CaixaBank, S.A.

Financial Statements

2019

Financial statements, proposed appropriation of profit and loss and Management Report that the Board of Directors, at a meeting held on 20 February 2020, agreed to submit to the Annual General Meeting.

Translation of financial statements originally issued and prepared in Spanish. This English version is a translation of the original in Spanish for information purposes only. In the event of a discrepancy, the original Spanish-language version prevails.

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

Independent auditor´s report on the annual accounts

To the shareholders of CaixaBank, S.A.:

Report on the annual accounts

Opinion

We have audited the annual accounts of CaixaBank, S.A. (the Company), which comprise the balance sheet as at December 31, 2019, and the income statement, statement of other comprehensive income, statement of total changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2019, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 1 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts section of our report.*

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Credit risk impairment and impairment arising from foreclosures Determining credit risk impairment and impairment arising from foreclosures is one of the most significant and complex estimates in the preparation of the accompanying annual accounts, which entails a process involving judgements and estimates, as well as mass data processing, performed on the basis of the different types of these assets. It has therefore been a key matter in our audit. The evaluation of credit risk impairment is based on both individual and collective estimates of covers and, in this case, by using the Company's different internal models based on the different portfolios, or segments of credit risk. The valuation models employed require a high level of judgement and estimation to determine expected impairment losses, as well as mass data processing, addressing aspects such as: • Classification of loan portfolios based on risk and asset type. • Staging of impaired assets or those showing a significant increase in risk. • Use of assumptions that have a significant impact on credit risk provisions recognised, such as macroeconomic scenarios and related probability of occurrence, expected life of the loan and existence of prepayments, among others.	Our work has included the participation of internal specialists in credit risk models and valuations of real estate assets arising from foreclosures and has focused on analyzing, evaluating and verifying internal control, as well as performing tests of detail on the estimation of impairment. As regards the internal control system, we have carried out the following procedures, among others: • Verification of the compliance of work policies and procedures and approved internal models with applicable regulatory requirements and the Company's governance model. • Review of the periodic assessment of risks and follow-up alerts by Company management, as well as the actual performance of the periodic review of borrower files to monitor classification and, where applicable, recognise impairment. • Review of the process of monitoring and updating appraisals that support the value of collaterals related to loan operations and real estate assets, furnished by different valuation firms and agencies.

Key audit matter

- Building of model parameters, such as probability of impairment and impairment loss.

- The realisable value of guarantees related to granted loans on the basis of the information and/or appraisal value provided by different valuation firms. In some cases, when the assets are of low exposure and risk, statistics methodologies are used to update appraisals.

The estimation of impairment of real estate assets arising from the lending business, awarded to the Group by dation in payment, purchase or a court proceeding, is also based on internal models that evaluate the recoverable amount of these types of assets, estimating their fair value adjusted for their sales costs and including a discount on the reference value based on the Group's historical experience of the sale of similar assets and following the same criteria as those used for collaterals related to the loan operations.

Company management periodically recalibrates the internal models to optimise their predictive capacity. If applicable, the variables or algorithms employed are updated and backtesting processes are carried out to compare expected loss estimates with actual data.

See Notes 2, 3.3, 13, 19 and 38.2 to the accompanying annual accounts regarding credit risk and impairment arising from foreclosures, and see Notes 34 y 37 to the accompanying annual accounts regarding profit and loss during the year.

How our audit addressed the key audit matter

We have also performed the following tests of detail:

- Review of methodology and verification of the main models with respect to: i) calculation and segmentation methods; ii) loan staging criteria; iii) estimation of expected loss parameters (probability of impairment and realisable value of collateral); iv) reliability and consistency of historical and prospective information employed; and v) recalibration and backtesting of the internal models.

- Review of the functioning of the calculation engine and recalculation of collective provisions in credit risk impairment estimation models for certain loan portfolios; comparison with Company management's findings.

- Review of a sample of borrower files analyzed individually in order to assess classification, recognition and the recognition of any impairment losses.

- Review of the methodology used to estimate sales costs, sales periods and reductions of guarantees, to estimate impairment arising from foreclosures.

- Review of a sample of appraisals to check that they comply with prevailing legislation, are reasonable and are up to date.

- Evaluation of whether the breakdown in the annual accounts is sufficient and adequate.

Key audit matter	How our audit addressed the key audit matter
	As a result of our testing of calculations and estimates of credit risk impairment and of impairment arising from foreclosures, we have not identified any differences, above a reasonable range, in the amounts recognized in the accompanying annual accounts.
Recoverability of deferred tax assets	
Evaluating recoverability of deferred tax assets is a complex exercise that requires a high level of judgement and estimation and therefore we consider that Company management's evaluation of the capacity to recover deferred tax assets is a key audit matter. The Company's policy is to recognise deferred tax assets only when it is considered likely that sufficient taxable income will be obtained in the future to recover them. In this process, Management takes into account specific and complex aspects to assess both recognition and the subsequent capacity to recover the deferred tax assets recognised, based on the Company's financial projections and business plans, supported by defined assumptions that are projected over a time horizon, and considering tax legislation applicable at all times. Management also has the deferred tax asset recovery model reviewed by an independent external expert and periodic backtesting is carried out to assess model predictability. See Notes 2 and 23 to the accompanying annual accounts.	Assisted by our tax specialists, we have documented our understanding and our review of the estimation process carried out by Company management, focusing our procedures on aspects such as: • Analysis of the tax strategy planned by Company management for the recoverability of deferred tax assets. • Review of the information used to draw up the business plan, as well as the economic and financial assumptions considered, and of the fulfilment of those assumptions and of the business plans prepared by means of backtesting. • Review of the assumptions employed in estimates made to calculate temporary differences, to check that they are complete, suitable and usable in the stipulated periods. • Follow-up of the recoverability of deferred tax assets and of the review performed by the Company's independent tax expert. • Review of the reasonableness of the amounts of deferred tax assets deemed to be monetisable. As a result of these procedures, we have obtained sufficient audit evidence to corroborate the estimates made by Company management of the recoverability of deferred tax assets.

Key audit matter	How our audit addressed the key audit matter
Provisions for taxes, lawsuits and regulatory proceedings In the ordinary course of business, the Company may become involved in administrative, court or arbitration proceedings of a tax, legal or regulatory nature. In addition, there are other situations that have not yet resulted in any kind of judicial proceeding but which, however, have led to the recognition of provisions, such as aspects related to conduct with and compensation for customers. In general, these proceedings end after a long period of time as they are complex processes under the legislation applicable to the jurisdiction in which the Company operates. Company management, when deemed fit, recognises a provision for the outlay considered to be likely based on estimates made, applying prudent calculation procedures consistent with the uncertainty inherent in the obligations covered. Both the determination of the forecast results of the proceedings and the evaluation of the economic effect are complex and uncertain as regards the outcome and/or final amount. Consequently, the recognition of provisions for litigation is one of the areas requiring the highest degree of judgement and estimation. See Notes 2 and 21 to the accompanying annual accounts.	Our review of the estimation of provisions for tax, legal and regulatory proceedings carried out by Company management and our analysis and assessment of internal control over the process consisted of the following procedures: • Understanding of the litigation classification and provisioning policy in accordance with applicable accounting legislation. • Analysis of the main individual and, if applicable, collective lawsuits. • Obtainment of a confirmation letter from CaixaBank, S.A.'s legal counsel to verify their assessment of the expected outcome of the litigation, all the information, the correct recognition of the provision and any potential liabilities omitted. • Follow-up of developments in tax inspections in progress and analysis of the expected outcome of the most significant tax proceedings and of any contingencies related to the fulfilment of tax obligations for all periods open to inspection, assisted by our tax area specialists. • Analysis of the recognition and estimation of, and movements in, accounting provisions. • Examination of communications with regulators and analysis of regulatory inspections carried out and in progress. • Update, to the date of this report, of any additional information that might affect the claims, litigation and/or contingencies in progress at December 31, 2019. Specifically for the provisions for customer compensation, our procedures focused on the following:

Key audit matter	How our audit addressed the key audit matter
	• Understanding of the control environment, assessment and verification of the controls associated with the calculation and review of the provision for customer compensation, including the assumption process and approval, and findings of the estimates made. • Assessment of the methodology and assumptions used by Company management, checking that they are in line with market practice. • Sensitivity analysis of model results to possible changes in key assumptions. Our findings show that, in general, Company management's judgements and estimates when evaluating this type of provisions are supported and reasoned on the basis of available information.
Assessment of the control environment for information systems The Company's operations and business continuity, by nature, and particularly the process followed to prepare financial and accounting information, rely significantly on the information systems that form part of its technological structure, so an adequate control environment is critical to assure the Company's business continuity and the correct processing of information, and has therefore been a key matter in our audit. Additionally, as the systems become more complex, the risks associated with information technologies, the organisation and thus the information processed, increase. In this regard, Company management has put in place the procedures deemed fit in the information system environment.	Assisted by our information system and process specialists, our work has consisted of: • Evaluation of the control environment associated with the information systems and applications that support the Company's operations, as well as the recognition and processing of the Company's accounting close. In this context, we have completed procedures to assess aspects such as the organisation and governance of the Information Systems Area, controls of application maintenance and development, physical and logical security, and system operation in the production environment.

Key audit matter	How our audit addressed the key audit matter
The effectiveness of the general internal control framework for the information systems is a key aspect to support the Company's operations, as well as the bookkeeping and account closing process. In this context, it is necessary to assess aspects such as the organisation and governance of the Information Systems Area, controls of application maintenance and development, physical and logical security, and system operation.	• We have carried out the following main procedures on the principal information systems identified and deemed relevant to the most significant business processes, previously defined, which support the Company's operations, and to the financial information generation process, so as to analyse the integrity, accuracy and availability of the information: - Review of controls in connection with aspects derived from application operation, development, maintenance and security, as well as the definitions of policies on user profiles, access and segregation of functions of the users that access these systems. - Understanding of the key business processes, identification of automatic controls in the applications that support them and validation of the controls. As regards the accounting and closing process in each of the Company's information systems, we have carried out the following additional procedures: • Understanding and review of the process for generating manual and automatic account entries identified as non-standard, representing a risk. • Extraction, validation of completeness and filtering of account entries and analysis of their reasonableness. • Understanding and recalculation of certain calculations made by Company management and deemed to have the greatest impact, particularly those relating to the apportionment of interest on financial products (loans, credit lines and deposits) and of fee and commission income. The results of our procedures were, in general, satisfactory and we identified no relevant aspects that could affect the accompanying annual accounts.

Other information: Management report

Other information comprises only the management report for the 2019 year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the information contained in the management report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

a) A specific level applicable to the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the management report or, if appropriate, that the management report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the management report that consists of evaluating and reporting on the consistency between that information and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the management report includes a reference to the fact that the non-financial information mentioned in paragraph a) above is reported in the consolidated management report of CaixaBank, S.A. and subsidiaries (CaixaBank Group) which the Company is the Parent company of , that the aforementioned information of the Annual Corporate Governance Report is included in the management report and that the rest of the information contained in the management report is consistent with that of the annual accounts for the 2019 year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the Audit and Control Committee for the annual accounts

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit and Control Committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company´s directors.

- Conclude on the appropriateness of the directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company´s Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company´s Audit and Control Committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the Audit and Control Committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company´s Audit and Control Committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's Audit and Control Committee dated February 21, 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on April 6, 2017 appointed us as auditors for a period of three years, as from the year ended December 31, 2018.

Services provided

Services other than audit services that have been provided to the Company are described in Note 33 of the notes to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ramón Aznar Pascua (15414)

February 21, 2020

CAIXABANK'S FINANCIAL STATEMENTS FOR THE 2019 FINANCIAL YEAR

- Balance sheets on 31 December 2019 and 2018, before the appropriation of profit and loss
- Profit and loss accounts corresponding to the financial years ending on 31 December 2019 and 2018
- Statement of changes in net equity corresponding to the financial years ending on 31 December 2019 and 2018
    - Statement of other comprehensive income
    - Statement of total changes in equity
- Statement of cash flows for the years ending on 31 December 2019 and 2018
- Notes to the financial statements for the year ending on 31 December 2019

BALANCE SHEET
ASSETS
(Millions of euros)

	NOTE	31-12-2019	31-12-2018 (*)
Cash and cash balances at central banks and other demand deposits	**9**	**13,898**	**16,439**
Financial assets held for trading	**10**	**14,240**	**17,041**
Derivatives		13,165	16,033
Equity instruments		370	267
Debt securities		705	741
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**11**	**221**	**473**
Equity instruments		55	61
Debt securities			85
Loans and advances		166	327
Customers		166	327
Financial assets recorded at fair value with changes to the income statement		**1**	
Debt securities		1	
Financial assets at fair value with changes in other comprehensive income	**12**	**16,316**	**19,903**
Equity instruments		1,729	2,857
Debt securities		14,587	17,046
Financial assets at amortised cost	**13**	**222,935**	**222,922**
Debt securities		13,992	13,894
Loans and advances		208,943	209,028
Credit institutions		4,355	7,488
Customers		204,588	201,540
Derivatives - Hedge accounting	**14**	**2,133**	**2,088**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**14**	**57**	**206**
Investments in subsidiaries, joint ventures and associates	**15**	**10,923**	**10,468**
Group entities		9,535	8,989
Joint ventures			91
Associates		1,388	1,388
Tangible assets	**16**	**4,596**	**3,002**
Property, plant and equipment		4,560	2,942
For own use		4,560	2,942
Investment property		36	60
Intangible assets	**17**	**887**	**1,113**
Goodwill		529	735
Other intangible assets		358	378
Tax assets		**8,963**	**9,069**
Current tax assets		1,307	1,176
Deferred tax assets	23	7,656	7,893
Other assets	**18**	**3,656**	**1,954**
Insurance contracts linked to pensions		1,206	527
Inventories		14	13
Remaining other assets		2,436	1,414
Non-current assets and disposal groups classified as held for sale	**19**	**338**	**360**
TOTAL ASSETS		**299,164**	**305,038**
Memorandum items			
Loan commitments given	24	57,850	53,502
Financial guarantees given	24	5,086	4,765
Other commitments given	24	20,738	18,610
Financial instruments loaned or delivered as collateral with the right of sale or pledge			
Financial assets held for trading		165	469
Financial assets at fair value with changes in other comprehensive income		2,544	2,801
Financial assets at amortised cost		93,053	98,024
Tangible assets acquired under a lease	1 and 16	1,416	

(*) Presented for comparison purposes only (see Note 1)

BALANCE SHEET
LIABILITIES
(Millions of euros)

	NOTE	31-12-2019	31-12-2018 (*)
Financial liabilities held for trading	**10**	**9,281**	**16,327**
Derivatives		8,810	15,928
Short positions		471	399
Financial liabilities designated at fair value through profit or loss		**1**	
Other financial liabilities		1	
Financial liabilities at amortised cost	**20**	**260,875**	**260,473**
Deposits		222,439	228,878
Central banks		13,044	28,053
Credit institutions		4,296	5,629
Customers		205,099	195,196
Debt securities issued		30,332	26,891
Other financial liabilities		8,104	4,704
Derivatives - Hedge accounting	**14**	**442**	**737**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**14**	**1,464**	**1,240**
Provisions	**21**	**3,370**	**2,770**
Pensions and other post-employment defined benefit obligations		519	458
Other long-term employee benefits		1,709	1,072
Pending legal issues and tax litigation		628	641
Commitments and guarantees given		129	243
Other provisions		385	356
Tax liabilities		**618**	**1,008**
Current tax liabilities		1	380
Deferred tax liabilities	23	617	628
Other liabilities	**18**	**1,058**	**1,627**
TOTAL LIABILITIES		**277,109**	**284,182**
Memorandum items			
Subordinated liabilities			
Financial liabilities at amortised cost	**20**	5,461	5,456

(*) Presented for comparison purposes only (see Note 1).

EQUITY
(Millions of euros)

	NOTE	31-12-2019	31-12-2018 (*)
SHAREHOLDERS' EQUITY	22	22,898	21,641
Capital		**5,981**	**5,981**
Share premium		**12,033**	**12,033**
Other equity items		**24**	**19**
Retained earnings		**6,049**	**5,983**
Other reserves		**(3,254)**	**(3,110)**
(-) Treasury shares		**(9)**	**(9)**
Profit/(loss) for the period		**2,074**	**1,163**
(-) Interim dividends	**6**	**0**	**(419)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	22	(843)	(785)
Items that will not be reclassified to profit or loss		**(1,167)**	**(1,048)**
Actuarial gains or (-) losses on defined benefit pension plans		(45)	(11)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income		(1,122)	(1,037)
Items that may be reclassified to profit or loss		**324**	**263**
Hedging derivatives. Reserve of cash flow hedges [effective portion]		(34)	25
Fair value changes of debt securities measured at fair value with changes in other comprehensive income		358	238
TOTAL EQUITY		**22,055**	**20,856**
TOTAL LIABILITIES AND EQUITY		**299,164**	**305,038**

(*) Presented for comparison purposes only (see Note 1).

INCOME STATEMENTS

(Millions of euros)

	NOTE	2019	2018 (*)
Interest income	**26**	4,152	4,288
Financial assets at fair value with changes in other comprehensive income		209	210
Financial assets at amortised cost		3,804	3,866
Other interest income		139	212
Interest expense	**27**	(777)	(777)
NET INTEREST INCOME		**3,375**	**3,511**
Dividend income	**28**	1,857	1,484
Fee and commission income	**29**	2,240	2,201
Fee and commission expenses	**29**	(134)	(170)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**30**	173	130
Financial assets at amortised cost		2	(22)
Other financial assets and liabilities		171	152
Gains/(losses) on financial assets and liabilities held for trading, net	**30**	101	(23)
Other gains or losses		101	(23)
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	**30**	(64)	(4)
Reclassification of financial assets at fair value with changes in other comprehensive income			0
Reclassification of financial assets at amortised cost			0
Other gains or losses		(64)	(4)
Gains/(losses) from hedge accounting, net		44	33
Exchange differences (gain/loss), net		(46)	37
Other operating income	**31**	114	50
Other operating expenses	**31**	(594)	(519)
GROSS INCOME		**7,066**	**6,730**
Administrative expenses		(4,503)	(3,429)
Personnel expenses	**32**	(3,493)	(2,452)
Other administrative expenses	**33**	(1,010)	(977)
Depreciation and amortisation	**16 and 17**	(542)	(447)
Provisions or reversal of provisions	**21**	(129)	(251)
Impairment/(reversal) of impairment on financial assets not measured at fair value through profit or loss or net profit or loss due to a change	**34**	(317)	19
Financial assets at fair value with changes in other comprehensive income		0	(2)
Financial assets at amortised cost		(317)	21
Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates	**15**	(162)	(818)
Impairment/(reversal) of impairment on non-financial assets	**35, 17, 16**	(61)	(43)
Tangible assets		(39)	(20)
Intangible assets		(22)	(24)
Other		0	1
Gains/(losses) on derecognition of non-financial assets, net	**7 and 36**	732	(154)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**19 and 37**	(36)	(17)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,048**	**1,590**
Tax expense or income related to profit or loss from continuing operations	**23**	26	(427)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**2,074**	**1,163**
PROFIT/(LOSS) FOR THE PERIOD		**2,074**	**1,163**

(*) Presented for comparison purposes only (see Note 1).

STATEMENT OF CHANGES IN EQUITY (PART A)
STATEMENT OF OTHER COMPREHENSIVE INCOME
(Millions of euros)

	NOTE	2019	2018 (*)
PROFIT/(LOSS) FOR THE PERIOD		**2,074**	**1,163**
OTHER COMPREHENSIVE INCOME		**(58)**	**(809)**
Items that will not be reclassified to profit or loss		(118)	(662)
Actuarial gains or losses on defined benefit pension plans		(49)	(17)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	**12**	(84)	(681)
Income tax relating to items that will not be reclassified		15	36
Items that may be reclassified to profit or loss		60	(147)
Foreign currency exchange		(1)	1
Translation gains/(losses) taken to equity		(1)	1
Cash flow hedges (effective portion)		(57)	20
Valuation gains/(losses) taken to equity		8	(54)
Transferred to profit or loss		(65)	74
Debt instruments classified as fair value financial assets with changes in other comprehensive income		236	(173)
Valuation gains/(losses) taken to equity		389	(53)
Transferred to profit or loss		(153)	(120)
Income tax relating to items that may be reclassified to profit or loss		(118)	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,016**	**354**

(*) Presented for comparison purposes only (see Note 1).

STATEMENT OF CHANGES IN EQUITY (PART B)
STATEMENTS OF TOTAL CHANGES IN EQUITY
(Millions of euros)

		SHAREHOLDERS' EQUITY									
	NOTE	CAPITAL	SHARE PREMIUM	OTHER EQUITY ITEMS	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) FOR THE PERIOD	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
BALANCE AT 31-12-2017		**5,981**	**12,033**	**10**	**5,056**	**(2,122)**	**(12)**	**1,428**	**(418)**	**25**	**21,981**
Effects of changes in accounting policies						(591)				(1)	(592)
1st Application Circular 4/2017 of the Bank of Spain	**1**					(591)				(1)	(592)
OPENING BALANCE AT 01-01-2018		5,981	12,033	10	5,056	(2,713)	(12)	1,428	(418)	24	21,389
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								1,163		(809)	354
OTHER CHANGES IN EQUITY				9	927	(397)	3	(1,428)	(1)		(887)
Dividends (or remuneration to shareholders)					(478)				(419)		(897)
Sale or cancellation of treasury shares	**22**						3				3
Transfers among components of equity					1,010			(1,428)	418		
Other increase/(decrease) in equity				9	395	(397)					7
BALANCE AT 31-12-2018		**5,981**	**12,033**	**19**	**5,983**	**(3,110)**	**(9)**	**1,163**	**(419)**	**(785)**	**20,856**
OPENING BALANCE AT 01-01-2019		5,981	12,033	19	5,983	(3,110)	(9)	1,163	(419)	(785)	20,856
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								2,074		(58)	2,016
OTHER CHANGES IN EQUITY				5	66	(144)		(1,163)	419		(817)
Dividends (or remuneration to shareholders)	**6**				(598)						(598)
Purchase of treasury shares	**22**						(6)				(6)
Sale or cancellation of treasury shares	**22**						6				6
Transfers among components of equity					744			(1,163)	419		
Other increase/(decrease) in equity				5	(80)	(144)					(219)
CLOSING BALANCE ON 31-12-2019		**5,981**	**12,033**	**24**	**6,049**	**(3,254)**	**(9)**	**2,074**		**(843)**	**22,055**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(Millions of euros)

	NOTE	2019	2018 (*)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(3,582)	(1,258)
Profit/(loss) for the period		**2,074**	**1,163**
Adjustments to obtain cash flows from operating activities		**1,283**	**2,054**
Depreciation and amortisation		542	447
Other adjustments		741	1,607
Net increase/(decrease) in operating assets		**(2,496)**	**(3,973)**
Financial assets held for trading		(1,382)	(917)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss		253	50
Financial assets designated at fair value through profit or loss		(1)	0
Financial assets at fair value with changes in other comprehensive income		3,764	(3,329)
Financial assets at amortised cost		(3,447)	(950)
Other operating assets		(1,683)	1,173
Net increase/(decrease) in operating liabilities		**(4,360)**	**42**
Financial liabilities held for trading		964	1,114
Financial liabilities designated at fair value through profit or loss		1	0
Financial liabilities at amortised cost		(4,166)	(464)
Other operating liabilities		(1,159)	(608)
Income tax (paid)/received		**(83)**	**(544)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(159)	697
Payments:		**(1,524)**	**(1,218)**
Tangible assets		(467)	(379)
Intangible assets		(109)	(107)
Investments in subsidiaries, joint ventures and associates		(937)	(624)
Other business units		0	(62)
Non-current assets and liabilities classified as held for sale		(11)	(46)
Proceeds:		**1,365**	**1,915**
Tangible assets		80	79
Intangible assets		0	25
Investments in subsidiaries, joint ventures and associates		1,036	1,557
Non-current assets and liabilities classified as held for sale		249	254
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		1,199	(1,792)
Payments:		**(3,629)**	**(7,830)**
Dividends	**6**	(598)	(897)
Subordinated liabilities		0	(2,072)
Purchase of own equity instruments		(6)	0
Other payments related to financing activities		(3,025)	(4,861)
Proceeds:		**4,828**	**6,038**
Subordinated liabilities	**20**	0	2,250
Disposal of own equity instruments		6	3
Other proceeds related to financing activities		4,822	3,785
D) EFFECT OF EXCHANGE RATE CHANGES		1	(4)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		(2,541)	(2,357)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,439	18,796
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)		13,898	16,439
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR	**9**		
Cash		2,375	2,188
Cash equivalents at central banks		11,209	13,834
Other financial assets		314	417
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR		**13,898**	**16,439**

(*) Presented for comparison purposes only (see Note 1).

NOTES TO THE FINANCIAL STATEMENTS OF CAIXABANK AT 31 DECEMBER 2019

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CAIXABANK, S.A.

FINANCIAL STATEMENTS CORRESPONDING TO 2019

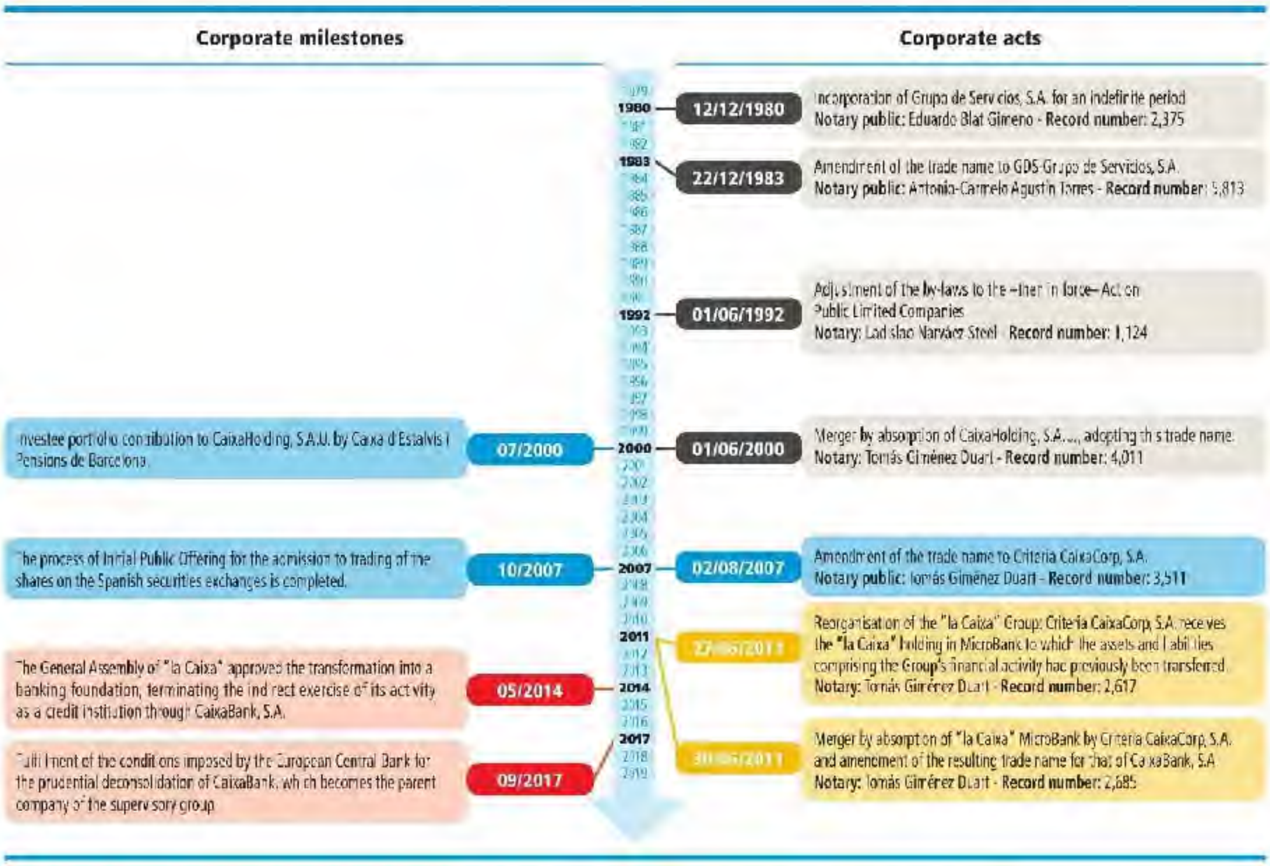
As required by current legislation governing the content of financial statements, these notes to the financial statements complete, extend and discuss the balance sheet, income statement, statement of changes in equity and statement of cash flows, and they form an integral part thereof to give a true and fair view of the equity and financial position of CaixaBank at 31 December 2019, as well as of the results of its operations, changes in equity and cash flows during the year ended on said date.

1. Corporate information, basis of presentation and other information

1.1. Corporate information

CaixaBank, S.A. (hereinafter, CaixaBank - its trade name - or the Entity), is a Spanish public limited company registered in the Commercial Register of Valencia, Volume 10370, Folio 1, Sheet V-178351, and in the Special Administrative Register of the Bank of Spain, under number 2100. The Legal Entity Identifier (LEI) of CaixaBank is 7CUNS533WID6K7DGFI87, and its Tax ID No. is A08663619. As of 1 July 2011, CaixaBank's shares are listed on the securities exchanges of Madrid, Barcelona, Valencia and Bilbao, in their continuous markets. The registered and tax address of the Entity is Calle Pintor Sorolla, 2-4, Valencia.

The Entity's most relevant company milestones during its period of activity are:



The corporate purpose 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 the 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 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.

Since CaixaBank is a Spanish commercial enterprise structured as a public limited company, it is therefore subject to the amended text of the Spanish Corporate Enterprises Act ("Corporate Enterprises Act"), enacted by Royal Legislative Decree 1/2010 of 2 July and its implementing provisions. Furthermore, given that it is a listed company, it is also governed by the amended text of the Securities Markets Act, approved by Royal Legislative Decree 4/2015, of 23 October, and its implementing provisions.

1.2. Basis of presentation

The financial statements have been drawn up by the Directors in accordance with the regulatory financial reporting framework applicable to the Entity at 31 December 2019, established by Bank of Spain Circular 4/2017, of 27 November, and its successive amendments effective at year-end.

The financial statements, which were prepared from the accounting records of CaixaBank, are presented in accordance with the regulatory financial reporting framework applicable to them and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Entity’s equity, financial position, results of operations and cash flows for the corresponding financial year.

The figures are presented in millions of euros unless another monetary unit is stated. Certain financial information in these notes was rounded off and, consequently, the figures shown herein as totals may differ slightly from the arithmetic sum of the individual figures given before them. Similarly, in deciding what information to disclose in this report, its materiality was assessed in relation to the annual financial data.

Accounting standard issued by the Bank of Spain that has come into effect during 2019

On 21 December 2018, the Bank of Spain published Circular 2/2018, which amended Circular 4/2017 by transposing International Financial Reporting Standard 16 (IFRS 16) on leasing contracts.

This standard establishes the principles applicable to the recognition, assessment and presentation of leases, as well as the disclosures in this regard.

Its first date of application is 1 January 2019. There are notable differences with respect to accounting regulations on leasing applicable until now, primarily in the accounting treatment for the lessee, given that the lessor's accounting of these contracts is relatively unchanged.

The impact of the Company adopting said standard is described in Note 1.4, having considered the stipulations of the standard's applicable transitional provisions (see the 'Information comparison' section).

On the other hand, as of 1 January 2019, the fiscal impacts of the distribution of benefits generated are recorded in the line “Expenses or income from taxes on profits from continuing activities” of the profit and loss account for the year, when previously they were registered in «Net equity». This basically affects the distribution of discretionary coupons for the emissions made. This change has had no capital impact or significant impact on the presentation of comparative financial statements, so it has not been necessary to restate them.

1.3. Responsibility for the information and for the estimates made

The Company's financial statements for 2019 have been drawn up by the Board of Directors in the meeting held on 20 February 2020. They are pending approval by the Annual General Meeting, however it is expected that they will be approved without any changes. The financial statements of the previous year were approved by the Ordinary Annual General Meeting on 5 April 2019.

The preparation of the financial statements required the Board of Directors to make certain judgements, estimates and assumptions in order quantify certain assets, liabilities, revenues, expenses and obligations shown in them. These judgments and estimates mainly refer to:

- The criterion for timing of recognition in profit and loss of income from ancillary activities provided (Note 2.10).
- The measurement of goodwill and intangible assets (Note 2.15 and 17).
- The term of the lease agreements and the discount rate used in the assessment of the lease liabilities (Note 2.18).
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations.
- Impairment losses on financial assets, and of the fair value of guarantees associated thereto, according to their classification in accounts, which entail the need to make judgements regarding: i) the consideration of "significant increase in credit risk" (SICR); ii) definition of default; and ii) the inclusion of forward-looking information (Notes 2.7 and 3.3.2.3).
- The valuation of stakes in group entities, joint ventures and associates (Note 15).
- Determination of the share of profit/(loss) of associates (Note 15).
- The classification, useful life and impartment losses of tangible and intangible assets (Notes 16 and 17).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 19).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 21).
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 21).
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 23).
- The fair value of certain financial assets and liabilities (Note 38).

These estimates were made on the basis of the best information available at the date of authorisation for issue of the financial statements. However, events may occur that make it necessary for them to be changed in future periods. According to applicable legislation, the effects of these changes would be recognised prospectively in the corresponding statement of profit or loss.

1.4. Comparison of information

The 2018 figures presented in the accompanying 2019 financial statements are given for comparison purposes only. In some cases, comparative information is summarised to facilitate comparison, with the full information available in the 2018 income statement.

Circular 2/2018

As indicated in the same note in section '1.2 Basis of presentation', on 21 December 2018, the Bank of Spain published the new Circular 2/2018, which primarily amended the regulatory framework on financial reporting by transposing IFRS 16.

Along these lines, it has opted not to reassess whether an agreement is a lease or contains a leasing component in accordance with the standard's criteria, applying it solely for agreements that had been identified as leases according to the previous standard.

