and on the medium and long term in the case of equity.

Table 11.1. Table B

	ΔEVE		ΔNII	
Amounts in €m	Economic Value Sensitivity		Net Interest Income Sensitivity (12 months)	
Period	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Parallel Up	10.36 %	6.38 %	15.90 %	15.30 %
Parallel down (SOT)	-2.42 %	-7.03 %	0.38 %	-4.09 %
Steepener (SOT)	12.57 %	7.86 %		
Flattener (SOT)	-6.41 %	-4.41 %		
Short rate up	-1.08 %	0.29 %		
Short rate down (SOT)	-0.04 %	-0.18 %		
*Maximum**	-6.41 %	-7.03 %	0.00 %	-4.09 %
Period	**31.12.2020**		**31.12.2019**	
Tier 1 Capital	22,637		20,023	

* *The "Maximum" concept expresses maximum loss.*

The main changes in risk levels are due to increased balances in non-maturity deposits and the persistent falling trend in interest rates during 2020.

As a supplement to these measurements of sensitivity, VaR measures are applied in accordance with treasury-specific methodology.

The interest rate risk in the banking book assumed by CaixaBank Group is below levels considered significant (outliers) under current regulations.

CaixaBank continues to carry out a series of actions designed to strengthen the monitoring and management of interest rate risk in the banking book.

11.1.2. Modelling

There are a number of key assumptions related to measurement and monitoring of interest rate risk in the banking book. Both the models used and the updates and changes made to them are included within the scope of control of the three lines of defence model.

Early termination

CaixaBank is currently using multi-variant regression models to model the risk of early contract termination of both loans and term deposits.

The dependent variable in these models is the monthly rate of early termination.

The assumptions of early cancellation of asset and liability products are obtained using internal models based on past experience, employing the customer behaviour variables, variables concerning the products themselves, macro variables and seasonality variables.

In the case of modelling early loan cancellations, which is the only modelling currently relevant, it is conducted on different groups of contracts that have a homogeneous behaviour profile. These homogeneous groups are constructed based upon certain relevant characteristics of the loans that determine their prepaid behaviour and which are:

- natural or legal person
- loan guarantee type
- reference interest rate of the loan
- term of the contract

The selected explanatory variables considered are as follows:

- revaluation of the house price
- difference between the interest rate on CaixaBank mortgages compared to the interest rate of the competition
- applicable tax
- available income of families
- seasonality
- age of the loan
- value of the 12-month Euribor
- corporate debt
- family debt
- GDP

Non-maturity deposits

The treatment of non-maturity deposits is based on CaixaBank's customer assessments and its past experience, and it aims to adapt the indefinite maturity of the balances to a specific maturity. Two criteria are used to this end (modification of the interest rate and the level of permanence of the balances), and the behaviour is segmented according to the type of customer and the product characteristics, with constant consideration of the principle of prudence for the purposes of modelling.

The average duration resulting from the modelling of CaixaBank sight deposits depends on the interest rate scenario used for its projection. Considering the baseline scenarios for the last quarter of 2020, the duration of sight deposits is around 4.2 years. If, from these baselines scenarios, an immediate stress of +2% is applied to the rate curve, this duration could drop to 2.7 years. The maximum maturity resulting from modelling the most relevant sight deposits can reach 15 years.

Therefore, the modelling reflects the fact that, when rates rise, the balances of the sight deposits move towards deposits with higher remuneration.

Non-Performing Exposures, NPEs

With the entry into force from June 2019 of the EBA guidelines[1] the general criterion is established that, for the purposes of IRRBB, financial institutions should consider non-performing exposures (net of provisions) as interest rate sensitive instruments, and expected cash flows and their timings must be reflected in the projection model.

Based on the parameters of the credit risk models (probability of default and loss given default) for each operation, the interest rate and amortization flows of this portfolio are projected individually on the basis of two probable states: cure and non-cure.

Commercial margins in metrics of economic value

The calculation of economic value includes commercial margins, and cash flows are discounted with the risk-free curve.

Positions in non-euro currencies

Positions in non-euro currencies are not relevant and interest rate correlations between different currencies are not taken into account for modelling purposes.

11.2. Management of exchange rate risk in the banking book

Exchange rate risk in the banking book relates to the potential risk to the value of balance sheet items due to fluctuations in the exchange rate.

The Group has foreign currency assets and liabilities in its balance sheet as a result of its commercial activity and its positions in foreign currencies, in addition to the foreign currency assets and liabilities deriving from the Group's measures to mitigate exchange rate risk.

The Executive Finance Division is responsible for managing the exchange risk arising from balance sheet positions denominated in foreign currency, a task performed through the market risk hedging activity undertaken by the ALM Management Department.

The Group hedges its foreign exchange risk by arranging cash transactions or using financial derivatives to mitigate the risk of asset and liability positions on the balance sheet. However, the nominal amount of these instruments is not reflected directly in the balance sheet but rather as memorandum items for financial derivatives. This risk is managed by seeking to minimise the level of foreign exchange risk assumed in commercial operations, which explains why the Group's exposure to the market risk is low.

As a result of the active management of currency risk by the Markets Department, the remaining minor foreign currency positions of the commercial balance sheet and of the treasury activity are primarily held with credit institutions in major currencies (such as the US dollar, pound sterling or Swiss franc). The methods for quantifying these positions are the same and are applied alongside the risk measurements used for the treasury activity as a whole.

Market risk capital requirements for exchange rate risk in the banking book are calculated using the standard method and detailed for the purposes of RWAs within market risk.

As of 31 December 2020, the Group's foreign currency positions are mostly concentrated in the equity investments of BPI, specifically in Banco de Fomento de Angola, denominated in kwanza, and Banco Comercial de Investimento, denominated in metical.

[1] EBA/GL/2018/02: Guidelines on the management of interest rate risk arising from non-trading book activities.

12. Reputational risk

12. Reputational risk

Definition and general policy

Reputational risk is the possibility of impairment of CaixaBank Group's competitive capacity due to a loss of trust by some of its stakeholders, based on their assessment of actions or omissions, whether real or purported, by the Group, its Senior Management or Governing Bodies, or because of related unconsolidated companies going bankrupt (step-in risk).

Structure and organisation of the risk management function

The Executive Directorate of Communication, Institutional Relations, Brand and Corporate Social Responsibility is responsible for measuring and monitoring changes in CaixaBank's overall reputation and any risks that could have a potentially detrimental effect on it. This body also leads the Corporate Responsibility and Reputation Committee (CRRC), which reports to the Management Committee. The CRRC's functions include analysing the state of CaixaBank's reputation and periodically monitoring identified risks that could affect the Group's reputation, as well as proposing actions and contingency plans to minimise the detected risks. The CRRC also reports on the status of reputation risks to the company's Global Risk Committee, which then reports to the Risk Committee, and this Committee, in turn, reports to the CaixaBank Board of Directors.

Furthermore, in accordance with the Control Model of the Three Lines of Defence in place in the Group, the Internal Audit department oversees the activities of the first and second lines, providing support to Senior Management and the Governing Bodies. For further details see section 3.4.3.

All CaixaBank's divisions and subsidiaries also have joint responsibility for the reputation of CaixaBank Group. They are involved in identifying and managing the reputational risks to which they are exposed, and in establishing mitigation plans and measures.

Assessing reputation: monitoring tools

The risk is monitored using selected internal and external reputational indicators from various sources of stakeholder expectations and perception analysis. The measurement indicators are weighted according to their strategic importance and are grouped in a reputation scorecard that enables a Global Reputation Index (GRI) to be obtained. This metric enables the positioning to be monitored quarterly by sector and time, and the tolerated ranges and metrics to be set in the RAF.

Reputational risk monitoring and management: main mechanisms

The reputational risk taxonomy provides formal monitoring of reputational risk management, identifying the main risks that may harm the Bank's reputation and coordinating preventive and mitigating measures with the responsible areas.

Hedging policies and mitigation techniques

A number of policies, covering different scopes, are used to control and mitigate reputational risk across the Group. In addition, there are specific procedures and activities implemented by the divisions most directly implicated in managing the main reputational risks, ensuring that the possibility of the risk materialising is prevented and/or mitigated.

The Internal Reputational Risk Management Polices also include developing in-house training to mitigate the appearance and effects of reputational risks, establishing protocols to deal with those affected by the Bank's actions, or defining crisis and/or contingency plans to be activated if the various risks materialise.

13. Remuneration

13. Remuneration

Article 85 of Act 10/2014 of 26 June, on the arrangement, supervision and solvency of credit institutions (hereinafter, the Credit Institution Act), and article 93 of Royal Decree 84/2015 of 13 February, which expanded on it, laid down the contents of the reporting required on remuneration policies and practices in the Pillar 3 Disclosures pursuant to Article 450 of EU Regulation no. 575/2013, of the European Parliament and of the Council, for those categories of staff whose professional activities have a significant impact on the risk profile (Identified Staff).

This information is set out in this chapter of the "Pillar 3 Disclosures".

13.1. Remuneration policy: composition and mandate of the remuneration committee

Introduction

The following information relates to employees of CaixaBank and the entities that form part of its consolidation group for prudential purposes (hereinafter, CaixaBank Group) who are classified as being members of Identified Staff pursuant to applicable regulations relating to 2020.

Banco BPI, MicroBank and CaixaBank Wealth Management Luxembourg have their own Remuneration Policies aligned with those of CaixaBank Group, which define their own Identified Staff following the same process as that carried out at CaixaBank.

The quantitative information includes details of the remuneration of the professionals who form the Identified Staff of the entire CaixaBank Group which, in turn, includes the professionals within the Identified Staff of BPI, MicroBank and CaixaBank Wealth Management Lux.

Duties of CaixaBank's Remuneration Committee

The Spanish Corporations Act (Corporations Act) states that the duties of a listed company's Remuneration Committee (RC) include putting forward a proposal to the Board of Directors regarding the remuneration policy for the Directors and Managing Directors or the persons performing its senior management functions and answering directly to the Board of Directors, Executive Committees or CEOs. Moreover, according to the Credit Institution Act, the RC is responsible for the direct oversight of remuneration of senior executives in charge of risk management and compliance functions.

CaixaBank's Articles of Association and the Regulations of the Board of Directors are consistent with these precepts.

Finally, pursuant to EBA guidance on appropriate remuneration policies, the RC shall: **(i)** be responsible for the preparation of recommendations to the Board of Directors, on the definition of the entity's remuneration policy; **(ii)** provide its support and advice to the Board of Directors on the design of the institution's overall remuneration policy; **(iii)** support the Board of Directors in overseeing the remuneration system's design and transaction on behalf of the supervisory function; **(iv)** ensure that the current remuneration policy is up-to-date and propose any changes required; **(v)** devote specific attention to assessment of the mechanisms adopted, to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels, ensuring that the overall remuneration policy is consistent with the long-term, sound and prudent management of the institution.

Proposals by the RC shall be studied by the Chairman, for consultation with the CEO and the members of the Management Committee, in the scenarios stipulated in the Remuneration Policy, before they are submitted to be examined and, where applicable, approved by the Board of Directors. Should these decisions fall within the remit of the CaixaBank General Shareholders' Meeting, the Board of Directors shall include these on the agenda as proposed resolutions along with the corresponding reports.

Composition of CaixaBank's Remuneration Committee

Under the provisions of the LSC and the Credit Institution Act, at 31 December 2020, the Remuneration Committee comprised the following directors:

- **María Amparo Moraleda Martínez (independent director), Chairperson.**
- **Alejandro García Bragado Dalmau (proprietary director), Member.**
- **Cristina Garmendia Mendizábal (independent director), Member.**

In 2020, CaixaBank's Remuneration Committee met 5 times, and its members received remuneration of EUR 96,000.