For leases in which CaixaBank is the lessee, having previously been classified as operational leases, the Entity has decided to apply new retroactive leasing criteria, using the modified retrospective approach, which allows for the value of the right of use to be measured by referencing the financial liability in operations, generating no modifications whatsoever in the reserves at 1 January 2019. Additionally, the Group has decided to exclude from the scope, in accordance with the simplifications considered in the new regulatory framework on financial reporting, lease agreements whose term expires within the twelve months following the initial application date.

The main type of contracts identified for which a right-of-use asset and a lease liability had to be estimated at 1 January 2019 are real estate leases (office buildings) in connection with the operating activity.

For transactions of sale with a subsequent lease, carried out before 1 January 2019, in which the Entity has acted as seller-lessee, the subsequent lease has been accounted for in the same way as any other operational lease in place on 1 January 2019.

The breakdowns of 31 December 2018 of the items on the balance sheet related to lease contracts in this report have not been restated, therefore it is not comparable to the information referring to 31 December 2019.

The reconciliation between operational leasing commitments on 31 December 2018 and leasing liabilities recognised on 1 January 2019, in application of Circular 2/2018, is as follows:

COMMITMENTS FOR OPERATIONAL LEASES
(Millions of euros)

COMMITMENTS FOR OPERATIONAL LEASES AT 31 DECEMBER 2018	**1,840**
Different processing of the lease term	(308)
Separation of non-leasing components	(66)
Other adjustments (includes the financial discount on future payments)	(172)
LEASE LIABILITIES AT 1 JANUARY 2019	**1,294**

Discount rate applied (according to the term)
Spain [0.10%-1.66%]

Treatment of the assets held by the employee Pension Fund

In accordance with Circular 4/2017, the assets of a plan that are eligible to be filed net of obligations derived from defined benefit commitments include assets held by a long-term benefits fund for employees.

The Entity's defined benefit commitments are instrumentalised in the Pensions Fund for employees, which, according to said Circular, is a related party of the Entity. To date, the Entity has not used the exemption outlined in the Circular to consider assets held by a pensions fund for employees as an eligible asset of the plan. For this purpose, the fund's assets can include insurance policies in which the fund acts as a policyholder and beneficiary.

On 31 December 2019, the Entity decided to voluntarily change its accounting policy with respect to how assets held by the Pensions Fund for employees are treated, such that they are now considered an eligible asset of the plan, and consequently the rights that it has over the policies entered into.

Said change in accounting policy was applied retroactively at the start of the oldest comparison period, and the changes are specified below:

RESTATEMENT OF BALANCES - 31-12-2017
(Millions of euros)

	BALANCE AT 31-12-2017	AMENDMENT TO TREATMENT OF ASSETS HELD THE BY EMPLOYEE PF	BALANCE AT 31-12-2017 RESTATED
Other assets	3,141	(1,508)	1,633
Insurance contracts linked to pensions	2,117	(1,508)	609
TOTAL ASSETS	**308,399**	**(1,508)**	**306,891**
Provisions	4,705	(1,508)	3,197
Pensions and other post-employment defined benefit obligations	2,106	(1,508)	598
TOTAL LIABILITIES	**286,417**	**(1,508)**	**284,909**

RESTATEMENT OF BALANCES - 31-12-2018
(Millions of euros)

	BALANCE AT 31-12-2018	AMENDMENT TO TREATMENT OF ASSETS HELD THE BY EMPLOYEE PF	BALANCE AT 31-12-2018 RESTATED
Other assets	3,483	(1,529)	1,954
Insurance contracts linked to pensions	2,056	(1,529)	527
TOTAL ASSETS	**306,567**	**(1,529)**	**305,038**
Provisions	4,298	(1,529)	2,769
Pensions and other post-employment defined benefit obligations	1,987	(1,529)	458
TOTAL LIABILITIES	**285,711**	**(1,529)**	**284,182**

On 31 December 2019, the impact on the headings 'Other Assets' and 'Provisions' would have been -1,617 million euros.

Circular 4/2017

Although it does not affect the comparability of the information presented in the financial statements for 2019, since 1 January 2018 the Entity has been applying Circular 4/2017 of the Bank of Spain. Its 1st application entailed changes to the classification and valuation modifications on certain items of the balance sheet at 31 December 2017, which are described in the financial statements of the previous year.

1.5. Seasonality of operations

The nature of the most significant operations carried out by the Entity do not have a relevant cyclical or seasonal nature within a single financial year.

1.6. Investments in credit institutions

At year-end, the Entity held no direct ownership interest equal to or greater than 5% of the capital or voting rights in any credit institution other than the investments in subsidiaries and associates listed in Appendices 1 and 3.

1.7 Minimum reserve ratio

In this year, the Entity complied with the minimum reserve ratio required by applicable regulations.

1.8. Events after the reporting period

The operations – in addition to those stated in the rest of the notes – that have taken place between the close and the formulation thereof are set out below.

Issuances of debt securities

On 17 January 2020, CaixaBank issued preferred senior debt for the amount of 1,000 million euros over 5 years with an annual return of 0.43%, equivalent to midswap + 58 basis points.

2. Accounting policies and measurement bases

In drawing up the Entity's 2019 financial statements, the following accounting principles and policies and valuation criteria were applied:

2.1. Investments in subsidiaries, joint ventures and associates

As well as the information corresponding to the parent company, the financial statements include information on subsidiary entities, joint ventures and associates. The procedure for integrating the assets and liabilities of these companies depends on the type of control or influence exercised.

Subsidiaries

The Entity considers as subsidiaries companies over which it has the power to exercise control. Control is evidenced when it has:

- power to direct the relevant activities of the investee, i.e. the rights (legal or by-law provisions or through agreements) that confer the ability to direct the activities of the investee that significantly affect the investee’s returns,
- the present (practical) ability to exercise the rights to exert power over the investee to affect its returns, and,
- exposure, or rights, to variable returns from its involvement with the investee.

In general, voting rights give the ability to direct the relevant activities of an investee. To calculate voting rights, all direct and indirect voting rights, as well as potential voting rights (e.g. call options on equity instruments of the investee) are considered. In some circumstances, a company may have power to direct the activities without holding a majority of the voting rights.

In these cases, the investor considers whether it has the practical ability to direct the relevant activities unilaterally (financial and operating decisions, or appointing and remunerating governing bodies, among others).

Joint ventures

The Entity considers as joint ventures those which are controlled jointly under a contractual arrangement, by virtue of which, decisions on relevant activities are taken unanimously by the entities that share control with rights over the net assets.

Associates

Associates are companies over which the Entity exercises significant direct or indirect influence, but which are not subsidiaries or joint ventures. In the majority of cases, significant influence is understood to exist when the company holds 20% or more of the voting rights of the investee. If it holds less than 20%, significant influence is evidenced by the circumstances indicated in IAS 28. These include representation on the board of directors, participation in policy-making processes, material transactions between the entity and its investee, interchange of managerial personnel or the provision of essential technical information.

Exceptionally, investees in which more than 20% of the voting rights is held, but it can clearly be demonstrated that significant influence does not exist, and therefore the Entity effectively does not have the power to govern the financial and operating policies, are not considered associates. Based on these criteria, at 31 December 2018, the Entity held certain equity investments for very insignificant amounts, ranging from 20% to 50% classified under “Financial assets at fair value with changes in other comprehensive income”.

Erste Group Bank AG

The most representative investment in which it has significant influence with a stake of less than 20% is Erste Group Bank AG. There is a preferred partnership agreement between Erste’s controlling shareholder (the Erste Foundation) and CaixaBank that confirms the amicable nature and long-term outlook of the investment, a corporate and sales collaboration agreement between Erste Bank and CaixaBank. Under this agreement, CaixaBank i) can appoint two directors to Erste's Supervisory Board; ii) it votes in the Annual General Meeting in the same sense as the Erste Foundation only as regards to the choice of members of the Supervisory Board; and iii) it is one of the Austrian bank's stable shareholders, alongside a group of Austrian savings banks and some of their foundations, and the WSW holding company, jointly holding a share of around 30% of the capital.

Valuation and impairment

Equity investments in Group companies, joint ventures and associates are initially measured at cost, i.e. the fair value of the consideration paid plus directly attributable transaction costs. The value of any preferential subscription rights acquired is also included in the initial measurement.

These investments are subsequently measured at cost less any accumulated impairment losses.

The investments are assessed for impairment at least at the end of each reporting period and whenever there is objective evidence that a carrying amount may not be recoverable. The impairment is calculated as the difference between the carrying amount and recoverable amount, which is the higher of its current fair value less costs to sell and the present value in use of the investment.

Impairment losses and any reversals are recognised as an expense or income, respectively, in the statement of profit and loss.

Where an impairment loss reverses, the carrying amount of the investment is increased, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

2.2. Financial instruments

Classification of the financial assets

The criteria established by the regulatory framework for accounting for classifying financial instruments is set out below:

<table>
<tr><th>Contractual cash flows</th><th>Business model</th><th colspan="2">Classification of financial assets (FA)</th></tr>
<tr><td rowspan="2">Solely principal and interest payments on the amount of principal outstanding on specified dates (SPPI test)</td><td>In order to receive contractual cash flows.</td><td colspan="2">FA at amortised cost.</td></tr>
<tr><td>In order to receive contractual cash flows and sale.</td><td colspan="2">FA at fair value with changes in other comprehensive income.</td></tr>
<tr><td rowspan="5">Others - No SPPI test</td><td>Derivative instruments designated as accounting hedging instruments.</td><td colspan="2">Derivatives - Hedge accounting.</td></tr>
<tr><td>They originate from or are acquired with the aim of realising them in the short term.</td><td rowspan="4">FA at fair value through profit or loss.</td><td rowspan="3">FA held for trading.</td></tr>
<tr><td>They are part of a group of financial instruments identified and managed together, for which there is evidence of a recent pattern of short-term profit-taking.</td></tr>
<tr><td>They are derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as accounting hedging instruments.</td></tr>
<tr><td>Others.</td><td>FA not designated for trading compulsorily measured at fair value through profit or loss.</td></tr>
</table>

Equity investments in Group companies, joint ventures and associates are an exception to the aforementioned general assessment criteria. In general, the Entity 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.

With respect to the evaluation of the business model, this does not depend on the intentions for an individual instrument, but rather the determination is made for a set of instruments, taking into account the frequency, amount and calendar of sales in previous financial years, the reasons for said sales and expectations of future sales. The infrequent or insignificant sales, those near to the maturity of the asset and driven by increased credit risk of the financial assets or to manage the concentration risk, among others, can be compatible with the model of holding assets to receive contractual cash flows.

More specifically, the fact that the Entity expects to make regular sales, focusing on loans (or similar financial assets) that have experienced a drop in credit risk levels, is not inconsistent with how those loans are classified under a business model that holds financial assets to receive contractual cash flows. These sales are not counted for the purpose of determining the frequency of sales and their materiality will, therefore, remain separate from the tracking ratios.

If a financial asset contains a contractual condition under which the schedule or amount of its contractual cash flows can be modified (e.g. if the asset can be redeemed in advance or if maturity can be extended), the Entity determines whether the contractual cash flows the instrument generates over its life are solely principal and interest payments on the outstanding principal. To this end, the contractual cash flows that may be generated before and after the change to the schedule or the amount of the contractual cash flows are taken into consideration.

In turn, in the case of a financial asset with a periodic adjustment of the interest rate, but where the frequency of this adjustment does not match the term of the reference interest rate (e.g. the interest rate is adjusted every three months to the one-year rate), at the time of the initial recognition, the Entity assesses this mismatch in the interest component to determine whether the contractual cash flows represent solely principal and interest payments on the amount of principal outstanding.

The contractual conditions that, at the time of the initial recognition, have a minimum effect on the cash flows or depend on exceptional and highly unlikely events taking place (such as liquidation of the issuer) do not prevent the asset from being classified in the amortised cost portfolio or fair value portfolio with changes recorded in other comprehensive income.

Classification of the financial liabilities

Financial liabilities are classified under: “Financial liabilities held for trading”, “Financial liabilities designated at fair value through profit or loss” and “Financial liabilities measured at amortised cost”, unless they must be presented under “Liabilities included in disposal groups classified as held for sale” or relate to “Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Derivatives - Hedge accounting”, which are presented separately.

Particularly, the portfolio "Financial liabilities at amortised cost": includes financial liabilities not classified as financial liabilities held for trading or as other financial liabilities at fair value through profit or loss. The balances recognised in this category, irrespective of the substances of the contractual arrangement and maturity of such liabilities, arise from the ordinary capture activities of credit institutions.

Initial recognition and measurement

Upon initial recognition, all financial instruments are recognised at fair value. For the financial instruments that are not registered at fair value through profit or loss, the fair value amount is adjusted, adding or deducting transaction costs directly attributable to the acquisition or issuance thereof. In the case of financial instruments at fair value through profit or loss, the directly attributable transaction costs are immediately recognised in the statement of profit or loss.

The transaction costs are defined as expenses directly attributable to the acquisition or drawdown of a financial asset, or to the issuance or assumption of a financial liability, which would not have been incurred if the Entity had not made the transaction. These include fees paid to intermediaries (such as prescribers); mortgage arrangement expenses borne by the Entity; and part of the costs of personnel in the Risk Acceptance Centres. Under no circumstances are the internal administrative costs or those deriving from prior research and analysis considered transaction costs.

The Company uses analytical accounting tools to identify direct and incremental transaction costs of asset operations. These costs are included in determining the effective interest rate, which is reduced for financial assets, thus, the costs are accrued throughout the duration of the transaction.

Subsequent measurement of the financial assets

After its initial recognition, the Entity measures a financial asset at amortised cost, at fair value with changes in other comprehensive income, at fair value through profit or loss, or at cost.

The receivables for trading operations that do not have a significant financing component and the commercial loans and short-term debt instruments that are initially measured by the price of the transaction or its principal, respectively, continue to be measured by said amount less the correction of value due to estimated impairment as described in Note 2.7.

Income and expenses of the financial assets and liabilities

The income and expenses of financial instruments are recognised according to the following criteria:

Portfolio		Recognition of income and expenses
Financial assets	At amortised cost	• **Accrued interest:** recorded in the statement of profit or loss using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where it is applied to the net carrying amount). • **Other changes in fair value:** income or expense when the financial instrument is derecognised from the balance sheet, reclassified or when losses occur due to impairment or gains are produced by its subsequent recovery.
	Measured at fair value through profit or loss	• **Fair value changes:** fair value changes are recorded directly in the statement of profit or loss, and a differentiation is made – for non-derivative instruments – between the part attributable to the returns earned by the instrument, which will be recorded as interest or as dividends according to its nature, and the rest, which will be recorded as results of financial operations in the corresponding balance item. • **Accrued interest:** on these debt instruments, calculated using the effective interest method.
	At fair value with changes in other comprehensive income (*)	• Interests or dividends earned, in the statement of profit or loss. For interest, the same as assets at amortised cost. • The differences in a change in the statement of profit or loss in the case of monetary financial assets, and in other comprehensive income, in the case of non-monetary financial assets. • For the case of debt instruments, impairment losses or gains due to their subsequent recovery in the statement of profit or loss. • The remaining changes in value are recognised in other comprehensive income.
Financial liabilities	At amortised cost	• **Accrued interest:** recorded in the statement of profit or loss using the effective interest rate of the operation on the gross carrying amount of the operation, except in the case of Tier 1 issuances, in which the discretionary coupons are recognised in reserves. • **Other changes in fair value:** income or expense when the financial instrument is derecognised from the balance sheet or reclassified.
	Measured at fair value through profit or loss	• **Changes in fair value:** changes in the value of a financial liability designated at fair value through profit or loss, in the case of applying in the following manner: a) the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of said liability is recognised in other comprehensive income, which would be directly transferred to a reserve item if the aforementioned financial liability is derecognised, and b) the remaining amount of the change in the fair value of the liability is recognised in the profit or loss for the year. • **Accrued interest:** on these debt instruments, calculated using the effective interest method.

(*) Thus, when a debt instrument is measured at fair value with changes in other comprehensive income, the amounts that will be recognised in the profit or loss for the year will be the same as those that would be recognised if it were measured at amortised cost.

When a debt instrument at fair value with changes in other comprehensive income is derecognised from the balance sheet, the profit or loss accumulated in equity is reclassified, and recorded in the statement of profit or loss for the period. In turn, when an equity instrument at fair value with changes in other comprehensive income is derecognised from the balance sheet, the amount of the loss or gain recorded in other accumulated comprehensive income is not reclassified to the statement of profit or loss, but instead to a reserve balance item.

For each of the aforementioned portfolios, the recognition would change if said instruments form part of a hedging relationship (see section 2.3).

Reclassifications between financial instrument portfolios

Only in the event the Entity decides to change its financial asset management business model, would all the affected financial assets be reclassified according to the provisions set out in IFRS 9. This reclassification would be carried out prospectively from the date of the reclassification. In accordance with the IFRS 9 approach, in general, changes in the business model occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

2.3. Hedge accounting

The Entity uses financial derivatives as a financial risk management tool, mainly the structural rate risk (see Note 3). When these transactions meet certain requirements, they qualify for hedge accounting.

When a transaction is designated as a hedge, this is done at inception of the transaction or of the instruments included in the hedge and a technical note of the transaction is documented in accordance with the regulations in force. The hedge accounting documentation duly identifies the hedging instrument/s and hedged item/s, the nature of the risk to be hedged and the way in which the Entity assesses whether the hedging relationship meets the requirements of hedging effectiveness (together with the analysis of the causes of failed protection and the way in which the coverage ratio is determined).

For the purpose of verifying the effectiveness requirement:

- there must be an economic relationship between the hedged item and the hedging instrument;
- the credit risk of the hedged item's counterparty or of the hedging instrument should not have a dominant effect on changes in value resulting from said economic relationship; and
- it is essential to comply with the coverage ratio of the hedging accounting relationship, which is defined as the relationship between the quantity of the hedged item and the quantity of the hedging instrument, and it must be the same as the coverage ratio used for management purposes.

Fair value hedges

Fair value hedges hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk and could affect the statement of profit or loss.

In fair value hedges, the gains or losses on the hedging instrument or on the hedged item for the portion attributable to the hedged risk are recognised in an asymmetrical way according to whether the hedged element is a debt instrument or an equity instrument:

- Debt instruments: In fair value hedges, the gains or losses on the hedging instrument or on the hedged item for the portion attributable to the hedged risk are recognised in the statement of profit or loss, in the "Gains/(losses) from hedge accounting, net" section. Particularly, in fair value macro-hedges, gains or losses arising on the hedged items are balanced in “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk” depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.
- Equity instruments: the gains or losses on the hedging instrument or on the hedged item for the portion attributable to the hedged risk are recognised in the section "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income" of the balance sheet.

When hedging derivatives no longer meet the requirements for hedging accounting, they are reclassified as trading derivatives. The amount of the previously registered adjustments to the hedged item is attributed as follows:

- Debt instruments: they are recognised in the heading "Gains/(losses) from hedge accounting, net" of the statement of profit or loss using the effective interest rate method at the date hedge accounting is discontinued.
- Equity instruments: are reclassified to reserves under the heading "Accumulated other comprehensive income – Elements that will not be reclassified to profit or loss – Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income" of the balance sheet.

Cash flow hedges

Cash flow hedges hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised financial asset or liability or with a highly probable forecast transaction and could affect profit or loss.

The amount adjusted on the hedging item is recognised in “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Reserve of cash flow hedges [effective portion]" where they will remain until the forecast transaction occurs, at which point it will be recognised in "Gains/(losses) from hedge accounting, net" of the statement of profit or loss. However, if it is expected that the transaction will not be carried out, it will be recognised immediately in the statement of profit or loss.

2.4. Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and the net amount presented in the balance statement when, and only when, the Entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously, taking the following into consideration:

- The legally enforceable right to set off the recognised amounts should not be contingent on a future event and must be legally enforceable in all circumstances, including cases of default or insolvency of any or all of the counterparties.
- Settlements that meet the following requirements are considered equivalent to 'net settlement': they totally eliminate or result in insignificant credit and liquidity risk; and settlement of the asset and liability is made in a single settlement process.

A breakdown of the offset transactions are presented below:

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES
(Millions of euros)

	31-12-2019			31-12-2018		
	GROSS AMOUNT RECOGNISED (A)	AMOUNT OFFSET IN THE BALANCE SHEET (B)	NET AMOUNT IN THE BALANCE SHEET (C=A-B)	GROSS AMOUNT RECOGNISED (A)	AMOUNT OFFSET IN THE BALANCE SHEET (B)	NET AMOUNT IN THE BALANCE SHEET (C=A-B)
Trading derivatives *	4,183	4,183				
Loans and advances *	2,372	2,372				
Loans and advances (Reverse repurchase agreement)**	572	572		410	410	
Loans and advances (Tax lease transaction)	990	990		1,006	1,006	
TOTAL ASSETS	**8,117**	**8,117**		**1,416**	**1,416**	
Trading derivatives *	8,010	8,010				
Financial liabilities at amortised cost (Other financial liabilities)*		(1,455)	1,455			
Financial liabilities at amortised cost (Tax lease)	572	572		410	410	
Financial liabilities at amortised cost (Repurchase agreement) **	991	990	1	1,006	1,006	
TOTAL LIABILITIES	**9,573**	**8,117**	**1,456**	**1,416**	**1,416**	

(*) From 31 December 2019, the offsetting criteria stipulated in Circular 4/2017 of the Bank of Spain have been met, to offset trading derivatives held through LCH and EUREX.

(**) Collateral exchange operations implemented through repos, whereby separate cancellation is not permitted. They are generally carried out at 12 months.

2.5. Derecognition of financial instruments

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 an unrelated third party.

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with ownership of the transferred assets are transferred to third parties:

- If all the risks and rewards of ownership of the transferred asset are substantially 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:
    - 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; and
    - The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offsetting.
- If substantially all the risks and rewards of ownership of the transferred financial asset are neither transferred nor retained (such as in the case of, among others, 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 other type of credit enhancement for part of the transferred asset), the following distinction is made:
    - If the transferor does not retain control over the financial asset transferred, it is derecognised and any right or obligation retained or arising from the transfer is recognised; or
    - If the transferor retains control over the financial asset transferred, it continues to recognise the asset for an amount equal to its exposure to changes in value of the asset, 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.

In accordance with the terms of assignment agreements, practically all of the credit investments portfolio securitised by the Entity does not comply with the requirements for being derecognised from the balance sheet.

Financial liabilities shall equally be derecognised when the obligation specified in the contract is discharged or cancelled or expires.

2.6. Financial guarantees

Financial guarantees given

Financial guarantees are defined as contracts whereby the issuer thereof undertakes to make specific payments to reimburse the creditor for the loss incurred when a specific debtor fails to meet its payment obligations, irrespective of the legal form of the obligation, such as deposits (including those to participate in auctions and tenders), financial and technical guarantees, irrevocable documentary credits, insurance contracts or credit derivatives.

Financial deposits comprise all manner of deposits that directly or indirectly guarantee debt securities such as loans, credit facilities, finance leases and deferred payment arrangements for all types of debt.

All these operations are recognised under the memorandum item “Guarantees given” in the balance sheet.

Financial guarantees and guarantee contracts are recognised upon execution at fair value plus transaction costs, which is equal to the premium received plus the present value of the future cash flows, under "Financial assets at amortised cost” with a balancing entry in “Financial liabilities at amortised cost – Other financial liabilities” or “Other liabilities”. Fair value changes of the contracts are recognised as financial income in the statement of profit or loss.

Financial guarantee and guarantee contract portfolios, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, estimate any provision required. The credit risk is determined by applying criteria similar to those established for quantifying impairment losses on debt securities measured at amortised cost as set out in Note 21, except in the case of technical guarantees, where the criteria set out in Note 2.20 are applied.

Provisions set aside for this type of arrangement are recognised under "Provisions – Commitments and guarantees given" on the liability side of the balance sheet, and under "Provisions – Other provisions"; as regards the latter, if the financial guarantees given are classified as written-off operations pending execution by third parties. Additions to and reversals of provisions are recognised in “Provisions or reversal of provisions” in the statement of profit or loss.

Should it become necessary to establish provisions for these financial guarantees, any fees that may accrue on these transactions in future which would be recognised in “Financial liabilities at amortised cost – Other financial liabilities” are reclassified to “Provisions – Commitments and guarantees given”.

Financial guarantees received

No significant guarantees or collateral were received with regard to which there is authorisation to sell or repledge without default by the owner of the guarantee or collateral, except for the collateral inherent to the Entity's treasury activity (see Note 3.12).

2.7. Impairment of financial assets

The Entity applies the requirements on impairment of debt instruments that are measured at amortised cost and at fair value with changes in other comprehensive income, as well as other exposures that involve credit risk, such as granted loan commitments, granted financial guarantees and other granted commitments.

The aim of the regulatory accounting framework requirements as regards impairment is to ensure recognition of the credit losses of operations, assessed collectively or individually, considering all the reasonable and substantiated information available, including information of a prospective nature.

Impairment losses on debt instruments in the period are recognised as an expense under the heading "Impairment or reversal of impairment losses on financial assets not measured at fair value through profit or loss or net profit or loss due to a change" in the statement of profit or loss. The impairment losses of debt instruments at amortised cost are recognised against a corrective account of provisions that reduces the carrying amount of the asset, whereas those of instruments at fair value with changes in other comprehensive income are recognised against accumulated other comprehensive income.

The hedges to cover impairment losses in exposures involving credit risk other than debt instruments are recorded as a provision under the heading "Provisions – Commitments and guarantees given" on the liabilities side of the balance sheet. Additions to and reversals of these hedges are recognised charged under the heading “Provisions or reversal of provisions” in the statement of profit or loss.

For the purpose of recording the hedging for impairment losses of debt instruments, the following definitions must be taken into account in advance:

- Credit losses: these correspond to the difference between all the contractual cash flows owed to the Entity in accordance with the financial asset's contract and all the cash flows that it is due to receive (i.e. all the insufficiency of cash flows), discounted at the original effective interest rate or, for financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality, or the interest rate on the date referred to in the financial statements in the case of a variable rate.

In the case of the granted loan commitments, the contractual cash flows that would be owed to the Entity in the event the loan commitment were drawn down are compared to the cash flows that it would expect to receive if the commitment were drawn down. In the case of granted financial guarantees, the payments that the Entity expects to make are taken into account, less the cash flows that are expected to be received from the guaranteed holder.

The Entity estimates the cash flows of the operation during its expected life taking into account all the contractual terms and conditions of the operation (such as early repayment, extension, redemption and other similar options). In extreme cases when it is not possible to reliably estimate the expected life of the operation, the Group uses the remaining contractual term of the operation, including extension options.

The cash flows taken into account include those deriving from the sale of collateral, taking into account the cash flows that would be obtained from the sale thereof, less the amount of the costs required to obtain them, maintenance and their subsequent sale, or other credit improvements that form an integral part of the contractual conditions, such as financial guarantees received.

If the Entity's current non-performing asset reduction strategy foresees loan sales and other accounts receivable whose credit risk has increased (exposure classified at Stage 3), then the Entity will retain any asset affected by this strategy under the model for retaining assets to receive their contractual cash flows, thus they are classified in the portfolio of 'Financial assets at amortised cost', provided that their flows only include payments of principal and interest. Similarly, until they no longer intend to make sales, the corresponding credit risk provision takes into account the price to be received from a third party.

- Expected credit losses: these are the weighted average of the credit losses, using as weighting the respective risks of default events. The following distinction will be taken into account:
  - Expected credit losses during the life of the operation: these are expected credit losses resulting from all the possible default events during the expected life of the operation.
  - Expected credit losses at twelve months: these are the part of the credit losses expected during the life of the operation corresponding to the expected credit losses resulting from any default events during the twelve months following the reference date.

The amount of the hedges to cover impairment loss is calculated according to whether there has been a significant increase in credit risk since the operation's initial recognition, and whether a default event has occurred:

	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	Operations whose credit risk has not significantly increased since their initial recognition.	Operations whose credit risk has significantly increased (SICR), but they do not have any default events.	Operations with credit impairment. Default event: with amounts past due of over 90.	Operations without reasonable expectations of recovery.
Calculation of the impairment hedge	Expected credit losses at twelve months.	Expected credit losses during life of the operation.		The recognition in results of losses for the carrying amount of the operation and the total derecognition of the asset.
Interest calculation and recognition	It is calculated by applying the effective interest rate to the gross carrying amount of the operation.		It is calculated by applying the effective interest rate at amortised cost (adjusted to reflect any impairment value correction).	It is not recognised in the income statement.
Included operations	Initial recognition of the financial instruments.	Operations included in sustainability agreements that have not completed the trial period. Operations made by insolvent borrowers that should not be classified as non-performing or write off. Refinanced or restructured operations that should not be reclassified as non-performing and that are still in the trial period. Operations with amounts past due of over **30 days.** Operations for which, through market indicators/triggers, it is possible to determine that a significant increase of risk has occurred.	**Doubtful due to borrower arrears:** operations with amounts past due of over **90 days**. Transactions where all holders are classified as non-performing (personal risk criteria). **Doubtful for reasons other than borrower arrears:** • Operations that pose reasonable doubts regarding full repayment. • Operations with legally demanded balances. • Operations in which the collateral execution process has been initiated. • Operations and guarantees of the holders in insolvency proceedings with no liquidation petition. • Refinanced operations classifiable as non performing. • Operations bought originating with credit impairment.	Operations with remote recovery possibility. Partial write-offs without the extinction of the rights (partial write-off). Operations 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). Operations 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).

The Entity classifies as impairments the debt instruments, whether due or not, for which after analysing them individually, it considers the possibility of recovery to be remote and proceeds to derecognise them, without prejudice to any actions that may be initiated to seek collection until their contractual rights are extinguished definitively by expiry of the statute-of-limitations period, forgiveness or any other cause.

This category includes i) non-performing operations due to customer arrears older than four years, or, before the end of the four-year period when the amount not secured by effective guarantees is fully covered for more than two years, and ii) operations made by borrowers declared to be insolvent which have entered or will enter the liquidation phase. In both cases, the operations are not considered to be write-offs if they have effective collateral that covers at least 10% of its gross carrying amount.

Notwithstanding the above, to reclassify transactions to this category before these terms expire, the Entity must demonstrate these transactions' remote recuperability.

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

When the contractual cash flows of a financial asset are modified or the financial asset is replaced with another, and the modification or exchange does not cause it to be derecognised from the balance sheet, the Entity recalculates the gross carrying amount of the financial asset, taking into account the modified flows and the effective interest rate applicable before the modification, and recognises any difference that emerges as a loss or gain due to a change in the profit or loss of the period. The amount of the directly attributable transaction costs raises the carrying amount of the modified financial asset and it will be amortised during the remainder of its life, which will require the company to recalculate the effective interest rate.

Regardless of its subsequent classification, in the event that an operation is bought with or originates with credit impairment, its hedging would be equal to the accumulated amount of the changes in the credit losses after the initial recognition and the interest income of these assets would be calculated by applying the effective interest rate adjusted to reflect credit quality at the amortised cost of the instrument.

2.8. Refinancing or restructuring operations

According to the provisions of the regulation, these relate to operation in which the customer has, or will foreseeably have, financial difficulty in meeting its payment obligations under the contractually agreed terms and, therefore, has amended the agreement, cancelled the agreement and/or arranged a new operation.

These operations may derive from:

- A new transaction (refinancing operation) granted that fully or partially cancels other transactions (refinanced operations) previously extended by any CaixaBank 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.
- The amendment of the contractual terms of an existing operation (restructured operations) 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.).
- The activation of contract clauses agreed at source that extend the debt repayment terms (flexible grace period).
- 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 operation is assumed to exist when the amendment to contractual terms affects operations 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 an operation to be classified as refinanced or restructured.

The cancellation of an operation, changes in the contractual terms or the activation of clauses that delay payments when the customer is unable to meet future repayment obligations can also be classified as refinancing/restructuring.

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, not to facilitate repayments.

For an operation 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. In turn, these terms must be adjusted to reflect the terms offered to borrowers with a similar risk profile.

In general, refinanced or restructured operations and new operations carried out for refinancing are classified in the watch-list performing category. However, according to the particular characteristics of the operation they may be classified as non-performing when they meet the general criteria for classifying debt securities as such, and specifically i) operations backed by an unsuitable business plan, ii) operations that include contractual clauses that delay repayments in the form of interest-only periods longer than 24 months, and iii) operations that include amounts that have been removed from the balance sheet having been classified as unrecoverable that exceed the coverage applicable according to the percentages established for operations in the watch-list performing category.

Refinanced or restructured operations and new operations carried out for refinancing are classified as watch-list performing for a trial period until all the following requirements are met:

- After reviewing the borrower's asset and financial position it is concluded that they are unlikely to have financial difficulties and therefore it is highly probable that they will meet their obligations vis-a-vis the entity in both time and form.
- 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 the non-performing category.
- 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 the non-performing category. Additionally: i) the borrower has 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 ii) when it is deemed more appropriate given the nature of the operations, the borrower complies with other objective criteria that demonstrate their payment capacity.

  If there are contractual clauses that may delay repayments, such as grace periods for the principal, the operation will remain classified as watch-list performing until all criteria are met.
- The borrower must have no other operations with past due amounts for more than 30 days at the end of the period.

When all the above requirements are met, the operations are no longer classified as refinancing, refinanced or restructured operations in the financial statements.

During the previous trial period, further refinancing or restructuring of the refinancing, refinanced or restructured operations, or the existence of amounts that are more than 30 days overdue in these operations, will mean that the operations are reclassified as non-performing for reasons other than arrears, provided that they were classified in the non-performing category before the start of the trial period.

Refinanced and restructured operations and new operations carried out for refinancing remain classified as non-performing until they meet the general criteria for debt instruments; specifically the following requirements:

- A period of one year has elapsed from the refinancing or restructuring date.
- The borrower has covered all the principal and interest payments (i.e. they are up to date on payments) 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.
- The borrower has 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 operations, the borrower complies with other objective criteria that demonstrate their payment capacity.
- The borrower has no other operations with past due amounts for more than 90 days at the date the refinancing or restructured operation is reclassified to the watch-list performing category.

2.9. Foreign currency transactions

The Entity's functional and presentation currency is the euro. Consequently, all non-euro balances and transactions are foreign currency balances and transactions.

All foreign currency transactions are recorded, on initial recognition, by applying the spot exchange rate between the functional currency and the foreign currency.