Functions of CaixaBank's Control Areas and Management Committee

EBA and ESMA guidelines establish that the control functions (internal audit, risk control and management, and regulatory compliance), other competent corporate bodies (human resources, legal, strategic planning, budget, etc.) and the business units shall provide the necessary information for the definition, implementation and supervision of the institution's remuneration policies. The EBA's guidelines also place specific responsibilities on the human resources, risk management and internal audit functions, which are undertaken by the corresponding CaixaBank departments.

CaixaBank's Management Committee comprises representatives from the risks, finance, internal audit, internal control and regulatory compliance, human resources and general secretariat (legal services) areas, among others. The Management Committee is responsible for ensuring that the necessary information is obtained and prepared for the RC to perform its responsibilities efficiently.

CaixaBank's Human Resources and Organisation Management Division (hereinafter, HR) is in charge of promoting these actions within the Management Committee.

To prevent conflicts of interest, the RC is directly responsible for obtaining, preparing and reviewing information on: **(i)** the members of the CaixaBank Board of Directors, whether for their oversight or executive duties; and **(ii)** the members of the Management Committee.

The Remuneration Committee has collaborated with external advisers J&A Garrigues to carry out various studies and research in order to update and adapt the Group's remuneration policy to the new legal requirements.

Approval of the Remuneration Policy applicable to the Identified Staff in force in 2020

On 26 February 2015, the Remuneration Committee submitted its proposed Remuneration Policy for CaixaBank Group's Identified Staff to the Board of Directors for approval, pursuant to the requirements of Article 29.1d) of Act 10/2014, of 26 June, on the arrangement, supervision and solvency of credit institutions.

As a result of an ongoing review, and with the aim of ensuring correct adaptation to regulations relating to remuneration, the Remuneration Policy applicable to the Identified Staff has been updated on various occasions since 2016 and these changes have been approved by the CaixaBank Board of Directors.

On 20 February 2020, CaixaBank's Board of Directors approved the motion for its new Remuneration Policy for the years 2020-2022. The Policy was approved by the General Shareholders' Meeting on 22 May 2020 with 93.8% of the votes in favour.

On 25 June 2020, the Board of Directors approved an amendment relating to the Risk Adjustment Indicator (RAI) of the Remuneration Policy for CaixaBank Group's Identified Staff for the variation in connection between the RAF to the 2020 bonus for the Identified Group (excluding the CEO and members of the Management Committee).

The principles and characteristics of the Remuneration Policy are the same as those that were applicable to the previous one, but with the following changes included:

- The inclusion of the remuneration of the Board members of the newly created committees;
- The setting of the new weighting of corporate challenges in order to calculate the variable remuneration in the form of the CEO's bonus.

The aforementioned amendments are published on the CaixaBank website, in the section Shareholder Documentation 2020.

The Remuneration Policy for CaixaBank directors is available on the Company's website.[1]

[1] https://www.caixabank.com/en/shareholders-investors/corporate-governance/remuneration-directors.html

13.2. Description of the Identified Staff

During 2020, the professionals who should form part of CaixaBank Group's Identified Staff, at the individual or consolidated level, were determined in accordance with the Commission Delegated Regulation (EU) 604/2014 of 4 March 2014, supplementing the CRD IV with regard to regulatory technical standards with respect to appropriate qualitative and quantitative criteria to identify categories of staff whose professional activities have a material impact on a Bank's risk profile.

In accordance with the delegated regulation, members of Identified Staff should be identified using a combination of the qualitative and quantitative criteria set out therein.

Following this evaluation, which is documented in accordance with the delegated regulation and other applicable regulations, CaixaBank's Governing Bodies approved the list of positions classified as Identified Staff. In 2020, this list consisted of a total of **161** professionals during the year, including CaixaBank Group's executive directors, non-executive directors, members of the Management Committee, senior executives and key employees. For Microbank the number is **9** professionals, for CaixaBank Wealth Management Luxembourg is **8** professionals and for BPI the number is **87** professionals.

13.3. Qualitative information concerning remuneration of the Identified Staff

General aspects

The remuneration policy for Identified Staff is structured taking into account both the prevailing circumstances and the Entity's results, and comprises:

1. Fixed remuneration based on the level of responsibility and the career path of each employee, which constitutes a relevant part of total compensation.
2. Variable remuneration in the form of a bonus or incentives linked to the achievement of pre-established targets and prudent risk management.
3. Benefits.
4. A long-term, share-based variable remuneration plan for executive directors, members of the Management Committee and the remaining members of the Company's executive team and key employees, some of whom are classified as Identified Staff.

Fixed remuneration is of a sufficient amount, while variable remuneration generally accounts for a relatively small percentage of fixed annual compensation. It cannot in any case exceed 100% of the total fixed remuneration unless the CaixaBank General Shareholders' Meeting approves a higher amount, which shall be no more than 200% of the fixed components.

The Credit Institution Act and the EBA guidelines set out that the fixed and variable components of total remuneration must be duly balanced, and that the fixed component must constitute a sufficiently large proportion of total remuneration, and that the policy applied to variable components can be fully flexible up to the limits for paying such components.

In this regard, the EBA Guidelines establish that staff should not be dependent on the awarding of variable remuneration, as this would incentivise the taking of excessive short-term risk when the results of the entity or persons involved would not permit the awarding of the variable remuneration without the taking of such risks.

In line with this, CaixaBank considers that the higher the possible variable remuneration compared to the fixed remuneration, the stronger the incentive will be to deliver the performance needed, and the bigger the associated risks may become. In contrast, if the fixed component is too low compared to the variable component, an institution may find it difficult to reduce or eliminate variable remuneration in a poor financial year.

Thus, implicitly, variable remuneration may become a potential incentive to assume risk, and therefore, a low level of variable remuneration is a simple protection method against such incentives.

Furthermore, the risk appetite must take into account the category of employees included in Identified Staff, applying the principle of internal proportionality. As a result, the appropriate balance between the fixed and variable remuneration components may vary across the staff, depending on market conditions and the specific context in which the Entity operates.

Therefore, and attending to the objective of a reasonable and prudential balance between fixed and variable components, in CaixaBank Group the amount of fixed components are sufficient, and the percentage representing the variable remuneration over the fixed annual remuneration is, generally, relatively reduced.

Specifically, group companies have pre-established amounts for variable remuneration in the form of a bonus applicable to the salary bands of each function.

Lastly, the ABE Guidelines establish that the remuneration of professionals who are responsible for independent control functions must be predominantly fixed and that, when these professionals receive variable remuneration, it should be determined independently from the business units they control, including the results derived from the business decisions in which they participate (e.g. the approval of new products).

In 2020, in response to the exceptional social and economic situation due to COIVID-19, the Management of CaixaBank has decided, among other measures, not to suggest at the General Shareholders' Meeting a possible raise in the variable remuneration received by the professionals in the Identified Group so that it could be as much as 200% of the total fixed remuneration. As such, in 2020, the variable remuneration for this group will be limited to 100% of the total fixed remuneration.

For their part, both the CEO and the Management Committee announced that they would not receive the variable remuneration in 2020, whether in the form of the annual bonus or by participating in the second cycle of the Plan of conditioned annual incentives linked to the 2019-2021 Strategic Plan. Regarding the latter, it was agreed that none of the beneficiaries of the Plan would be awarded shares.

Fixed remuneration

As a general rule, Identified Staff are subject to the professional classification system and salary tables set out in applicable collective bargaining agreements and the specific employment agreements reached with workers' representatives.

Each employee's fixed remuneration is based on the position held, applying the salary table set out in the aforementioned collective bargaining agreement, and taking into account the professional level of the employee and the employment agreements currently in force, mainly reflecting the employee's professional experience and responsibility in the organisation through their role.

Positions in Central and Regional Services and other non-regulated positions fall into a classification based on contribution levels, with salary bands established to foster internal fairness. Moreover, to ensure that the Bank remains competitive with its peers, these salary bands are quantified on the basis of the Bank's competitive position. This requires it to monitor market trends in salaries and take part in several annual salary surveys.

Fixed remuneration and the supplements applied to the positions of members of CaixaBank's Management Committee are mainly based on market criteria, through salary surveys and specific ad hoc research. The salary surveys and specific ad hoc research used by CaixaBank are performed by specialist companies, based on comparable samples of the financial sector in the market where CaixaBank operates, and, for positions non specific to the financial sector, leading companies in the IBEX and other companies with comparable business volumes.

Variable remuneration

Variable remuneration in the form of an annual bonus

Risk-adjusted variable remuneration for Identified Staff is based on the remuneration mix (a proportional balance between fixed and variable remuneration, as mentioned above) and on performance measurements.

Ex-ante and ex-post remuneration adjustments are applied in view of the performance measurements, as a risk alignment mechanism.

Both quantitative (financial) and qualitative (non-financial) criteria are taken into account when assessing performance and evaluating individual results. The appropriate mix of quantitative and qualitative criteria also depends on the tasks and responsibilities of each staff member. In all cases, the quantitative and qualitative criteria and the balance between them, for each level and category, must be specified and

clearly documented.

For the purposes of the ex-ante adjustment of variable remuneration, all Identified Staff are assigned to one of the categories described below, with the exception of members of the Board of Directors in their supervisory role and any other positions determined based on their characteristics that have no variable remuneration. This assignment is carried out based on each person's functions and the staff in question are notified individually.

a) Executive directors and members of the CaixaBank Management Board

As previously stated, the CEO and the Management Committee decided to voluntarily forego the bonus in 2020.

The variable remuneration applicable to the executive directors and to the members of the Management Committee will be determined on the basis of an objective bonus that is established for each individual by the Board of Directors, at the proposal of the RC, and a maximum achievement of 120%; the level of attainment is established in accordance with the following parameters, which are measured:

- 50% based on individual targets
- 50% based on corporate targets

The 50% corresponding to corporate targets is set each year by CaixaBank's Board of Directors, at the proposal of the RC. This is weighted across various concepts for which targets can be set, based on the Bank's main objectives. For the CEO, in 2020 these were:

- ROTE, with a weight of 10%
- Core cost-to-income ratio, with a weight of 15%
- Variation in problematic assets, with a weight of 5%
- Risk Appetite Framework, with a weight of 10%
- Conduct and compliance, with a weight of 5%
- Quality, with a weight of 5%

The proposed composition and weighting of these corporate targets is established in accordance with the Credit Institution Act and its implementing regulations, and may vary between Executive Directors and members of the Management Committee.

The corporate challenges of the members of the Management Committee are calculated in line with the CEO.

The part of variable remuneration based on individual targets (50%) has a minimum achievement level for collection of 60%, and a maximum of 120%. It is distributed across various targets related to CaixaBank's strategy. The final valuation carried out by the RC, following consultation with the Chairman, may vary by +/-25% in relation to the objective assessment of the individual targets, providing that it remains below the limit of 120%. This flexibility allows for the qualitative assessment of the performance of the Executive Director or Management Committee member, and consideration of any exceptional targets that may have arisen during the year that were not considered at the outset.

In 2020, for the CEO, the individual challenge part was chiefly focused on aspects related to integrating and developing BPI, managing costs, strengthening the functions of compliance with regulatory requirements, promoting social responsibility and sustainability, as well as managing the bank's digital transformation through a culture of agility.

b) All other categories

For professionals in other categories of Identified Staff, the variable remuneration system depends on their role, with a risk adjustment reflecting the area to which they belong or the position they hold.

Therefore, all members of the Identified Staff are assigned a variable remuneration programme or specific bonuses.

Each of the Entity's business areas has a specific bonus programme with its own structure and measurement criteria, based on the targets and terms and conditions that determine the variable remuneration assigned to Identified Staff in that area. The main areas in which these programmes are applied are: Retail and Commercial Banking, Private Banking, Business Banking, Transactional Banking, Finance, International Banking and Corporate & Institutional Banking.

The remuneration model applied in Central and Regional Services is known as the "Targets Programme" and encompasses all members of the Identified Staff who work in business control and support areas. The targets in these areas are set through an agreement between each employee and the employee's supervisor, and are consistent with the targets set for the area.