At the end of each reporting period, foreign currency monetary items are translated to euros using the average exchange rate prevailing on the spot currency market at the end of each period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to euros using the exchange rate at the date of acquisition. Non-monetary items measured at fair value in a foreign currency are translated to euros using the exchange rates at the date when the fair value is determined.

Unmatured forward foreign exchange purchase and sale transactions not considered as hedges are translated to euros at the year-end exchange rates on the forward currency market.

The exchange rates used in translating the foreign currency balances to euros are those published by the ECB at 31 December of each year.

The exchange differences arising on the translation of foreign currency balances and transactions to the presentation currency of the Entity are generally recognised under "Exchange differences (net)" in the statement of profit or loss. However, exchange differences arising on changes in the value of non-monetary items are recognised under "Equity – Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Exchange differences" in the balance sheet, and exchange differences arising on financial instruments classified as at fair value through profit or loss are recognised in the statement of profit or loss with no distinction made from other changes in fair value.

Income and expenses are translated at the closing exchange rate of each month.

2.10. Derecognition of income and expenses

The main policies applied to recognise income and expenses are as follows:

	Characteristics		Recognition
Interest income, interest expenses, dividends and similar items	**Interest income, interest expense and similar items**		Recognised on an accrual basis, using the effective interest method, regardless of when the resulting monetary or financial flow arises, as previously described.
	Dividends received		Recognised as income when the right to receive payment is established. This is when the dividend is officially declared by the company's relevant body.
Fees collected/paid*	**Credit fees** They are an integral part of the yield or effective cost of a financing operation. They are received in advance.	Fees received by creating or acquiring financing operations that are not measured at fair value through profit or loss (i.e.: remuneration from activities such as the assessment of the financial situation of the borrower, assessing and recording various guarantees, negotiating the terms and conditions of operations, preparing and processing documentation and closing the operation).	They are deferred and are recognised over the life of the transaction as an adjustment to the return or effective cost of the operation.
		Fees negotiated as compensation for the commitment of granting financing, when this commitment is not measured at fair value through profit or loss and it is likely that the Group enters into a specific loan agreement.	They are deferred, deposited over the life of the transaction as an adjustment to the return or effective cost of the operation. If the commitment expires and the company has not made the loan, the fee is recognised as income at the time of expiry.
		Fees paid when issuing financial liabilities at amortised cost.	They are included together with any related direct cost in the carrying amount of the financial liability and are deposited as an adjustment to the effective cost of the operation.
	Non-credit fees This includes those deriving from different provisions for the various financial services of the financing operations.	Those related to the execution of a service provided over time (i.e. the fees for the administration of accounts and those received in advance for the issuance or renewal of credit cards).	They will be registered over time, measuring the progress towards full compliance with the execution obligation.
		Those related to the provision of a service that is executed at a specific time (i.e.: subscription of securities, currency exchange, advice or loan syndication).	They are registered in the income statement upon collection.
Other non-financial income and expenses	Other income from ordinary activities:		• As a general criterion, they are recognised inasmuch as the assets and services contractually agreed with the customers are provided. The amount of the payment to which the Group expects to have a right in exchange for these goods or services, is recognised as income during the life of the contract. • If it receives or has a right to receive a payment and the goods or services have not been transferred, the Group recognises a liability, which remains on the balance sheet until it is allocated to the statement of profit or loss. • The Group can transfer the control over time or at a specific time (see the phases in the following chart).

(*) Exceptions: Fees for the financial instruments that are measured by their fair value through profit or loss and the non-availability fee (in operations where drawing down funds is optional for the credit holder) are immediately registered in the statement of profit or loss.

The accrued fees deriving from typical products or services of the financial activity are presented separate to those deriving from products and services that do not correspond to typical activity, which are presented under the heading "Other operating income" in the statement of profit or loss.

In particular, the Entity adheres to the following stages:

Phase 1	Identification of the contract (or contracts) with the customer and of the obligation or obligations arising out of the execution of the contract.	The Group assesses the committed goods or services and identifies – as an execution obligation – each commitment to transfer to the customer: • a good, a service or a differentiated group of goods or services, or • a series of differentiated goods or services that are practically identical and comply with the same customer transfer pattern.
Phase 2	Determining the price of the transaction.	Defined as the amount of the payment to which the Group expects to have the right in exchange for delivering the goods or providing the services, excluding amounts charged on behalf of third parties, such as indirect taxes, and not considering any cancellations, renewals or modifications to the contract. The price of the transaction can consist of fixed or variable amounts, or both, and may vary due to discounts, subsidies, reductions or other similar elements. Similarly, the price will be variable when the right to charge for the transaction depends on whether a future event will occur. To reach the transaction price it will be necessary to deduct discounts, subsidies or commercial reductions. If the price includes a variable payment, the Group initially estimates the amount of the payment to which it will have the right, either as an expected value, or as the amount in the most probable scenario. This amount is included, in whole or in part, in the transaction price only inasmuch as it is highly probable that there will be no significant reversal in the amount of the accumulated income recognised by the contract. At the end of each period, the Group updates the estimate of the transaction price, to accurately represent the existing circumstances at the time. To determine the price of the transaction, the Group adjusts the amount of the payment to take into account the time value of the money when the agreed payment schedule provides the customer or the company with a significant financing profit. The discount rate used is that which would be used in an independent financing transaction between the company and its customer at the start of the contract. This discount rate is not subject to subsequent updates. Notwithstanding the above, the Group does not update the amount of the payment if, at the start of the contract, the maturity is likely to be equal to or less than a year.
Phase 3	Allocation of the price of the transaction between the execution obligations.	The Group distributes the price of the transaction in such a way that each execution obligation identified in the contract is assigned an amount that represents the payment that it will obtain in exchange for transferring to the customer the good or service committed in this execution obligation. This amount is allocated based on the corresponding independent selling prices of the goods and services subject to each execution obligation. The best evidence of an independent selling price is its observable price, if these goods or services are sold separately in similar circumstances. The Group allocates to the different execution obligations of the contract any subsequent change in the estimate of the transaction price on the same basis as at the start of the contract.
Phase 4	Recognition of the income inasmuch as the company complies with its obligations.	The Group recognises as income the amount of the transaction price allocated to an execution obligation, inasmuch as it meets this obligation by transferring the committed good or service to the customer.

As for the accounting of the costs related to the contracts, the costs of obtaining a contract are those which the Entity incurs to obtain a contract with a customer and which it would not have incurred if the Entity had not entered into said contract.

They are recognised as an asset if they are directly related to a contract that can be identified specifically and the Entity expects to recover them. In this case, they are amortised systematically and consistent with the transfer to the customer of the contractually related goods or services. However, if the asset's repayment period is equal to or less than one year, these costs are not recognised as an asset and are recorded as an expense.

2.11. Assests under management

Collective investment institutions and pension funds managed by the Entity's companies are not presented on the face of the Entity's balance sheet since the related assets are owned by third parties. The fees and commissions earned in the period from this activity are included under “Fee and commission income” in the statement of profit or loss.

2.12. Employee benefits

Employee benefits include all forms of consideration given in exchange for services rendered to the Entity by employees or for benefits payable after completion of employment. They can be classified into the following categories:

Short-term employee benefits

These are employee benefits (other than termination benefits) which fall due wholly within 12 months after the end of the period in which the employees render the related service. It includes wages, salaries and social security contributions; paid annual leave and paid sick leave; profit-sharing and bonuses; and non-monetary benefits payable to employees such as medical care, housing, cars and free or subsidised goods or services.

The cost of services rendered is recognised under "Administrative expenses – Personnel expenses" of the statement of profit or loss, except for part of the personnel costs of the Risk Acceptance Centres which are presented as a smaller financial margin of the operations to which they are associated and certain incentives for the personnel of the branch network for the marketing of products, including insurance policies, which are also presented with a reduced financial margin or under the heading of expenses from liabilities under insurance reinsurance contracts.

Credit facilities made available to employees at below market rates are considered to be non-monetary benefits and are calculated as the difference between market rates and the rates agreed with employees. The difference is recognised under “Administrative expenses – Personnel expenses” with a balancing entry under “Interest income” in the statement of profit or loss.

Remuneration to employees based on equity instruments

The delivery of shareholder equity instruments to employees as payment for their services – when such a delivery is made upon completion of a specific period of services – is recognised as a services expense, insomuch as it is provided by employees, with a balancing entry under the heading "Shareholders' Equity - Other equity items" elements.

On the date the equity instruments are granted, these services – as well as the corresponding equity increase – will be measured at the fair value of the services received, unless it cannot be reliably estimated, in which case they will be measured indirectly with reference to the fair value of the granted equity instruments. The fair value of these equity instruments will be determined on the date they are granted.

When external market conditions are established – among the requirements laid down in the remuneration agreement –, their performance will be taken into account when estimating the fair value of the granted equity instruments. In turn, variables that are not considered market variables are not taken into account when calculating the fair value of granted equity instruments, but they are considered when determining the number of instruments to be delivered. Both effects will be recognised in the statement of profit or loss and in the corresponding increase in equity.

In the case of share-based payment transactions that are cash-settled, an expense with a balancing entry will be recorded on the liabilities side of the balance sheet. Up to the date on which the liability is settled, this liability will be measured at its fair value, recognising value changes in the profit/(loss) for the period.

As an exception to the provision of the previous paragraph, share-based payment transactions that have a net-settlement feature to satisfy tax withholding obligations will be classified in their entirety as share-based payment transactions settled through equity instruments if, in the absence of the net-settlement feature, they have been classified as such.

Post-employment benefits

Post-employment benefits are all those undertaken with employees, to be paid after completion of their employment with the Entity. They include: retirement benefits, such as pensions and one-off retirement payments; and other post-employment benefits, such as post-employment life insurance and post-employment medical care, at the end of the employment relationship.

Defined contribution plans

The post-employment obligations with employees are deemed to be defined contribution obligations when pre-determined contributions are made to a separate entity or Pensions Fund, and has no legal or constructive obligation to make further contributions if the separate entity or Pensions Fund cannot pay the employee benefits relating to the service rendered in the current and prior periods. Defined contribution plans each year are recognised under “Administrative expenses – Personnel expenses” in the statement of profit or loss. Post-employment obligations that do not meet the aforementioned conditions are considered defined benefit obligations.

Defined benefit plans

The present value of post-employment defined benefit obligations, net of the fair value of assets, is recorded under 'Provisions – Pensions and other post-employment defined benefit obligations' in the balance sheet.

Plan assets are defined as follows:

- The assets held by a long-term employee benefit fund, and
- Qualifying insurance policies; which are those issued by an insurer that is not a related party of the Entity.

In the case of the assets held by a benefit fund, they must be assets:

- Held by a fund at is legally separate from the Entity, which exist only to pay or fund employee benefits, or
- They are only available to pay or fund post-employment benefits, are not available to cover the debts of Entity creditors (not even in the event of bankruptcy) and they cannot return to the Entity except when (i) the assets remaining in the plan are enough to meet all of the obligations of the plan or of CaixaBank related to post-employment benefits, or (ii) they are used to reimburse the post-employment benefits that the Entity has already given to its employees.

In the case of insurance policies, the defined benefit commitments assured through policies taken out with the entities that are not considered related parties also meet the requirements to be considered plan assets.

The value both of the assets held by a pension fund, as well as qualifying insurance policies is recognised as a decrease in the value of the liabilities under “Provisions – Pensions and other post-employment defined benefit obligations”. When the value of plan assets is greater than the value of the obligations, the net positive difference is recognised under “Other assets”.

Post-employment benefits are recognised as follows:

- Service cost is recognised in the statement of profit or loss and includes the following:
    - Current service cost, understood as the increase in the present value of obligations arising from employee service in the current period, recognised under "Administrative expenses – Personnel expenses".
    - Past service cost, resulting from amendments to existing post-employment benefits or the introduction of new benefits, and the cost of curtailments, recognised under "Provisions or reversal of provisions".
    - Any gain or loss arising on settlement of a plan is recognised in "Provisions or reversal of provisions".
- The net interest on the net defined benefit post-employment benefit liability/(asset), understood to be the change during the period in the net defined benefit liability/(asset) that arises from the passage of time, is recognised in "Interest expense", or "Interest income" if it results in income, in the statement of profit or loss.
- Remeasurements of the net liability/(asset) for defined benefit post-employment benefits are recognised in "Accumulated other comprehensive income" in the balance sheet. It includes:
    - Actuarial gains and losses arising in the period from differences between the previous actuarial assumptions and what has actually occurred and from changes in the actuarial assumptions used.
    - The return on plan assets, excluding the amounts included in the net interest on the liability/(asset) for defined benefit post-employment benefits.
    - Any change in the impact of the asset ceiling, excluding the amounts included in the net interest on the liability/(asset) for defined benefit post-employment benefits.

Note 1 describes the change to the accounting policy that the Entity made retroactively on 31 December 2019.

Other long-term employee benefits

Other long term employee benefits, understood as obligations with pre-retired employees (those who have ceased rendering services but who, without being legally retired, continue to enjoy economic rights vis-à-vis the Entity until they acquire the status of legally retired), long-service bonuses and similar items, are treated for accounting purposes, where applicable, as established for defined benefit post-employment plans, except that the actuarial gains and losses are recognised in "Provisions or reversal of provisions" in the statement of profit or loss.

Termination benefits

These benefits are payable as a result of an Entity's decision to terminate an employee's employment before the normal retirement date, a valid expectation raised in the employee or an employee's decision to accept voluntary redundancy in exchange for those benefits.

A liability and an expense for termination benefits are recognised when there is no realistic possibility of withdrawing the offer to pay the termination benefits or when the costs for restructuring – which involves the payment of termination benefits – are recognised. These amounts are recognised as a provision under "Provisions – Other long-term employee benefits" in the balance sheet until they are settled.

2.13. Income tax

The expense for Spanish income tax is considered to be a current expense and is recognised in the statement of profit or loss, except when it results from a transaction recognised directly in equity, in which case the corresponding tax effect is recognised in equity.

Income tax expense is calculated as the sum of the current tax for the year resulting from applying the tax rate to the taxable profit for the year and any changes in deferred tax assets and liabilities recognised in the year in the statement of profit or loss, less any allowable tax deductions.

Temporary differences, tax loss carryforwards pending offset and unused tax deductions are recognised as deferred tax assets and/or deferred tax liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

All tax assets are recognised under "Tax assets" in the balance sheet as current, for amounts to be recovered in the next 12 months, or deferred, for amounts to be recovered in future reporting periods.

Similarly, tax liabilities are recognised in "Tax liabilities" in the balance sheet, also by current and deferred. Current tax liabilities include the amount of tax payable within the next 12 months and deferred tax liabilities as the amount expected to be paid in future periods.

Deferred tax liabilities arising from temporary differences related to investments in subsidiaries, associates and or joint ventures are not recognised when the Entity is able to control the timing of the reversal of the temporary difference and, in addition, it is probable that the temporary difference will not reverse.

Deferred tax assets are only recognised when it is probable that they will be reversed in the foreseeable future and it is estimated that there is sufficient taxable profit against which they can be used.

Property, plant and equipment for own use

They include the amount of property, land, furniture, vehicles, IT equipment and other facilities owned or acquired under a lease, as well as assets leased out under and operating lease.

Property, plant and equipment for own use includes assets held by the Entity for present or future use for administrative purposes, or for the production or supply of goods and services that are expected to be used over more than one financial year.

Investment property

It reflects the carrying amounts of land, buildings and other constructions – including those received by the Bank for the total or partial settlement of financial assets that represent collection rights vis-a-vis third parties – owned to obtain rental income or gains through sale.

Tangible assets are generally stated at acquisition cost less accumulated depreciation and any impairment losses determined by comparing the carrying amount of each item to its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their net carrying value. Land is not depreciated since it is considered to have an indefinite life.

The depreciation charge is recognised with a balancing entry under "Depreciation and amortisation" in the statement of profit or loss and is calculated basically using the depreciation rates set out in the table below, which are based on the years of estimated useful life of the various assets.

USEFUL LIFE OF TANGIBLE ASSETS

(Years)

	ESTIMATED USEFUL LIFE
Constructions	
Buildings	16 - 50
Facilities	8 - 25
Furniture and fixtures	4 - 50
Electronic equipment	3 - 8
Other	7 - 14

At the end of each reporting period, the Entity assesses tangible assets for any indications that their net carrying amount exceeds their recoverable amount, understood as fair value less costs to sell and value in use.

Any impairment loss determined is recognised with a charge to "Impairment/(reversal) of impairment on non-financial assets – Tangible assets" in the statement of profit or loss and a reduction to the carrying amount of the asset to its recoverable amount. After the recognition of an impairment loss, the depreciation charges for the asset in future periods are adjusted in proportion to its revised carrying amount and remaining useful life.

Similarly, when there are indications of a recovery in the value of the assets, a reversal of the impairment loss recorded in prior periods is recognised and the depreciation charge for the asset in future periods is adjusted. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Likewise, the estimated useful lives of tangible assets are reviewed each year or whenever indications are noted which make it advisable to do so and, where appropriate, the depreciation charges are adjusted in the statement of profit or loss of future years.

Upkeep and maintenance expenses are recognised under "Administrative expenses – Other administrative expenses" in the statement of profit or loss. Similarly, operating income from investment properties is recognised under "Other operating income" in the statement of profit or loss and the related operating expenses under "Other operating expenses".

Intangible assets are identifiable non-monetary assets without physical substance acquired from third parties or developed internally.

Goodwill

Goodwill represents the payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill is only recognised in the acquisition of a business combination for valuable consideration.

In business combinations, goodwill arises as the positive difference between:

- the consideration transferred plus, as appropriate, the fair value of any previously-held equity interest in the acquiree and the amount of minority interests; and
- the net fair value of the identifiable assets acquired less the liabilities assumed.

Goodwill is recognised in "Intangible assets – Goodwill" and is amortised over a useful life of 10 years, unless proven otherwise.

At the end of each reporting period or whenever there are indications of impairment, an estimate is made of any impairment that reduces the recoverable amount to below carrying amount and, where there is impairment, the goodwill is written down with a balancing entry in "Impairment/(reversal) of impairment on non-financial assets – Intangible assets" in the statement of profit or loss. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Other intangible assets

This includes the amount of other identifiable intangible assets, such as assets arising in business combinations and computer software.

Intangible assets have a defined useful life, and will amortise in line with this, applying similar criteria to those adopted for amortising tangible assets. When the useful life of these assets cannot be reliably estimated, they will amortise over 10 years.

Likewise, the estimated useful lives of tangible assets are reviewed each year or whenever indications are noted which make it advisable to do so and, where appropriate, the depreciation charges are adjusted in the statement of profit or loss of future years.

Losses incurred on the registered value of these assets are recognised under the heading 'Value impartment or reversion of the value impairment of non-financial assets - Intangible assets' of the profit and loss account. The policies for recognising impairment losses on these assets and for reversing impairment losses recognised in prior years are similar to those for tangible assets.

Software

Software is recognised as an intangible asset when, among other requirements, it is capable of being used or sold, and it is identifiable and its ability to generate future economic benefits can be demonstrated.

Expenses incurred during the research phase are recognised directly in the statement of profit or loss for the period in which they are incurred, and cannot subsequently be capitalised.

Practically all of the software registered in this chapter of the balance sheet has been developed by third parties and amortises with a useful life of between 4 and 15 years.

2.16. Inventories

This item in the balance sheet includes non-financial assets held for sale in the ordinary course of business, that are in the process of production, construction or development for such sale, or that are to be consumed in the production process or in the rendering of services.

Inventories are measured at the lower of cost, including borrowing costs, and net realisable value. Net realisable value is defined as the estimated selling price less the estimated costs of production and the estimated costs necessary to make the sale. The accounting principles and measurement bases applied to assets received as payments of debts classified under this item are the same as those set out in Note 2.17. These assets are classified as Level 2 in the fair value hierarchy.

The cost of inventories of items that are not ordinarily interchangeable and of goods and services produced and segregated for specific projects is determined individually, while the cost of other inventories is assigned mainly by using the First-In-First-Out method (FIFO) or weighted average cost formula, as appropriate.

Any write-downs to inventories or subsequent reversals of write-downs are recognised under “Impairment/(reversal) of impairment on non-financial assets – Other” in the statement of profit or loss for the year in which the write-down or reversal occurs.

When inventories are sold, the carrying amount of those inventories is derecognised and an expense recognised in the statement of profit or loss for the period in which the related revenue is recognised. The expense is recognised under “Other operating expenses” in the statement of profit or loss.

2.17. Non-current assets and disposal groups classifies as held for sale and liabilities included in disposal groups classified as held for sale

Assets recognised under this heading in the balance sheet reflect the carrying amount of individual assets or disposal groups, or assets that form part of a line of business that will be disposed of (discontinued operation) whose sale is highly probable in their present condition within one year from the reporting date. Assets that will be disposed of within a year but where disposal is delayed by events and circumstances beyond the Entity’s control may also classified as held for sale, when there is sufficient evidence that the Company is still committed to selling them. The carrying amount of these assets will be recovered principally through a sale transaction.

Specifically, real estate or other non-current assets received as total or partial settlement of debtors’ payment obligations in credit operations are recognised under "Non-current assets and disposal groups classified as held for sale" unless it has been decided to make continuing use of the assets.

The Entity has centralised almost all of its real estate assets that have been purchased or foreclosed in its subsidiary BuildingCenter, SAU, with a view to optimise their management.

Non-current assets classified as held for sale are generally measured initially at the lower of the carrying amount of the financial assets and their fair value less costs to sell the asset to be foreclosed:

- To estimate provisions for the financial assets, the estimated fair value less the costs to sell the asset to be foreclosed are taken as the recoverable value of the guarantee when the Company’s sales experience attests to its ability to realise this asset at fair value. This recalculated carrying amount is compared with the previous carrying amount and the difference is recognised as an increase or a release of provisions as appropriate.
- To determine the fair value less the costs to sell the asset to be foreclosed, the Company uses the market value extended in the full individual ECO appraisal at the time of foreclosure or reception. Internal valuation models are used to calculate the adjustment to be applied to this market value in order to estimate the discount on the reference price and the costs to sell. These in-house models factor in prior sales experience for similar assets in terms of price and volume.

When the fair value less costs to sell exceed the carrying amount, the Entity recognises the difference in the statement of profit or loss, as an impairment reversal, up to the limit of the impairment accumulated as from the initial recognition of the foreclosed asset.

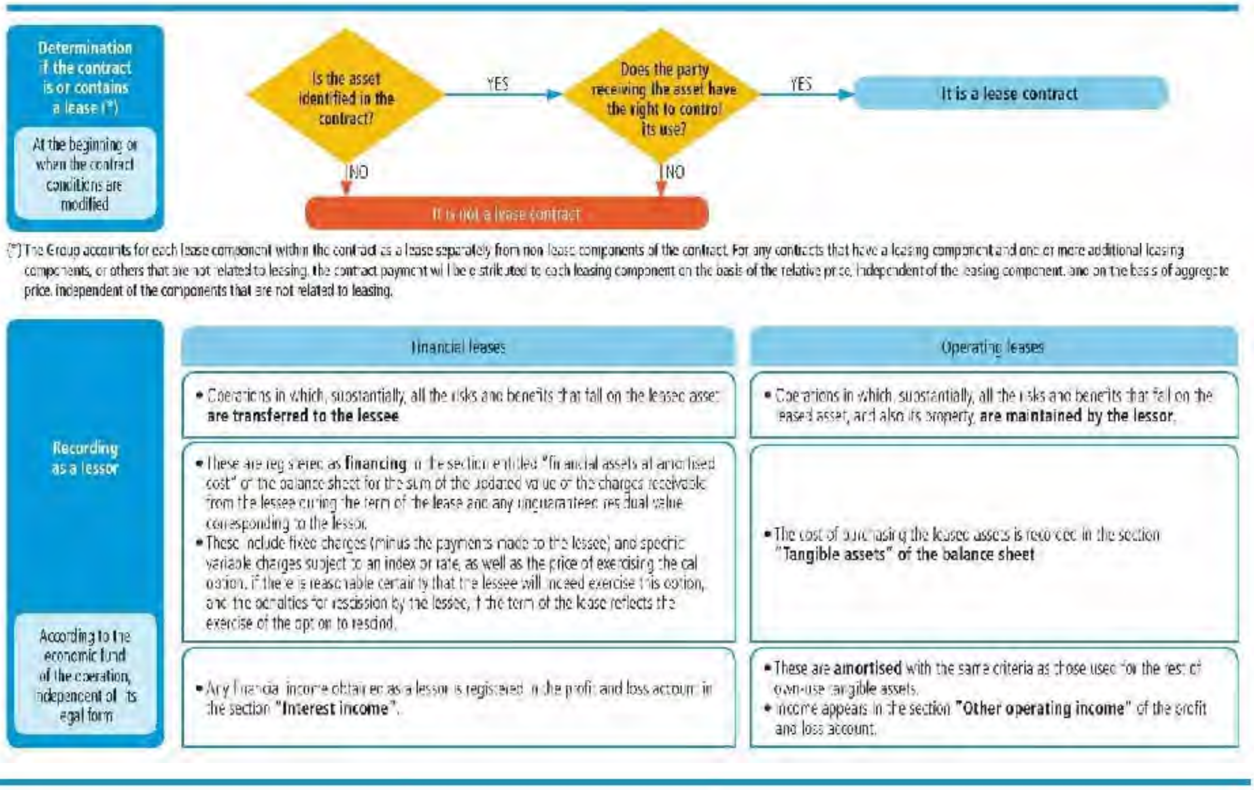
After the initial recognition, the Entity compares the carrying amount with the fair value less costs to sell, recognising any possible additional impairment in the statement of profit or loss. For this purpose, the main valuation used to estimate fair value is updated by the Entity. In line with the procedure followed in the initial recognition process, the Entity also applies an adjustment, based on the internal models, to the main valuation.

Impairment losses on an asset or disposal group are recognised under "Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, net" in the statement of profit or loss. Gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognised in the same statement of profit or loss item up to an amount equal to the previously recognised impairment losses.

Non-current assets held for sale are not depreciated while they are classified as held for sale.

2.18. Leases

The means of identifying and accounting for leasing operations in which the Entity acts as lessor or lessee, are set out below:



Accounting as a lessee

Term of the contract

- **Fixed-term contracts with or without the early termination option** in favour of the Entity and without permission from the other party (with only a non-significant compensation): Generally, the lease term matches the initial agreed duration.
- **Fixed-term contracts with the option to renew** on the part of the Entity and without permission from the other party: It has been surmised that this option will be exercised, considering that there are financial incentives and in light of the Company's past practices.
- The term of specific contracts can be affected as a result of possible restructuring plans undertaken by the Company.

Accounting record

		At the beginning date of the contract	Subsequently
Contracts with a term longer than 12 months or contracts in which the underlying asset does not have a low value (set at 6,000 euros)	Lease liability ("Other financial liabilities")	A lease liability is valued based on the current value of any lease payments that have not been paid by said date, using, as a discount rate, the interest rate that the lessee would have to pay to borrow - with a similar term and guarantee - the funds necessary to purchase an asset whose value is similar to that of the right-of-use asset in an similar economic climate. This rate is called "additional financing rate"(*).	It is valued at amortised cost using the effective interest rate method and is revalued (with the corresponding adjustment in the relative right of use asset) when there is a change in the future lease payments during renegotiation, changes to an index or rate or a new evaluation of contract options.
	Right-of-use asset ("Tangible assets - Plots and buildings")	The asset is valued at cost and includes the amount of the initial valuation of the lease liability, the payments made on or before the start date and the initial direct costs, dismantling costs or restoring costs when there is obligation to bear the same.	It is amortised on a straight-line basis and is subject to any loss due to depreciation, where applicable, in accordance with the procedure established for the rest of the tangible and intangible assets.
Rest of contracts		Lease liabilities are recorded as operating leases.	

(*) The Group has calculated the additional financing rate, taking the issued debt instruments - mortgage bonds and senior debt - as a reference, which are weighted according to the issue capacity of each one. The Group uses a specific rate according to the term of the operation and the business (Spain or Portugal) where the agreements are formalised.

Sale and leaseback transactions

- When the **Group** acts **as seller-lessee**
  - **If the Group does not retain control of the asset:**
    - It derecognises the sold asset
    - It values the right-of-use asset derived from the subsequent lease at an amount equal to the part of the prior carrying amount of the leased asset corresponding to the proportion represented by the right of use withheld by the bank from the value of the sold asset
    - A lease liability is recognised
  - **If the Group retains control of the asset:**
    - It does not derecognise the sold asset
    - It recognises a financial liability for the amount of the received payment
- The **results generated in the operation** are recognised immediately in the profit loss account if it is determined that a sale has taken place (only for the amount of the profit or loss in relation to transferred rights of the asset), in such a way that the buyer lessor acquires control of asset.
- The Group has established a procedure to carry out a prospective follow-up of the operation, paying special attention to the evolution on the market of office rental prices in comparison to the fixed contractual rents and to the situation of the sold assets.

2.19. Contingent assets

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits. Contingent assets are not recognised in financial statements, except where an inflow of economic benefits is practically certain. If there is a probable inflow of economic benefits, the group discloses the contingent asset.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

2.20. Provisions and contingent liabilities

Provisions cover present obligations at the date of preparation of the financial statements arising from past events which could give rise to a loss considered likely to occur; and is certain as to its nature but uncertain as to its amount and/or timing.

The financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Provisions are recognised on the liability side of the balance sheet in accordance with the obligations covered.

Provisions, which are quantified based on the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each reporting period, are used for specific expenditures for which the provision was originally recognised. Provisions are fully or partially reversed when the obligations cease to exist or are reduced.

The tax contingency policy is to set aside provisions for the possible tax expense and late-payment interest arising from the income tax assessments initiated by the tax authorities for the main applicable taxes, irrespective of whether an appeal has been lodged. Meanwhile, provisions are made for legal suits, in those instances where there is over a 50% probability of losing the case.

When there are present obligations but they are not likely to give rise to an outflow of resources, they are recorded as contingent liabilities. Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes more probable than not that an outflow of future economic benefits will be required, a provision is recognised in the balance sheet.

Provisions are recognised under "Provisions" on the liability side of the balance sheet in accordance with the obligations covered. Contingent liabilities are recognised under memorandum items in the balance sheet.

2.21. Statement of changes in equity. Part A) Statement of other comprehensive income

This statement presents the income and expense recognised as a result of CaixaBank's activity in the period, with a distinction between those taken to profit or loss in the statement of profit or loss and other income and expense recognised directly in equity.

2.22. Statement of changes in equity. Part B) Statement of total changes in equity

This statement shows all changes in the Entity's equity, including those resulting from changes in accounting policies and corrections of errors. This statement presents a reconciliation between the carrying amount of each component of equity at the beginning and the end of the period, grouping movements by nature under the following headings:

- Adjustments due to accounting policy changes and error corrections: includes changes in equity as a result of the retrospective restatement of financial statement balances on account of changes in accounting policies or for correction of errors.
- Total comprehensive income: represents the aggregate of all items recognised in the statement of changes in equity part A) Comprehensive income, outlined above.
- Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of dividends, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in equity.

Particularly, the headings 'Accumulated gains' and 'Other reserves' contain:

- The shareholder equity heading, 'Accumulated gains', includes, at year-end, undistributed gains from the appropriation of the Entity's profit/loss, and income coming from the sale of investments classified in 'Financial assets at fair value with changes in other comprehensive income — Equity instruments', among others.
- The shareholder equity heading, 'Other reserves', includes, at year-end, the implications of the 1st application of accounting regulations, the remuneration of issuances with certain characteristics, and gains/losses derived from operations with own shares, among others.

2.23. Statement of cash flows

The following terms are used in the presentation of the statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the indirect method is used to present cash flows from operating activities, which are the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets, such as equity investments and strategic investments, and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities that do not form part of operating activities, such as subordinated financial liabilities. The issues placed on the institutional market are classified as financing activities, whereas the issues placed on the Spanish retail market are classified as operating activities.

3. Risk management

3.1 Environment and risk factors

From the Entity's perspective, the following factors from 2019 stand out for having a significant impact on risk management, both due to their occurrence throughout the year and their long-term implications:

- **Macroeconomic environment**
  - Global economy

In 2019, the global economy has faced a considerable surge in uncertainty due to economic and geopolitical factors which, to a great extent, were already in operation in 2018. In terms of the economy, firstly, the doubts cast surrounding the speed and risks entailing the slowdown of the Chinese economy have featured prominently. Up to now, this slowdown has been gradual and the authorities still have mechanisms to temper its intensity. However, there are still concerns regarding the imbalances afflicting Spain. Similarly, the economic downturn experienced by the main developed economies results in a second factor burdening growth. This dynamic comes, on one hand, from the maturity of the economic cycle and, on the other hand, from idiosyncratic factors belonging to each country. Thus, in the US, the gradual fading of the boost from tax measures implemented at the end of 2017 and the start of 2018 is beginning to show in the economy. In the eurozone, the manufacturing sector, and in particular the automobile sector, continues to undergo complicated circumstances.

The US's protectionist swing, which has remained active throughout 2019, has featured notably on the geopolitical front. Similarly, there has been a slight rise in tensions between the US and the European Union (EU) after the World Trade Organization's ruling in favour of the US with regard to a case of public aid granted to Airbus by the EU, which has enabled the US to impose tariffs on a range of European products. Nonetheless, it is worth stating that at the end of the year a trade agreement between the US and China now looks more likely, although only following a tough and lengthy negotiation phase that is bound to generate uncertainty until an agreement is hammered out.

These risk sources are reflected in the behaviour of the financial markets which, after the strong juncture of volatility experienced at the end of 2018, showed new aversion to risk in the summer, when the stock exchanges of the main developed economies fell due to poor financial data and to the worsening of commercial activity between the US and China. In such a context, and faced with the outlook of a more accommodative monetary policy that is sensitive to risk balance worsening, the interest rates of sovereign bonds fell significantly (to all-time lows in the case of Europe).

  - Eurozone

The eurozone's risk context has been marked by geopolitical factors, mainly linked to the difficulties of reaching an agreement for the United Kingdom's withdrawal. These political uncertainties come in addition to the economic downturn that began in 2018, which has been exacerbated in 2019, partly due to the aforementioned plight suffered by the manufacturing sector and the automobile sector, in particular. Thus, after growing 1.9% in 2018, it is estimated that the sector will have only grown 1.1% in 2019 and that it will maintain a similar pace in 2020.

In the face of this context of a downturn in macroeconomic conditions, the main central banks have repositioned their monetary policies. Thus, given that inflationary pressures are relatively contained within the US, and faced with the outlook of an economic downturn, the Federal Reserve cut rates three times throughout 2019 and, furthermore, in order to stall possible cash-flow problems on the market, initiated new bond purchases. The ECB launched a new stimulus package in September 2019, with a 10-bp reduction in the deposit rate (supplemented by a tiering system), new bond purchases (EUR 20 billion a month), lower interest rates for TLTROs (operations offering long-term financing to the financial sector) and it was stated that the stimulus will continue until inflation approaches its target. Although the measures are of a lower magnitude than those of the past, they emphasise that the environment of low rates will be extended for a long period of time.

  - Spain

In 2019, the Spanish economy's growth rate has maintained the trend it began in 2018, and continues along a slight reduction (although it remains above the eurozone's average rate of growth). Thus, Spain's economy have grown 2.0% in 2019 and GDP is expected to rise by 1.5% in 2020. The reason for this slowdown is, on one hand, the aforementioned decline in the international outlook, which has effected the performance of external demand, and, on the other hand, lower growth of domestic demand, as a result of the behaviour of consumers who are warier about the macroeconomic outlook. Similarly, public finances have continued to improve: the public deficit stood at 2.5% of GDP in 2018, a drop of half a point in a year, which brought Spain out of its excessive deficit situation, with the forecast further 2-tenth reduction for cyclical effects this year. However, public debt remains at high levels, close to 100% of the GDP. As this is an overview, it is worth stating that the downside risks surrounding the macroeconomic scenario are not insignificant. Those present in the international setting – such as the trade disputes between the US and China, and the UK's withdrawal process from the EU – feature most prominently. In Spain, the formation of a new coalition government after a year dominated by election dates represents a factor of stability.

- Portugal

  The Portuguese economy has slowed down to a certain extent due to reduced internal demand, in such a way that the growth rate for the whole of 2019 was 1.9%, slightly lower than in 2018 (2.4%). Nonetheless, the overall assessment of the Portuguese financial situation remains positive: the public accounts continue to improve, the job market is prospering, and consumer confidence remains at high levels. The good performance of the economy is reflected in the country's risk premium, which has fallen significantly in 2019. As regards the political arena, the Socialist Party won the elections on 6 October 2019 without reaching an absolute majority. It is expected that economic policy will be a continuation of the previous administration, and thus that public accounts will continue to improve. With this undercurrent, the strong growth rate shown by the real estate market is a source of concern. Although most indicators forecast a gradual moderation, given the importance of non-residents for the sector, the possibility of a sharper correction in the event that the declining international environment generates a risk aversion juncture entailing a withdrawal of foreign investment should not be ruled out.

- **Regulatory changes**

The regulatory outline on which the Group's business model lies is crucial to its development, whether in terms of methodological or management processes. Thus, regulatory analysis represents a key point in the Group's agenda.

The main developments and enquiries open in the field of risks during 2019 are shown below:

- On 21 February 2019 the Congress of Deputies approved the **Property Credit Contract Regulatory Act** (Ley 5/2019 reguladora de los contratos de crédito inmobiliario – LCI), reducing the expenses associated with changes in mortgage contracts and establishing measures to improve transparency in the conditions. Thus the process of transposing the Directive 2014/17/EU of the European Parliament and of the Council closed of 4 February 2014. Similarly, on 26 April the Ministry of Economy and Business completed the CLI with the approval of a **Royal Decree** and a **Ministerial Order**[1] developing aspects as the transparency of information; calculating the financial loss and reference indexes and rates to apply; the training and skills requirements of commercial staff; and the criteria applicable to related marketing.

  CaixaBank – in due time and in a suitable manner – has fulfilled the appropriate measures, carrying out necessary adjustments to internal procedures and standards, and suitably training personnel in order to ensure the correct marketing of the products affected under the standard (see section 3.2.3. Risk Culture).

  - Approval and publication in the Official Journal of the European Union (OJ) of the "***Proposal of CRDV Package***": once the trilogue was completed during first few months of the year, the review started in November 2016 by the European Commission of the "banking package" that covers the texts CRD V, CRR II, BRRD II and SRMR II was approved on 16 April in the plenary session of the European Parliament[2]. The review basically transposes the standards agreed by the Basel Committee on Banking Supervision (prior to the 2017 agreement on the completion of Basel III, the adaptation of which has begun to be addressed as of the second half of 2019). This legislative package entered into force on 27 June 2019, with December 2020 as the deadline for Spain to transpose the directives, whilst the majority of changes included in the CRR II are applicable from June 2021 (December 2020 in the case of the SRMR II).

- **Brexit, Contingency Action Plan**: the Agreement on the Withdrawal of the United Kingdom from the European Union, of 24 January 2020, entered into force on 1 February 2020. The treaty established a transition period until 31 December

[1] Royal Decree 309/2019, of 26 April, which partially enacts Act 5/2019, of 15 March, which governs real estate credit contracts and adopts other financial measures, and Order ECE/482/2019, of 26 April, which amends Order EHA/1718/2010, of 11 June, which governs and controls the advertising of banking services and products, and Order EHA/2899/2011, of 28 October, on the transparency of banking services and customer protection.

[2] The initials refer to the Capital Requirements Regulation and Directive (CRR/CRD), the Bank Recovery and Resolution Directive (BRRD), and the Single Resolution Mechanism Regulation (SRMR).

2020, during which EU legislation will still be applied in the United Kingdom and allowing activities to continue with this country as they have until now. Furthermore, the European Banking Association (EBA), the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have agreed to a memorandum of understanding (MoU) establishing the bases in terms of cooperation and exchange of information between EU authorities and the United Kingdom.

- In the context of the Action Plan to reduce NPLs by the European Council, on 19 June the **EBA** launched the consultation process on its draft **Guidelines on loan origination and monitoring** regarding the granting, monitoring and internal governance of loans, focusing on aspects such as **transparency** and **borrower affordability assessment**. The main goal of the guidelines, which is, in principle, due to come into force in June 2020, is to ensure that institutions have robust and prudent standards for credit risk taking, management and monitoring, and that newly originated loans are of high credit quality, ensuring the possibility of loans becoming non-performing in the future is reduced, while respecting consumers' rights.

  In the interest of maintaining the best standards of the market and consumer protection, CaixaBank has played a special role in analysing the implications of the guidelines subject to consultation and anticipation of the final provision of the standard.

  On 22 August **the ECB published a statement in which it updated its supervisory forecast regarding prudential provisions due to the new non-performing exposures (NPEs)**. The supervisor has adapted its Pillar 2 expectations for certain exposures converted into NPEs starting from 1 April 2018, aligning them on the calendar with the Pillar 1 requirement recently added to the CRR as regards minimum coverage for these NPEs (known as the prudential backstop).

  The Group, aligned with the aim of reducing the current and future accumulation of doubtful positions, has carried out various initiatives, such as the sale of non-productive assets, as well as activities with the aim of improving the early NPL admission and management processes in order to reduce entries and adapt RAF metrics to ensure a comfortable compliance with regulatory requirements.

- **EBA** response, on 5 August and 4 December, to the European Commission's Call of Advice on the assessment of the implementation of the finalisation of Basel III reforms by the Basel Committee on Banking Supervision. Both reports set out policy recommendations: in the fields of credit risk, operational and output floor in the first, and the Fundamental Review of the Trading Book (FRTB), the credit valuation adjustment (CVA) risk framework and an assessment of the macroeconomic impact, in the second. They notably feature, for example, the EBA's negative stance vis-a-vis the maintenance of European specifics as the factor for supporting SMEs in credit risk, and CVA scope exclusions in the field of counterparty credit risk; they are in favour of the implementation –without alterations– of the Basel Committee's proposal.

  On 10 October the European Commission began the reference period, the result of which – together with the EBA's response to the Call of Advice – will be considered in the process of transposition to European standards.

  CaixaBank maintains an active role, both internally and externally, in the debate on the standard, carrying out successive exercises on assessment and contrasting of reasonableness in congruence with the implications and demands of other regulatory deployments.

Strategic events

Strategic Events are the most relevant adverse occurrences that may represent a medium-term threat to the CaixaBank Group. Only events that the entity is exposed to due to causes that are external to its strategy are considered, even if the severity of their impact can be mitigated through management.

In order to be able to anticipate and manage their effects, in this sense, the following most relevant strategic events identified in this financial year are listed below:

- **Uncertainties in relation to the geopolitical and macroeconomic environment**

  Economic perspectives point to a gentle deceleration of economic growth in forthcoming years in Spain, but the loss of trust or the emergence or aggravation of geopolitical events could cause a stronger slowdown than expected. Among other effects, this scenario would lead to diminished demand for loans and advances and the deterioration of credit quality.

Mitigating factors: an event of this nature could have a relevant financial impact. In this regard, the Group understands that such risks are sufficiently managed by its levels of capital and liquidity, validated by compliance with both external and internal stress exercises, and reported in the annual internal capital and liquidity adequacy assessment processes.

- **Persistence of an environment of low interest rates**

Although market expectations suggest the very gradual recovery of interest rates in the years to come, we cannot rule out the possibility that the current environment of ultra-low rates may go on for longer than expected, and that they may even decrease further.

Mitigating factors: the effects of an environment of persistently low interest rates could result in the materialisation of the structural rate risk and the business risk. The Group manages and controls both risks by continually monitoring compliance with the budget, measuring the impact on the economic value of the balance sheet and on the financial margin, according to generally accepted methodologies within the industry, and through the permanent analysis of the offer of new products and services that are betters suited to this environment from a perspective of balancing returns and risk.

- **New competitors with the possibility to disrupt**

There is an expectation that the competence of newcomers will increase, such as Fintechs, Agile Banks, Global Asset Managers and Bigtechs with the potential to disrupt in terms of competence or services. This could lead to the disaggregation and disintermediation of the chain of value, which in turn would lead to an impact on margins and crossed sales, given that we would be competing with more agile, flexible companies with very light cost structures. All of this could be worsened if the regulatory requirements applicable to these new competitors were not the same as those in place for current credit institutions.

Mitigating factors: the Group considers new entrants a threat, whilst also seeing an opportunity for collaboration, learning and stimulus to meet the objectives of digitalisation and business transformation established in the Strategic Plan. The Group periodically monitors the main newcomers and the BigTech movements within the industry. The Group also has Imagin as a first-rate value proposal that it will continue to leverage. With respect to the competition from Bigtechs, the Group is committed to improving the customer experience with the added value resulting from its social sensitivity (bits and trust), whilst suggesting potential collaboration approaches (open banking).

- **Cybersecurity**

The volume and severity of cybersecurity events increased in 2019. In parallel, regulators and supervisors have escalated the priority of this field.

Mitigating factors: the Group is also well aware of the importance and extent of the existing threat, and thus is constantly reviews the technological environment and applications: in its aspects of integrity and confidentiality of information, as well as the availability of systems and business continuity, both with planned reviews and continuous auditing by monitoring the defined risk indicators. Furthermore, the Group is conducting the analyses needed to adapt its security protocols to new challenges, and has defined a new strategic plan for information security, so that it can remain on the cutting edge of information protection in accordance with the best market standards.

- **Risks related to climate change**

Conceptually, the risks associated with climate change are classified as physical risks and transitional risks. The former emerge as a result of climatic and geological events and changes in the balance of ecosystems, and can be gradual or abrupt. They can entail physical damage to assets (infrastructures, properties), disruptions in production or supply and/or changes in the productivity of economic activities (agriculture, energy production). Meanwhile, transitional risks are associated with the fight against climate change and the transition towards a low-carbon economy. They include factors such as regulatory changes, the development of alternative energy-efficient technologies, changes in market preferences or reputational factors associated to activities with a high impact.

Mitigating factors:

- CaixaBank actively manages environmental risks and those associated to climate through the different lines of activity of its Road Map, including:
- Implementing an Environmental Risk Management Policy

- Defining and deploying environmental and climate change governance to supervise fulfilment of the Group's objectives
- Risk Metrics, ensuring that they comply with the risk appetite defined, applicable regulations and stakeholder expectations.
- External Reporting in accordance with applicable regulations and best practices.
- Communication that effectively and transparently provides the information required by stakeholders on this matter.
- Taxonomy: structure and categorise customers, products and services from an environmental and climate change perspective, in accordance with global standards and regulatory requirements currently being developed.
- Business opportunities: ensure that CaixaBank capitalises on current and future business opportunities relating to sustainable funding/investment under the framework of the Environmental Strategy, including the issuance of sustainable and/or green bonds.

Specifically, in relation to modelling physical and transitional risks, since mid-2019, CaixaBank has participated in the second pilot project of UNEP FI to implement the recommendations of the TCFD (Taskforce on Climate-related Financial Disclosures) in the banking sector (TCFD Banking Pilot Phase II) with a focus on developing methodologies and tools to analyse physical and transitional climate-related risk scenarios.

- **Pressure from the legal, regulatory or supervisory environment.**

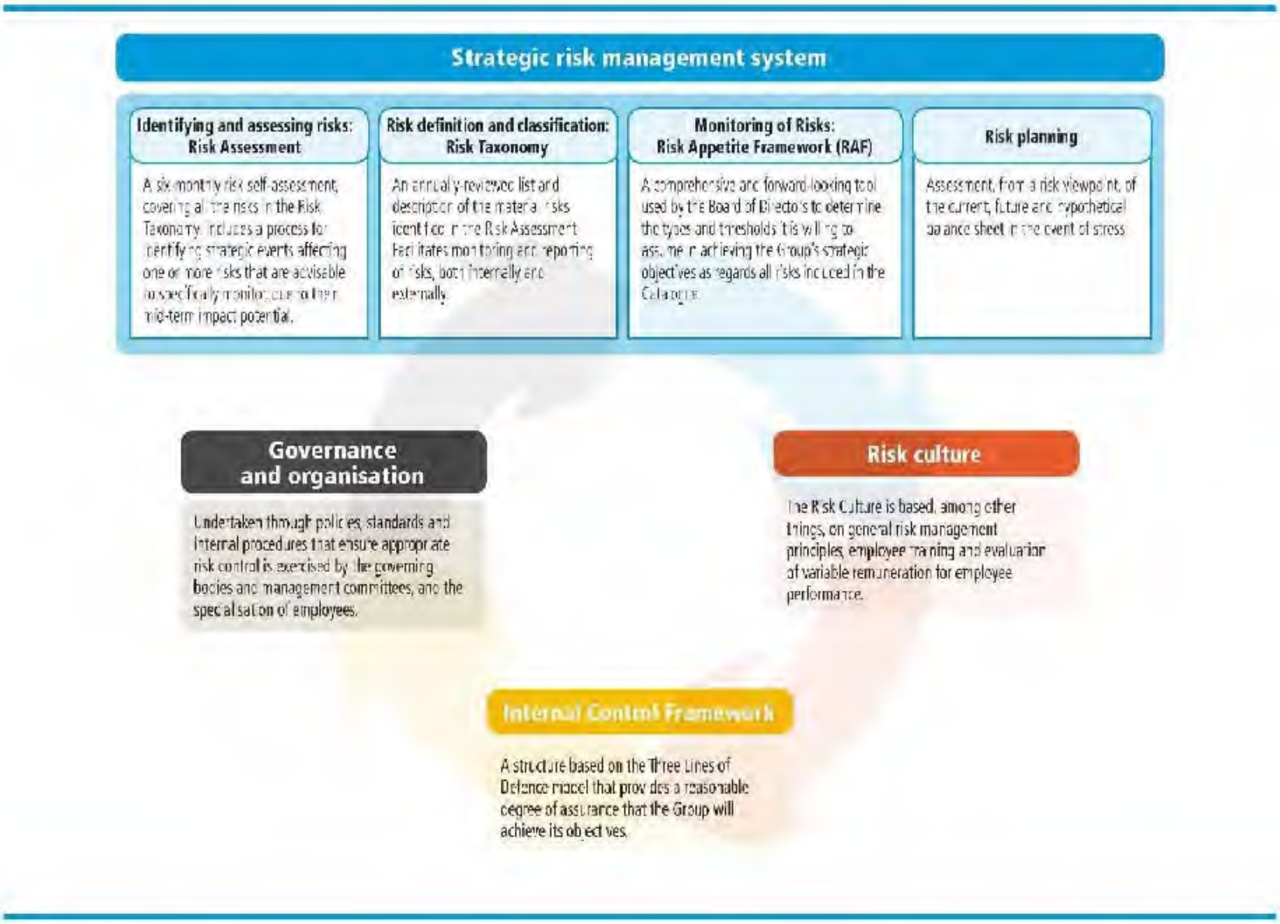
The risk of increased pressure from the legal, regulatory or supervisory environment are some of the risks identified in the risk self-assessment that could entail a higher impact in the short-medium term. Specifically, we have observed a need to continually monitor new legislative proposals and changes to regulations in force, given the high activity of legislators and regulators in the financial sector; there is a greater concern to minimise errors in the consulting processes regarding different legal issues and regulatory interpretation; reducing the lawsuit management shortcomings; and improving the management of the requirements of regulators/supervisors and of the penalty proceedings that may be brought.

Greater concern is also placed on personal data privacy and protection and in compliance with regulations and standards related to activities carried out by employees or agents that may harm the interests and rights of our customers.

Mitigating factors: As part of the risks of the Group Taxonomy, its management and control is regularly monitored. Following on from this, the monitoring indicators of its risk appetite have also been improved by the management and governance bodies.

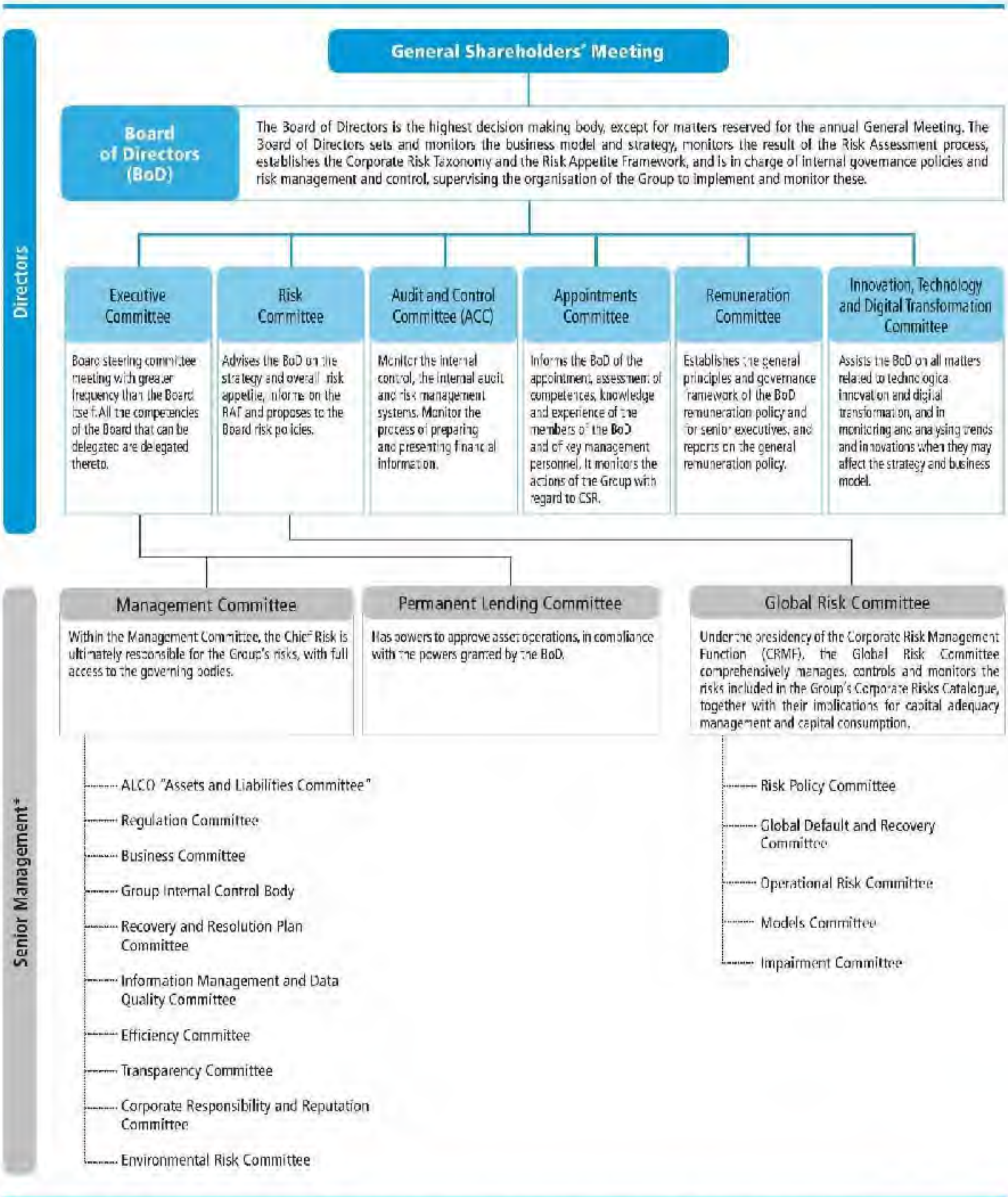
3.2. Risk governance, management and control

The main features of the Entity's risk management and control framework are described below to provide a comprehensive overview thereof:



3.2.1. Governance and organisation

The organisational framework in relation to the governance of the Entity's risk management is presented below:



* 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.

The General Risk Manager is a member of the Steering Committee and is ultimately responsible for coordinating the management, monitoring and control of the Entity's risks, acting independently form the business departments and with full access to the Entity's Governing Bodies.

One of General Management's missions that is relevant in this respect is to lead the implementation of instruments that allow for comprehensive risk management across the full Territorial Network, in collaboration with other areas of the Entity, with a view to ensure a balance between the risks assumed and expected returns.

The *Corporate Risk Management Function*, as the element responsible for the development and implementation of the risk management and control framework and the second line of defence (see Note 3.2.4), acts independently from the risk-taking departments, and has direct access to the Entity's Governance Bodies, in particular the Risk Committee, reporting regularly to its members on the status of the Entity's risk profile and any expected changes thereof.

3.2.2. Strategic risk management system

The Entity has a strategic risk management system in place to identify, measure, monitor, control and report risks that is based on the following processes:

Risk Assessment

The Entity carries out a process of self-assessment of risks every six months, seeking to:

- Identify, assess, classify and internally report significant changes in inherent risks assumed in 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.

The result of this self-assessment 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.
The Risk Assessment is one of the main sources for identifying strategic events (see note *3.1. Environment and risk factors*).

Corporate Risk Taxonomy

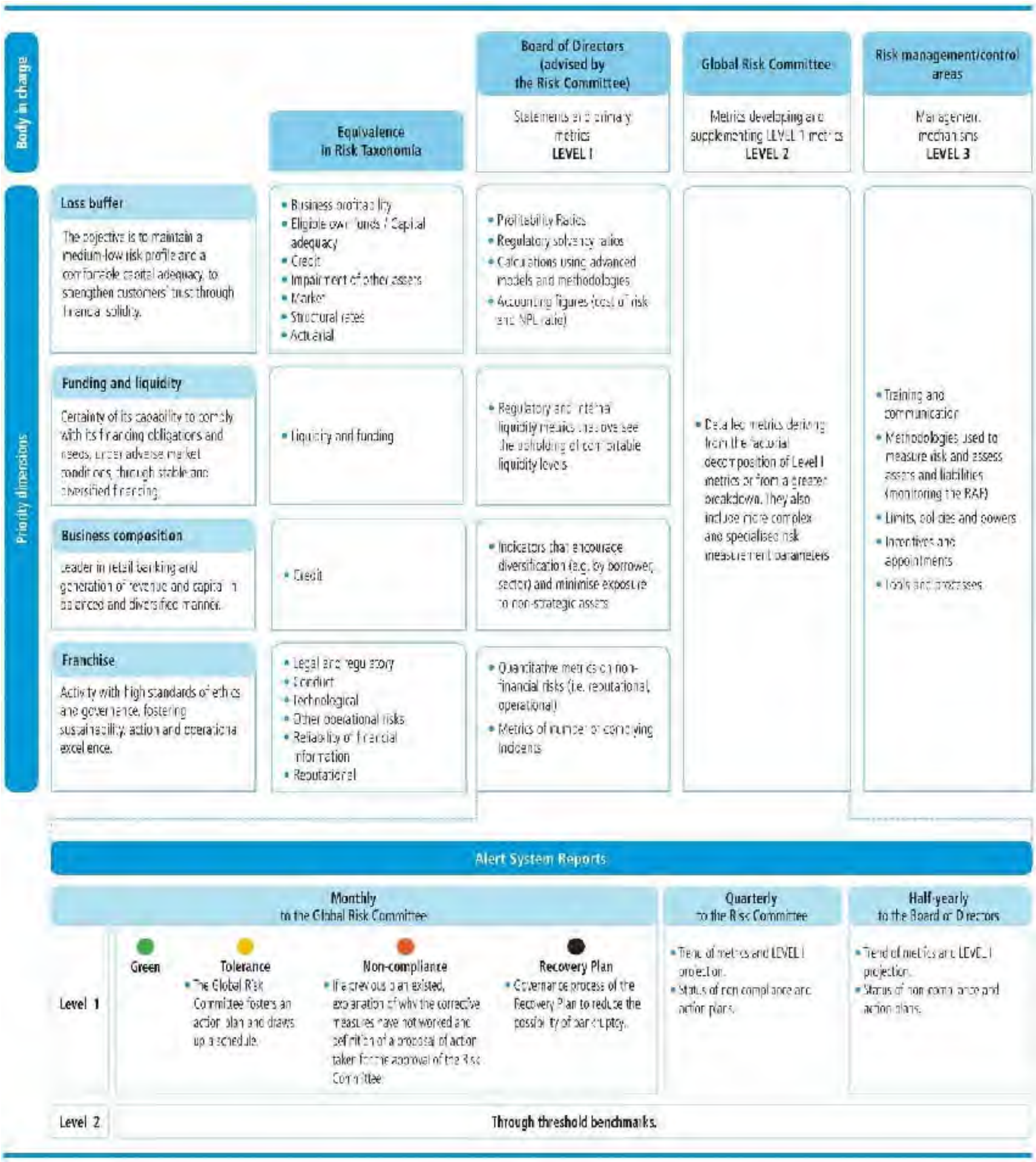
The Entity has a Corporate Risk Taxonomy that helps with the internal and external monitoring and reporting of the risks:

Risks	Description
Business model risks	
Business	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.
Eligible own funds / Capital adequacy	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.
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
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
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.
Market	The value decrease of the assets or value increase of the liabilities included in the trading portfolio, due to fluctuations in rates, exchange rates, credit spreads, external factors or prices on the markets where those assets/liabilities are traded.
Structural rates	Negative impact on the economic value of the balance sheets 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
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.
Reputation and Operational risks	
Legal/Regulatory	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.
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.
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.
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.
Reliability of financial information	Deficiencies in the accuracy, integrity and criteria of the process used when preparing the data necessary to evaluate the financial and equity position of the CaixaBank Group.
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).

The Corporate Risk Taxonomy is subject to ongoing review, particularly on risks of a material impact. The taxonomy 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.

Risk Appetite Framework

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 assume in achieving the Group's strategic objectives. These goals are not only displayed through risk tolerance levels but the RAF also considers minimum risk appetite statements, such as the tax risk monitoring under legal risk covered in the Corporate Risk Taxonomy. The RAF therefore sets the risk appetite for the Bank's activities.



Risk planning

The Entity has institutional processes in place to analyse the evolution of the balance sheet (current, future or hypothetical) in stress scenarios from a risk perspective. To do this, the Entity plans the expected evolution of magnitudes and ratios surrounding the future risk profile, as part of the Strategic Plan in force, which is frequently reviewed.

Additionally, changes in this profile are evaluated for potential stress scenarios, in both internal and regulatory tests (ICAAP, ILAAP, EBA stress tests). In this way, the management team and governing bodies are provided with an overview of the Entity's resilience in the face of internal and/or external events.

3.2.3. Risk Culture

General risk management principles

The general principles guiding risk management at the Entity can be summarised as follows:

- Risk is inherent to the Entity's business
- Risk is the ultimate responsibility of the Board of Directors
- Involvement of the entire organisation
- Management throughout the full cycle of transactions
- Joint decision-making, with an authorisation system always requiring approval by two employees
- Independence of business and operating units
- Approval based on the borrower's repayment ability and an appropriate return.
- The use of standard criteria and tools
- Decentralised decision-making
- Use of advanced techniques
- Allocation of appropriate reserves
- Ongoing training and development of responsibilities.

Training

In the area of Risks, Senior Management defines the content of all training for functions supporting the Board/Senior Management covering specific matters that help high-level decision-making, as well as the rest of the organisation's functions, especially as regards branch network personnel. 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 Entity structures its training offering through its Risks School. It sees training as a strategic tool to provide support to business areas, whilst providing a conduit for disseminating the Entity's risk policies, providing training, information and tools for all of the staff. This proposal comprises a training circuit for specialising in risk management. This is linked to the professional development of the entire workforce from Retail Banking staff through to specialists in any field.

The Entity's main training initiatives in the area of promoting risk culture are detailed below:

RISK CULTURE AND TRAINING

COURSE	TITLE	GROUP TRAINED	NUMBER OF INDIVIDUALS/ YEAR
Basic Banking Risk course *(fourth edition)*	Basic level university qualification	Generalist managers and staff from the business network of branches and other stakeholders who may need a basic knowledge of the organisation’s risk management criteria to carry out their work	272
Postgraduate diploma in Banking Risk Analysis *(seventh edition)*	University diploma	Business network branch deputy managers and managers and other stakeholders who, given their role, may be involved in approving loans or may require in-depth knowledge of risk	318
Specialist training in risks for AgroBank branches *(first edition)*	Speciality	Employees that make up the AgroBank branch network	1,957
Specialist training in risks for BusinessBank branches *(first edition)*	Speciality	Employees that make up the BusinessBank branch network	277
Specialist training in risks for Private Banking branches *(first edition)*	Speciality	Employees that make up the Private Banking network	552
New training in Property Credit Contract Act 5/2019 *(first and second edition)*	University qualification	A refresher course on the new act 5/2019 intended for employees that comprise the Retail, Business and Risk network	9,842

Communication

Promoting the corporate culture of risks is a key element for maintaining a robust and coherent framework in line with the Entity's risk profile. The corporate risk intranet is a particularly relevant tool in this regard, providing a dynamic environment for directly communicating key updates in the risk environment. It is notable for its content on news, institutional information, sector information and training.

Performance assessment and remuneration

As described in the RAF section, the Entity 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 and which are specified in the Annual Remunerations Report.

3.2.4. Internal Control Framework

The Group has an Internal Control Framework in accordance with: i) the EBA Guidelines on Internal Governance of 21 March 2018, implementing internal governance requirements established in Directive 2013/36/EU of the European Parliament, and ii) with other regulatory guidelines on control functions applicable to financial institutions and to the recommendations of the CNMV, which offers a reasonable degree of assurance that the Entity will achieve its objectives.

Additionally, CaixaBank has completed the establishment – in the Group's interest – of general activity principles and criteria in practically all its activity fields, through the approval of the corresponding corporate policies. These policies have been forwarded to the subsidiaries that – within their scope of autonomy and responsibilities – have adapted, applied and developed them, taking into account their applicable specific regulatory field.

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

Corporate risks	First line of defence[1]	Second line of defence: C	Second line of defence: RMF[2] – CRMF	Second line of defence: RMF[2] – CIF	Third line of defence
Business	Accounting, Management Control and Capital EM			●	Internal audit
Eligible own funds / Capital adequacy	Accounting, Management Control and Capital EM			●	Internal audit
Funding and liquidity	Finance EM		●		Internal audit
Credit	Business GM, Risk GM, CIB and International Banking EM, NPL, Recoveries and Foreclosed Assets EM		●		Internal audit
Impairment of other assets	Intervention, Management Control and Capital EM, Legal Advice EM and Foreclosed Assets EM		●	●	Internal audit
Market	Finance EM		●		Internal audit
Structural rate	Finance EM		●		Internal audit
Actuarial	Insurance EM		●		Internal audit
Legal and regulatory	Legal Advice EM	●			Internal audit
Conduct	Business GM, Legal Advice EM, Finance EM and CIB and International Banking EM	●			Internal audit
Technological	Resources EM		●		Internal audit
Other operational risks	Resources EM, Business GM and CIB and International Banking EM		●		Internal audit
Reliability of financial information	Accounting, Management Control and Capital EM		●	●	Internal audit
Reputational	EM of Communication, Institutional Relationships, Brand and CSR and GM of Business	●			Internal audit

(1) Areas of the Management Committee are identified, as well as other specific fields in particular.
(2) Risk Management Function (RMF), comprising the Corporate Risk Management Function & Planning and Internal Financial Control (IFC).
C - Compliance
GM - General Management
EM - Executive Management

First line of defence

It comprises the business lines (risk-taking areas) and supporting functions that bring about the Group's exposure to risks during the course of its activity. They take risks and are responsible for their ongoing management. They are responsible for developing and maintaining effective controls over their businesses, and for identifying, managing and measuring, controlling, mitigating and reporting the main risks that arise throughout their activity. Among other activities, their tasks include the identification, assessment and notification of exposures, considering the bank's risk appetite, the authorised risk limits and policies, procedures and controls in place.

The manner in which the business line carries out its responsibilities must reflect the Bank's current risk culture, as defined by the Board of Directors.

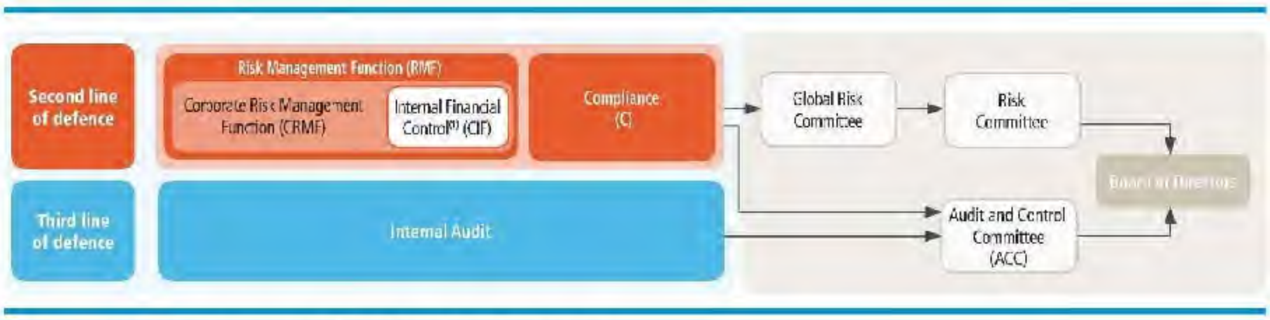
These functions may be embedded in the business units and support areas. However, when a situation's complexity, intensity or need for focus require it, specific control units with greater specialism are set up to ensure that the risks are properly controlled.