The maximum percentage of achievement varies between 100% and 150%, depending on the bonus scheme applicable to each professional. The payment level is determined based on achievement of individual and corporate targets, in the proportions set out in the corresponding bonus schemes approved by the Management Committee, after review by the Regulatory Compliance function to ensure its alignment with the remuneration policy and to avoid potential conflicts of interest.

The weighting for corporate targets is set for each year, and distributed across measurable concepts, based on the main targets for the area. These concepts may, by way of example, include some or all of the following:

- ROTE
- Cost-to-income ratio
- Recurring expenses
- The ordinary income of the regional business
- Accounting NPL in the regional business
- Quality
- Conduct and compliance

The proposed composition and weighting of the corporate targets is established in accordance with the Credit Institution Act and its implementing regulations.

Pursuant to the Credit Institution Act and the ABE Guidelines, the targets set for employees who perform control functions, on which their bonus-related performance is predicated, are established in accordance with the performance indicators set jointly by the employee and his or her manager, and are unrelated to the results achieved by the business areas they supervise or control.

Risk adjustment indicator

On 25 June 2020, the Board of Directors approved an amendment to the Risk Adjustment Indicator (RAI) of the Remuneration Policy for CaixaBank Group's Identified Staff relating to the variation in correlation of the RAF to the 2020 bonus of the Identified Group (excluding the CEO and the members of the Management Committee).

The aim of this amendment is to align the bonus adjustment with the practices employed regarding the Management Committee's bonus scheme in 2019 and 2020 alongside the annual incentives linked to the Strategic Plan 2019-2021. These consist of:

- The creation of **groups of metrics** in order to avoid excessive penalisation which may be due only one cause.
- In order to quantify the achievement level, **the variation in the level of the RAF groups applicable at year end when compared to the approved budget for the same year** is taken into account instead of the variation between the current year and the previous year.

The ratios used to adjust for ex-ante risk in the calculation of variable remuneration, as established in the "Targets Programme", may vary according to the different categories of Identified Staff, pursuant to the following model.

The risk adjustment is based on the groups of metrics or individual metrics of CaixaBank's Risk Appetite Framework (hereinafter, RAF). A set of individual metrics or groups is established for each professional in the Identified Group based on their area of responsibility or position. This is in addition to the metrics or groups of metrics which are considered to be cross disciplinary. The total performance within these metrics or groups of metrics determines the value of the Risk Adjustment Indicator (hereinafter, the RAI).

The RAF comprises a set of quantitative and qualitative metrics that evaluate all of CaixaBank's risks. Some of these metrics have been grouped for the purpose of RAI due to their high correlation. The following is a list of the metrics or groups of metrics:

- **Group of solvency metrics** (cross-disciplinary group)
- **Group of profitability metrics**
- Group of default metrics
- Market risk metric
- Group of interest rate risk metrics
- Group of liquidity risk metrics
- Borrower concentration metric
- Sector concentration metric
- Group of public sector metrics
- Retail credit risk metric
- Non-strategic asset metric
- Operational loss metrics (cross-disciplinary group)
- Regulatory compliance metrics (cross-disciplinary group)
- Reputational risk metrics (cross-disciplinary group)

The metrics or groups of metrics which make up the RAI for each professional must be communicated to the individual alongside the Remuneration Policy.

Although the valuation of the quantitative indicators which make up the RAF may be presented as a numerical figure, the RAF will continue to present the results using colours: green, amber or red. For the purpose of RAI, the colour of the RAF metrics will be taken into account. In the case of groups of metrics, the colour of the worst metric in each group will be used.

The resulting RAI for the set of metrics for each professional must have a value between 0 and 1, based on:

- The impacts indicated in the attached table for each variation of RAF metrics or groups of metrics are applied to year end when compared to the approved budget for the same year. The value of the indicator will fluctuate within the interval of 0.85–1, according to the following achievement scale of:

Budget	Close	% Adjustment
🟢	🟢	0.0%
🟢	🟡	-1.5%
🟢	🔴	-4.5%
🟡	🟢	1.5%
🟡	🟡	0.0%
🟡	🔴	-3.0%
🔴	🟢	4.5%
🔴	🟡	3.0%
🔴	🔴	0.0%

- If one of the metrics included in the risk adjustment for a group falls into Recovery (black colour in RAF), the value of the RAI indicator will be 0.

The amount payable to members of this category is calculated using the following formula:

Risk-adjusted bonus = RAI x Bonus target x (% individual targets achieved + % of corporate targets reached) x entity adjustment factor

The amount of the bonus received by each employee in each specific programme is based on performance and the results of the business and the Bank. The initial amount is adjusted according to a "bonus-adjustment factor" determined each year by the Entity's management, pursuant to applicable regulations. The correction factor basically includes the Entity's overall results, and other aspects of a more qualitative type.

As a general rule, this correction factor is applied equally to all the employees, and may be between 0.85 and 1.15.

Special incentives

Members of the Identified Staff can occasionally be given incentives to reach certain targets, usually linked to the marketing and sale of third-party products or other products. The amount of the incentives they are given in a particular financial year, plus any variable remuneration they accrue in the same year in the form of a bonus, shall be together considered part of the non-deferred cash portion of their remuneration for the purposes of deferment to be settled starting in the following financial year. The amount of the incentive will be set based on the conditions and parameters established in each particular case.

Special cases of restrictions

Variable remuneration shall be reduced if, at the time of the performance assessment, CaixaBank is subject to any requirement or recommendation from competent authorities to restrict its dividend distribution policy, or if this is required by the competent authority under its regulatory powers, pursuant to Royal Decree 84/2015 and Circular 2/2016.

Variable remuneration payment cycle

Professionals subject to deferred payment

In application of the principle of proportionality set down in the Credit Institution Act, this deferral applies only when the total amount of the variable remuneration accrued by Identified Staff professionals exceeds EUR 50,000.

For the categories of CaixaBank's Executive Directors, General Managers, Deputy General Managers, Executive Managers and Regional Directors included in Identified Staff, the deferral is applied independently of the total amount of variable remuneration accrued.

Deferment process

On the payment date scheduled in the Targets Programme for each employee, the percentage of variable remuneration accrued for the professional category in question is paid outright (hereinafter, Initial Payment Date).

The percentage of variable remuneration retained is as follows:

- Executive Directors: **60%**
- Management Committee, Executive Managers and Regional Managers: **50%**
- Other Identified Staff: **40%**

A 60% deferral will be applied to all the variable remuneration granted that, in total, exceeds 50% of the minimum total remuneration amount that the EBA considers to qualify as a high earner for any particular financial year. For the purposes of calculating this figure, the portion of the early termination payments that has to be considered variable remuneration will be divided by the number of years the professional in question was with the company.

50% of the amount of the initial payment is paid in cash, and the remaining 50% in CaixaBank shares.

Provided that none of the situations giving rise to a reduction emerge, the retained portion of risk-adjusted variable remuneration for executive directors and members of the Management Committee of CaixaBank included in the Identified Staff is to be paid in five instalments, in the amounts and on the dates as follows:

- 1/5: 12 months after the Initial Payment Date.
- 1/5: 24 months after the Initial Payment Date.
- 1/5: 36 months after the Initial Payment Date.
- 1/5: 48 months after the Initial Payment Date.
- 1/5: 60 months after the Initial Payment Date.

Provided that none of the situations giving rise to a reduction emerge, the retained portion of risk-adjusted variable remuneration for other Identified Staff is to be paid in three instalments, in the amounts and on the dates as follows:

- 1/3: 12 months after the Initial Payment Date.
- 1/3: 24 months after the Initial Payment Date.
- 1/3: 36 months after the Initial Payment Date.

Of the amount payable at each of these three dates, 50% is paid in cash. The remaining 50% is paid in CaixaBank shares, after the corresponding taxes (withholdings and payments on account) have been settled.

Shares delivered as remuneration may not be sold for one year from the date delivered.

During the period of deferral, the entity obliged to pay the remuneration shall own both the instruments and cash whose delivery is deferred.

Pursuant to the principles of labour and contractual law applicable in Spain, and particularly the bilateral nature of contracts and equity in the accrual of reciprocal considerations, the deferred cash accrues interest in favour of the recipient, calculated by applying the corresponding interest rate to the first tranche of the account payable to the employee. Interest will only be paid at the end of each payment date, and will apply to the cash amount of the effectively receivable variable remuneration, net of any due reduction.

In compliance with EBA guidelines with regard to instruments' returns, the Bank will pay no interest or dividends on deferred instruments either during or after the deferral period from 1 January 2017.

Plan of conditioned annual incentives linked to the 2019-2021 Strategic Plan

The implementation of an annual conditioned Incentives Plan related to the 2019-2021 Strategic Plan was approved In the General Shareholders' Meeting of 5 April 2019. This plan, after a certain time period has elapsed, will allow for a certain number of ordinary CaixaBank shares to be received, provided that the Company's strategic objectives are met, along with the requirements described herein.

In their session on 16 April 2020, as a further act of responsibility performed by CaixaBank Senior Management in the face of the exceptional economic and social situation created by COVID-19, the Board of Directors approved the Management Committee's proposal that there be no granting of shares to the CEO, the members of the Management Committee or other key employees of CaixaBank or the other societies within the group as linked to the second cycle of the annual conditioned Incentives Plan related to the 2019-2021 Strategic Plan.

The Plan comprises the free assignment, in 2019, 2020 and 2021, of a number of units to each beneficiary (the 'Units', which are used as a base to establish the number of CaixaBank shares to deliver, where relevant, to each beneficiary of the Plan.

The assignment of Units in itself does not attribute the condition of shareholders in the Company to beneficiaries, given that the Units do not entail the attribution of economic or political rights, or any other kind of right related to the condition of shareholder. By virtue of this Plan, the condition of shareholder will be acquired, where relevant, upon the delivery of shares in the Company.

The rights conferred by the assignment of Units are not transferable, with the exception of any special circumstances established in the Regulations of the Plan.

Duration, objective measurement periods and liquidation dates of the Plan:

The Plan has three cycles, each of three years, with three Unit assignments, each of which will take place in 2019, 2020 and 2021.

The first cycle dates from 1 January 2019 to 31 December 2021; the second cycle spans the period from 1 January 2020 to 31 December 2022; and the third cycle dates from 1 January 2021 to 31 December 2023.

Each cycle will have two periods for measuring objectives. The "First Measurement Period" corresponds to the first year of each cycle of the Plan, in which certain objectives linked to metrics described herein must be met. The "Second Measurement Period" corresponds to the 3-year duration of each cycle of the Plan, in which certain objectives linked to the metrics described herein must also be met.

According to the degree to which the objectives of the First Measurement Period are achieved, and on the basis of the Units assigned at the start of each cycle, in the second year of each cycle ("Grant Date") the Beneficiaries will be granted a "Provisional Incentive" equivalent to a certain number of shares in the Company ("Granting of the Provisional Incentive"). The Granting of the Provisional Incentive does not entail CaixaBank shares being delivered at that time.

The final number of shares to be delivered (the 'Final Incentive') is determined after each of the Plan's cycles ends, and is subject to and dependent on the objectives corresponding to the Second Measurement Period of each of the Plan's cycles being met ("Determination of the Final Incentive"). Under no circumstances can the number of shares to be delivered corresponding with the Final Incentive exceed the number of shares in the Provisional Incentive on the Grant Date.

The shares corresponding to the Final Incentive of each cycle will be delivered by third parties on the third, fourth and fifth anniversary of the Grant Date for members of the Board of Directors who have executive functions and for members of the Management Committee (the "Settlement dates", each one individually the "Settlement date"). For all other Beneficiaries belonging to the Identified Staff, shares will be delivered in full on a single Settlement Date, on the third anniversary of the Grant Date.