Second line of defence

The functions included in the second line of defence act independently of the business units and comprise:

- 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.
- They coordinate the compliance and monitoring of strategic risk management processes: Risk Assessment, the Corporate Risk Taxonomy and the RAF.
- Regular monitoring of the effectiveness of first line of defence indicators and second line of defence indicators, in relation to the established risk profiles.
- Following up control weaknesses that are identified, as well as establishing and implementing Action Plans.
- Performing independent checks on the internal models.

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 Entity are regularly reported to the bodies responsible for the control environment, following the established hierarchy, as well as to supervisory bodies.



(1) Reports to the Financial Accounting, Control and Capital Executive Body.

The second line of defence is organised among the Risk Management Function (RMF) and Compliance. The RMF comprises the following areas:

- Corporate Risk Management Function & Planning (CRMF)

  The CRMF has accountability in the identification, measurement, evaluation, management and reporting of the risks within its area of competence, with a general overview of all of the Entity's risks. For that purpose, all the aspects considered as relevant for exercising its responsibilities that are implemented by second line of defence functions without hierarchical dependency will be reported to the CRMF.

  In addition, on matters that fall within its remit, the CRMF: i) monitors the internal organisation of the second line of defence, general plans and activities, and assessed their effectiveness; ii) oversees the appropriate scaling of the second line of defence in order to ensure effective management of its responsibilities, monitors its objectives as well as improvement projects relating to risk management and monitoring processes and systems; and iii) provides assurance to Management and Governing Bodies that risk control policies and procedures are in place in the organisation, and that they are designed correctly and applied effectively, evaluating the risk control environment. In addition, the CRMF must strengthen coordination mechanisms of Risk Management Units of the first, second and third lines of defence, as necessary.

Model Validation and Risk (MVR)

The CaixaBank Internal Validation Function is carried out by the Model Validation and Risk unit, which reports to the RMF. Its objective is to issue an independent technical report on the suitability of internal models used for internal management purposes, and/or of a regulatory nature, within the Group. Its scope of action includes reviewing the methodological aspects, the integration into management (adaptation of the use of models, among others), verifying the existence of an IT environment with sufficient data quality, and other transversal aspects (such as governance of the model or other documental aspects).

The Validation Function's activities are aligned with regulatory requirements of the various oversight mechanisms.

The findings of any Validation Function review activity are used as the basis for an overall opinion and issuance of recommendations, where necessary.

Additionally, since 2019, the Model Risk Function, located in the same Department, oversees deployment of the Model Risk Management Framework from a transversal perspective, including model identification, their governance and risk model monitoring as key pillars.

- Internal Financial Control (IFC)

  The Internal Financial Control department, which falls within the Executive Financial Accounting, Control and Capital department, is functionally integrated into the RMF and performs functions as the second line of defence in relation to the following risks: i) business profitability; ii) Own funds/Capital adequacy; iii) impairment of other assets; and iv) the reliability of the financial information.

As regards Compliance (C):

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

The Compliance supervision model is based on four main management mechanisms: i) defining and maintaining a detailed taxonomy of risks in each area of activity; ii) Annual compliance plan, where the activities for overseeing and reviewing internal procedures are determined according to their criticality; iii) monitoring gaps (control deficiencies or regulatory breaches) identified, either by the first line of defence, via the activities integrated in the Compliance Plan, or by reports from external experts, reports on the inspections of the supervisory bodies, customer complaints, etc. and improvement Action Plans, which are subject to regular monitoring; 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 develop and transform the Compliance “culture”. This is done by redesigning technology-based processes, through awareness-raising and communication plans conducted throughout the organisation, and through training activities, establishing a compulsory regulatory training plan which is linked to the annual bonus.

Another activity that is undertaken is to ensure that best practices in integrity and rules of conduct are followed. To do this, among other things, a confidential whistle-blowing channel is provided.

Third line of defence

In order to establish and preserve the function's independence, Internal Audit Executive Management functionally reports to the Chair of the Board of Director's Audit and Control Committee, without prejudice to the fact that it must report to the Chairman of the Board of Directors for the due compliance of 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 Entity's activities:
- Compliance with prevailing legislation, especially the requirements of Supervisors and the appropriate application of the defined RAF.
- Compliance with internal policies and regulations, and alignment with best industry practices and uses to ensure appropriate internal governance of the Entity; and

- The reliability and integrity of financial and operational information, including the effectiveness of Internal Control over Financial Reporting (ICFR).

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 shortcomings in controls.
- The validation, monitoring and assessment of the control environment by the second line of defence.

Its functions also include: i) preparing the multi-year Annual Audit Plan 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 conclusions of the work carried out and shortcomings identified to Governing Bodies, Senior Management, external auditors, supervisors and other applicable control and management areas; and iii) adding value by preparing recommendations to address weaknesses detected in reviews and monitoring their implementation by the appropriate centres.

3.3.1. Overview

Credit risk is the most significant risk item on the balance sheet and arises from the banking business, treasury operations and long-term equity investments.

The maximum credit risk exposure of the financial instruments included under the financial instruments headings on the asset side of the balance sheet, including counterparty risk, are set out below:

MAXIMUM EXPOSURE TO CREDIT RISK
(Millions of euros)

	31-12-2019		31-12-2018	
	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING
Financial assets held for trading (Note 10)	**1,075**		**1,008**	
Equity instruments	370		267	
Debt securities	705		741	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 11)	**221**		**473**	
Equity instruments	55		61	
Debt securities			85	
Loans and advances	166		327	
Financial assets at fair value with changes in other comprehensive income (Note 12)	**16,316**		**19,903**	
Equity instruments	1,729		2,857	
Debt securities	14,587		17,046	
Financial assets at amortised cost (Note 13)	**226,511**	**(3,576)**	**227,316**	**(4,394)**
Debt securities	13,992		13,894	
Loans and advances	212,519	(3,576)	213,422	(4,394)
Credit institutions	4,357	(2)	7,488	
Customers	208,162	(3,574)	205,934	(4,394)
Derivatives	**3,699**		**3,752**	
TOTAL ACTIVE EXPOSURE	**247,822**	**(3,576)**	**252,452**	**(4,394)**
TOTAL GUARANTEES GIVEN AND COMMITMENTS*	**83,674**	**(129)**	**76,877**	
TOTAL	**331,496**	**(3,705)**	**329,329**	**(4,394)**

(*) CCF (Credit Conversion Factors) for guarantees given and commitments in loans and advances, at 31 December 2019 and 2018, amount to 58,867 million euros and 49,352 million euros, respectively.

The maximum exposure to credit risk is the gross carrying amount, except in the case of derivatives, which is the exposure value according to the mark-to-market method, which is calculated as the sum of:

- Current exposure: the highest value between zero and the market value of an operation or of a portfolio of operations in a set of operations that can be offset with a counterparty that would be lost in the event of non-payment of the counterparty, assuming that none of the value of the operations will be recovered in the event of insolvency or settlement beyond the collateral received.
- Potential risk: variation of the credit exposure as a consequence of the future changes of the valuations of operations that can be offset with a counterparty during the residual term until maturity.

With respect to its usual activity, the Entity focuses its lending activity on satisfying the funding needs of families and businesses in an environment of a medium-low risk profile, in accordance with the RAF, with the will to maintain leadership in the funding of individuals and SMEs, as well as to strengthen the provision of added value services in the large businesses sector.

The following principles and policies support the credit risk management at the Entity:

- An appropriate relationship between income and the expenses borne by consumers.

- Documentary proof of the information provided by the borrower and the borrower's capital adequacy.
- Pre-contractual information and information protocols that are appropriate to the personal circumstances and characteristics of each customer and operation.
- An appropriate independent assessment of real estate collateral.

3.3.2. 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 solvency and returns and, ultimately, to recovering non-performing assets. Diligent management of each of these stages is essential to successful recovery.

3.3.2.1. Approval and granting

The process for admitting and approving new loans is based on the analysis of four key issues: the parties involved, the purpose of the loan, the ability to repay and the characteristics of the transaction.

The electronic-file-based power system assigns an approval level by default to employees holding a position of responsibility according to the delegation established by Management as the standards associated with their position.

The authority system is based on the study of four key parameters:

- **Amount**: the amount applied for plus any risk already granted. The amount of the operation is defined through two alternative methods according to the sector to which the operations belong:
  - Product-weighted loss: based on the expected-loss calculation formula, it takes into account the risk appetite according to the nature of each product. This system is used for applications where the principal borrower is a legal person.
  - Nominal: it factors in the nominal amount and guarantees of risk operations. It applies to individuals.
- **Guarantee**: the group of assets and/or funds pledged to secure fulfilment of a repayment obligation.
- **General Risk Policy**: raft of policies identifying and assessing the relevant variables of each type of transaction. They mainly involve specific processing with reference to operations of a small relative amount, refinancing, person's alerts, risk monitoring activity, debt ratios and scoring diagnosis.
- **Term:** term of the requested transaction, correlated with the purpose of the transaction. There are specific policies according to the type of operation and its term, which require a higher level of authority for their approval.

In order to streamline the loan approval process for individuals and self-employed workers, there is a risk approval centre that handles applications from individuals and commits to providing a response within 48 hours. In addition, applications are pre-approved in certain cases through specific channels. Furthermore, applications by legal entities are distributed on a regional level via Risk Acceptance Centres (RACs), which manage the applications within their power levels, and transfer them to specialised Central Service centres in the event the application exceeds their powers. Except those that can be approved at branch level or by the Business Area Manager, the risk of operations can only be approved when countersigned by a business manager and risk manager.

In particular, the internal organisation of Business Risk Approvals at Central Services is based on the following specialised structure, according to the type of risk and marketing channel:

- **Corporate Risk**: centralises business groups with annual turnover above EUR 200 million in Corporate centres.
- **Business Risk**: legal persons or business groups with turnover up to EUR 200 million and those with turnover over EUR 200 million not managed by Corporate centres.
- **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 food and agriculture sectors. It also includes self-employed professionals in the farming sector.
- **Project Finance**: includes all transactions presented under the project finance scheme.
- **Institutional Banking**: comprises autonomous or central government institutions, town councils and local institutions in regional capitals or towns with more than 30,000 inhabitants, and members of economic groups or management groups whose representative/parent meets the aforementioned criteria.

- **Sovereign, Country and Financial Institution risk**: responsible for granting and managing country risk and banking risk inherent in funding transactions for the various segments.
- **Individual Risk Approval**: centralises the granting of loans to individuals (retail customers and self-employed professionals, the latter not including self-employed professionals in the farming sector).

Lastly, the Permanent Credit Committee holds the power to approve individual operations up to EUR 100 million, provided the accumulated risk with the customer is equal to or lower than EUR 150 million and, in general, it holds powers to approve operations that involve exceptions to the characteristics of those that can be approved in branches and in the RACs. In the event of exceeding the aforementioned amounts, the power of approval corresponds to the Executive Committee.

On the other hand, there are policies, methods and procedures for studying and granting loans, or responsible lending, as required in Act 2/2011 on Sustainable Economy and Order EHA/2899/2011 on transparency and protection of customers of banking services, or the more recent Property Credit Contract Regulatory Act 5/2019, of 15 March.

For pricing purposes, all the factors associated with the operation will be considered. In other words, costs involving structure, financing, customer historical profitability and expected loss of the operation. In addition to these costs, operations must provide a minimum contribution to economic 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 Chief Business Officer is responsible for approving the prices of the operations. Following on from this, the determination of the prices is subject to a power system focused on obtaining minimum compensation and, additionally, on establishing margins according to different businesses.

3.3.2.2. Mitigation of the risk

The Entity's credit risk management profile is characterised by a prudent granting policy, at a price in keeping with the conditions of the borrower and suitable hedges/guarantees. In any case, long-term operations 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 operation.

For accounting purposes, effective guarantees or collateral are collateral and personal guarantees that can be demonstrated as valid as risk mitigators, according to: i) the amount of time required for their enforcement; ii) the ability to realise the guarantees; and iii) the experience in realising the same. The different types of guarantees and collateral, along with the policies and procedures in their management and assessment, are as follows:

- Personal guarantees: most of these relate to risk operations with companies in which the collateral provided by the shareholders, irrespective of whether they are individuals or legal entities, is considered relevant. For individuals, collateral is estimated on the basis of asset declarations. Where the backer is a legal entity, it is analysed as the borrower for the purposes of the approval process.
- Collateral: the main types of collateral accepted are:
    - Guarantees pledged or set up for the solvency of holders and guarantors: they notably include the pledge of operations of liabilities 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, it is repaid early, or it is derecognised.
    - Mortgage guarantees or those affecting to specific goods: this is a real right on immovable property given as security for 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 to the Bank and the mandatory legal certainty of this documentation.
- The review processes for the appraisals registered, in order to ensure proper monitoring and control of the guarantees. Periodical processes are carried out to contrast and validate appraisal values, with a view to detect potential anomalies in the actions of the appraisal companies used by the Entity.
- The outlay policy, mainly concerning property development and self-development operations.

- The loan-to-value (LTV) of the operation. The capital to be granted in mortgage operations is limited to percentages of the value of the guarantee, which is defined as the lowest of the appraisal value and, if the transaction is a purchase, the value shown on the official deed. IT systems calculate the level of approval required for each type of transaction.
- Credit derivatives: guarantors and counterparty. The Entity occasionally uses credit derivatives, contracted with entities with a high credit level and protected by collateral contracts, to hedge against credit risk.

A breakdown of the guarantees received for the Entity's operations is provided below:

CATEGORISATION BY STAGE OF THE CREDIT INVESTMENT AND AFFECTED GUARANTEES*
(Millions of euros)

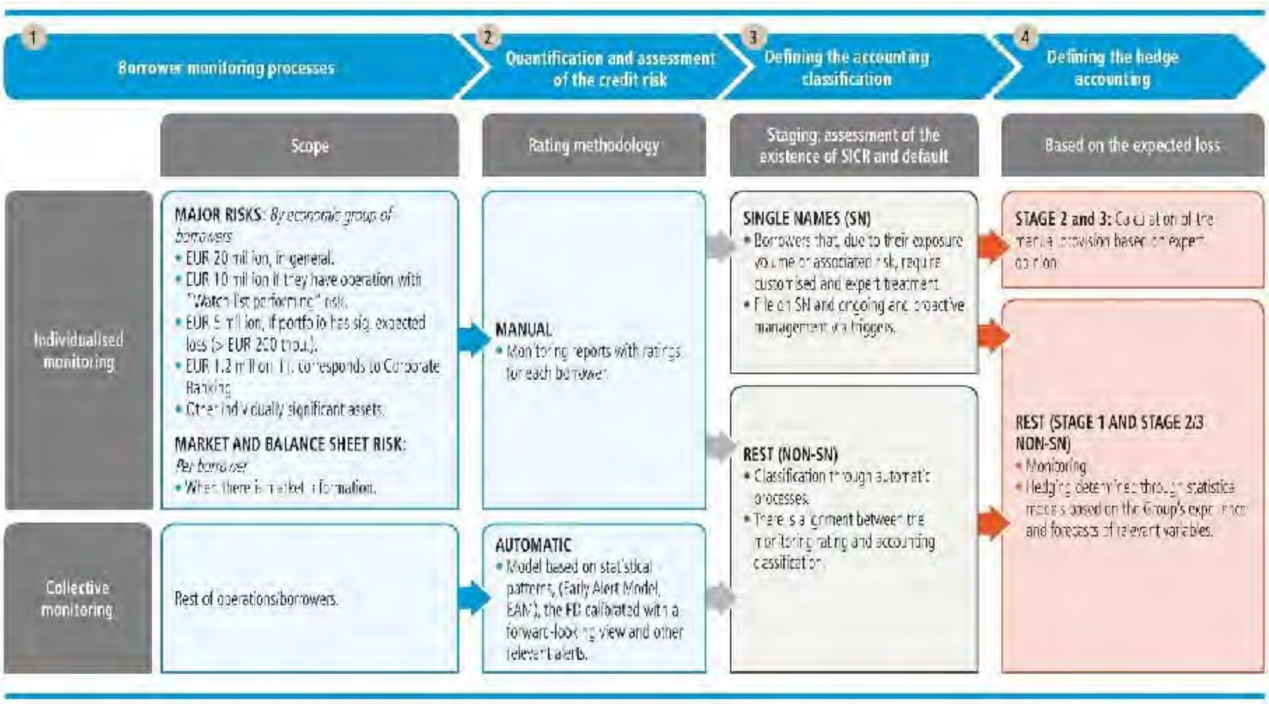
	31-12-2019			31-12-2018		
	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	VALUE OF GUARANTEES **	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	VALUE OF GUARANTEES **
Stage 1:	**185,838**	**(358)**	**276,394**	**180,921**	**(354)**	**278,687**
No collateral associated	85,248	(259)	0	78,620	(206)	0
With real estate collateral	96,195	(93)	270,154	98,970	(144)	274,147
With other collateral	4,395	(6)	6,240	3,331	(4)	4,540
Stage 2:	**13,158**	**(460)**	**20,855**	**13,816**	**(518)**	**23,808**
No collateral associated	3,902	(241)	0	3,651	(244)	
With real estate collateral	9,028	(215)	20,438	9,877	(233)	23,345
With other collateral	228	(4)	417	288	(41)	463
Stage 3:	**7,229**	**(2,751)**	**9,613**	**9,333**	**(3,518)**	**15,239**
No collateral associated	1,796	(1,349)	0	2,169	(1,216)	
With real estate collateral	5,360	(1,368)	9,521	7,083	(2,267)	15,166
With other collateral	73	(34)	92	81	(35)	73
LOANS	206,225	(3,569)	306,862	204,070	(4,390)	317,734
Stage 1	2,103	(5)		2,192	(4)	
ADVANCES	2,103	(5)	0	2,192	(4)	0
TOTAL	**208,328**	**(3,574)**	**306,862**	**206,262**	**(4,394)**	**317,734**

(*) Includes loans and advances to customers under the headings 'Financial assets at amortised cost' (Note 13) and 'Financial assets not designated for trading compulsorily measured at fair value through profit or loss' (Note 11)
(**) The value of the guarantee is the lower amount of the collateral and the loan value, except for non-performing loans, in which it is fair value.

On the other hand, counterparty risk mitigation measures are specified in section 3.3.5.

3.3.2.3. Monitoring and measurement of credit risk

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



<u>*① Borrower monitoring processes*</u>

The aim is to determine the quality of the risk assumed with the borrower ("Monitoring Rating") and actions that need to be taken according to the result, including the estimation of impairment. The targets of risk monitoring are the borrowers that hold 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 prepared based on the type and specific nature of the exposure, segregated into differentiated areas, in accordance with the various credit risk measurement methods.

The *Monitoring Rating* is an assessment of each customer's situation and 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).

According to the scope of monitoring and rating relating to the borrowers, monitoring can be:

- **Individualised:** applied to exposures of a significant amount and/or that have specific characteristics. The monitoring of major risks leads to the issuance of group monitoring reports, concluding in a monitoring rating for the borrowers in the group.
- **Collective:** 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.

  Similarly, the EAM and PD models are subject to the Model Policy of the Entity and they must fulfil the requirements included therein.

② *Quantification and assessment of 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): This is the average or mathematical expectation of potential anticipated losses calculated by multiplying the three following factors: probability of default (PD), exposure at default (EAD) and loss given default (LGD).
- **Unexpected loss**: potential unforeseen loss caused by variability in losses with respect to the estimated expected loss. It can occur due to sudden changes in cycles or alterations in risk factors, and the dependence between the credit risk for the various debtors. Unexpected losses have a low probability and large amount, and should be absorbed by the Entity's own funds. The calculation of unexpected loss is also mainly based on the operation's PD, EAD and LGD.

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

- **EAD:** 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).

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

- **PD**: the Entity 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 operations (approval scorings) and take account of the debtor’s characteristics, information deriving from the customer relationship, internal and external alerts, as well as the specific characteristics of the operation to determine its probability of default.
  - Customer-oriented tools assess the debtor’s probability of default. They comprise behavioural 'scoring' models for monitoring the risk of individuals and ratings or companies.

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

    As regards large corporations, the Entity has models that require the expert judgement of analysts and 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 in this segment were built in line with the Standard & Poor’s methodology, enabling the public global 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 corporations, which is updated at least annually, or in the event significant events that can alter credit quality. For legal entities, the financial statements and qualitative information is updated periodically to achieve the maximum level of coverage of the internal rating.

- **LGD**: quantifies the unrecoverable debt in the event of customer 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 allow different loss given defaults to be obtained based on the guarantee, the loan to value ratio (LTV), 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. An estimate is also made of the indirect expenses (office staff, infrastructure costs and similar) associated with the recovery process. In the case of large corporations, loss given default also includes elements of expert judgement, coherent with the rating model.

In addition to regulatory use to determine the Entity'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 calculation tool, pricing tools, customer pre-qualification tools, as well as in monitoring tools and alert systems.

③ *Defining the accounting classification*

The accounting classification of operations with credit risk among the different Stages of IFRS 9 is defined in the event of a default and/or significant increase in credit risk (SICR) since the operation's initial recognition.

It will be considered that there has been an SICR –and therefore the operations will be classified as Stage 2– when there are weaknesses that may involve assuming significantly higher losses than expected at the time the loan is granted. To identify weaknesses in operations and borrowers, the Entity has the monitoring and rating processes described in ②. The following shall be considered a weakness: a significant deterioration in the monitoring rating or a relative increase of relevant PD with respect to the start of the operation.

In addition, the following operations will be classified as Stage 2: i) operations included in sustainability agreements that have not reached the end of their trial period; ii) refinancing, refinanced or restructured operations that should not be reclassified as non-performing and that are still in the trial period; iii) operations made by insolvent borrowers that should not be classified as Stage 3 or write-offs; and iv) operations with amounts past due of over 30 days, unless proven otherwise.

Unless they are identified as refinancing, refinanced or restructured operations, those that no longer meet the conditions to qualify for Stage 2 will be classified as Stage 1.

With respect to refinancing, refinanced or restructured operations that classify as Stage 2 due to failing to proceed to classify them as Stage 3 on the date of refinancing or restructuring or due to having been reclassified from the Stage 3 category, they will remain identified as Stage 2 for a probationary period until they meet all the following requirements: i) it is concluded that they are unlikely to have financial difficulties and therefore it is highly probable 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 operations 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 operations that the borrower complies with other objective criteria that demonstrate their 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 operation will be classified at Stage 3 when – regardless of the borrower and the guarantee – there is an amount overdue (capital, interests or contractually agreed costs) by more than 90 days, as well as the operations of all other holders when operations with past due amounts of over 90 days account for more than 20% of the amounts pending collection.

Operations classified in 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 borrower for other reasons.

Additionally, the following operations will be classified as Stage 3: i) operations with legally demanded balances; ii) operations in which the collateral execution process has been initiated; iii) operations made by insolvent borrowers that should not be classified as write-offs; iv) refinancing, refinanced or restructured operations 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) operations with borrowers who, after an individualised review, 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 operation 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 operation 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) furthermore, regular payments must have been made 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 operations that the borrower complies with other objective criteria that demonstrate their payment capacity; and iv) one of the borrowers must have no other operations with past due amounts for more than 90.

The exposures of borrowers declared subject to bankruptcy proceedings without an application for liquidation shall be reclassified to Stage 2 if the borrower has paid at least 25% of the credit from the entity that is 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 of evidence 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 Entity has developed triggers, for borrowers and for the operation, which are grouped according to the sector to which they belong, since the latter conditions the type of information required to analyse the credit risk and the sensitivity to the evolution of variables indicative of the depreciation. 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 operations in Stage 2 or Stage 3:

  - Global triggers:
    - Financial difficulties of the issuer or debtor: subjective doubtful triggers (i.e. unfavourable financial information on the debtor, measured via various ratios on their 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 (declaration of insolvency).
    - Market triggers. There are triggers referring to identifying financial difficulties of the debtor or issuer, referring to breaches of contractual clauses or to the disappearance of an active market for the financial security.

- 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 expert calculation of the specific provision is used.

- **Other contracts (not Single Name):** as previously stated, when the borrower's monitoring rating has significantly deteriorated or when there is a relative increase of relevant PD with respect to the start of the operation, the Entity proceeds to classify the contract at accounting Stage 2. For these purposes, the classification is revised on a monthly basis, using the most recent monitoring rating and PD classification, which are also updated at least monthly.
  All other classification criteria in Stage 2 or Stage 3 are also revised monthly.

④ *Determining the accounting hedge*

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 forward-looking information.

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

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

The Entity estimates the expected credit losses of an operation so that these losses reflect:

- a weighted and non-biased amount, determined through the assessment of a series of possible results;
- the time value of the money, and
- 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 hedging calculation method is set according to whether the borrower is individually significant and its accounting category.

- If, in addition to being individually significant, the customer has operations that are non-performing (whether for reasons of delinquency or for other reasons) or in Stage 2, the specific allowances for the non-performing operations will be estimated through a detailed analysis of the status the borrower and the expected flows, which will be assessed using discounted future cash flow models based on forecasts that estimate the customer's capacity to generate future flows from their activities.

- 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, models are used to estimate the PD; 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) 12-month Euribor and iv) changes in property prices. In this regard, the Entity generates a base scenario, as well as a range of potential scenarios that allow it to make weighted adjustments of expected loss estimates, based on probability.

The calculation process is structured in two steps:

- Setting the basis for the calculation of allowances, in two steps:
    - 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.
    - Calculation of the recoverable value of the effective guarantees 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 the basis for the calculation of allowances:

  This calculation factors in the probability of the borrower defaulting on the operation 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 Entity may use the default coverage rates established in the current national regulations.

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 way in which the categories into which the operations can be classified are processed. In other words, the hedging level for an operation must be higher than the hedging 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 include 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 (Life-time/Forward-looking) transformation parameter mode

Incorporation of forward-looking information into the expected loss models

The projected variables considered are as follows:

FORWARD-LOOKING MACROECONOMIC INDICATORS (*)
(% Percentages)

	2020	2021	2022
GDP growth			
Baseline scenario	1.5	1.5	1.4
Upside range	2.3	2.6	1.9
Downside range	0.6	0.3	0.9
Unemployment rate			
Baseline scenario	12.6	11.5	10.3
Upside range	12.1	10.0	8.4
Downside range	13.6	13.7	12.9
Interest rates (**)			
Baseline scenario	(0.30)	(0.11)	0.29
Upside range	(0.25)	0.08	0.54
Downside range	(0.35)	(0.35)	(0.30)
Evolution of property prices			
Baseline scenario	3.2	3.0	2.9
Upside range	4.7	5.8	4.9
Downside range	1.2	(0.4)	0.9

(*) Source: CaixaBank Research
(**) Euribor 12M is used (average of the period).

The weighting of the scenarios considered in each of the financial years is as follows:

PROBABILITY OF OCCURRENCE OF THE CONSIDERED SCENARIOS
(% percentages)

	BASELINE SCENARIO	UPSIDE SCENARIO	DOWNSIDE SCENARIO
Spain	40	30	30

In accordance with the principles of the applicable accounting standard, the hedging level factors in a forward-looking (12-month) or life-time vision, according to the accounting classification of the exposure.

The Entity has carried out a sensitivity exercise on the expected loss based on the changes of the key hypotheses applied in isolation to calculate the expected loss. Along these lines, the estimated sensitivity to a change in the GDP growth forecast, as the most relevant macroeconomic figure, for the following twelve months is shown below:

ANALYSIS ON SENSITIVITY TO EXPOSURE
(Millions of euros)

	VARIATION IN EXPECTED LOSS IN SPAIN
GDP growth *	
+0.5%	(59)
-0.5%	59

(*) Calculation of sensitivity focused on GDP that, due to its nature, allows for the effect of the other aggregated macroeconomic indicators to be collected, as a result of their high level of interdependence.

The models and the estimates on macro-economic variations are periodically reviewed to detect possible impairment in the quality of the measurements. This continual risk assessment provides information on the distribution of risk exposure in the various portfolios with respect to creditworthiness, expressed as a probability of default.

3.3.2.4. NPL management

Given the mechanisms of the Entity's credit risk cycle, the quality in the risk approval and monitoring processes guarantees compliance with the conditions set out when operations are granted that generate exposure to this risk. Thus, although the positions requiring activation of alternative management circuits are scant, the recovery activity is a top priority in the Entity's risk management, particularly in recent years, given the goal of both curtailing the current volume of non-performing positions as well as the future generation thereof. In this sense, it has strengthened the governance model and the operational framework on the management of problematic assets, and has a comprehensive view of the whole life cycle associated with the default recoveries process and management of foreclosed assets.

The branch network is responsible for managing NPLs and recoveries, starting out as a preventive activity before default or before an obligation falls due, and ends with recovery or definitive write-off. The disaggregated nature and specialisation of the branch network make it possible to gain knowledge of customers' situations and to detect the first indications of impairment in solvency, thus allowing appropriate measures to be adopted more diligently. Following on from this, the operations and their associated guarantees are monitored and, where applicable, claims are brought to recover the debt according to the following principles: i) prevention with the early detection of default risk; ii) activities intended to help the customer find solutions to situations of payment irregularities, considering its relationship; and iii) the utmost anticipation to reach a better stance to deal with the debtor and other creditors.

Knowledge of and proximity to the customer enable especially vulnerable social situations to be managed in a differentiated way, frequently caused by an adverse macroeconomic environment experienced years ago. In this regard, the Entity adheres to the Code of Good Practice for the viable restructuring of debt with mortgage collateral on a usual residence, included in Royal Decree-Law 6/2012 and its subsequent modifications, on measures to strengthen the protection of mortgagors, debt restructuring and social renting. In this field, it has developed an Aid Plan and customised solutions for customers who are undergoing current economic hardships, who are willing to collaborate and have good historic behaviour. All these actions contribute to better progress of the default rate and strengthen the Entity's connection and commitment to its customers.

The Entity's policies and strategies in relation to problematic assets in the property development segment

The underlying criterion guiding the Entity’s management of problematic assets in the property development segment is to help borrowers meet their obligations.

First, with the commitment of shareholders and the borrower, the Group studies the possibility of granting grace periods so that the financed land can be developed, ongoing property development can be finalized and finished units can be sold. The analysis places special importance on the feasibility of projects, thereby avoiding a higher investment for real estate whose sale is not reasonably assured.

With regard to refinancing operations, the aim is to add new guarantees to reinforce those already in place. The policy is to not exhaust the current margin of value provided by the initial guarantees with further mortgages.

Lastly, when there is no reasonable possibility that the borrower can continue to maintain its position, the mortgaged asset is acquired. The acquisition price is calculated by relying on an appraisal conducted by an appraisal firm registered on the Bank of Spain's official register. When the acquisition price is lower than the outstanding debt, the loan is written down to the foreclosure value.

Foreclosed assets

BuildingCenter is the Entity's company that is responsible for holding real estate assets in Spain, primarily coming from regularisations of the Entity's lending activity through any of the following channels: 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 real estate 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 approved internal rules.

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

- Individual sale: through Servihabitat Servicios Inmobiliarios, with which there is a servicing contract until 31 December 2023, for multi-channel marketing activities via 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 Entity's strategy includes institutional transactions to sell 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.
- In-house property development: restricted to very specific transactions where the asset’s quality and characteristics mean that developing the asset is the clearest and most secure means to recovering the investment.
- 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 institutional sale.

The table below shows foreclosed assets by source and type of property:

FORECLOSED REAL ESTATE ASSETS 31-12-2019

(Millions of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT **	*OF WHICH: FROM FORECLOSURE*	NET CARRYING AMOUNT
Real estate acquired from loans to real estate constructors and developers	**56**	**(17)**	***(3)***	**39**
Buildings and other completed constructions	39	(12)	(2)	27
Homes	26	(7)	(1)	19
Other	13	(5)	(1)	8
Buildings and other constructions under construction	6	(1)	0	5
Homes	2	(1)	0	1
Other	4	0	0	4
Land	11	(4)	(1)	7
Consolidated urban land	7	(2)	(1)	5
Other land	4	(2)	0	2
Real estate acquired from mortgage loans to homebuyers	**141**	**(19)**	**(12)**	**122**
Other foreclosed real estate assets or received in lieu of payment of debt	**68**	**(15)**	**(4)**	**53**
Foreclosed equity instruments of real estate asset holding companies or received in lieu of payment of debt	**9,056**	**(6,560)**		**2,496**
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	**3,562**			**3,562**
TOTAL	**12,883**	**(6,611)**	***(19)***	**6,272**

(*) Includes foreclosed assets classified as 'Tangible assets – Investment property' amounting to EUR 12 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 142 million, net.

(**) The total amount of debt associated with foreclosed assets amounts to 389 million euros, and the total write-offs of said portfolio amounts 175 million euros, 51 million euros of which are value corrections recorded on the balance sheet.

FORECLOSED REAL ESTATE ASSETS 31-12-2018*

(Millions of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT **	*OF WHICH: FROM FORECLOSURE*	NET CARRYING AMOUNT
Real estate acquired from loans to real estate constructors and developers	**72**	**(19)**	**(4)**	**53**
Buildings and other completed constructions	52	(14)	(2)	38
Buildings and other constructions under construction	6	(1)	(1)	5
Land	14	(4)	(1)	10
Real estate acquired from mortgage loans to homebuyers	**186**	**(25)**	**(12)**	**161**
Other real estate assets or received in lieu of payment of debt	**82**	**(21)**	**(6)**	**61**
Foreclosed equity instruments of real estate asset holding companies or received in lieu of payment of debt	**9,056**	**(6,422)**	**0**	**2,634**
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	**3,750**	**0**	**0**	**3,750**
TOTAL	**13,146**	**(6,487)**	***(22)***	**6,659**

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 13 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 213 million, net.