Notwithstanding the above, the Plan was formally launched on 5 April 2019 (the "Commencement Date"), except for those Beneficiaries subsequently incorporated into the Plan, for whom a different Commencement Date may be set in the Invitation Letter.

The Plan ends on the last Settlement Date of shares corresponding to the third cycle of the Plan, i.e. in 2027 for members of the Board of Directors with executive functions and members of the Management Committee, and in 2025 for all other Beneficiaries belonging to the Identified Staff (the "End Date").

Reference share value:

The share value used as a reference for assigning the Units in each of the cycles of the Plan, and which in turn is used to determine the number of shares to be delivered, corresponds to the arithmetic average price of the closing CaixaBank share price, rounded to three decimal places, during the trading sessions in January of each year in which a Plan cycle begins (i.e. January 2019, January 2020 and January 2021).

The value of shares corresponding to the Final Incentive that, where relevant, are finally delivered under the scope of the Plan, will correspond with the listed closing CaixaBank share price on the Settlement Dates of each of the Plan's cycles.

Determination of the number of Units to assign:

The number of Units to be assigned to each Beneficiary in each of the Plan's cycles is determined by the Board of Directors, at the suggestion of the Remuneration Committee according to the following formula:

NU = TA / AAP

Where:

NU = the Number of Units to be assigned to each beneficiary, rounded up to the nearest whole number.

TA = the Target Amount for the beneficiary, based on their position.

AAP = Arithmetic average price, rounded to three decimal places, of CaixaBank share closing prices in stock market trading sessions in January of each year in which a Plan cycle begins (i.e. January 2019, January 2020 and January 2021).

Determination of the number of shares corresponding to the granting of the Provisional Incentive and of the number of shares corresponding to the Final Incentive.

The total number of shares corresponding to the Granting of the Provisional Incentive on the Grant Dates is determined according to the following formula:

NCS = NU x DIA

Where:

NCS = Number of Company Shares corresponding with the Granting of the Provisional Incentive of each Beneficiary, rounded up to the nearest whole number.

NU = Number of Units assigned to the Beneficiary at the start of each cycle of the Plan.

DIA = Degree of Provisional Incentive Achievement, according to the degree to which the objectives linked to the metrics linked to the Plan during the first year of each cycle are achieved.

The total number of shares corresponding to the Final Incentive to be delivered to each Beneficiary on the Settlement Dates will be determined according to the following formula:

NS = NCS x Ex-Post adj.

Where:

NS = Number of Shares in the Company corresponding to the Final Incentive to be delivered to each Beneficiary, rounded up to the nearest full number.

Ex-post adj. = Ex-post adjustment on the Provisional Incentive of each cycle, according to the fulfilment of objectives corresponding to each cycle of the Plan.

Plan Metrics:

The Degree of Fulfilment of the Provisional Incentive and, therefore, the specific number of CaixaBank shares corresponding to the Granting of the Provisional Incentive for each Beneficiary, on each of the Grant Dates in each cycle of the Plan, depends on the degree of fulfilment of a series of objectives during the First Measurement Period of each of the Plan's cycles, related to the following Company metrics: **(i)** the evolution of the Core Cost-to-Income Ratio (CCIR), **(ii)** the evolution of the Return on Tangible Equity (ROTE), and **(iii)** the evolution of the Customer Experience Index (CEI).

The Degree of Fulfilment of the Provisional Incentive is determined according to the following formula, with the weightings included therein:

DIA = CCIRC x 40 % + CROTE x 40 % + CCEI x 20 %

Where:

DIA = Degree of Provisional Incentive Achievement expressed as a percentage rounded to one decimal place.

CCIRC = Coefficient achieved in relation to the CCIR objective, according to the scale established for the CCIR objective in this section.

CROTE = Coefficient achieved in relation to the ROTE objective, according to the scale established for the ROTE objective under this Section.

CCEI = Coefficient achieved in relation to the CEI objective, according to the scale established for the CEI objective under this section.

For the three metrics, CCIR, ROTE and CEI, a coefficient between 0% and 120% is established according to the scale of fulfilment of the objectives related to each of said measures. The objectives reached in relation to the three metrics will be determined by the Company itself.

A condition of the Granting of the Provisional Incentive will be that, in each of the Plan's cycles, at the end of the First Measurement Period of each, the ROTE metric exceeds a specific minimum value, which the Board of Directors will establish for each of the Plan's cycles.

The metrics for calculating the Ex-post Adjustment will be: **(i)** the CaixaBank Risk Appetite Framework (RAF), **(ii)** the Total Shareholder Return (TSR) of the Company's shares, and **(iii)** the Global Reputation Index of CaixaBank Group (GRI).

The Ex-post Adjustment is calculated according to the objectives reached in relation to each of said metrics upon the end of each cycle of the Plan, in accordance with the formula indicated below, with the weightings included therein:

Ex-post adj. = CRAF x 60 % + CTSR x 30 % + CGRI x 10 %

Where:

Ex-Post adj. = Ex-post adjustment to apply to the Provisional Incentive granted during each of the Plan's cycles, expressed as a percentage, with a maximum potential of 100 %.

CRAF = Coefficient achieved in relation to the RAF objective, according to the scale established for the RAF objective in this section.

CTSR = Coefficient of the TSR target, according to the scale established for the TSR objective in this section.

CIGR = Coefficient achieved in relation to the GRI objective, according to the scale established for the GRI objective in this section.

To calculate the fulfilment of the objective related to the RAF metric, an aggregate level of the scorecard of the Company's Risk Appetite Framework is used. This scorecard is formed of quantitative metrics that measure the different types of risk, and the Board of Directors establishes areas of appetite (green), tolerance (amber) or non-compliance (red), and determines the scale of fulfilment that establishes penalisation or bonus percentages according to the variation on each metric, between the situation of the RAF item at the start and end of the period.

In relation to the Company's TSR evolution in each of the Plan's cycles, this will be calculated by comparing the same indicator for another nineteen (19) calculable reference banks (twenty (20) banks in total including CaixaBank). A coefficient between 0 and 1 will be established according to CaixaBank's ranking among the twenty (20) comparable banks. For anything beneath the median of the comparison group, the coefficient will be 0.

To determine the TSR, and with a view to avoid atypical movements in the indicator, the reference values will take into consideration the arithmetic average price rounded to three decimal places of the shares' closing prices over 31 calendar days, both on the start and end date of the Second Measurement Period of each cycle. As well as 31 December, these 31 days will include the 15 days preceding and following the date in question.

The TSR metric will be calculated at the end of each of the Plan's cycles by a renowned independent expert, at the request of the Company.

The fulfilment of the GRI as an Ex-post Adjustment will be calculated on the basis of the variation of this metric in each of the Plan's cycles. For the first cycle of the Plan, the evolution between the value calculated at the end of 31 December 2018 and that of 31 December 2021 will be measured; for the second cycle, the evolution between 31 December 2019 and 31 December 2022 will be calculated; and for the third cycle, the evolution between 31 December 2020 and 31 December 2023 will be measured. If the variation is negative, i.e. if the reputation indicator goes down, the degree of fulfilment will be 0%. Otherwise, it will be 100%. The GRI indicator includes indicators related to CaixaBank's reputational risk, which, among other things, measures social, environmental and climate-change-related aspects, whereby any negative impact related to any of these issues would entail an adjustment to the total number of shares of the Final Incentive.

The Ex-post Adjustment could make the number of final shares to deliver lower, but never higher, than the number of shares corresponding to the Provisional Incentive on each of the Grant Dates.

As well as the foregoing, if, at the end date of each of the Plan's cycles, the CaixaBank TSR ranks between sixteen (16) and twenty (20) (both inclusive) out of the twenty (20) banks comparable to the Company, the Final Incentive that may have resulted from the application of Ex-post Adjustments referred to in this section 8 would be reduced by 50%.

Exceptionally, and only to determine the shares corresponding to the Granting of the Provisional Incentive on the Grant Date of the third cycle of the Plan, an additional multiplying coefficient will be included, which can be up to 1.6, and which will be applied to the DIA, and which will depend on the evolution of the CaixaBank TSR indicator in comparison to the same indicator for the twenty (20) comparable banks during the first cycle of the Plan. Nevertheless, if CaixaBank ranks below the median among the aforementioned twenty (20) banks at the end of the first cycle of the Plan, no additional multiplying factor on the DIA will be applied.

Requirements for obtaining the shares:

The requirements for the beneficiary to receive shares derived from each of the cycles of the plan are:

- They must comply with the objectives set for them under the Plan, subject to the terms and conditions set out in this agreement and in the Regulations of the Plan.

- The beneficiary must remain part of the Company until the Settlement Dates corresponding to each of the Plan's cycles, except in special circumstances, such as death, permanent disability, retirement, and others as set out in the Regulations of the Plan. In the event of voluntary resignation or lawful dismissal, the Beneficiary will forfeit their entitlement to shares under the Plan, notwithstanding the provisions of the Regulation of the Plan. The shares will be delivered in all cases on the dates established for Beneficiaries of the Plan, in accordance with the requirements and procedures laid out in the Plan.

The Plan will only be settled and the shares delivered if this is sustainable and justified given CaixaBank's situation and results. The shares under this Plan established for each of the Settlement Dates will not be delivered to the beneficiaries – who will not lose the right to receive them – in the event that CaixaBank makes a loss, does not distribute dividends or does not pass the stress tests required by the European Banking Authority at the end of the 2019-2021 Strategic Plan, i.e. at the end of the 2021 fiscal year.

Determination of the provisional incentive of the first cycle of the 2019-2021 annual conditioned Incentives Plan

The degree of achievement of the provisional incentive for the first cycle is related to the performance of the following indicators:

Item	%	Objective	Result	DIA
Core Cost-to-Income Ratio (CCIR)	40%	57.7%	57.4%	105.1%
Return on Tangible Equity (ROTE)	40%	7.3%	7.7%	107.3%
Customer Experience Index (CEI)[1]	20%	86.3%	86.3%	100%
Total				105%

[1] The CEI challenge was re-scaled during 2019, in accordance with the provisions at the time of its approval. This re-scaling was not applied to Senior Management, so in this case the Degree of Achievement of the Provisional Incentive is 85%.
As detailed above, the Provisional Incentive does not imply the awarding of CaixaBank shares, as the ex-post adjustment remains pending, which will depend on the evolution of the RAF, the TSR and the GRI over the 3 years from the beginning of the Cycle.

Cases resulting in a reduction or recovery of the variable remuneration (ex-post adjustment of the annual bonus and long-term incentive)

Cases of reduction:

Pursuant to the Credit Institution Act, the right of persons classified as Identified Staff to receive variable remuneration, including that pending payment, whether in cash or shares, shall be reduced, in part or in full, in the following situations:

- Significant failures in risk management by CaixaBank, or one of its business units, or in risk control, including the existence of qualifications in the external auditor's report or other circumstances that undermine the financial parameters used in the calculation of variable remuneration.
- An increase in capital requirements for CaixaBank or one of its business units that was not envisaged at the time the exposure was generated.
- Regulatory sanctions or legal rulings relating to issues that may be attributed to the unit or the professional responsible for them.
- Failure to comply with the Bank's internal regulations or codes of conduct, including, in particular:
  - Any serious or very serious regulatory breaches attributable to them.
  - Any serious or very serious breaches of internal regulations.
  - Failure to comply with applicable suitability and behavioural requirements.
  - Regulatory breaches for which they are responsible, irrespective of whether they cause losses that jeopardise the solvency of a business line, and, in general, any involvement in, or responsibility for, behaviour that causes significant losses.
- Any irregular behaviour, whether individual or collective, particularly negative effects resulting from the misselling of products and the responsibilities of the persons or bodies that make such decisions.
- Justified disciplinary dismissal or, in the case of commercial contracts, due to just cause at the instigation of the Entity (in which case the reduction will be total).

- Where payment or consolidation of these amounts is not sustainable in light of CaixaBank's overall situation, or where payment is not justified in view of the results of CaixaBank as a whole, the business unit, or the employee in question.

- Any others that might be provided for in the corresponding contracts.

- Any others laid down in applicable legislation or by regulatory authorities in exercise of their powers to issue or interpret regulations, or their executive powers.

Cases resulting in recovery:

In the event that causes leading to the above-mentioned situations occur before payment of a variable remuneration amount, such that the payment would not have been made, either in part or in full, if the situation had been known about, the person involved must return the part of variable remuneration unduly paid, to the corresponding CaixaBank Group entity. This reimbursement must be made in cash or shares, as applicable.

Scenarios in which the professional concerned has made a major contribution to poor or negative financial results shall be considered particularly serious breaches, as shall cases of fraud or other instances of fraudulent behaviour or gross negligence leading to significant losses.

Employee benefits

Mandatory contributions for variable remuneration

In compliance with the provisions of Circular 2/2016, 15% of agreed contributions to complementary social welfare plans for members of CaixaBank's Management Committee are considered the target amount (the remaining 85% being considered a component of fixed remuneration).

This amount is determined following the same principles and procedures established for variable remuneration through bonus payments, based only on individual parameters, and shall involve contributions to a discretionary pension benefit scheme.

The contribution shall be considered deferred variable remuneration for the purposes of Circular 2/2016. Therefore, the discretionary pension benefit scheme shall contain the necessary clauses for it to be explicitly subject to the causes of reductions set down for variable remuneration in the form of bonuses. It shall also be included in the sum of variable remuneration for the purposes of limits and other factors that might be established.

If a professional leaves the entity as a result of retirement or before planned for any other reasons, the discretionary pension benefits shall be subject to a five-year withholding period, from the date on which the professional ceases to provide their services to the Entity for whatever reason.

During this withholding period, CaixaBank shall apply the same requirements as set forth in the reduction and recovery clauses for variable remuneration already paid.

Payments for early termination

Amount and limit of severance compensation

As a general rule, and unless prevailing legislation imposes a higher amount, the amount of compensation for severance or separation of professionals with Senior Management roles in Identified Staff shall not exceed the annual value of their fixed remuneration components, without prejudice to any compensation for post-contractual non-competition that might be established.

For professionals with an ordinary employment relationship, the amount of compensation for dismissal or termination calculated for the purposes of the maximum ratio of variable remuneration shall not exceed legal limits.

Post-contractual non-competition agreements

Exceptionally, post-contractual non-competition agreements may be included in contracts for Identified Staff in CaixaBank Group. Such agreements shall consist of an amount that in general shall not exceed the sum of the fixed components of remuneration that the professional would have received had they remained with the Entity.

The amount of the compensation shall be divided into equal instalments, payable at regular intervals over the non-competition period.

Any breach of the post-contractual non-competition agreement shall give the Entity the right to seek compensation from the professional proportionate to the compensation paid.

Deferral and payment

Payment of amounts for early termination considered to be variable remuneration shall be subject to deferral and payment in the manner set down for variable remuneration in the form of bonuses.

Reduction and recovery

Payments for early termination must be based on the results secured over time, and must not compensate poor results or undue conduct. The amount of payments for termination considered to represent variable remuneration under prevailing regulations shall be subject to the cases of reduction and recovery set down for variable remuneration.

Disassociation payment processing as part of a collective plan

Members of the Identified Staff with an employment relationship may join any of the disengagement plans covered in a collective plan, regardless of the legal nature of the contract termination and provided they are generally applicable to all CaixaBank employees who meet the requirements established therein. Joining such plans will be subject to the following rules:

- In the case of members of the Identified Staff who are members of the Company's Management Committee or directly report to the Board of Directors or to one of its members, the specific disengagement conditions must be ratified by the Board of Directors, on the basis of a report drawn up beforehand by the RC. Furthermore, the RC may establish the actions necessary to ensure a smooth transition in their functions.

- The benefits applicable under the disengagement plan shall be considered a form of variable remuneration and shall be generally subject to the requirements regarding variable remuneration in the form of a bonus, as set out in the Remuneration Policy. However, these benefits will not count for the purpose of the calculation of the maximum ratio between fixed and variable remuneration, nor may they be deferred or paid in instruments insofar as the current value of the benefits to be received under the disengagement plan does not exceed the sum of:

  - The minimum legal and obligatory redundancy payment, as established under the labour laws, that the employee would have received if they had been dismissed for improper conduct on the disengagement date; plus

  - The amount of any remuneration for non-competition commitments that the employee had received after the termination of the contract, in the conditions laid down in section 154.b) of the EBA Guidelines.

  - The amount of the collective plan benefits that exceeds the sum referred to above shall be subject to deferral and payment in instruments, in a manner compatible with the characteristics of the benefits of the deferral scheme and the rules established in the Remuneration Policy.

With regard to the provisions of the EBA Guidelines, the parameters for calculating the profits applicable to the corresponding disengagement plans will be based on a generic formula, to be defined in advance in CaixaBank's remuneration policy. In any case, the implementation of the above rules is subject to the competent authorities' interpretation of the applicable standards and guidelines. Therefore, they may require adapting in order to comply with such interpretations.

13.4. Quantitative information concerning remuneration of the Identified Staff

In 2020, remuneration paid to the Identified Staff, pursuant to the applicable regulatory provisions concerning remuneration, and according to the Bank's different areas of activity, was as detailed below.

The information on the fixed remuneration for 2020 set out in this report includes all the fixed remuneration components received by each member of the Identified Staff. Therefore, this concept includes both fixed monetary remuneration and remuneration in kind (contributions to pension plans, health insurance, etc.).

The following tables include details of the cumulative remuneration of CaixaBank Group, which also includes professionals of BPI, MicroBank and CaixaBank Wealth Management Lux.

Table 13.1. Remuneration paid to Identified Staff (I)

Amounts in thousands of euros

Activity areas	Description of the type of the businesses	Number of beneficiaries	Fixed components 2020	Variable components 2020[1]	Total 2020
Non-executive Directors	Management body in its supervisory function	33	5,359	-	5,359
Executive Directors[1]	Management body in its management function	11	8,354	454	8,808
Investment Banking	Capital Markets & Treasury, Markets, ALM and Corporate & Institutional Banking	37	7,234	5,891	13,125
Retail Banking	Individual banking, Private banking & Wealth management, Business banking and Transactional banking	49	11,802	4,753	16,555
Asset Management	Asset Management	-	-	-	-
Corporate Functions	Steering committee and all other corporate functions	76	23,195	4,851	28,046
Internal control functions	Independent control areas	59	9,260	1,993	11,253
All other		-	-	-	-

[1] *The variable remuneration includes the bonus, the incentives and discretionary pension benefits accrued in 2020.*

Table 13.2. Remuneration paid to Identified Staff (II)

Amounts in thousands of euros

Identified staff 2020 remunerations	Non-executive Directors[1]	Executive Directors	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Internal control functions	All other	Total Identified Staff
Number of beneficiaries	**33**	**11**	**37**	**49**	**-**	**76**	**59**	**-**	**265**
of which Senior Executives	-	11	-	-	-	13	-	-	24
of which in Control Functions	-	-	-	-	-	-	59	-	59
Fixed remuneration 2020	**5,359**	**8,354**	**7,234**	**11,802**	**-**	**23,195**	**9,260**	**-**	**65,204**
Variable remuneration 2020 (annual bonus)	**-**	**92**	**5,891**	**4,752**	**-**	**4,479**	**1,993**	**-**	**17,207**
In cash	-	46	2,951	2,634	-	2,642	1,610	-	9,883
In shares or share-linked instruments	-	46	2,940	2,118	-	1,837	383	-	7,324
In other instruments	-	-	-	-	-	-	-	-	-
Variable remuneration deferred (not yet paid)[2]	**25**	**2,260**	**4,545**	**3,753**	**-**	**4,783**	**772**	**-**	**16,138**
Attributed	-	-	-	-	-	-	-	-	-
Not attributed	25	2,260	4,545	3,753	-	4,783	772	-	16,138
In cash	13	1,130	2,273	1,877	-	2,392	386	-	8,071
In shares or share-linked instruments	12	1,130	2,272	1,876	-	2,391	386	-	8,067
In other instruments	-	-	-	-	-	-	-	-	-
Deferred remuneration paid in the year 2020[3]	**245**	**1,652**	**2,235**	**1,808**	**-**	**2,193**	**399**	**-**	**8,532**
In cash	239	1,113	1,137	930	-	1,116	200	-	4,735
In shares or share-linked instruments	6	539	1,098	878	-	1,077	199	-	3,797
In other instruments	-	-	-	-	-	-	-	-	-
Total amount of explicit Ex-post performance adjustment applied in 2020 for previously awarded remuneration	-	-	-	-	-	-	-	-	-
Number of beneficiaries of severance payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total amount of severance payments	-	-	-	-	-	-	-	-	-
Average permanence period	-	-	-	-	-	-	-	-	-
Highest severance payment to a single person	-	-	-	-	-	-	-	-	-
Number of beneficiaries of Long-Term Incentive systems	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**1**
Target LTI in euros prorated annually[4]	-	-	-	-	-	140	-	-	140
Number of beneficiaries of discretionary pension benefits	**-**	**4**	**-**	**-**	**-**	**11**	**-**	**-**	**15**
Total amount of discretionary pension benefits	-	362	-	-	-	232	-	-	594

[1] *The variable remuneration contemplated in Non-Executive Directors was accrued in the development of previous executive functions.*
[2] *It includes the deferred variable remuneration pending payment at 31/12/2020 (2/5 bonus 2017, 1/3 or 3/5 bonus 2018, 2/3 or 4/5 bonus 2019 and the deferred part of bonus 2020).*
[3] *It includes the deferred variable remuneration awarded in previous years and paid in February 2021 (1/3 or 1/5 bonus 2017, 1/3 or 1/5 bonus 2018 and 1/3 or 1/5 bonus 2019).*
[4] *It includes the LTI in euros that members of the Identified Staff of CaixaBank receive for their participation in group companies outside of the prudential perimeter.*

Table 13.3. Remuneration paid to Identified Staff (III)

Amounts in thousands of euros

Identified Staff 2020 variable remunerations	Non-executive Directors	Executive Directors	Investment Banking	Retail Banking	Asset Management	Corporate Functions	Internal control functions	All other	Total Identified Staff
Number of beneficiaries	**-**	**1**	**37**	**49**	**-**	**63**	**56**	**-**	**206**
Variable remuneration 2020 (annual bonus)	**-**	**92**	**5,891**	**4,753**	**-**	**4,479**	**1,993**	**-**	**17,208**
Bonus 2020 paid in 2021	-	37	3,539	2,873	-	2,814	1,638	-	10,901
In cash	-	19	1,775	1,695	-	1,809	1,433	-	6,731
In shares or share-linked instruments	-	18	1,764	1,178	-	1,005	205	-	4,170
In other instruments	-	-	-	-	-	-	-	-	-
Bonus 2020 deferred and not attributed	-	**55**	**2,352**	**1,880**	-	**1,665**	**355**	-	**6,307**
In cash	-	28	1,176	940	-	833	178	-	3,155
In shares or share-linked instruments	-	27	1,176	940	-	832	177	-	3,152
In other instruments	-	-	-	-	-	-	-	-	-

Table 13.4. Remuneration paid to Identified Staff (IV)

Number of beneficiaries receiving remuneration [1]	Number of beneficiaries
between 1 million euros and 1.5 million euros	5
between 1.5 million euros and 2 million euros	0
between 2 million euros and 2.5 million euros	1
between 2.5 million euros and 3 million euros	1
between 3 million euros and 3.5 million euros	0
between 3.5 million euros and 4 million euros	0

[1] *Does not include severance payments*

In 2020:

- No payments were made for new recruitment within the Identified Staff.
- No adjustments to deferred compensation awarded in 2020 were made as a result of performance.
- There are no professionals who receive remuneration above 3 million euros.