(**) Cancelled debt associated with the foreclosed assets totalled EUR 489 million and total write-downs of this portfolio amounted to EUR 214 million, EUR 64 million of which are impairment losses recognised in the balance sheet.

3.3.2.5 Refinancing policies

The Entity has a detailed customer debt refinancing policy that contains the same general principles issued by the EBA for this type of operation.

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 provision for impairment at the date of the change is made. Therefore, as these transactions are correctly classified and valued according to the Entity's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

Refinancing

The breakdown of refinancing by economic sector is as follows:

REFNANCING OPERATIONS - 31-12-2019

(Millions of euros)

	WITHOUT COLLATERAL		WITH COLLATERAL				
					MAXIMUM AMOUNT OF THE COLLATERAL		IMPAIRMENT DUE TO CREDIT RISK (*)
	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	19	172	415	68	47	0	(5)
Other financial corporations and individual entrepreneurs (financial business)	26	3	7	1	1	0	(1)
Non-financial corporations and individual entrepreneurs (non-financial business)	1,527	1,516	10,563	1,566	1,260	10	(879)
Of which: Financing for real estate construction and development (including land)	*56*	*18*	*3,054*	*587*	*438*	*0*	*(118)*
Other households	8,390	239	80,119	4,288	3,628	8	(751)
TOTAL	**9,962**	**1,930**	**91,104**	**5,923**	**4,936**	**18**	**(1,636)**
Of which: in Stage 3							
Public administrations	13	3	137	12	7	0	(5)
Other financial corporations and individual entrepreneurs (financial business)	19	0	6	1	1	0	0
Non-financial corporations and individual entrepreneurs (non-financial business)	838	770	7,027	851	632	6	(799)
Of which: Financing for real estate construction and development (including land)	*33*	*8*	*1,899*	*277*	*194*	*0*	*(83)*
Other households	4,932	149	46,179	2,687	2,134	4	(680)
TOTAL STAGE 3	**5,802**	**922**	**53,349**	**3,551**	**2,774**	**10**	**(1,484)**
Memorandum items: Financing classified as non-current assets held for sale (*)		0		0			

(*) Corresponds to "Non-current assets and disposal groups classified as held for sale".

REFINANCING OPERATIONS 31-12-2018

(Millions of euros)

	WITHOUT COLLATERAL		WITH COLLATERAL				
					MAXIMUM AMOUNT OF THE COLLATERAL		IMPAIRMENT DUE TO CREDIT RISK (*)
	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	
Public administrations	21	127	445	72	40	0	(10)
Other financial corporations and individual entrepreneurs (financial business)	28	19	7	2	2	0	(13)
Non-financial corporations and individual entrepreneurs (non-financial business)	1,637	1,546	11,323	2,463	1,725	14	(1,325)
Of which: Financing for real estate construction and development (including land)	*60*	*35*	*3,274*	*892*	*628*	*2*	*(252)*
Other households	8,993	247	85,882	4,746	4,028	10	(829)
TOTAL	**10,679**	**1,939**	**97,657**	**7,283**	**5,795**	**24**	**(2,177)**
Of which: in Stage 3							
Public administrations	13	6	144	15	3	0	(10)
Other financial corporations and individual entrepreneurs (financial business)	20	13	6	1	1	0	(13)
Non-financial corporations and individual entrepreneurs (non-financial business)	880	896	7,383	1,595	945	7	(1,232)
Of which: Financing for real estate construction and development (including land)	*35*	*24*	*1,995*	*558*	*339*	*2*	*(222)*
Other households	5,182	169	48,513	2,903	2,298	5	(757)
TOTAL STAGE 3	**6,095**	**1,084**	**56,046**	**4,514**	**3,247**	**12**	**(2,012)**
Memorandum items: Financing classified as non-current assets held for sale (*)		0		0			

(*) Corresponds to "Non-current assets and disposal groups classified as held for sale".

3.3.3. Concentration risk

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

The Entity has developed mechanisms to systematically identify its overall exposure with regard to a particular customer, product type, geographic location and economic sector. Wherever it is considered necessary, limits on relative exposures have been defined, under the RAF.

Concentration in customers or in "major risks"

The Entity monitors and ensures compliance with the regulatory limits (25% of eligible own funds) and the concentration risk appetite thresholds. At year-end, no breach of the defined thresholds had been observed.

Geographical and counterparty concentration

Similarly, CaixaBank monitors and reports – to the management and governance bodies – 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, that complement the other positions of the Entity and of the secured investment and pension funds.

Risk by geographic area is as follows:

CONCENTRATION BY GEOGRAPHICAL LOCATION 31-12-2019
(Millions of euros)

	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	26,334	11,070	14,252	407	605
Public administrations	35,358	31,696	2,448	1,088	126
Central government	25,578	21,916	2,448	1,088	126
Other public administrations	9,780	9,780			
Other financial corporations and individual entrepreneurs (financial business)	27,652	24,522	3,005	9	116
Non-financial corporations and individual entrepreneurs (non-financial business)	95,662	79,043	10,315	4,493	1,811
Real estate construction and development (including land)	5,644	5,642	1		1
Civil engineering	4,328	3,682	357	289	
Other	85,690	69,719	9,957	4,204	1,810
Large corporations	55,171	42,329	8,133	3,233	1,476
SMEs and individual entrepreneurs	30,519	27,390	1,824	971	334
Other households	98,371	96,926	879	148	418
Home purchase	80,630	79,365	827	137	301
Consumer lending	7,869	7,851	10	3	5
Other	9,872	9,710	42	8	112
TOTAL	**283,377**	**243,257**	**30,899**	**6,145**	**3,076**

CONCENTRATION BY GEOGRAPHIC LOCATION 31-12-2018
(Millions of euros)

	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	33,310	17,082	14,921	422	885
Public administrations	39,076	36,345	1,712	898	121
Other financial corporations and individual entrepreneurs (financial business)	26,871	22,695	4,117	55	4
Non-financial corporations and individual entrepreneurs (non-financial business)	90,086	79,007	6,076	3,459	1,544
Other households	102,567	100,272	1,800	155	340
TOTAL	**291,910**	**255,401**	**28,626**	**4,989**	**2,894**

The breakdown of risk in Spain by Autonomous Community is as follows:

CONCENTRATION BY AUTONOMOUS COMMUNITY 31-12-2019

(Millions of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	OTHER (*)
Central banks and credit institutions	11,070	223			1	2	364	9,855		21	487	117
Public administrations	31,696	988	181	158	287	371	3,871	1,938	412	706	570	298
Central government	21,916											
Other public administrations	9,780	988	181	158	287	371	3,871	1,938	412	706	570	298
Other financial corporations and individual entrepreneurs (financial business)	24,522	106	1	7	2	22	1,641	22,537	31	35	123	17
Non-financial corporations and individual entrepreneurs (non-financial business)	79,043	5,801	2,525	2,335	1,161	1,608	16,575	32,230	1,346	5,170	3,995	6,297
Real estate construction and development (including land)	5,642	630	199	237	21	163	1,338	2,086	171	389	163	245
Civil engineering	3,682	231	63	98	65	67	842	1,489	106	185	176	360
Other	69,719	4,940	2,263	2,000	1,075	1,378	14,395	28,655	1,069	4,596	3,656	5,692
Large corporations	42,329	1,234	1,322	949	259	452	6,844	23,643	408	1,944	2,688	2,586
SMEs and individual entrepreneurs	27,390	3,706	941	1,051	816	926	7,551	5,012	661	2,652	968	3,106
Other households	96,926	15,560	3,788	5,396	2,377	3,408	28,586	14,723	3,020	7,598	3,244	9,226
Home purchase	79,365	12,270	3,168	4,758	1,993	2,893	22,364	12,547	2,589	6,320	2,786	7,677
Consumer lending	7,851	1,373	306	352	176	209	2,754	929	216	598	213	725
Other	9,710	1,917	314	286	208	306	3,468	1,247	215	680	245	824
TOTAL	**243,257**	**22,678**	**6,495**	**7,896**	**3,828**	**5,411**	**51,037**	**81,283**	**4,809**	**13,530**	**8,419**	**15,955**

CONCENTRATION BY AUTONOMOUS COMMUNITY 31-12-2018

(Millions of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	OTHER (*)
Central banks and credit institutions	17,082	133			2	1	495	15,958	1	94	265	133
Public administrations	36,345	1,133	145	193	192	264	3,986	1,894	533	661	657	364
Other financial corporations and individual entrepreneurs (financial business)	22,695	54	2	9	5	56	1,576	20,651	17	138	172	15
Non-financial corporations and individual entrepreneurs (non-financial business)	79,007	5,798	2,009	2,330	1,227	1,595	16,701	32,982	1,333	4,958	3,652	6,422
Other households	100,272	16,428	3,880	5,671	2,502	3,530	29,063	15,289	3,195	7,872	3,273	9,569
TOTAL	**255,401**	**23,546**	**6,036**	**8,203**	**3,928**	**5,446**	**51,821**	**86,774**	**5,079**	**13,723**	**8,019**	**16,503**

(*) Includes autonomous communities that combined represent no more than 10% of the total

Concentration by economic sector

Risk concentration by economic sector is subject to the RAF limits, differentiating between private business economic activities and public sector financing, and the channels of the internal report defined therein. Particularly, for the private business sector, a maximum concentration limit in any economic sector is established by aggregating the accounting positions recognised, excluding treasury repo/depo operations and those of the trading portfolio.

Loans to customers by activity were as follow (excluding advances):

CONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS - 31-12-2019

(Millions of euros)

	TOTAL	OF WHICH: MORTGAGE COLLATERAL	OF WHICH: OTHER COLLATERAL	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	9,797	*412*	*13*	62	125	121	54	63
Other financial corporations and individual entrepreneurs (financial business)	11,506	*324*	*834*	920	162	53	4	19
Non-financial corporations and individual entrepreneurs (non-financial business)	83,574	*19,858*	*3,057*	9,574	7,443	3,492	1,383	1,023
Real estate construction and development (including land)	5,474	*4,953*	*34*	1,335	1,806	880	629	337
Civil engineering	4,007	*474*	*35*	236	150	60	47	16
Other	74,093	*14,431*	*2,988*	8,003	5,487	2,552	708	669
Large corporations	46,097	*4,126*	*1,660*	2,747	1,483	1,082	274	200
SMEs and individual entrepreneurs	27,996	*10,305*	*1,328*	5,256	4,004	1,470	434	469
Other households	97,779	*88,314*	*747*	28,025	32,576	21,534	4,339	2,587
Home purchase	80,623	*79,515*	*225*	23,802	29,763	20,074	3,864	2,237
Consumer lending	7,867	*3,276*	*239*	1,759	1,050	498	132	76
Other	9,289	*5,523*	*283*	2,464	1,763	962	343	274
TOTAL	**202,656**	***108,908***	***4,651***	**38,581**	**40,306**	**25,200**	**5,780**	**3,692**
Memorandum items: Refinancing, refinanced and restructured transactions	6,217	*5,035*	*30*	938	1,220	1,894	608	406

ONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS - 31-12-2018

(Millions of euros)

	TOTAL	OF WHICH: MORTGAGE COLLATERAL	OF WHICH: OTHER COLLATERAL	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	10,141	435	11	46	140	162	34	64
Other financial corporations and individual entrepreneurs (financial business)	9,912	*350*	*583*	607	239	77	9	1
Non-financial corporations and individual entrepreneurs (non-financial business)	77,586	*20,302*	*2,244*	8,717	7,536	3,645	1,209	1,439
Other households	102,041	92,197	782	27,941	34,604	23,580	4,607	2,247
TOTAL	**199,680**	**113,284**	**3,620**	**37,311**	**42,519**	**27,464**	**5,859**	**3,751**
Memorandum items: Refinancing, refinanced and restructured transactions	7,045	5,908	48	1,088	1,502	2,195	744	427

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE
(Millions of euros)

	31-12-2019			31-12-2018		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Loan type and status						
Public administrations	9,384	379	40	9,786	321	46
Other financial corporations	11,448	61	3	9,895	16	16
Loans and advances to companies and individual entrepreneurs	77,556	5,258	2,655	70,165	5,729	4,148
Real estate construction and development (including land)	8,183	996	622	7,876	1,150	1,070
Other companies and individual entrepreneurs	69,373	4,262	2,033	62,289	4,579	3,078
Other households	87,450	7,460	4,531	91,075	7,750	5,123
Home purchase	73,249	5,418	2,947	76,079	5,685	3,352
Other	14,201	2,042	1,584	14,996	2,065	1,771
TOTAL	**185,838**	**13,158**	**7,229**	**180,921**	**13,816**	**9,333**

DETAIL OF LOANS AND ADVANCES TO CUSTOMERS DUE TO A SITUATION OF ARREARS AND RATES
(Millions of euros)

	31-12-2019	31-12-2018
By arrears status		
Of which: default on payment of less than 30 days or up to date on payments	202,020	198,761
Of which: default on payment between 30 and 60 days	539	560
Of which: default on payment between 60 and 90 days	155	203
Of which: default on payment between 90 days and 6 months	467	473
Of which: default on payment between 6 months and 1 year	594	605
Of which: default on payment of more than 1 year	2,450	3,468
By interest rate type		
Fixed	56,577	48,751
Floating	149,648	155,319

BREAKDOWN OF HEDGES OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE
(Millions of euros)

	31-12-2019			31-12-2018		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Public administrations			(6)			(12)
Other financial corporations	(4)	(1)	(1)	(1)		(14)
Loans and advances to companies and individual entrepreneurs	(221)	(226)	(1,448)	(192)	(297)	(1,967)
Real estate construction and development (including land)	(29)	(62)	(229)	(36)	(59)	(450)
Other companies and individual entrepreneurs	(192)	(164)	(1,219)	(156)	(238)	(1,517)
Other households	(133)	(233)	(1,296)	(161)	(221)	(1,525)
Home purchase	(68)	(122)	(801)	(104)	(126)	(982)
Other	(65)	(111)	(495)	(57)	(95)	(543)
TOTAL	**(358)**	**(460)**	**(2,751)**	**(354)**	**(518)**	**(3,518)**
Of which: identified individually		*(52)*	*(444)*		*(78)*	*(967)*
Of which: identified collectively	*(358)*	*(408)*	*(2,307)*	*(354)*	*(440)*	*(2,551)*

Concentration according to credit quality

The methodology applied to assign credit ratings to fixed income issuances is based on:

- Fixed-income instruments: the regulatory banking criteria defined in the CRD IV regulation and the CRR on capital requirements, and therefore, the second best rating of all those available is used, if more than two ratings are available.
- Loan portfolio: certification of the internal classifications to the Standard & Poor's methodology.

On 31 December 2019, the rating of Spanish sovereign debt was A, and A- in 2018.

The risk concentration according to credit quality of credit risk exposures associated with debt instruments for the Entity, at the end of the financial year, is stated as follows:

CONCENTRATION ACCORDING TO CREDIT QUALITY - 31-12-2019
(Millions of euros)

	FA AT AMORTISED COST (NOTE 13)				FA HELD FOR TRADING (NOTE 10)	FA NOT HELD FOR TRADING * - DEBT SEC. (NOTE 11)	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME (NOTE 12)	LOAN COMMITMENTS AND FINANCIAL GUARANTEES (NOTE 24)		
	LOANS AND ADVANCES TO CUSTOMERS									
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.				STAGE 1	STAGE 2	STAGE 3
AAA/AA+/AA/AA-	29,075	24			7		932	10,451	6	
A+/A/A-	25,687	87		10,167	369		9,774	8,823	21	
BBB+/BBB/BBB-	30,968	249		3,024	244		3,542	17,998	279	
INVESTMENT GRADE	**85,730**	**360**		**13,191**	**620**		**14,248**	**37,272**	**306**	
Allowances for impairment losses	*(251)*	*(2)*					*(2)*	*(7)*		
BB+/BB/BB-	37,685	2,461	1		7		29			
B+/B/B-	11,402	5,894	10					14,795	571	
CCC+/CCC/CCC-	462	2,081	66	5				5,318	1,124	1
No rating	52,496	2,362	7,152	796	78		312	3,016	186	347
NON-INVESTMENT GRADE	**102,045**	**12,798**	**7,229**	**801**	**85**		**341**	**23,129**	**1,881**	**348**
Allowances for impairment losses	(112)	(458)	(2,751)					*(14)*	*(5)*	*(50)*
TOTAL	**187,412**	**12,698**	**4,478**	**13,992**	**705**		**14,587**	**60,401**	**2,187**	**348**

DEBT SEC.: debt securities; FA: Financial assets
(*) Compulsorily measured at fair value through profit or loss

CONCENTRATION ACCORDING TO CREDIT QUALITY 31-12-2018
(Millions of euros)

	FA AT AMORTISED COST (NOTE 13)				FA HELD FOR TRADING (NOTE 10)	FA NOT HELD FOR TRADING * - DEBT SEC. (NOTE 11)	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME (NOTE 12)	LOAN COMMITMENTS AND FINANCIAL GUARANTEES (NOTE 24)		
	LOANS AND ADVANCES TO CUSTOMERS									
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.				STAGE 1	STAGE 2	STAGE 3
AAA/AA+/AA/AA-	28,859	66					880	9,977	10	
A+/A/A-	26,571	226		10,140	623		10,187	9,048	30	
BBB+/BBB/BBB-	29,850	300		1,827	117		5,904	15,428	35	
INVESTMENT GRADE	**85,280**	**592**		**11,967**	**740**		**16,971**	**34,453**	**75**	
Allowances for impairment losses	*(157)*	*(5)*						*(5)*		
BB+/BB/BB-				305			37			
B+/B/B-	38,294	1,387		30				14,646	179	
CCC+/CCC/CCC-	14,057	3,775	5					5,226	567	1
No rating	45,155	8,061	9,328	1,592	1	85	38	1,845	888	387
NON-INVESTMENT GRADE	**97,506**	**13,223**	**9,333**	**1,927**	**1**	**85**	**75**	**21,717**	**1,634**	**388**
Allowances for impairment losses	*(201)*	*(513)*	*(3,518)*					*(26)*	*(25)*	*(78)*
TOTAL	**182,428**	**13,297**	**5,815**	**13,894**	**741**	**85**	**17,046**	**56,170**	**1,709**	**388**

DEBT SEC.: debt securities.
FA: Financial assets
(*) Compulsorily measured at fair value through profit or loss

Concentration according to sovereign risk

The Entity's position in sovereign debt is subject to the Institution's general risk-taking policy, which ensures that all positions taken are aligned with the target risk profile.

- The position in public, regional and local debt is subject to the general concentration and country risk limits established. Regular control procedures are in place for preventing new positions in countries in which there is a high risk concentration, unless express approval is given by the pertinent authority.

- For fixed-income securities, a framework is in place regulating the solvency, liquidity and geographic location of all of the fixed-income issues and any similar transaction implying payment in cash for the buyer and the assumption of the issuer's credit risk or related collateral. This control is exercised during the risk acceptance phase and throughout the life of the position in the portfolio.

- Public debt positions held on the Treasury Desk are subject to the framework for market risk control and limits.

The carrying amounts of the main items related to sovereign risk exposure for the Entity are detailed below:

EXPOSURE TO SOVEREIGN RISK 31-12-2019
(Millions of euros)

COUNTRY	RESIDUAL MATURITY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING *	FL HELD FOR TRADING - SHORT POSITIONS
Spain	Less than 3 months	903	39	97		
	Between 3 months and 1 year	5,406	50	159		(61)
	Between 1 and 2 years	4,567	65	2,701		(78)
	Between 2 and 3 years	4,093	57	4,762	112	(103)
	Between 3 and 5 years	2,264	48	1,121		(42)
	Between 5 and 10 years	2,524	98	720		(54)
	Over 10 years	1,739	8			(10)
	TOTAL	21,496	365	9,560	112	(348)
Italy	Less than 3 months		1			
	Between 3 months and 1 year					
	Between 1 and 2 years		2			
	Between 2 and 3 years					(3)
	Between 3 and 5 years		59	268		(10)
	Between 5 and 10 years		16	1,182		(14)
	Over 10 years		29	885		(26)
	TOTAL		107	2,335		(53)
US	Between 3 and 5 years			923		
	TOTAL			923		
Portugal	Less than 3 months		4			
	Between 3 months and 1 year					
	Between 1 and 2 years		1			
	Between 2 and 3 years					
	Between 3 and 5 years					
	Between 5 and 10 years					
	Over 10 years					
	TOTAL		5			
Other (**)	Less than 3 months	101		1		
	Between 3 months and 1 year	2				
	Between 1 and 2 years	16				
	Between 2 and 3 years					
	Between 3 and 5 years	63				
	Between 5 and 10 years	109				
	Over 10 years					
	TOTAL	291		1		
TOTAL COUNTRIES		**21,787**	**477**	**12,819**	**112**	**(401)**

FA: Financial assets; FL: Financial liabilities; FV: Fair value
(*) Compulsorily measured at fair value through profit or loss
(**) Exposure to the United Kingdom is not significant

EXPOSURE TO SOVEREIGN RISK 31-12-2018
(Millions of euros)

COUNTRY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING *	FL HELD FOR TRADING - SHORT POSITIONS
Spain	21,391	605	13,886	273	(331)
Italy		18	1,163		(16)
US			880		
Portugal	285	3			
Others(**)	380		2		
TOTAL COUNTRIES	**22,056**	**626**	**15,931**	**273**	**(347)**

FA: Financial assets; FL: Financial liabilities; FL: Financial liabilities
(*) Compulsorily measured at fair value through profit or loss
(**) Exposure to the United Kingdom is not significant

3.3.4. Information regarding financing for real estate construction and development, home purchasing, and foreclosed assets

The main data regarding financing for real estate development, home purchasing and foreclosed assets are discussed below.

Financing for real estate construction and development

The tables below show financing for real estate developers and developments, including developments carried out by non-developers, business in Spain:

FINANCING ALLOCATED TO REAL ESTATE CONTSTRUCTION AND DEVELOPMENT - 31-12-2019
(Millions of euros)

	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	CARRYING AMOUNT	EXCESS OVER THE MAXIMUM RECOVERABLE VALUE OF COLLATERAL
Financing for real estate construction and development (including land)	**5,764**	**(205)**	**6**	**848**
Of which: Non-performing	*439*	*(132)*	*0*	*148*
Memorandum items: Asset write-offs	*2,385*			
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	*188,796*			

FINANCING FOR REAL ESTATE CONSTRUCTION AND DEVELOPMENT 31-12-2018
(Millions of euros)

	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	CARRYING AMOUNT	EXCESS OVER THE MAXIMUM RECOVERABLE VALUE OF COLLATERAL
Financing for real estate construction and development (including land)	**5,998**	**(422)**	**5,576**	**897**
Of which: Non-performing	*856*	*(340)*	*516*	*354*
Memorandum items: Asset write-offs	*2,783*			
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	*188,195*			

The amounts shown in the tables above do not include funding extended by the Entity to its subsidiary companies, as follows:

FUNDING EXTENDED TO GROUP REAL ESTATE COMPANIES
(Millions of euros)

	CARRYING AMOUNT	
	31-12-2019	31-12-2018
Finance to Group subsidiaries	**3,562**	**3,750**
BuildingCenter	*3,562*	*3,750*

The tables below show the breakdown of financing for real estate developers and developments, including developments carried out by non-developers (business in Spain), by collateral:

FINANCING FOR REAL ESTATE DEVELOPERS AND DEVELOPMENTS BY COLLATERAL
(Millions of euros)

	GROSS AMOUNT	
	31-12-2019	31-12-2018
Without mortgage collateral	**559**	**471**
With mortgage collateral	**5,205**	**5,527**
Buildings and other completed constructions	3,370	3,774
Homes	2,277	2,556
Other	1,093	1,218
Buildings and other constructions under construction	1,371	1,185
Homes	1,307	1,056
Other	64	129
Land	464	568
Consolidated urban land	351	346
Other land	113	222
TOTAL	**5,764**	**5,998**

The following table presents financial guarantees given for real estate construction and development, including the maximum level of exposure to credit risk (i.e. the amount the Entity could have to pay if the guarantee is called on).

FINANCIAL GUARANTEES
(Millions of euros)

	31-12-2019	31-12-2018
Financial guarantees given related to real estate construction and development	**107**	**93**
Amount recognised under liabilities	0	0

The table below provides information on guarantees received from real estate development loans by classification of customer insolvency risk:

GUARANTEES RECEIVED FOR REAL ESTATE DEVELOPMENT TRANSACTIONS
(Millions of euros)

	31-12-2019	31-12-2018
Value of collateral	**13,362**	**13,542**
Of which: Guarantees non-performing risks	*810*	*1,369*
TOTAL	**13,444**	**13,626**

(*) The value of the guarantee is the lower amount of the collateral and the loan value, except for non-performing loans, in which it is fair value.

Financing for home purchases

The breakdown of home-purchase loans (business in Spain), as well as the annual financing granted to purchase homes from credit streamlining at the end of these financial years, is as follows:

LOANS GRANTED TO BUYERS OF FORECLOSED HOMES CREDIT
(Millions of euros)

	2019	2018
Financing granted in the year	190	527
Average percentage financed	92%	90%

Home purchase loans with mortgage at these dates by the loan-to-value (LTV) ratio, based on the latest available appraisal, are as follows:

HOME PURCHASE LOANS BY LTV
(Millions of euros)

	31-12-2019		31-12-2018	
	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*
Not real estate mortgage secured	**650**	***6***	**749**	***7***
Real estate mortgage secured, by LTV ranges (*)	**76,367**	***2,657***	**79,599**	***3,033***
LTV ≤ 40%	21,675	*204*	21,326	*220*
40% < LTV ≤ 60%	28,430	*361*	29,956	*406*
60% < LTV ≤ 80%	18,935	*533*	20,636	*584*
80% < LTV ≤ 100%	3,981	*512*	4,325	*583*
LTV > 100%	3,346	*1,047*	3,356	*1,240*
TOTAL	**77,017**	***2,663***	**80,348**	***3,040***

(*) LTV calculated based on the latest available appraisals. The ranges for non-performing transactions are updated in accordance with prevailing regulations.

3.3.5. Counterparty risk generated by transactions with derivatives, repos, securities lending and deferred settlement transactions

3.3.5.1. Monitoring and measurement of counterparty risk

Counterparty risk, being part of credit risk, quantifies the losses derived from the counterparty's potential default before the cash flows are definitively settled. It is calculated for transactions involving derivative instruments, repo agreements, securities lending and deferred settlement.

The approval of new transactions involving counterparty risk in CaixaBank is subject to an internal framework that enables rapid decision-making about assuming such risk, for both financial and other counterparties. Accordingly, in its business with financial institutions, the Entity has a credit approval system in place, in which the maximum authorised exposure to credit risk with an institutions (including counterparty risk) is determined by a complex calculation, mainly based on the institution's ratings and an analysis of its financial statements. In transactions with other counterparties, including retail customers, derivative transactions relating to asset applications (loan interest rate risk hedging) are approved jointly with the application. 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 loan analysis and approval.

CaixaBank has put in place a specific internal framework for risk with Central Counterparties (CCPs), specifying how the limits for such entities are determined, and how exposure is calculated to determine the available balance on this limit.

The definition of limits for counterparty risk is complemented by internal concentration limits, mainly for country and large exposure risks.

Counterparty risk relating to derivative transactions is quantitatively associated with the related market risk. Similarly, the equivalent credit exposure for derivatives is understood as the maximum potential loss over the life of an operation that the bank might incur should the counterparty default at any time in the future. This is calculated using Monte Carlo simulation with portfolio effect and offsetting of positions, as applicable, at a 95% confidence interval, based on stochastic models incorporating the volatility of the underlying and all of the characteristics of the operations.

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. In general, the methodology for calculating counterparty risk exposure described above is applied during the acceptance of new operations and in recurrent calculations on subsequent days.

Counterparty risk in the Entity 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.

3.3.5.2. Mitigation techniques for counterparty risk

The main risk mitigation policies and techniques employed for counterparty risk with financial entities involve:

- ISDA/CMOF contracts. Standardised contracts for global derivative operations 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.
- CSA contracts / CMOF appendix III. Agreements whereby each of the parties undertake to provide collateral (usually a cash deposit) as security 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.
- GMRA/ CME/ GMSLA contracts (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.
- 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 operations subject to the clause, or reducing the counterparty's counterparty risk exposure.
- Delivery-versus-payment in securities settlement systems. Systems that eliminate settlement risk with a counterparty, since clearing and settlement occur simultaneously and in an inseparable fashion. One major system is the CLS system for delivery-versus-payment in the case of simultaneous collection and payment flows in different currencies.
- 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 derivative 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 contracts, CSA contract/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 operation.

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 debtor. 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.

3.3.6. Risk associated with the investee portfolio

The risk associated with equity investments (or "investees"), which in terms of regulations is included under credit risk for investments that are not classified in the held-for-trading portfolio, but which is individually included in the Corporate Taxonomy 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 caused by adverse movements in market prices, potential sales or investee insolvency with a medium to long-term horizon.

The way in which each share is methodologically processed for capital consumption will depend on: 1) the accounting classification of the share, for investments classified in the portfolio at fair value with changes in other comprehensive income, the calculation is carried out using the internal VaR model; and 2) the longevity strategy, for investments intended to be held on a long-term basis and, in some cases, there is a long-term link in their management, the most significant risk is credit risk, and, therefore, the PD/LGD approach is used whenever possible. If the requirements for applying the aforementioned methods are not met and/or there is not sufficient information, the simple risk-weight approach is applied in accordance with current regulations. In any case, for certain cases laid down in the regulation, the capital consumption will be subjected to potential deductions from own funds or a fixed weighting of 250%, as is the case for the significant financial investments.

As regards management, controlling and financial analysis of the main investees are performed through specialists exclusively responsible for monitoring changes in economic and financial data and for understanding and issuing alerts in the event of changes in regulations and fluctuations in competition in the countries and sectors in which the investees operate. These financial analysts also liaise with listed investees' investor relations departments and gather the information, including reports by third parties (e.g. investment banks, rating agencies) needed for an overall outlook of possible risks to the value of the shareholdings.

In general, with the most significant shareholdings, both the estimates of and actual data on investees' contributions to income and shareholders' equity (where applicable) are updated regularly. In these processes, the outlook for securities markets and analysts' views (e.g. recommendations, target prices, ratings, etc.) are shared with Senior Management for regular comparison with the market.

3.4. Market risk

3.4.1. Overview

The Entity identifies market risk as the loss in value of assets or the increase in value of liabilities including in the trading portfolio due to fluctuations in interest rates, exchange rates, credit spread, external factors or prices on the markets where said assets/liabilities are traded.

The market risk includes almost all the Entity's trading portfolio, as well as the deposits and repos arranged by trading desks for management.

Risk factors are managed according to the return-risk ratio determined by market conditions and expectations, the limits structure and the authorised operating framework.

3.4.2. Market risk cycle

3.4.2.1. Monitoring and measurement of market risk

On a daily basis, the responsible departments monitor the contracts traded, calculate how changes in the market will affect the positions held (daily marked-to-market results), quantify the market risk taken, monitor compliance with global limits and analyse the ratio of actual return to the risk undertaken. With the results obtained from these activities, they produce a daily report on position, risk quantification and the utilisation of risk thresholds, which is distributed to Senior Management, the officers in charge of its management, Model Validation and Risk and the Internal Audit division.

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

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.

Value-at-risk (VaR)

The benchmark market risk measurement is VaR at 99% with a one-day time horizon for which the RAF defines a limit for trading activities of EUR 20 million (excluding the economic hedging CDS for the CVA, recognised for accounting purposes in the held-for-trading portfolio). Daily VaR is defined as the highest of the following three calculations:

- Parametric VaR with a covariance matrix deriving from a 75-day window of history, giving more weight to recent observations. The parametric VaR technique is based on volatilities 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, which calculates 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%. Historical VaR is an extremely 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 that can be modelled using normal statistical distribution. Historical VaR is also an especially suitable technique since it includes non-linear relationships between the risk factors.

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.

Total VaR results from the aggregation of 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.

The table below shows the average 1-day VaR at 99% attributable to the various risk factors at CaixaBank. The consumption levels are moderate and are concentrated on corporate debt spread, risk in the interest rate curve, which includes the credit spread on sovereign debt, and share price volatility risk. The risk amounts for other factors have less significance.

PARAMETRIC VaR BY RISK FACTOR
(Millions of euros)

	TOTAL	INTEREST RATE	EXCHANGE RATE	SHARE PRICE	INFLATION	COMMODITY PRICE	CREDIT SPREAD	INTEREST RATE VOLATILITY	EXCHANGE RATE VOLATILITY	SHARE PRICE VOLATILITY
Average VaR 2019	1.23	0.37	0.14	0.23	0.25	0.00	0.46	0.07	0.11	0.35

The highest levels, up to a maximum of EUR 2.2 million, were reached in November, due to the punctual increase in the sensitivity of the portfolio from variations in inflation levels.

At BPI, the standard measurement for market risk is 10-day parametric VaR at 99%. In 2019, the average 1-day VaR and maximum 1-day VaR at 99% for BPI trading activities was EUR 0.06 million and EUR 0.16 million, respectively.

Additional measures to VaR

As an analysis measurement, the Entity 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 breach of positions in fixed-income instruments and credit derivatives in the trading portfolio, with a confidence level of 99.9%, a one-year time horizon, and a quarterly liquidity horizon, which is justified by the high liquidity of portfolio issuances. The estimate is made using Monte Carlo simulation of possible future states of external rating of the issuer and the issuance, based on transition matrices published by the main ratings agencies, where dependence between credit quality variations between the different issuers is modelled using Student's t-distribution.

The maximum, minimum and average values of these measurements in this year, as well as their value at the close of the period of reference, are shown in the following table.

SUMMARY OF RISK MEASUREMENTS
(Millions of euros)

	MAXIMUM	MINIMUM	MEDIUM	LAST
1-day VaR	2.2	0.7	1.2	1.2
1-day Stressed VaR	10.5	2.7	5.5	5.2
Incremental risk	28.2	5.5	15.0	12.7

Capital requirements for market risk are determined using internal models as the sum of the 3 previous measurements, with a time horizon of 10 market days. It is displayed below:

CAPITAL REQUIREMENTS
(Millions of euros)

	LAST VALUE	60-DAY AVERAGE	EXCEEDED	MULTIPLIER	CAPITAL
10-day VaR	3.9	4.9	0	3	14.7
10-day Stressed VaR	16.4	16.6	0	3	49.9
Incremental risk	12.7	14.8	-	-	14.8
TOTAL (*)					**79.3**

(*) Charges for VaR and stressed VaR are identical and correspond to the maximum between the last value and the arithmetic mean of the last 60 values, multiplied by a factor depending on the number of times the actual daily result was less than the estimated daily VaR. Similarly, capital for Incremental Risk is the maximum of the last value and the arithmetic mean of the preceding 12 weeks.