Appendix A.

Appendix I. Information on own funds

Millions euros

	(A) Amount to information date; (B) CRR reference to article; (C) Amounts subject to treatment prior to RRC or residual amount prescribed by RRC	(A)	(B)
Common Equity Tier 1 capital : instruments and reserves			
1	Capital instruments and the related share premium accounts	18,039	26 (1), 27, 28, 29
2	Retained earnings	8,234	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	(2,391)	26 (1)
3a	Funds for general banking risks	(125)	26 (1) (f)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1,165	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**24,923**	
Common Equity Tier 1 capital : regulatory adjustments			
7	Additional value adjustments (negative amount)	(90)	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	(3,873)	36 (1) (b), 37
9	IFRS9 transitory adjustments	716	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(1,789)	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	(82)	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	(75)	36 (1) (d), 40, 159
13	Any increase in equity that results from securitised assets (negative amount)	(1)	32 (1)
14	Gains or losses on liabilities valued at fair valur resulting from changes in own credit standing	(21)	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	(1)	36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(52)	36 (1) (f), 42
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial secotr entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (a)
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (i), 38, 48 (1) (a)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(5,269)**	
29	**Common Equity Tier 1 (CET1) capital**	**19,654**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	3,261	51, 52
32	of which: classified as liabilities under applicable accounting standards	3,261	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**3,261**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	(277)	52 (1) (b), 56 (a), 57
43	**Total regulatory adjustments to Additional Tier 1 capital**	**(277)**	
44	**Additional Tier 1 capital (AT1)**	**2,984**	
45	**Tier 1 capital (Tier 1 = CET1+AT1)**	**22,637**	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	3,162	62, 63
50	Credit risk adjustments	255	62 (c) y (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**3,416**	

Millions euros

	(A) Amount to information date; (B) CRR reference to article; (C) Amounts subject to treatment prior to RRC or residual amount prescribed by RRC	(A)	(B)
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	(9)	63 (b) (i), 66 (a), 67
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(9)**	
58	**Tier 2 (T2) capital**	**3,407**	
59	**Total capital (TC=T1+T2)**	**26,045**	
60	**Total risk weighted assets**	**144,073**	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**13.6%**	**92 (2) (a)**
62	**Tier 1 (as a percentage of risk exposure amount)**	**15.7%**	**92 (2) (b)**
63	**Total capital (as a percentage of risk exposure amount)**	**18.1%**	**92 (2) (c)**
64	**Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)**	**8.10%**	**DRC 128, 129, 130, 131, 133**
65	**of which: capital conservation buffer requirement**	**2.50%**	
66	**of which: countercyclical buffer requirement**	**0.01%**	
67a	**of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer**	**0.25%**	
	Amounts below deduction thresholds (before risk weighing)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,302	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	765	36 (1) (i), 45, 48
75	Deferred tax assets arising from temporary differences (amount below the threshold of 10%, net of liabilities for related taxes, provided that the conditions established in article 38, section 3)	1,508	36 (1) (c), 38, 48

** Rows with no data are not disclosed*
[1] Capital + share premium, net of treasury shares
[2] Reserves
[3] Includes unrealised gains and losses
[5a] Profit attributable to the Group (audited), net of inteirimdividends
[8] Goodwill and intangible assets
[37] Treasury stock and pledged amounts
[52] Treasury stock and pledged amounts

Appendix II. Template IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

Millions euros

		31.03.20	30.06.20	30.09.20	31.12.20
Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	17,747	18,083	18,192	19,654
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,564	17,457	17,509	18,938
3	Tier 1 capital	19,983	20,320	20,430	22,637
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,800	19,693	19,746	21,922
5	Total capital	23,312	23,528	23,754	26,045
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23,256	23,140	23,194	25,362
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	147,808	147,499	145,731	144,073
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	147,908	148,002	146,264	144,649
Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	12.0%	12.3%	12.5%	13.6%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.9%	11.8%	12.0%	13.1%
11	Tier 1 (as a percentage of risk exposure amount))	13.5%	13.8%	14.0%	15.7%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	13.4%	13.3%	13.5%	15.2%
13	Total capital (as a percentage of risk exposure amount)	15.8%	16.0%	16.3%	18.1%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.7%	15.6%	15.9%	17.5%
Leverage ratio					
15	Leverage ratio total exposure measure	370,572	399,491	401,851	403,659
16	Leverage ratio	5.4%	5.1%	5.1%	5.6%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	5.3%	4.9%	4.9%	5.4%

** In March 2020, following the ECB's recommendations, CaixaBank decided to reverse its initial decision not to phase out the application of IFRS9. The table shows the impact of IFRS9 phasing on key ratios. The dynamic component calculation starts from January 1, 2020. CaixaBank has not taken on the temporary treatment of unrealized gains and losses measured at fair value with changes in other comprehensive income in view of the COVID-19 pandemic, in accordance with article 468 of the CRR.*

Appendix III. Capital instruments main features

Millions euros

		ES0140609019	ES0840609004	ES0840609012	ES0840609020	AYTS491201	AYTS490629	XS1565131213	ES0240609133	XS1645495349	XS1808351214
1	Issuer+C56:L95	CaixaBank, S.A	CaixaBank, S.A	CaixaBank, S.A	CaixaBank, S.A	CajaSol (currently CaixaBank, S.A.)	CajaSol (currently CaixaBank, S.A.)	CaixaBank, S.A	CaixaBank, S.A	CaixaBank, S.A	CaixaBank, S.A
2	Unique identifier (ISIN)	ES0140609019	ES0840609004	ES0840609012	ES0840609020	AYTS491201	AYTS490629	XS1565131213	ES0240609133	XS1645495349	XS1808351214
3	Governing law(s) of the instrument	Spanish Law	Spanish Law	Spanish Law	Spanish Law	Spanish Law	Spanish Law	English Law except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions which are governed by Spanish law	Spanish Law	English Law except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions which are governed by Spanish law	English Law except the provisions relating to the status of the Notes, the capacity of the Issuer and the relevant corporate resolutions which are governed by Spanish law
4	Transitional CRR rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR Rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1	Additional Tier 1	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/(sub-) consolidated/ solo&(sub-) consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated	Solo and Consolidated
7	Instrument type	Ordinary shares	Contingent Convertible Preferred Securities	Contingent Convertible Preferred Securities	Contingent Convertible Preferred Securities	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	5,956	995	1,243	746	18	1	996	150	995	992
9	Nominal amount of the instrument in euros (unless the issuing currency is specified)	5,981	1,000	1,250	750	18	15	1,000	150	1,000	1,000
9a	Issue price	n/a	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	99.97 %	100.00 %	99.97 %	99.53 %
9b	Redemption price	n/a	100.00 %	100.00 %	100.00 %	n/a	n/a	100.00 %	100.00 %	100.00 %	100.00 %
10	Accounting classification	Equity	Compound financial instrument	Compound financial instrument	Compound financial instrument	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost	Liability-amortised cost
11	Original date of issuance	n/a	13/06/2017	23/03/2018	9/10/2020	31/12/1990	29/06/1994	15/02/2017	7/07/2017	14/07/2017	17/04/2018
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	n/a	Undated	Undated	Undated	Undated	24/06/2093	15/02/2027	07/07/2042	14/07/2028	17/04/2030

Millions euros

		ES0140609019	ES0840609004	ES0840609012	ES0840609020	AYTS491201	AYTS490629	XS1565131213	ES0240609133	XS1645495349	XS1808351214
14	Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	No	n/a	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	n/a	13/6/2024 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval	23/3/2026 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval	From 09/10/2027 to 9/4/2028 and quarterly afterwards at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 7.3 and 7.4). In each case for the full amount subject to the supervisor's approval	n/a	n/a	15/2/2022 (one-time call) at the Issuer's option; in addition, for taxation reasons or due to a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval	7/7/2037 and yearly afterwards at the Issuer's option; in addition, for taxation reasons or due to a Capital Event. In each case for the full amount subject to the supervisor's approval	14/7/2023 (one-time call) at the Issuer's option; in addition, for taxation reasons or due to a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval	17/4/2025 (one-time call) at the Issuer's option; in addition, for taxation reasons or a Capital Event (conditions 6.2 and 6.4). In each case for the full amount subject to the supervisor's approval
16	Subsequent call dates, if applicable	n/a	Quarterly	Quarterly	Quarterly	n/a	n/a	n/a	Yearly	n/a	n/a
17	Fixed or floating dividend/ coupon	Variable	Variable	Variable	Variable	Fixed	n/a	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	n/a	6.75 % until 14/11/2024 ; if not called, resets at the prevailing mid-swap 5 years rate + 649.8 bps and 5 years afterwards from that date	5.25 % until 23/3/2026; if not called, resets at the prevailing mid-swap 5 years rate + 450.4 bps and 5 years afterwards from that date	5.875 % until 09/4/2028; if not called, resets at the prevailing mid-swap 5 years rate + 634,6 bps and 5 years afterwards from that date	0	n/a	3.506 % until 15/2/2022; if not called, resets at the then prevailing mid-swap 5 years rate + 335 bps	4.000 % until 7/7/2037; if not called, resets at the then prevailing mid-swap 5 years rate + 272 bps	2.755 % until 14/7/2023 ; if not called, resets at the then prevailing mid-swap 5 years rate + 235 bps	2.250 % until 23/3/2025; if not called, resets at the then prevailing mid-swap 5 years rate + 168 pbs
19	Existence of a dividend stopper	n/a	No	No	No	No	n/a	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	n/a	Mandatory	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	n/a	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	n/a	No	No	No	No	n/a	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	n/a	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	n/a	Convertible	Convertible	Convertible	Convertible	n/a	Non Convertible	Non Convertible	Non Convertible	Non Convertible

Millions euros

		ES0140609019	ES0840609004	ES0840609012	ES0840609020	AYTS491201	AYTS490629	XS1565131213	ES0240609133	XS1645495349	XS1808351214
24	If convertible, conversion trigger(s)	n/a	This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125% at the Bank or Group level Consolidated	This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125% at the Bank or Group level Consolidated	This Contingent Convertibles convert into ordinary shares when the CET1 falls down below 5.125% at the Bank or Group level Consolidated	n/a	n/a	n/a	n/a	n/a	n/a
25	If convertible, fully or partially	n/a	Always fully	Always fully	Always fully	n/a	n/a	n/a	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €2.803	Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €2.583	Greater of: i) market price of the shares at the time of conversion (with a floor of its nominal value); ii) a Floor Price of €1.209	n/a	n/a	n/a	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	Mandatory	Mandatory	Mandatory	n/a	n/a	n/a	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	n/a	n/a	n/a	n/a	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	CaixaBank, S.A	CaixaBank, S.A	CaixaBank, S.A	n/a	n/a	n/a	n/a	n/a	n/a
30	Write-down features	n/a	No	No	No	No	n/a	No	No	No	No
31	If write-down, write-down trigger(s)	n/a	n/a	n/p	n/p	n/a	n/a	n/a	n/a	n/a	n/a
32	If write-down, full or partial	n/a	n/a	n/p	n/p	n/a	n/a	n/a	n/a	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a	n/p	n/p	n/a	n/a	n/a	n/a	n/a	n/a

Millions euros

		ES0140609019	ES0840609004	ES0840609012	ES0840609020	AYTS491201	AYTS490629	XS1565131213	ES0240609133	XS1645495349	XS1808351214
34	If temporary write-down, description of write-up mechanism	n/a	n/a	n/p	n/p	n/a	n/a	n/a	n/a	n/a	n/a
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	There are not subordinated instruments to this one	Tier 2 Capital Instruments	Tier 2 Capital Instruments	Tier 2 Capital Instruments	Senior creditors	n/a	Senior creditors	Senior creditors	Senior creditors	Senior creditors
36	Non-compliant transitioned features	No	No	No	No	n/a	n/a	No	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
38	Prospectus	n/a	*http://cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0840609004*	*https://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0840609012*	*https://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0840609020*	n/a	n/a	*http://www.ise.ie/debt_documents/Final%20Terms_4d3676fe-d968-4977-a14b-4e107812d270.PDF*	*http://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?isin=ES0240609133*	*http://www.ise.ie/debt_documents/Final%20Terms_e17de6d1-419c-4367-ba57-302c9de7d9df.PDF*	*http://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/ShowSecTranche/?tranchelD=139566&refNo=4922*

Appendix IV. Information on leverage ratio

Millions euros

	Summary reconciliation of accounting assets and leverage ratio exposures	
1	Total assets as per published financial statements	451,520
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(66,834)
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
4	Adjustments for derivative financial instruments	(5,326)
5	Adjustments for securities financing transactions "SFTs"	576
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	29,614
6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	(5,892)
8	**Leverage ratio exposure**	**403,659**

	Leverage ratio common disclosure	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	370,702
2	Asset amounts deducted in determining Tier 1 capital	(5,892)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**364,810**

	Leverage ratio common disclosure	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	7,450
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2,981
5b	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	2,778
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(5,506)
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures**	**7,704**

	Leverage ratio common disclosure	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	954
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	576
14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures**	**1,530**

Millions euros

Leverage ratio common disclosure		
17	Off-balance sheet exposures at gross notional amount	105,152
18	(Adjustments for conversion to credit equivalent amounts)	(75,537)
19	**Other off-balance sheet exposures**	**29,614**
Excluded exposures		
19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Leverage ratio common disclosure		
20	**Tier 1 capital**	**22,637**
21	**Total leverage ratio exposures**	**403,659**
Leverage ratio common disclosure		
22	**Leverage ratio**	**5.6%**
Choice on transitional arrangements and amount of derecognised fiduciary items		
23	Choice on transitional arrangements for the definition of the capital measure	End of transitional period measure
24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	-

Millions euros

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**370,702**
EU-2	Trading book exposures	1,056
EU-3	Banking book exposures, of which:	369,646
EU-4	*Covered bonds*	-
EU-5	*Exposures treated as sovereigns*	108,345
EU-6	*Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns*	4,401
EU-7	*Institutions*	5,799
EU-8	*Secured by mortgages of immovable properties*	95,008
EU-9	*Retail exposures*	39,210
EU-10	*Corporate*	78,422
EU-11	*Exposures in default*	7,474
EU-12	*Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	30,987

Free format text boxes for disclosure on qualitative items		
1	Description of the processes used to manage the risk of excessive leverage	Leverage ratio is one of the metrics which are periodically monitored by Management and Government Bodies.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	Leverage ratio has improved mainly due to organic activity evolution, the IFRS9 phasing in impact and the issuance of 750 million worth AT1 instruments during the fourth quarter. Regarding the exposure, assets increased due to the accumulation of liquidity to give more credit and due to the increase of ICO granted loans conceded.

Appendix V. Holdings subject to regulatory limits for deduction purposes

Share	Company	Activity	% participation Direct	% participation Total
Significant shareholdings (>10%)	Banco Comercial de Investimento, S.A.R.L.	Banking	0.00	35.67
	BIP & DRIVE, S.A	Teletoll systems	0.00	25.00
	BPI, Incorporated	Banking	0.00	100.00
	Brilliance-Bea Auto Finance Co., L.T.D.	Vehicle financing	0.00	22.50
	CaixaBank Brasil Escritório de Representaçao Ltda	Representative office	100.00	100.00
	Comercia Global Payments, Ent. Pago, S.L.	Payment entity	0.00	20.00
	Companhia de Seguros Allianz Portugal, S.A.	Insurances	0.00	35.00
	Cosec-Companhia de Seguros de Crédito, S.A.	Credit insurances	0.00	50.00
	Global Payments - Caixa Acquisition Corporation S.A.R.L.	Payment entity	0.00	49.00
	Global Payments Moneytopay, EDE, S.L.	Payment entity	0.00	49.00
	Inter-risco - Sociedade de Capital de Risco, SA	Venture capital	0.00	49.00
	Inversiones Alaris, S.L. en liquidación	Holding of Securities	33.33	66.67
	Redsys Servicios de Procesamiento, S.L.	Payment methods	0.00	20.00
	Sercapgu, S.L.	Holding of shares	100.00	100.00
	Servired, Sociedad Española de Medios de Pago, S.A.	Payment methods	0.00	22.01
	Sistema de Tarjetas y Medios de Pago, S.A.	Payment methods	0.00	18.11
	Sociedad de Procedimientos de Pago, S.L.	Payment entity	0.00	22.92
	Telefónica Factoring do Brasil, Ltda	Factoring	20.00	20.00
	Telefónica Factoring España, S.A.	Factoring	20.00	20.00
	Unicre - Instituição Financeira de Crédito, S.A.	Financial services	0.00	21.01
Not significant (<10%)	Erste Group Bank AG	Banking	9.92	9.92

NOTE: VidaCaixa Group is not included in regulatory scope due to the statement in CRR article 49.1 ("Danish compromise") by which it consumes capital by RWAs instead of equity deduction.

Appendix VI. EU LI3 - Companies with differing prudential and accounting consolidation treatment

Name of the entity	Accounting consolidation treatment	Prudencial consolidation treatment				Description of the entity
		Global integration	Proportional con-solidated method	Equity method	Deducted	
Aris Rosen, S.A.U.	Full consolidable entities			●		Services
CaixaBank Brasil Escritório de Representaçao Ltda. (1)	Full consolidable entities			●		Representation office
Cestainmob, S.L.	Full consolidable entities			●		Property management and real estate
Coia Financiera Naval, S.L.	Full consolidable entities			●		Financial services and intermediation in naval sector
El Abra Financiera Naval, S.L.	Full consolidable entities			●		Financial services and intermediation in naval sector
Estugest, S.A.	Full consolidable entities			●		Administrative activities and services
Grupo Aluminios de precisión, S.L.U.	Full consolidable entities			●		Smelting
Inter Caixa, S.A.	Full consolidable entities			●		Services
Inversiones corporativas digitales, S.L.	Full consolidable entities			●		*Holding of shares*
Inversiones Inmobiliarias Teguise Resort, S.L.	Full consolidable entities			●		Hotels and similars
Líderes de Empresa Siglo XXI, S.L.	Full consolidable entities			●		Private security of goods and people
PromoCaixa, S.A.	Full consolidable entities			●		Product marketing
Puerto Triana, S.A.U.	Full consolidable entities			●		Real state of shopping centers
Sercapgu, S.L.	Full consolidable entities			●		*Holding of shares*
Sociedad de gestión hotelera de Barcelona, S.L.	Full consolidable entities			●		Transactions with real estate
VidaCaixa, S.A. de Seguros y Reaseguros Sociedad Unipersonal	*Full consolidable entities*			●		Insurance and reinsurance

For the rest of the entities, the consolidation method for prudential purposes coincides with that applicable in the annual accounts. See financial report for the complete list of companies of the Group.

Appendix VII. Acronyms

Acronym	Description
ALCO	Assets and Liability Committee
AMA	Advanced Measurement Approach for calculating operational risk capital
AMLOU	The Anti-Money Laundering and Counter Terrorist Financing Unit
AT1	Additional Tier 1 Capital
AVA	Additional Valuation Adjustments
BCBS	Basel Committee on Banking Supervision
BEICF	Business environment and internal control factors
BIS	Bank for International Settlements
BoS	Bank of Spain
BPS	Basis Points
BRRD	The Bank Recovery and Resolution Directive, EU Directive 2014/59, establishing the framework for the restructuring and resolution of credit institutions.
CBR	Combined Buffer Requirement
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCPs	Central Counterparty Clearing Houses.
CDS	Credit Default Swap
CEBS	Committee of European Banking Supervisors
CET1	Common Equity Tier 1
CIR	Cost-to-Income ratio
CIRBE	The Bank of Spain Risk Information Centre
CNMV	The Spanish Securities Market Regulator
COREP	The COmmon REPorting framework for prudential reporting by entities in the European Economic Area
CRD IV	The Capital Requirements Directive, EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
CRM	Credit Risk Mitigators
CRR	The Capital Requirements Regulation, Regulation 575/2013, of the Parliament and the Council, on prudential requirements for credit institutions and investment firms
CVA	Credit Valuation Adjustment
DGF	Deposit Guaranteed Fund
EAD	Exposure at Default, following deduction of CCFs and CRMs
EBA	European Banking Authority
ECB	European Central Bank
EMIR	European Market Infrastructure Regulation, EU Regulation Nº 648/2012, on OTC derivatives, central counterparties and trade repositories
FINREP	FINancial REPoting, the financial reporting framework for entities in the European Economic Area
FROB	Fund for Orderly Bank Restructuring

Acronym	Description
FSB	Financial Stability Board
FVA	Funding Value Adjustment.
G-SIBs	Global Systemically Important Banks
HQLA	High Quality Liquid Assets, as set down in the European Commission Delegated Regulation of 10 October 2014
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
ICFRS	Internal Control over Financial Reporting
IFRS	International Financial Reporting Standards
IGC	Corporate Management Information
ILAAP	Internal liquidity adequacy assessment process
IRB	Internal Rating Based approach
IRC	Incremental default and migration risk
IRRBB	Interest rate risk for positions in the banking book
ISDA	International Swaps and Derivatives Association
KPI	Key Performance Indicators
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LGD DT	Loss Given Default in a Downturn
LT/FL	Life-time/Forward-looking
LTD	Loan-to-Deposits ratio
LTV	Loan-to-Value ratio
MDA	Maximum Distributable Amount
MIFID	Markets in Financial Instruments Directive
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
ODF	Observed Default Frequency
ORMF	Operational Risk Management Framework
ORMS	Operational Risk Measurement System
ORX	Operational Riskdata eXchange
O-SII	Other Systemically Important Institution
OTC	Over-the-Counter trades

Acronym	Description
PD	Probability of default
PFE	Potential Future Exposure
RAF	Risk Appetite Framework
RAR	Risk Adjusted Return
RBA	Rating Based Approach
RDA	Risk Data Agregation
ROE	Return on Equity
ROTE	Return on Tangible Equity
RWA	Risk-weighted assets
SFT	Securities Financing Transactions
SICR	Significant Increase in Credit Risk
SN	Single Names.
SNP	Senior non preferred
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TIER2 (T2)	Tier 2 capital
TLTRO	Targeted Longer-term Refinancing Operation
TO	Takeover bid
TRIM	Targeted Review of Internal Models
TSR	Total Shareholder Return
VaR	Value at Risk