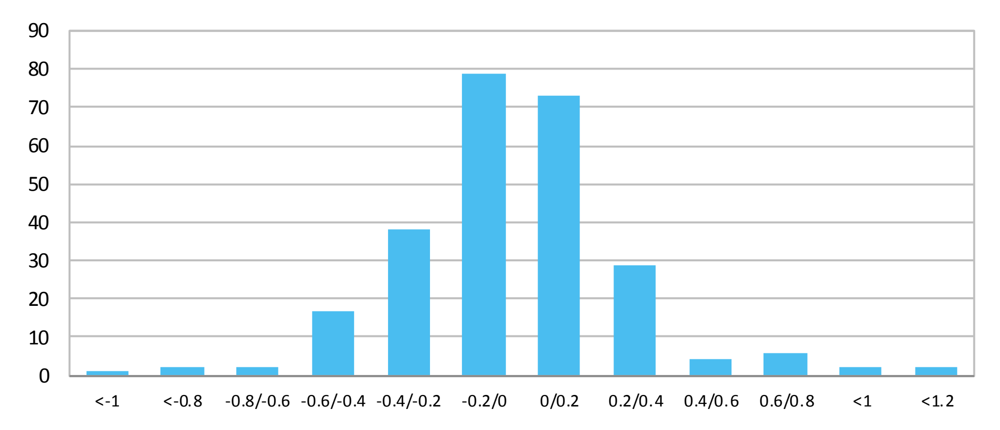
Backtesting

To confirm the suitability of the estimates of the internal model, daily results are compared against the losses estimated under the VaR technique, which is what is referred to as backtesting. The risk estimate model is checked in two ways:

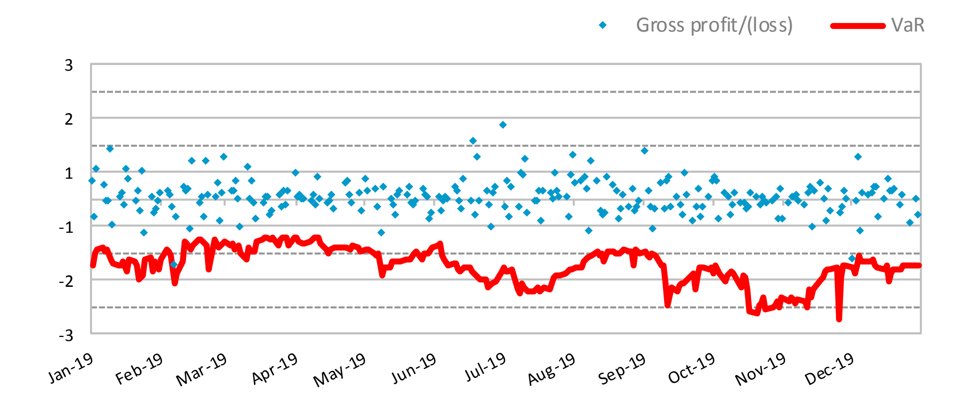
- Though net or hypothetical backtesting, which relates the portion of the daily marked-to-market result of open positions at the close of the previous session to estimated VaR over a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This backtesting is the most appropriate means of performing a self-assessment of the methodology.
- Gross (or actual) backtesting, which compares the total result obtained during the day (including intraday transactions) to VaR for a time horizon of one day, 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.

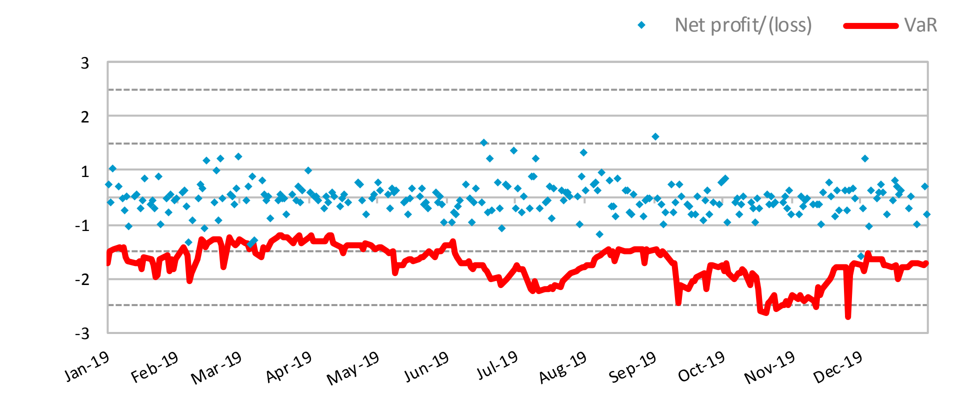
During the year, there were no excesses in the gross and net backtesting exercises:



Distribution of the profit/(loss) of trading activities in 2019
(Frequency in number of days. Millions of euros)



Distribution of the daily gross profit/(loss) vs daily VaR
(Millions of euros)



Distribution of the daily net profit/(loss) vs daily VaR
(Millions of euros)

Stress test

Lastly, 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 (rising and falling); changes at various points of the slope of the interest rate curve (steepening and flattening); variation of the spread between the instruments subject to credit risk and government debt securities (bond-swap spread); shifts in the EUR/USD curve differential; 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.
- **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.

Based on the set of measures described above, the management of market risk on trading positions in markets is in accordance with the methodological and monitoring guidelines.

3.4.2.2. Mitigation of market risk

As part of the required monitoring and control of the market risks taken, there is a structure of overall VaR limits complemented by the definition sublimits, 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 return/risk ratio determined by market conditions and expectations, always within the assigned limits.

Beyond the trading portfolio, fair-value hedge accounting is used, which eliminates potential accounting mismatches between the balance sheet and statement of profit or loss caused by the different treatment of hedged instruments and their hedges at market values. In the area of market risk, limits for each hedge are established and monitored, in this case expressed as ratios between total risk and the risk of the hedged items.

3.5. Operational risk

3.5.1. Overview

Operational risk is defined as the possibility of incurring losses due to the failure or unsuitability of processes, people, internal systems and external events. The overall objective of managing this risk is to improve the quality of business management, supplying relevant 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, in accordance with the regulatory framework established, and the optimisation of capital consumption.

The overall objective comprises a number of specific objectives:

- To identify and anticipate existing and/or emerging operational risks.
- To adopt measures to sustainably mitigate and reduce operational losses.
- To ensure the organisation's long-term continuity.
- To promote the establishment of systems for the ongoing 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.

3.5.2. Operational risk cycle

Although the standard method is used to calculate regulatory capital, the Entity's operational risk measurement and management is based on policies, processes, tools and methodologies that are risk-sensitive, in line with market best practices.

Operational risks are structured into four categories or hierarchical tiers, from the most generic to the most specific and detailed:

- Tier 1 and 2: of the regulations. Tier 1 comprises 7 subcategories (Internal Fraud, External Fraud, Employment practices and security in workplace, Customers, products and business practices, Damages to physical assets, business interruptions and system faults, Execution and Delivery and process management) and Tier 2 comprises 20 subcategories.
- Tier 3: The Entity's internal level based on the identification of the risks defined.
- Tier 4: Individual risks, obtained after assignment of a Tier 3 risk to a process or activity.

Operational risk is measured with the following aspects:

- **Qualitative measurement**

  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.

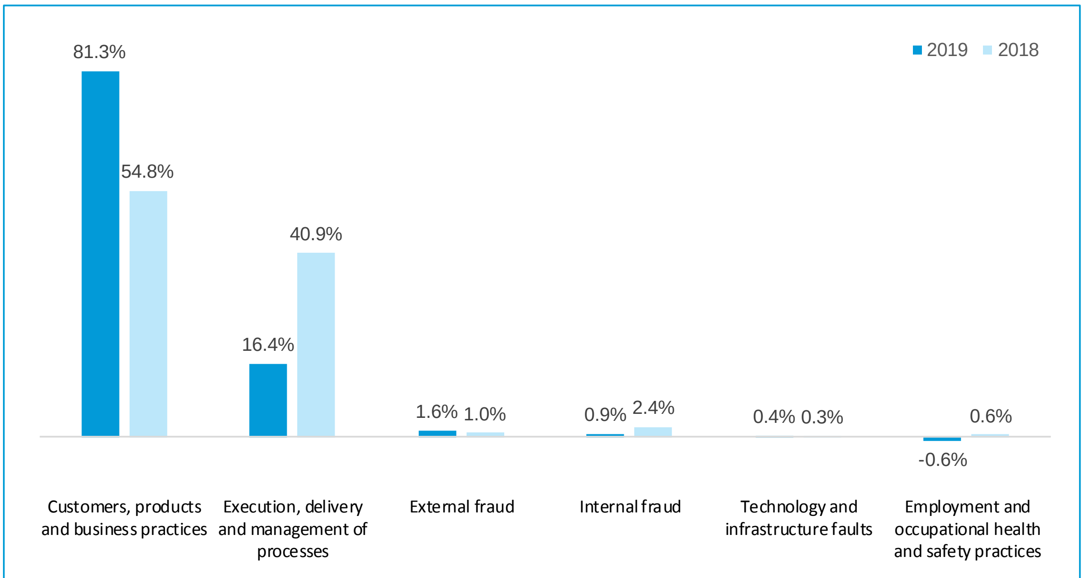
  A series of expert workshops and meetings are also held to generate hypothetical extreme operational loss scenarios. The purpose is for these scenarios to be used to detect areas of improvement in the management and to supplement the available external and internal historical data on operational losses.

- **Quantitative measurement**

  The internal operational loss database is one of the key aspects for managing operational risk (and the future calculation of the capital for operational risk). With this aim in mind, 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.

  An **operational event** is the implementation of an identified operational risk, an event that causes an operational loss. It is the concept around which the entire data model revolves in the Internal Database. Loss events are defined as each individual economic impact related to an operational loss or recovery.

  Gross losses by type of risk are broken down as follows:



Distribution of gross loss by category of Operational Risk
(Percentage)

  The internal historical data on operational losses is supplemented by external data. For this reason, the Entity is registered with the ORX (Operational Riskdata eXchange) consortium, which anonymously exchanges operational loss information from banks on a worldwide level, and allows geographical subgrouping, among other functions, to manage risks (news service, working groups, methodological initiatives on operational risk). ORX requires its members to classify operational loss data using a series of parameters, both regulatory and proprietary. As a result, all of the parameters required by ORX are reported in events in the database.

- Additionally, measurement using Operational Risk indicators (KRIs) is a quantitative/qualitative methodology that: i) enables us to anticipate the development of operational risks, taking a forward-looking approach to their management and ii) provide information on development of the operational risk profile and the reasons for this. A KRI is a metric that detects and anticipates changes in said risk; 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.

3.5.3. Mitigation of operational risk

With the aim of mitigating the operational risk, the following have been defined: action plans that entail appointing a centre to be in charge, setting out the actions to be undertaken to mitigate the risk covered by the plan, the percentage or degree of progress, which is updated regularly, and the final commitment date. This allows mitigation through i) decreasing the frequency at which the events occur, as well as their impact; ii) have in place a solid control structure based on policies, methodologies, processes and systems; and iii) integrate information generated by the operational risk management mechanisms into the Entity's day-to-day management.

In addition, the corporate insurance programme for dealing with operational risk is designed to cover certain risks, and it is updated annually. Risk transfer depends on risk exposure, tolerance and appetite at any given time.

3.6. Legal and regulatory risk

Legal and regulatory risk is defined as the potential loss or decrease in the profitability of the Entity as a result of changes in the legislation in force, the improper implementation of said legislation in the Entity's processes, its unsuitable interpretation in different operations, or due to the incorrect management of legal or administrative requirements or petitions or claims received.

It is managed according to certain operational principles, with a view to ensure that the appetite and risk tolerance limits defined in the Group's Risk Appetite Framework are respected.

In this regard, the entity constantly **monitors and tracks regulatory changes**, in pursuit of better legal security and legitimate interests. Here we highlight the main regulatory initiatives and consultation processes that the entity has participated in, given their relevance:

- European Commission review of various Directives, specifically: i) the Consumer Credit Directive (CCD), ii) the Directive on Distance marketing of financial services: consumer protection, iii) the Directive and Regulations on capital requirements (CRD5 and CRR2), iv) the Bank Recovery and Resolution Directive (BRRD2), v) the Benchmarks Regulation (BMR), vi) the Markets in Financial Instruments Directive (MiFID 2) and the Insurance Distribution Directive (IDD) for the integration of sustainability factors and risks. The entity has also monitored the finalisation of Basel III agreements and their implementation, and the advances of a legislative framework used to drive sustainable finance within the European Union.
- Within Spain, public consultations were carried out regarding the modification of the circular on the advertising of banking products and services, and the modification of the Order on Banking Transparency with respect to the obligation to report open-end credit associated with payment instruments, as well as the transposition of the Directive to promote the long-term involvement of shareholders.
- The EBA Guidelines on security and technology (ICT) risk management are notable as regards technological hazards.
- In terms of taxation, the bank addressed the consultation regarding the tax measures of the General State Budgets and the amendment to the General Tax Act, transposing the EU DAC 6 directive into Spanish law.

These activities are coordinated within the Regulation Committee, which is responsible for defining the Entity's strategic position in matters related to financial regulations, representing the entity's interests and coordinating regular assessments of regulatory initiatives and proposals that can affect the Entity.

The Entity also seeks to ensure the **suitable implementation of standards**. Thus, the following are noteworthy:

- **Property Credit Contract Regulatory Act** (Ley reguladora de los contratos de crédito inmobiliario – LCI) 5/2019, of 15 March.
- Royal Decree-Law 19/2018, of 23 November, concerning payment services and other urgent financial measures (PSD2).
- Royal Decree-Law 19/2017, of 24 November, on **basic payment accounts**, payment account relocation and comparability of fees (PAD).

Along the same lines, the Legal Advisory service coordinates a set of committees (Transparency Committee, Privacy Committee), the purpose of which is the monitoring – in each of the bank's initiatives – of its adaptation to consumer protection and privacy standards.

In order to ensure the correct interpretation of the standards, in addition to work on the study of jurisprudence, and decisions of the statutory authorities, in order to adjust the bank's activity to such criteria, it also enquires as to when it is necessary for the relevant administrative authorities. For example:

- In matters of taxation, the Entity has made various binding tax consultations to ratify the interpretive criteria on the deductibility of the administration fee from Personal Income Tax, and the custody of shares in investment funds that meet certain requirements, the determination of the tax base for VAT purposes of the non-independent consulting service and the simplified consulting on funds or the VAT treatment when mediating certain financial services.
- In matters relating to data protection, it has presented various enquiries to the Spanish Data Protection Agency on the status of Data Controller for the provision of financial services and the need to view Robinson Lists in the case of processing based on legitimate interest.

In relation to legal processes, and taking into consideration ongoing disputes, the Entity has policies, criteria, and analysis and monitoring procedures in place for such disputes. These enable the Entity to manage the defence of each of them individually, and to identify and update the provisions necessary to cover a hypothetical outflow of economic resources, provided their occurrence is considered probable as a result of unfavourable rulings and administrative penalties against the Group, in or out of court (i.e. customer claims), filed against the Entity in civil, criminal, tax, contentious-administrative and labour cases.

3.7. Conduct risk

Within the framework of operational risk according to its regulatory definition, the risk of conduct is defined as the Entity's risk of applying action criteria that go against the interests of its customers or stakeholders, or actions or omissions by the Entity that do not adhere to the legal and regulatory framework, or internal policies, rules or procedures, or codes of conduct and ethical standards and good practices. The Entity's objective is: i) to minimise the probability of this risk occurring and ii) if it does, to detect, report and address the weaknesses promptly.

Conduct risk management does not correspond to a specific department but rather to the whole Entity, which, through its employees, must ensure it is adhering to regulations in force, applying procedures that translate such regulations into the activities it carries out.

In order to manage conduct risk, the bank encourages the awareness-raising and promotion of the values and principles set out in the Code of Business Conduct and Ethics, and its members and other employees and Senior Management must ensure that they are compliant as a core criterion guiding their day-to-day activities. Therefore, as the first line of defence, the areas whose business is subject to conduct risk implement and manage first-level indicators and controls to detect potential sources of risk and act effectively to mitigate them.

3.8. Technological risk

Also within the framework of the regulatory operational risk, technology risk is defined as the risk of losses due to hardware or software inadequacies or failures in technical infrastructure, due to cyberattacks or other circumstances, which 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) operation and management of change; iv) data integrity; and v) governance and strategy.

Its current measurement is included in a monthly-monitored RAF indicator, calculated using individual indicators linked to the governance of information technologies, information security and technological contingencies. Regular reviews are carried out by sampling, which check the quality of the information and validate the methodology used in creating the indicators reviewed.

The governance frameworks available address this measurement, and have been designed according to leading international standards, applied in the areas of:

- IT governance, designed and developed under the ISO 38500 standard.
- Information security, designed and developed under the ISO 27001 standard.

- Information Technology contingency, designed and developed under the ISO 27031 standard.

Specifically, business continuity refers to the capability of an organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident. Its management consists of identifying potential threats to the organisation and their impact on operations. It provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities.

Within this scope, CaixaBank has adopted and maintained a Business Continuity Management System (BCMS) based on the international ISO 22301 standard and certified by the British Standards Institution (BSI), with number BCMS 570347. 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 holds 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.

3.9. Other operational risks

Within the Risk Taxonomy, this means losses or damages caused by errors or faults in processes, due to external events, or actions of third parties outside the Entity, whether accidentally or intentionally. It includes, among others, risk factors related to outsourcing, the use of quantitative models (model risk), the custody of securities or external fraud.

The daily management of all other operational risks corresponds to the departments and businesses of the Entity, within their respective fields. This involves identifying, assessing, managing, controlling and reporting on the operational risks of their activities, collaborating with the Entity's Operational Risk Department to implement the management model.

The Corporate Policy on the management of outsourcing and its risks was approved in 2019, which covers the latest regulatory requirements with regard to these operations and provides significant support to the corporate governance of risks in outsourcing processes.

3.10. Financial information reliability risk

The Risk of Reliability of Financial Reporting is defined in the Corporate Risk Taxonomy as potential damage, economic or otherwise, derived from deficiencies in the precision, integrity and criteria for elaboration of the information needed to assess the Entity's financial and equity position. It is part of the set of regulatory operational risks.

The Entity has Corporate Policies approved by the Board of Directors, which establish the framework for monitoring and managing risk, including:

- The corporate policy on disclosing and verifying financial information, which establishes the control framework for financial information relevant to the Entity that is disclosed to the market.
- The Corporate policy of Internal Control over Financial Reporting, that establishes the framework of governance, design, implementation and correct operation of the ICFR.
- The Corporate Policy on Information Governance and Data Quality, which regulates data governance and filing of reports.

The management of this risk primarily consists in evaluating whether the Entity's financial reporting complies with the following principles:

- The transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (existence and occurrence).
- The information includes all transactions, facts and other events in which the Entity 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 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).

To manage and monitor risk, the Entity has implemented an internal control structure based on the model of 3 lines of defence, described previously:

- The activities of the 1st line of defence on the accounts closing process, a fundamental pillar for elaborating financial information, includes, inter alia: i) defining accounting criteria to apply in the Entity as well as the processing of the unique corporate operations and transactions; ii) reviewing the reasonableness of the judgements and estimates as well as of the rest of the changes in accounting figures; iii) monitoring the implementation of new accounting circuits and standards as well as analysing the differences between estimated and actual impacts; iv) working on and controlling the applications and other manual processes; and v) coordinating the Group's companies to prepare the consolidated accounting closings.
- The activities of 2nd line of defence include, among others, i) the monitoring and management of the Internal Control over Financial Reporting (ICFR); ii) advising on and/or defining criteria for the identification, monitoring, implementation and assessment of internal control over financial reporting; iii) reviewing compliance with the policies and iv) identifying and monitoring the internal control weaknesses identified.
- The activities of 3rd line of defence include, among others, reviewing the reliability and integrity of financial reporting, including the effectiveness of the ICFR.

3.11. Structural rates risk

3.11.1. Structural interest rate risk

Risk defined as the negative impact on the economic value of balance sheet items or on financial income due to changes in the temporary structure of interest rates and their impact on asset and liability instruments and those off the Group's balance sheet not recognised in the trading book.

The management of this risk by the Entity seeks to i) optimise the net interest margin 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.

This risk is analysed considering a broad set of market-type scenarios, including the potential impact of all possible sources of interest rate risk in the banking book, i.e. repricing risk, curve risk, basis risk and optionality risk. Optionality risk considers automatic optionality related to the behaviour of interest rates and the optionality of customer behaviour, which is not only dependent on interest rates.

The Entity applies best practices in the market and the recommendations of regulators in measuring interest rate risk, using various measurement techniques that make it possible to analyse the Entity's positioning and its risk situation. These notably include:

- Static gap: it shows the contractual distribution of maturities and interest rate reviews for applicable balance sheet and/or off-balance aggregates at a particular date. GAP analysis is based on comparing the values of the assets and liabilities reviewed or that mature in a particular period.
- Sensitivity of net interest income: it shows the impact on the net income caused by changes in the interest rate curve as a result of the review of balance sheet transactions This sensitivity is determined by comparing a net interest income simulation in the event of various interest rate scenarios (immediate parallel and progressive movements of different intensities, as well as changes in slope). The most likely scenario, which is obtained using the implicit market rates, including the business trend and hedge management forecasts, is compared with other scenarios of rising or falling interest rates and parallel and non-parallel movements in the slope of the curve. The difference between these stressed net interest income figures compared to the baseline scenario give us a measure of the sensitivity, or volatility, of net interest income.

- Balance sheet economic value: it is calculated as the sum of i) the fair value of net interest-rate sensitive assets and liabilities on the balance sheet; ii) the fair value of off-balance sheet products (derivatives); and iii) the net carrying amounts of non-interest-rate sensitive asset and liability items.
- Economic value sensitivity: The economic value of sensitive balances on- and off- the balance sheet is reassessed under the various scenarios of market rates considered by the Entity. 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 employed.
- 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.

The sensitivities of net interest income and economic value are measurements that complement each other and provide an overview of the interest rate 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.

The tables below show, using a static gap, the breakdown of maturities and interest rate maturities and revaluations of sensitive items on the Entity's balance sheet, at the close of the financial year:

MATRIX OF MATURITIES AND REVALUATIONS OF THE SENSITIVE BALANCE SHEET
(Millions of euros)

	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	>5 YEARS	TOTAL
ASSETS							
Interbank and Central Banks	€13,831	0	1,104	80	0	45	15,060
Loans and advances to customers	152,471	15,141	4,725	4,384	2,838	18,005	197,564
Fixed income portfolio	5,125	6,326	8,166	1,113	1,478	4,483	26,691
TOTAL ASSETS	171,427	21,467	13,995	5,577	4,316	22,533	239,315
LIABILITIES							
Interbank and Central Banks	17,702	125	85	51	23	247	18,233
Customer deposits	94,680	20,526	13,231	9,011	6,973	52,792	197,213
Issuances	5,975	2,641	2,416	6,050	4,997	13,227	35,306
TOTAL LIABILITIES	118,357	23,292	15,732	15,112	11,993	66,266	250,752
ASSETS LESS LIABILITIES	**53,070**	**(1,825)**	**(1,737)**	**(9,535)**	**(7,677)**	**(43,733)**	**(11,437)**
HEDGES	(20,709)	5,618	1,591	4,307	2,809	6,410	26
TOTAL DIFFERENCE	**32,361**	**3,793**	**(146)**	**(5,228)**	**(4,868)**	**(37,323)**	**(11,411)**

Below is the sensitivity of the net interest income and economic value to sensitive balance sheet assets and liabilities for a scenario of rising and falling interest rates of 100 basis points:

INTEREST RATE SENSITIVITY
(incremental % with respect to the market baseline scenario / implicit rates)

	+100 BP	-100 BP (3)
Net interest income (1)	9.26%	-2.60%
Economic value of equity for sensitive balance sheet aggregates (2)	3.52%	-2.37%

(1) Sensitivity of the 1-year NII of sensitive balance sheet aggregates.

(2) Sensitivity of economic value for sensitive balance sheet aggregates on Tier 1.

(3) In the case of falling-rate scenarios the applied internal methodology enables the interest rates to be negative. At the current level of rates, this methodology enables the falling shock to reach approximately -1%. For example, if the interest rates of the EONIA curve are -0.40% the interest rates reached, in the shock of -100 basis points, could be -1.40%.

With regard to measurement tools and systems, relevant information is obtained at the transaction level of the sensitive balance sheet transactions from each computer application used to manage the various products. This information is used to produce databases with a certain amount of aggregation in order to speed up the calculations without impairing the quality or reliability of the information or results.

The assets and liabilities management application is parameterised in order to include the financial specifics of the products on the balance sheet, using behavioural customer models based on historical information (pre-payment models). The sensitivity to interest rates – conditioned by the speed with which market rates are transposed and the expected terms to maturity – have been analysed for items without a contractual maturity date (demand accounts) on the basis of past experience of customer behaviour, including the possibility that the customer may withdraw the funds invested in this type of product. For other products, in order to define the assumptions for early termination, internal models are used which include behavioural variables of customers, products, seasonality and interest rate fluctuations.

The projection tool is also fed with growth data budgeted in the financial plan (volumes, products and margins) and information on the various market scenarios (interest and exchange rate curves), in order to perform a reasonable estimate of the risks associated with the net interest income and economic value of sensitive balance sheet aggregates.

To mitigate the structural rate risk, CaixaBank 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 arranged with customers or other counterparties.

Balance sheet interest rate risk assumed by the Entity is lower than levels considered significant according to current standards.

3.11.2. Structural exchange rate risk

Exchange rate risk in the banking book corresponds to the potential risk in the assets affected by adverse movements in exchange rates.

The Entity has foreign currency assets and liabilities in its balance sheet as a result of its commercial activity and its shares in foreign currencies, in addition to the foreign currency assets and liabilities deriving from the Entity’s measures to mitigate exchange rate risk.

The equivalent euro value of all foreign currency assets and liabilities in the Entity's balance sheet is as follows:

FOREIGN CURRENCY POSITIONS
(Millions of euros)

	31-12-2019	31-12-2018
Cash and cash balances at central banks and other demand deposits	335	426
Financial assets held for trading	2,304	1,840
Financial assets with changes in other comprehensive income	928	929
Financial assets at amortised cost	10,042	8,023
Equity Investments	2	4
Other assets	179	147
TOTAL FOREIGN CURRENCY ASSETS	**13,790**	**11,369**
Financial liabilities at amortised cost	6,787	5,807
Deposits	5,773	4,925
Central banks	1,385	1,402
Credit institutions	1,030	772
Customers	3,358	2,751
Debt securities issued	945	847
Other financial liabilities	69	35
Other liabilities	2,468	1,863
TOTAL FOREIGN CURRENCY LIABILITIES	**9,255**	**7,670**

The Entity maintains the hedging of foreign currency risk, which may be carried out via transactions in cash or financial derivatives that mitigate asset and liability positions in 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 currency risk assumed in its commercial activity, which explains why the Entity's exposure to the risk is low.

The remaining minor foreign currency positions in the banking book and of the treasury activity are chiefly held with credit institutions in major currencies. The methods for quantifying these positions, which are the same, are applied alongside the risk measurements used for the treasury activity as a whole.

The currency detail of the main balance sheet headings is as follows:

BREAKDOWN OF THE MAIN BALANCE SHEET ITEMS BY CURRENCY - 31-12-2019
(Millions of euros)

	CASH*	FA HELD FOR TRADING	FA WITH CHANGES IN OCI	FA AT AMORTISED COST	FL AT AMORTISED COST	OTHER LIABILITIES
USD	162	1,502	923	6,411	5,957	1,604
JPY	11	1	0	482	0	1
GBP	42	870	4	1,394	295	898
PLN (Polish Zloty)	30	0	0	748	0	3
CHF	7	0	0	261	0	0
Other	83	(69)	1	746	535	(38)
TOTAL	**335**	**2,304**	**928**	**10,042**	**6,787**	**2,468**

BREAKDOWN OF THE MAIN BALANCE SHEET ITEMS BY CURRENCY - 31-12-2018
(Millions of euros)

	CASH*	FA HELD FOR TRADING	FA WITH CHANGES IN OCI	FA AT AMORTISED COST	FL AT AMORTISED COST	OTHER LIABILITIES
USD	197	1,783	924	5,496	5,133	1,809
JPY	8	1	0	563	0	1
GBP	44	154	4	835	299	138
PLN (Polish Zloty)	85	0	0	442	0	2
CHF	6	0	0	235	0	0
Other	86	(98)	1	452	375	(87)
TOTAL	**426**	**1,840**	**929**	**8,023**	**5,807**	**1,863**

FA: Financial assets; FL: Financial liabilities

(*) Cash and cash balances at central banks and other demand deposits

Given the reduced exposure to exchange rate risk and considering the existing hedges, the sensitivity of the balance sheet's economic value is not significant.

3.12. Liquidity and funding risk

3.12.1. Overview

Liquidity and funding risk refers to insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Group.

The Entity manages this risk to maintain sufficient liquidity levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework. The strategic principles that are followed to meet this objective are:

- A decentralised liquidity management system across two units (the CaixaBank subgroup and the BPI subgroup), which includes a segregation of duties to ensure optimal management, control and monitoring of risks.
- Maintaining an efficient level of liquid funds in order to meet obligations assumed, fund business plans and comply with regulatory requirements.
- Actively manage liquidity; this entails continuous monitoring of liquid assets and the balance sheet structure.
- Sustainability and stability, these being principles of the funding source strategy, which is based on i) the customer deposit-based funding structure and ii) capital market funding, complementing the funding structure.

The liquidity risk strategy and appetite for liquidity risk and financing involves:

- identifying significant liquidity risks for the Entity;
- the formulation of the strategic principles the Entity must observe in managing each of these risks;
- defining significant metrics for each risk;
- setting appetite, tolerance, limit and – as the case may be – recovery thresholds within the RAF;
- setting up management and control procedures for each of the risks, including mechanisms for internal and external systematic monitoring;
- defining a stress testing framework and a Liquidity Contingency Plan to ensure that liquidity risk is managed accordingly in situations of moderate and serious crisis;
- and a Recovery Planning framework, in which scenarios and measures are devised for stress conditions.

In particular, the Entity holds specific strategies with regard to: i) management of intraday liquidity risk; ii) management of the short-term liquidity; iii) management of sources of financing/concentrations; iv) management of liquid assets; and v) management of collateralised assets. Similarly, the Entity has procedures to minimise liquidity risks in stress conditions through i) the early detection of the circumstances through which it can be generated; ii) minimising negative impacts; and iii) sound management to overcome a potential crisis situation.

3.12.2. Mitigation techniques for liquidity risk

On the basis of the principles mentioned in the previous section, a Contingency Plan has been drawn up defining an action plan for each of the established crisis scenarios. This sets out measures to be taken on the commercial, institutional and disclosure level to deal with this kind of situation, including the possibility of using the liquidity reserves or extraordinary sources of finance. In the event of a situation of stress, the liquid asset buffer will be managed with the objective of minimising liquidity risk.

The measures in place for liquidity risk management and anticipatory measures feature:

- Authority from the Annual General Meeting to issue securities.
- 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 financing instruments with the ECB for which a number of guarantees have been posted to ensure that liquidity can be obtained immediately:

AVAILABLE IN ECB FACILITY
(Millions of euros)

	31-12-2019	31-12-2018
Value of guarantees delivered as collateral	**46,001**	**46,698**
Drawn down	**(11,554)**	**(26,819)**
TLTRO II	(3,409)	(26,819)
TLTRO III	(8,145)	
Accrued interest	44	268
TOTAL AVAILABLE BALANCE IN ECB FACILITY	**34,491**	**20,147**

- Maintaining issuance programmes aimed at expediting formalisation of securities issuances in the market

DEBT ISSUANCE CAPACITY - 31-12-2019
(Millions of euros)

	TOTAL ISSUANCE CAPACITY	NOMINAL USED
CaixaBank promissory notes programme (CNMV 10-07-2019) (1)	1,000	0
CaixaBank fixed-income programme (CNMV 10-07-2019)	15,000	0
CaixaBank EMTN ("Euro Medium Term Note") programme (Ireland 26-04-2019)	15,000	11,632
CaixaBank ECP Programme (Euro Commercial Paper) (Ireland 18-12-2019) (2)	3,000	703

(1) Extendible to EUR 3,000 million

(2) Extendible to EUR 5,000 million

- Capacity to issue backed bonds (mortgage covered and public sector covered bonds, etc.)

COVERED BOND ISSUANCE CAPACITY 31-12-2019
(Millions of euros)

	ISSUANCE CAPACITY	TOTAL ISSUED
Mortgage covered bonds	2,633	49,859
Public sector covered bonds	1,094	5,000

- To facilitate access to short-term markets, CaixaBank currently maintains the following:
  - Interbank facilities with a significant number of (domestic and foreign) banks, as well as central banks.
  - Repo facilities with a number of domestic and foreign counterparties.
  - Access to central counterparty clearing houses for repo business (LCH SA – Paris, Meffclear – Madrid and EUREX – Frankfurt).
- The Contingency Plan and Recovery Plan contain a wide range of measures that allow for liquidity to be generated 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 and the expected period of execution.

3.12.3. Liquidity situation

The following table presents a breakdown of the Entity's liquid assets based on the criteria established for determining high-quality liquid assets to calculate the LCR (HQLA), and available assets In facility not considered HQLAS.