Appendix VIII. Tables EBA Guide

EBA Template	EBA/GL/2016/11, version 2	IRP Section	Table Nº
EU LI1	EU LI1 - Differences betweeen accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	2.5. Accounting reconciliation between the financial statements and regulatory statements	2.2
EU LI2	EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements	2.5. Accounting reconciliation between the financial statements and regulatory statements	2.3
EU INS1	EU INS1 - Non-deducted participations in insurance undertakings	4.3.2. Capital requirements	4.7
EU OV1	EU OV1 - Overview of RWAs	4.3.2. Capital requirements	4.9
EU CR4	EU CR4 - Standardised approach – Credit risk exposure and CRM effects	5.1.1.2. Minimum capital requirements for credit risk	5.7
EU CR5	EU CR5 - Standardised approach (EAD)	5.1.1.2. Minimum capital requirements for credit risk	5.8
EU CR5	EU CR5 - Standardised approach (APR)	5.1.1.2. Minimum capital requirements for credit risk	5.9
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default (PD) range	5.1.1.2. Minimum capital requirements for credit risk	5.12
EU CR8	EU CR8 - RWA flow statements of credit risk exposures under the IRB approach	5.1.1.2. Minimum capital requirements for credit risk	5.13
EU CRB-B	EU CRB-B - Total and average net amount of exposures	5.1.1.3. Quantitative aspects	5.15
EU CRB-C	EU CRB-C - Geographical breakdown of exposures	5.1.1.3. Quantitative aspects	5.16
EU CRB-D	EU CRB-D - Concentration of exposures by industry or counterparty types (Net Value)	5.1.1.3. Quantitative aspects	5.17
EU CRB-D	EU CRB-D - Concentration of exposures by industry or counterparty types (APR)	5.1.1.3. Quantitative aspects	5.18
EU CRB-E	EU CRB-E - Maturity of exposures	5.1.1.3. Quantitative aspects	5.19
EU CR2-B	EU CR2-B - Changes in the stock of defaulted and impaired loans and debt securities	5.1.1.3. Quantitative aspects	5.21
EU CR1-A	EU CR1-A - Credit quality of exposures by sector FINREP	5.1.1.3. Quantitative aspects	5.22
EU CR1-B	EU CR1-B - Credit quality of exposures by industry or counterparty types	5.1.1.3. Quantitative aspects	5.23
EU CR1-C	EU CR1-C - Credit quality of exposures by geography	5.1.1.3. Quantitative aspects	5.24
EU CR3	EU CR3 - CRM techniques – Overview	5.1.1.3. Quantitative aspects	5.25
EU CR2-A	EU CR2-A - Changes in the stock of general and specific credit risk adjustments	5.1.1.3. Quantitative aspects	5.30
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (Corporates)	5.1.1.3. Quantitative aspects	5.36
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (SME)	5.1.1.3. Quantitative aspects	5.37
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (Retail - Covered by Residential Mortgage)	5.1.1.3. Quantitative aspects	5.38
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (SME - Covered by Residential Mortgage)	5.1.1.3. Quantitative aspects	5.39
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (Eligible Revolving Retail)	5.1.1.3. Quantitative aspects	5.40
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (Retail SME)	5.1.1.3. Quantitative aspects	5.41
EU CR6	EU CR6 - IRB - credit risk exposures by portfolio and probability of default PD range (Other Retail Exposures)	5.1.1.3. Quantitative aspects	5.42
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporates non-SME portfolio	5.1.1.3. Quantitative aspects	5.44

EBA Template	EBA/GL/2016/11, version 2	IRP Section	Table Nº
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Corporate SME portfolio	5.1.1.3. Quantitative aspects	5.45
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Retail – residential mortgage	5.1.1.3. Quantitative aspects	5.46
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - Retail – SME mortgage	5.1.1.3. Quantitative aspects	5.47
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio - (Eligible Revolving Retail)	5.1.1.3. Quantitative aspects	5.48
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio (Other SME)	5.1.1.3. Quantitative aspects	5.49
EU CR9	EU CR9 - IRB - Backtesting of probability of default (PD) per portfolio (Other Retail)	5.1.1.3. Quantitative aspects	5.50
EU CCR1	EU CCR1 - Analysis of CCR exposure by approach	5.1.2.2. Minimum capital requirements for counterparty risk, default fund and CVA	5.52
EU CCR3	EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk (EAD)	5.1.2.3. Quantitative aspects	5.54
EU CCR3	EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk (RWA)	5.1.2.3. Quantitative aspects	5.55
EU CCR4	EU CCR4 - IRB approach - CCR exposures by portfolio and PD scale	5.1.2.3. Quantitative aspects	5.57
EU CCR7	EU CCR7 - RWA flow statements of CCR exposures under the IMM	5.1.2.3. Quantitative aspects	N/A
EU CCR5-A	EU CCR5-A - Impact of netting and collateral held on exposure values	5.1.2.3. Quantitative aspects	5.58
EU CCR5-B	EU CCR5-B - Composition of collateral for exposures to CCR	5.1.2.3. Quantitative aspects	5.59
EU CCR8	EU CCR8 – Exposures to CCPs	5.1.2.3. Quantitative aspects	5.60
EU CCR2	EU CCR2 - CVA capital charge	5.1.2.3. Quantitative aspects	5.61
EU CCR6	EU CCR6 - Credit derivatives exposures	5.1.2.3. Quantitative aspects	5.62
EU CR10	EU CR10 - IRB (specialised lending and equities)	5.2.3.1. Quantitative aspects	5.74
EU MR1	EU MR1 - Market risk under the standardised approach	7.2. Minimum capital requirements for market risk	7.1
EU MR3	EU MR3 - IMA values for trading portfolios	7.3. Quantitative aspects	7.2
EU MR2-A	EU MR2-A - Market risk under the Internal Model Approach	7.3. Quantitative aspects	7.3
EU MR2-B	EU MR2-B - RWA flow statements of market risk exposures under the IMA	7.3. Quantitative aspects	7.4
EU MR4	EU MR4 - Comparison of VaR estimates with gains/losses	7.3. Quantitative aspects	7.5
EU LIQ1	EU LIQ1 - LCR detail (monthly average values)	10.2. Quantitative aspects	10.3
EU LI3	EU LI3 - Companies with differing prudential and accounting consolidation treatment	Appendix	Appendix VI

BCBS Template	Pillar 3 - Disclosure requirements	IRP Section	Table Nº
EU CCyB1	EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer	4.2.3. Total SREP requirements	4.3
SEC1	EU SEC1 - Securitisation exposures in the banking book	5.1.3.3. Quantitative aspects	5.67
SEC3	EU SEC3 -Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator	5.1.3.2. Minimum capital requirements for securitisation risk	5.64
SEC4	EU SEC4 - Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as investor	5.1.3.2. Minimum capital requirements for securitisation risk	5.65

EBA Template	EBA/GL/2018/10, version 2	IRP Section	Table Nº
Template 1	Credit quality of supported exhibitions.	5.1.1.3. Quantitative aspects	5.26
Template 3	Credit quality of performing and non-performing exposures by past due days.	5.1.1.3. Quantitative aspects	5.27
Template 4	Performing and non-performing exposures and related provisions.	5.1.1.3. Quantitative aspects	5.28
Template 9	Collateral obtained by taking ownership and execution processes.	5.1.1.3. Quantitative aspects	5.29

EBA Template	EBA/GL/2020/07	IRP Section	Table Nº
Template 1	Information on loans and advances subject to legislative and non-legislative moratoria	5.1.1.3. Quantitative aspects	5.33
Template 2	Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	5.1.1.3. Quantitative aspects	5.34
Template 3	Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	5.1.1.3. Quantitative aspects	5.35

EBA Template	EBA/GL/2020/12	IRP Section	Table Nº
Template NIIF 9-FL	Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs.	Appendix	Appendix II

Appendix IX. Map Part Eight Regulation (EU) Nº 575/2013

CRR Article	IRP 2020	Table
Article 431. Scope of disclosure requirements		
431.1	*Pilar 3 Disclosure. It is published on: https://www.caixabank.com/en/shareholders-investors/economic-financial-information/other-financial-information.html*	
431.2	Section 8.2	
431.3	Declaration of the Board of Directors, Section 1	
4.31.4	Section 5.1.1.3	
Article 432. Non-material, proprietary or confidential information		
432.1	N/A ; Section 1	
432.2	N/A; Section 1	
432.3	N/A	
432.4	N/A	
Article 433. Frequency of disclosure		
433	Section 1	
Article 434. Means of disclosures		
434.1	Section 1	
434.2	Section 1	
Article 435. Risk management objectives and policies		
435.1		
435.1.a	Sections 5.1.1.1, 5.1.2.1, 5.1.3.1 , 5.2.1.1, 7.1, 8.1, 11.1, 10.1, 8.4, 12, 6	
435.1.b	Sections 3.1.3, 5.1.1.1, 5.1.2.1, 5.1.3.1 ,5.2.1.1, 7.1, 8.1, 11.1, 10.1, 8.4, 12, 6	
435.1.c	Sections 3.1.3, 5.1.1.1, 5.1.2.1, 5.1.3.1 ,5.2.1.1, 7.1, 8.1, 11.1, 10.1, 8.4, 12, 6	
435.1.d	Sections 5.1.1.1, 5.1.2.1, 5.1.3.1 , 5.2.1.1, 7.1, 8.1, 11.1, 10.1, 8.4, 12, 6	
435.1.e	Section 3	
435.1.f	Declaration of the Board of Directors	
435.2		
435.2.a	Section 3.1.1	
435.2.b	Section 3.1.1	
435.2.c	Section 3.1.1	
435.2.d	Section 3.1.1	
435.2.e	Section 3.1.1, 3.1.2, 3.1.3, 3.4.2	

CRR Article	IRP 2020	Table
Article 436. Scope of application		
436.a	Section 2.2	
436.b	Appendix V,VI	
436.b.i	Appendix V,VI	
436.b.ii	Appendix V,VI	
436.b.iii	Appendix V,VI	
436.b.iv	Appendix V,VI	
436.c	Section 2.3	
436.d	N/A;Section 2.3	
436.e	N/A;Section 2.3	
Article 437. Own funds		
437.1		
437.1.a	Section 4.3.1, Appendix I	
437.1.b	Section, Appendix IV	
437.1.c	Section 4.3.1, Appendix IV	
437.1.d		
437.1.d.i	Appendix I	
437.1.d.ii	Appendix I	
437.1.d.iii	Appendix I	
437.1.e	Section 4.3.1, Appendix I	
437.1.f	Appendix I	
Article 438. Capital requirements		
438.a	Section 4.1, 4.2.1, 4.5	
438.b	Section 4.2.1, 4.2.2	
438.c	Section 5.1.1.2	
438.d	Section 5.1.1.2, 5.1.2.2	
438.d.i	Section 5.1.1.2, 5.1.2.2, 5.2.1.2	
438.d.ii	Section 5.2.1.2	
438.d.iii	Section 5.2.1.2	
438.d.iv	Section 5.2.1.2	
438.e	Section 7.2	
438.f	Section 8.2	
438	Section 5.2.1.3	

CRR Article	IRP 2020	Table
Article 439. Exposure to counterparty credit riske		
439.a	Section 5.1.2.1	
439.b	Section 5.1.2.1	
439.c	Section 5.1.2.1	
439.d	Section 5.1.2.1	
439.e	Section 5.1.2.3	
439.f	Section 5.1.2.2	
439.g	Section 5.1.2.3	
439.h	Section 5.1.2.3	
439.i	N/A	
Article 440. Capital buffers		
440.1		
440.1.a	Section 4.3.2	
440.1.b	Section 4.3.2	
Article 441. Indicators of global systemic importance		
441.1	Section 4.2.2	
Article 442. Credit risk adjustments		
442.a	Section 5.1.1.3	
442.b	Section 5.1.1.3	
442.c	Section 5.1.1.3	
442.d	Section 5.1.1.3	
442.e	Section 5.1.1.3	
442.f	Section 5.1.1.3	
442.g	Section 5.1.1.3	
442.g.i	Section 5.1.1.3	
442.g.ii	Section 5.1.1.3	
442.g.iii	Section 5.1.1.3	
442.h	Section 5.1.1.3	
442.i	Section 5.1.1.3	
442.i.i	Section 5.1.1.3	
442.i.ii	Section 5.1.1.3	
442.i.iii	Section 5.1.1.3	
442.i.iv	Section 5.1.1.3	
442.i.v	Section 5.1.1.3	

CRR Article	IRP 2020	Table
Article 443. Unencumbered assets		
443	Section 10.2	
Article 444. Use of ECAIs		
444.a	Section 5.1.1.2	
444.b	Section 5.1.1.2	
444.c	N/A	
444.d	Section 5.1.1.2	
444.e	Section 5.1.1.3	
Article 445. Exposure to market risk		
445	Section 7.2	
Article 446. Operational risk		
446	Section 8.3	
Article 447. Exposures in equities not included in the trading book		
447.a	Section 5.2.1.3	
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