LIQUID ASSETS (1)
(Millions of euros)

	31-12-2019		31-12-2018	
	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT
Level 1 assets	49,082	49,006	50,988	50,917
Level 2A assets	0	0	0	0
Level 2B assets	3,583	1,916	4,308	2,279
TOTAL HIGH-QUALITY LIQUID ASSETS (HQLAS) (2)	**52,665**	**50,922**	**55,296**	**53,196**
Assets available in facility not considered HQLAs		30,330		16,836
TOTAL LIQUID ASSETS		**81,252**		**70,033**

(1) Data corresponding to CaixaBank at the consolidated level without BPI (reporting perimeter and regulatory compliance).
(2) Assets under the calculation of the LCR (Liquidity Coverage Ratio). It corresponds to high-quality liquid assets available to meet liquidity needs for a 30 calendar day stress scenario.

The liquidity and financing ratios for the Entity are presented below:

LCR and NSFR (1)
(Millions of euros)

	31-12-2019	31-12-2018
High-quality liquid assets - HQLAs (numerator)	50,922	53,196
Total net cash outflows (denominator)	28,164	26,215
Cash outflows	33,015	30,505
Cash inflows	4,851	4,290
LCR (LIQUID COVERAGE RATIO) (%) (2)	**181%**	**203%**
NSFR (NET STABLE FUNDING RATIO) (%) (3)	**129%**	**118%**

(1) Data corresponding to CaixaBank at the consolidated level without BPI (reporting perimeter and regulatory compliance).
(2) LCR – regulatory ratio whose objective is to maintain an adequate level of high-quality assets available to face liquidity needs with a 30-day horizon, under a stress scenario that considers a combined crisis of the financial system and reputation.
According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the liquidity coverage requirement for credit institutions. The established regulatory limit for the LCR is 100%.

(3) NSFR - Regulatory balance sheet structure ratio that measures the relation between the quantity of available stable funding (ASF) and the quantity of required stable funding (RSF). Available stable funding is defined as the proportion of own funds and customer funds that are expected to be stable in the time horizon of one year. The amount of stable funding required by an institution is defined in accordance with its liquidity and the residual maturities of its assets and its balance sheet positions.
Calculation at 31-12-2019 applying the regulatory criteria established as per Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, to enter into force as of June 2021. The aforementioned calculations follow the criteria laid down by Basel. The regulatory limit established for the NSFR is 100% from June 2021.

Key credit ratings are displayed below:

CAIXABANK CREDIT RATING

	LONG-TERM DEBT	SHORT-TERM DEBT	OUTLOOK	REVIEW DATE	MORTGAGE COVERED BONDS
Moody's Investors Service	Baa1	P-2	Stable	17-05-2019	Aa1
Standard & Poor's Global Ratings	BBB+	A-2	Stable	31-05-2019	AA
Fitch Ratings	BBB+	F2	Stable	27-09-2019	
DBRS Ratings Limited	A	R-1(low)	Stable	29-03-2019	AAA

In the event of a downgrade of the current credit rating, additional collateral must be delivered to certain counterparties, or there are early redemption clauses. The breakdown of the impact on liquidity deriving from 1, 2 and 3-notch downgrading is shown below:

SENSITIVITY OF LIQUIDITY TO VARIATIONS IN THE CREDIT RATING
(Millions of euros)

	1-NOTCH DOWNGRADE	2-NOTCH DOWNGRADE	3-NOTCH DOWNGRADE
Trading in derivatives (CSA agreements)*	0	2	5
Deposits taken with credit institutions*	0	1,274	1,274

(*) The balances presented are accumulated for each rating reduction

3.12.4. Asset encumbrance – assets received and delivered under guarantee

Assets securing certain financing transactions and unencumbered assets are as follows:

ASSETS SECURING FINANCING OPERATIONS AND UNENCUMBERED ASSETS
(Millions of euros)

	31-12-2019		31-12-2018	
	CARRYING AMOUNT OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS	CARRYING AMOUNT OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS
Equity instruments	0	2,154	0	3,185
Debt securities (1)	4,668	24,616	6,825	24,941
Of which: covered bonds	*2*	*9*	*5*	*4*
Of which: asset-backed securities	*0*	*92*	*0*	*0*
Of which: issued by public administrations	*4,004*	*21,280*	*5,733*	*22,741*
Of which: issued by financial corporations	*417*	*1,894*	*906*	*1,432*
Of which: issued by non-financial corporations	*245*	*1,340*	*181*	*764*
Loan portfolio (2)	45,181	175,450	65,705	157,900
Other assets (3)	5,071	42,023	4,580	43,431
TOTAL	**54,920**	**244,244**	**77,110**	**229,457**

(1) Mainly corresponds to assets provided in repurchase agreements and ECB financing transactions.
(2) Mainly corresponds to assets pledged for securitisation bonds, mortgage covered bonds and public sector covered bonds.
(3) Mainly corresponds to cash delivered as collateral on derivative transactions.

The following table presents the assets received under guarantee, segregating those unencumbered from those that may be pledged to raise finance:

ASSETS SECURING FINANCING OPERATIONS AND UNENCUMBERED ASSETS
(Millions of euros)

	31-12-2019		31-12-2018	
	FAIR VALUE OF ENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS	FAIR VALUE OF ENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS
Collateral received (1)	**1,780**	**15,443**	**2,078**	**13,323**
Equity instruments				
Debt securities	1,780	14,340	2,078	11,977
Other guarantees received	0	1,103	0	1,346
Own debt securities other than covered bonds or own asset-backed securities (2)	**0**	**12**	**0**	**251**
Issued and unpledged covered bonds and own asset-backed securities (3)	**0**	**48,937**	**0**	**36,561**
TOTAL	**1,780**	**64,393**	**2,078**	**50,135**

(1) Mainly corresponds to assets provided in reverse repurchase agreements, securities lending transactions and cash received as collateral on derivative transactions
(2) Senior debt treasury shares
(3) Corresponds to own securitisations and mortgage/public covered bonds.

The asset encumbrance ratio is as follows:

ASSET ENCUMBRANCE RATIO
(Millions of euros)

	31-12-2019	31-12-2018
Encumbered assets and collateral received (numerator)	**56,700**	**79,188**
Equity instruments		
Debt securities	6,448	8,903
Loans and receivables	45,181	65,705
Other assets	5,071	4,580
Total assets + Total assets received (denominator)	**316,387**	**321,968**
Equity instruments	2,154	3,185
Debt securities	45,404	45,821
Loan portfolio	220,631	223,605
Other assets	48,198	49,357
ASSET ENCUMBRANCE RATIO	**17.92%**	**24.59%**

In 2019, the asset encumbrance ratio improved with respect to 2018, with a reduction of 6.67 percentage points due to reduced use of the TLTRO and the repo market, and a lower balance of secured issuances placed on the market.

Secured liabilities and the assets securing them are as follows:

SECURED LIABILITIES
(Millions of euros)

	31-12-2019		31-12-2018	
	LIABILITIES HEDGED, CONTINGENT LIABILITIES OR SECURITIES CEDED	ASSETS, GUARANTEES RECEIVED AND TREASURY INSTRUMENTS ISSUED (*)	LIABILITIES HEDGED, CONTINGENT LIABILITIES OR SECURITIES CEDED	ASSETS, GUARANTEES RECEIVED AND TREASURY INSTRUMENTS ISSUED (*)
Financial liabilities	**45,882**	**52,558**	**65,440**	**76,175**
Derivatives	5,434	5,746	5,000	5,398
Deposits	23,883	27,242	42,109	49,046
Issuances	16,566	19,570	18,331	21,731
Other sources of charges	**3,804**	**4,142**	**2,640**	**3,013**
TOTAL	**49,686**	**56,700**	**68,080**	**79,188**

(*) Excluding encumbered covered bonds and asset-backed securities

3.12.5. Residual maturity periods

The breakdown, by contractual term to maturity of the balances of certain items on the balance sheets, in a scenario of normal market conditions, is as follows:

RESIDUAL MATURITY PERIODS 31-12-2019
(Millions of euros)

	DEMAND DEPOSITS	<1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Cash and cash balances at central banks and other demand deposits *	13,898	0	0	0	0	0	13,898
Financial assets held for trading – Derivatives	0	97	120	264	2,070	10,614	13,165
Financial assets held for trading – Debt securities	0	40	21	69	363	212	705
Financial assets compulsorily measured at fair value through profit or loss	167	0	0	0	0	54	221
Financial assets designated at fair value through profit or loss	1	0	0	0	0	0	1
Financial assets at fair value through equity	1,730	34	321	476	10,391	3,364	16,316
Financial assets at amortised cost	3,422	12,695	9,774	17,715	45,438	136,995	226,039
Loans and advances	3,422	12,695	9,774	13,839	37,972	134,444	212,146
Debt securities	0	0	0	3,876	7,466	2,551	13,893
Derivatives - Hedge accounting	28	0	10	63	752	1,280	2,133
TOTAL ASSETS	**19,246**	**12,866**	**10,246**	**18,587**	**59,014**	**152,519**	**272,478**
Financial liabilities held for trading – Derivatives	28	74	166	187	1,214	7,141	8,810
Financial liabilities at amortised cost	190,539	6,245	4,898	18,531	26,539	14,067	260,819
Deposits	183,188	5,987	4,583	16,797	11,416	719	222,690
Central banks	*0*	*151*	*897*	*3,868*	*8,168*	*0*	*13,084*
Credit institutions	*2,092*	*1,889*	*19*	*54*	*85*	*150*	*4,289*
Customers	*181,096*	*3,947*	*3,667*	*12,875*	*3,163*	*569*	*205,317*
Debt securities issued	609	24	140	1,527	14,768	12,957	30,025
Other financial liabilities	6,742	234	175	207	355	391	8,104
Derivatives - Hedge accounting	0	0	0	3	199	240	442
TOTAL LIABILITIES	**190,567**	**6,319**	**5,064**	**18,721**	**27,952**	**21,448**	**270,071**
Of which are wholesale issues net of treasury shares and multi-issuers	*0*	*0*	*229*	*1,151*	*13,139*	*17,147*	*31,666*
ASSETS LESS LIABILITIES	**(171,321)**	**6,547**	**5,182**	**(134)**	**31,062**	**131,071**	**2,407**

The transaction maturities are projected according to their contractual and residual maturity, irrespective of any assumption that the assets and/or liabilities will be renewed. In order to assess the negative gap in the short term, the following aspects must be considered:

- The Entity has high and stable retail financing with probable renewal.
- Additional guarantees are available at the European Central Bank, and there is the capacity to generate new deposits through asset securitisation and the issuance of mortgage- and/or public sector-covered bonds.

The calculation does not consider growth assumptions, and consequently disregards internal strategies for raising net liquidity, which are especially important in the retail market. The monetisation of available liquid assets is also not included.

With regard to issues, the Entity's financing policies take into account a balanced distribution of maturities, preventing concentrations and diversifying financing instruments. In addition, the Entity's reliance on wholesale markets is limited.

3.13. Reputational risk

Reputational risk is the possibility that the Entity's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of actions or omissions, real or purported, by the Entity, its Senior Management or Governance Bodies, or because of related unconsolidated entities becoming bankrupt (step-in risk).

Some areas of risk identified by CaixaBank in which such confidence could be impaired are, among others, those related to the design and commercialization of products, to systems and information security, to the need to promote ESG aspects (Environmental, Social and Good Governance) in the business, including due to its increasing relevance the risks related to climate change; the development of talent, conciliation, diversity and occupational health.

The risk is monitored using internal and external selected 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 balanced 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.

The main instrument that enables formal monitoring of reputational risk management is the Reputational Risk taxonomy. This enables the risks to be identified and organised into a hierarchy according to their criticality, and also enables monitoring indicators to be set up for each risk (KRI) and coverage and mitigation policies to be established.

A number of policies that cover different scopes of the Entity impact on the control and mitigation of reputational risk. In addition, there are specific procedures and activities by the areas most directly implicated in managing the main reputational risks, which enable the implementation of the risk to be prevented and/or mitigated.

Similarly, 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 arise.

3.14. Actuarial risk

The actuarial risk arises from the Group's insurance business, and it does not have an impact on the Entity's individual accounts.

3.15. Business risk

Business profitability risk refers to obtaining results lower than market expectations or the Entity's targets which prevent the Group from reaching a profitability level that is higher than the cost of capital.

The profitability objectives, backed by financial planning and monitoring process, are set out in the Group's Strategic Plan, over three years, and are specified annually in the Group's budget and in the Business network challenges.

CaixaBank's business profitability risk management system is based on 4 foresights of management:

- Group vision: the overall aggregated return at the level of the CaixaBank Group.
- Business/Region vision: the return from businesses/territories.
  - Financial-Accounting vision: the return from different corporate businesses.
  - Commercial-Management vision: the return from the management of the CaixaBank commercial network.
- Pricing vision: the return from setting prices for CaixaBank products and services.
- Project vision: the return from relevant Group projects.

3.16. Risk of impairment of other assets

Risk of impairment of other assets refers to the reduction in the carrying amount of the Entity's shareholdings and non-financial assets, specifically:

- Investee risk: positions that form the Entity's portfolio of shareholdings, excluding those in which it exercises control. 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 3.3.6).
- Tangible assets: this mainly comprises real estate assets, both from own use and foreclosed assets available for sale and rental. Foreclosed assets are mainly owned by the Company's property subsidiary, BuildingCenter, S.A.U. In terms of appraisal of the foreclosed assets, prevailing regulations are fulfilled.
- Intangible assets: these mainly include goodwill generated in acquisition processes, assigned to one of the Entity's cash-generating units, software, and other intangible assets with a defined useful life.
- Tax assets: these are primarily deferred tax assets generated from timing differences between taxation criteria of accounting and fiscal results, and tax credits for deductions and carry-forward losses that have been generated within the Entity and in integration processes (both those coming from the integrated company and those generated in purchase Price Allocations).

For risk management, the fulfilment of the policies is reviewed, as well as the ongoing monitoring of the various metrics, risk limits and the effective execution of the controls set out. In addition, impairment and recoverability tests and reviews are carried out, using generally accepted methodologies.

3.17. Risk of own funds and capital adequacy

The risk of own funds and capital adequacy responds to the potential restriction of the CaixaBank Group's to adapt its volume of own resources to regulatory requirements or a change to its risk profile.

The Entity has set an objective of maintaining a medium-low risk profile and a comfortable level of capital to strengthen its position. Capital adequacy to cover eventual unexpected losses is measured from two different perspectives and using different methodologies: regulatory capital and economic capital.

The regulatory capital of financial institutions is regulated by the CRR and Directive 2013/36/EU of the European Parliament and of the Council, which implemented the Basel III regulatory framework (BIS III) in the European Union. Regulatory capital is the metric i) required by regulators and ii) used by analysts and investors to compare financial institutions. Similarly, following the transposition to European legislation in 2013, the Basel Committee and other relevant bodies published a series of additional rules and documents containing new specifications for the calculation of capital. This means that procedures are constantly being updated, and therefore the Entity continuously adapts its processes and systems to ensure the calculation of capital consumption and direct deductions from capital are fully aligned with the newly established requirements.

Furthermore, the economic capital forms the basis of the internal estimate of own fund requirements, which acts as a supplement to the regulatory view of capital adequacy and corresponds to the metrics used for i) the self-assessment of capital, subject to presentation and review in the Group's corresponding bodies; ii) updating the Economic Capital Ratio, as a monitoring and control tool; and iii) calculating the Risk Adjusted Return (RAR) and the Pricing. In contrast with regulatory capital, economic capital is an internal estimate which is adjusted according to the Group's level of tolerance to risk, volume, and type of business activity. Hence, economic capital is a supplement which is used to better offset the risk assumed by the Group and it includes risks that have not been factored in at all or only partially, by the regulatory measures.

In addition to the risks referred to in Pillar 1 (credit, market and operational risk), it includes others also included in the Risk Taxonomy, (e.g. structural rate risk, liquidity and funding, business and actuarial risk, etc.).

The Group has a Corporate Policy for Own Funds and Capital Adequacy Risk, the purpose of which is lay down the principles on which capital objectives are determined in the CaixaBank Group, as well as to lay down a common set of guidelines in relation to the monitoring, control and management of capital that allow this risk to be mitigated, among other aspects.

These capital objectives are public and are currently specified in the 2019-2021 Strategic Plan, placing the CET1 ratio around 12%, constituting an additional buffer of 1 percentage point as a prudential cushion within the Plan's horizon to face future regulatory changes.

4. Capital adequacy management

The composition of the Group's eligible own funds is as follows:

ELIGIBLE OWN FUNDS
(Millions of euros)

	31-12-2019		31-12-2018	
	AMOUNT	AS %	AMOUNT	AS %
Net equity	**25,151**		**24,058**	
Shareholders' equity	26,247		25,384	
Capital	5,981		5,981	
Profit/(loss)	2,074		1,985	
Reserves and other	14,843		17,418	
Minority interests and OCI	(1,096)		(1,326)	
Other CET1 instruments	**(1,037)**		**(801)**	
Adjustments applied to the eligibility of minority interests and OCI	6		(43)	
Other adjustments (1)	(1,043)		(758)	
CET1 Instruments	**24,114**		**23,257**	
Deductions from CET1	**(6,327)**		**(6,457)**	
Intangible assets	(4,232)		(4,250)	
Deferred tax assets	(1,875)		(1,977)	
Other deductions from CET1	(220)		(230)	
Common Equity Tier 1 (CET1)	17,787	12.0%	16,800	11.5%
AT1 instruments	2,236		2,233	
AT1 Deductions				
TIER 1	20,023	13.5%	19,033	13.0%
T2 instruments	3,224		3,295	
T2 Deductions				
TIER 2	3,224	2.2%	3,295	2.3%
TOTAL CAPITAL	**23,247**	**15.7%**	**22,328**	**15.3%**
Other eligible subordinated instruments. MREL (5)	5,680		2,303	
SUBORDINATED MREL	**28,927**	**19.6%**	**24,631**	**16.9%**
Other eligible instruments. MREL (3)	3,362		2,943	
MREL (4)	**32,289**	**21.8%**	**27,574**	**18.9%**
RISK WEIGHTED ASSETS (RWA)	**147,880**		**145,942**	

(*) From 01-01-2019 the regulatory and fully-loaded data are the same. The figures at 31-12-2018 are those forecast at the end of the transitory period (fully loaded) of the COREP Statements for each period.
(1) Mainly the forecast for dividends payable.
(2) Five senior non-preferred debt issuances have been made this year for a nominal amount of EUR 3,382 million.
(3) A senior preferred debt issuance has been made this year for a nominal amount of EUR 1,000 million.
(4) On 24 April 2019, the Bank of Spain notified CaixaBank about the MREL requirement. In accordance with this notification, CaixaBank must reach as of 1 January 2021 a volume of equity and eligible liabilities of approximately 22.5% of the RWA at a consolidated level.

At the individual level, CaixaBank has ratios of 13.8% CET1, 15.4% Tier 1 and 17.8% Total Capital, with RWAs of 135,725 million euros.

The following chart sets out a summary of the minimum requirements of eligible own funds:

MINIMUM REQUIREMENTS
(Millions of euros)

	31-12-2019		31-12-2018	
	AMOUNT	AS %	AMOUNT	AS %
BIS III minimum requirements				
CET1 (*)	12,983	8.78%	12,770	8.75%
Tier 1	15,201	10.28%	14,959	10.25%
Total capital	18,159	12.28%	17,878	12.25%

(*) Includes the minimum requirement of Pillar I of 4.5%; the requirement of Pillar II of 1.5%; the capital conservation buffer of 2.5%, the O-SII (Other Systemically Important Institution) buffer of 0.25%. The specific countercyclical risk buffer of 0.03% is also added during 2019.
The same requirements for 2019 are upheld in 2020, with the difference being that the countercyclical capital buffer for exposure to third-party countries must be updated quarterly.

The following chart provides a breakdown of the leverage ratio:

LEVERAGE RATIO
(Millions of euros)

	31-12-2019	31-12-2018 *
Exposure	341,681	344,485
Leverage ratio (Tier 1/Exposure)	5.9%	5.5%

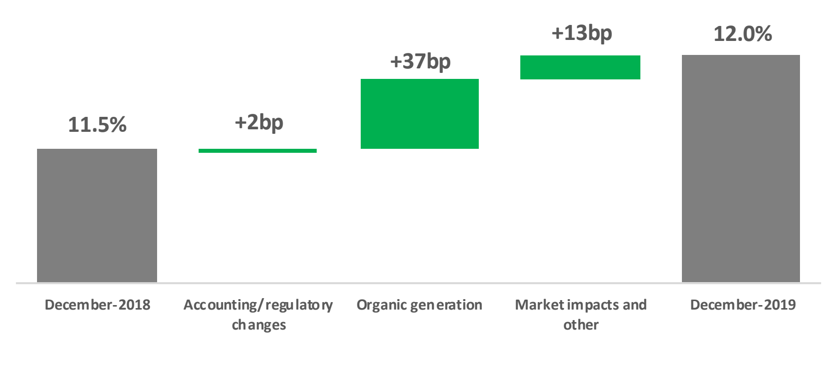
(*) The figures are those expected for the end of the transitional period (fully-loaded).

The changes in eligible own funds are as follows:

CHANGES IN ELIGIBLE OWN FUNDS
(Millions of euros)

	31-12-2019		31-12-2018	
	AMOUNT	AS %	AMOUNT	AS %
CET1 AT THE START OF THE YEAR	16,800	11.5%	17,323	11.7%
Changes in CET1 instruments	**856**		**(715)**	
Benefit	1,705		1,985	
Expected dividends	(897)		(1,016)	
Reserves	303		(455)	
Minority interests	0		(318)	
Valuation adjustments and other	(255)		(911)	
Changes in deductions from CET1 (1)	**131**		**192**	
Intangible assets	18		(44)	
Deferred tax assets	102		(101)	
Other deductions from CET1	11		337	
AT1 deductions covered by CET1	0		0	
CET1 AT THE END OF THE YEAR	**17,787**	**12.0%**	**16,800**	**11.5%**
ADDITIONAL TIER 1 AT THE START OF THE YEAR	2,233	1.5%	999	0.6%
Changes in AT1 instruments	**3**		**1,234**	
Changes in deductions from CET1	**0**		**0**	
ADDITIONAL TIER 1 AT THE END OF THE YEAR	**2,236**	**1.5%**	**2,233**	**1.5%**
TIER 2 AT THE START OF THE YEAR	3,295	2.3%	5,023	3.4%
Changes in Tier 2 instruments	**(71)**		**(1,728)**	
Subordinated issuances	0		1,000	
Redemption of issuances	0		(2,822)	
Other	(71)		94	
Changes in Tier 2 deductions	**0**			
TIER 2 AT THE END OF THE YEAR	**3,224**	**2.2%**	**3,295**	**2.3%**

The causative details of the main aspects of the financial year that have influenced the CET1 ratio are set out below:



Change in CET1

The **Common Equity Tier 1 (CET1) ratio amounts to 12.0%** at 31 December 2019. The organic capital generation of the year has been +37 basis points, regulatory and accounting changes have had an impact of +2 basis points (of which -11 basis points of first application of IFRS 16, +18 basis points by the change in the accounting of the commitments defined with employees and -5 basis points for the adjustment of credit risk requirements for real estate financing in accordance with applicable regulations (see Article 128 of Regulation 575/2013 "Capital Requirements Regulation" (CRR))) and +13 basis points due to the evolution of markets and other impacts.

These levels of CET1 lay the foundations for achieving the capital objective set in the 2019-2021 Strategic Plan, which stands at approximately 12%, with an additional 1 percentage point prudential buffer being established until the end of 2021 to cover any future regulatory changes, including the end of the Basel 3 framework.

Information on capital requirements by risk calculation method is presented below:

BREAKDOWN OF RISK-WEIGHTED ASSETS BY METHOD
(Millions of euros)

	31-12-2019		31-12-2018	
	AMOUNT	%	AMOUNT	%
Credit risk (1)	113,947	77.0%	111,740	76.6%
Standardised approach	62,069	42.0%	60,612	41.5%
IRB approach	51,878	35.0%	51,128	35.0%
Shareholder risk	18,309	12.4%	19,177	13.1%
PD/LGD method	5,915	4.0%	7,436	5.1%
Simple method	12,394	8.4%	11,709	8.0%
VaR method	0	0.0%	32	0.0%
Market risk	€ 2.224	1.5%	1,916	1.3%
Standardised approach	1,232	0.8%	1,177	0.8%
Internal models (IMM)	992	0.7%	739	0.5%
Operational risk	13,400	9.1%	13,109	9.0%
Standardised approach	13,400	9.1%	13,109	9.0%
TOTAL	**147,880**	**100.0%**	**145,942**	**100.0%**

(1) Includes credit valuation adjustments (CVA), deferred tax assets (DTAs) and securitisations.

5. Appropriation of profit

The appropriation of profits of CaixaBank, SA from the 2019 financial year, which the Board of Directors agrees to propose to the General Shareholders' Meeting for approval, based on the information available to elaborate these financial statements, is presented below:

APPROPRIATION OF PROFITS OF CAIXABANK ,SA
(Millions of euros)

	2019
Basis of appropriation	
Profit/(loss) for the year	2,074
Appropriation:	
To dividends (1)	897
To reserves	1,177
To legal reserve (2)	0
To voluntary reserve (3)	1,177
NET PROFIT FOR THE YEAR	**2,074**

(1) Includes the proposal of a dividend of 0.15 euros per share, to be paid in April 2020. The total distributable amount is the estimated maximum, which will be reduced in accordance with the number of treasury shares held by CaixaBank at the date of payment of the dividend.
(2) It is not necessary to transfer part of the 2019 profit to the legal reserve, as this reserve has reached 20% of the share capital (art. 274 of the Spanish Corporate Enterprises Act).
(3) Estimated amount allocated to the voluntary reserve. This amount will increase by the same amount as the amount earmarked for payment of the final dividend decreases (see Note 1 above). Remuneration of AT1 capital instruments corresponding to 2019 issued by CaixaBank, totalling EUR 133 million, will be deemed to have been paid, with this amount charged to voluntary reserves.

6. Shareholder remuneration and earnings per share

6.1. Shareholder remuneration

The following dividends were distributed in this year:

DIVIDENDS PAID - 2019
(Millions of euros)

	EUROS PER SHARE	AMOUNT PAID IN CASH	ANNOUNCEMENT DATE	PAYMENT DATE
Final dividend for 2018	0.10	598	31-01-2019	15-04-2019
TOTAL	**0.10**	**598**		

6.2. Earnings per share

Basic and diluted earnings per share of the Group are as follows:

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE
(Millions of euros)

	2019	2018
Numerator	1,572	1,902
Profit attributable to the Parent	1,705	1,985
Less: Preference share coupon amount (AT1)	(133)	(83)
Denominator (thousands of shares)	5,978	5,979
Average number of shares outstanding (1)	5,978	5,979
Adjusted number of shares (basic earnings per share)	5,978	5,979
Basic earnings per share (in euros) (2)	0.26	0.32
Diluted earnings per share (euro) (3)	0.26	0.32

(1) Number of shares outstanding at the beginning of the year, excluding average number of treasury shares held during the period. Includes the retrospective adjustments set out in IAS 33.
(2) If the profit/loss of CaixaBank on a non-consolidated basis had been considered in 2019 and 2018, the basic earning per share would be 0.32 euros and 0.19 euros, respectively.
(3) Preference shares did not have any impact on the calculation of diluted earnings per share, since their capacity to be convertible was unlikely. Additionally, equity instruments associated with remuneration components were not significant.

7. Business combinations and mergers

2019

On 31 January 2019, the CaixaBank Board of Directors, the sole shareholder both of CaixaBank Consumer Finance and CaixaBank Payments, unanimously agreed to conduct a corporate reorganisation with the purpose of centralising the group's activity to issue and manage cards, provide payment services and provide consumer credit.

The reorganisation entailed the merger through absorption of CaixaBank Payments (as the absorbed company) by CaixaBank Consumer (as the absorbing company), through the en bloc conveyance of the former to the benefit of the latter, which consequently acquired, through universal succession, of the rights and obligations of the Absorbed Company and the dissolution without liquidation of the Absorbed Company.

The company resulting from this merger was renamed CaixaBank Payments & Consumer E.F.C., E.P., S.A (hereinafter, 'CaixaBank Payments & Consumer'). The merger deed was recorded in the Mercantile Register of Madrid on 25 July 2019.

As a result of this merger, the following restructuring of the business perimeter was carried out (see Note 15):

- Promo Caixa and CaixaBank Payments & Consumer entered into a contract to purchase 100% of the share capital of Promo Caixa, owned by CaixaBank, for a total amount of 212 million euros, recording a profit on sale of 210 million euros, recorded under the item 'Gains/(losses) on derecognition of non-financial assets and investments, net' of the accompanying income statement.

- Comercia Global Payments, CaixaBank Payments & Consumer entered into a contract to purchase 49% of the share capital of Comercia Global Payments, owned by CaixaBank, for a total price of 585 million euros, recording a profit on sale of 496 million euros, recorded under the item 'Gains/(losses) on derecognition of non-financial assets and investment, net' of the accompanying income statement.

The sale of the aforementioned holdings by the Company were formalised at their market value, which was determined, in a way that is consistent with the ranges established by an independent expert, based primarily on discounted cashflow methodologies, and subsequently compared with peer and transaction multiples. The main assumptions used in the valuation models are detailed below:

ASSUMPTIONS USED
(Percentage)

	PROMOCAIXA	COMERCIA GLOBAL PAYMENTS
Forecasted periods	3 years	3 years
Discount rate (1)	8.5%	7.7%
Growth rate (2)	1.0%	1.9%
Other (3)	-	15%

(1) Calculated on the yield for the Spanish 10-year bond, plus a risk premium.
(2) Corresponds to the normalised growth rate used to calculate the residual value.
(3) Discount for illiquidity associated with the nature of the holding. Uncontrolled stake.

2018

There were no business combinations in 2018.

8. Remuneration of key management personnel

8.1 Remuneration of the Board of Directors.

At the Ordinary Annual General Meeting of CaixaBank held in April 2019, the remuneration policy for the Board of Directors was approved for 2019, in accordance with the remuneration scheme set out in the Articles of Association and in the Regulations of the Board of Directors, as well as the provisions of the Corporate Enterprises Act and Act 10/2014, of 26 June, on the organisation, supervision and capital adequacy of credit institutions.

Article 34 of CaixaBank's By-laws stipulates that the position of Director shall be remunerated and that this remuneration shall consist of a fixed annual sum with a maximum amount determined by the Annual General Meeting and which shall remain in force until the General Meeting agrees to modify it. This maximum amount shall be used to remunerate all the Directors in their condition as such and shall be distributed as deemed appropriate by the Board of Directors, following the proposal of the Remuneration Committee, both in terms of remuneration to members, especially the Chairman, who receives additional fixed remuneration for carrying out his duties, and according to the duties and position of each member and to the positions they hold in the various Committees. Likewise, in conformance with the agreement and subject to the limits determined by the Annual General Meeting, Directors may be remunerated with Company shares or shares in another publicly traded Group company, options or other share-based instruments or of remuneration referenced to the value of the shares.

Non-executive Directors maintain an organic relationship with CaixaBank and consequently do not have contracts established with the Company for exercising their functions or do not have any type of recognized payment for the termination of the Director position; it only consists of fixed components.

Executive Directors carrying out executive duties are entitled to receive remuneration for these duties, which may be either a fixed amount, a complementary variable amount, incentive schemes, and benefits, which may include pension plans and insurance and, where appropriate, social security payments. In the event of departure of the CEO not caused by a breach of their functions, they may be entitled to compensation.

In addition, given the enormous practical issues involving an individual policy, Non-Executive Directors are covered by the civil liability policy for Directors and executives of the Entity to cover any third-party liabilities they may incur when carrying out their duties. The amounts corresponding to the part of the premium attributable are considered remuneration in kind.

Details of remuneration and other benefits received by the members of the Board of Directors of CaixaBank for their membership in that body in those years are as follows:

REMUNERATION OF THE BOARD OF DIRECTORS

(Thousands of euros)

		FIXED COMPONENTS					VARIABLE COMPONENTS					
	POSITION	SALARY	REMUNERATION FOR BOARD MEMBERSHIP	REMUNERATION FOR MEMBERSHIP ON BOARD COMMITTEES	REMUNERATION FOR POSITIONS HELD AT GROUP COMPANIES *	REMUNERATION FOR MEMBERSHIP ON COMMITTEES OUTSIDE THE GROUP (5)	VARIABLE REMUNERA-TION IN CASH	SHARE-BASED REMUNERA-TION SCHEMES (6)	LONG-TERM SAVINGS SYSTEM	OTHER ITEMS (4)	TOTAL 2019	TOTAL 2018
Gual, Jordi	Chairman		1,090	60		235					1,385	1,503
Muniesa, Tomás (1)	Deputy Chairman		90	50	435	11					586	1,027
Gortázar, Gonzalo **	CEO	1,561	90	50	560		381	552	509	59	3,762	3,547
Vives, Francesc Xavier	Lead Director		128	72							200	178
Armenter, Marcelino (3)	Director		49	13							62	
Bassons, Maria Teresa	Director		90	30							120	123
Fisas, M. Verónica	Director		90	72							162	140
Fundación CajaCanarias, represented by Ms. Natalia Aznarez Gómez	Director		90	50							140	136
García-Bragado, Alejandro	Director		90	30							120	118
Garmendia, Cristina (3)	Director		48	13							61	
Garralda, Ignacio	Director		90	13							103	136
Ibarz, Javier (2)			24	13	18						55	217
Minc, Alain (2)			24	23							47	180
Moraleda, María Amparo	Director		90	104							194	183
Reed, John S.	Director		90	36							126	123
Rosell, Juan (2)			24	8	16						48	190
Sáinz de Vicuña, Antonio (2)	Director		24	28							52	203
Sanchiz, Eduardo Javier	Director		90	107							197	182
Serna, José	Director		90	50							140	140
Usarraga, Koro	Director		90	107							197	186
TOTAL		**1,561**	**2,491**	**929**	**1,029**	**246**	**381**	**552**	**509**	**59**	**7,757**	**8,512**

(*) Registered in the income statement of the respective companies.

(**) In 2019 only Mr Gonzalo Gortázar has practiced executive duties

(1) Mr Tomás Muniesa was appointed on 26 Aril 2018. From that date until 22 November 2018 he was Executive Deputy Chairman, at which point he was appointed Proprietary Deputy Chairman.

(2) Mr Antonio Sáinz de Vicuña, Mr Alain Minc, Mr Juan Rosell and Mr Javier Ibarz were discharged as directors in 2019.

(3) Mr Marcelino Armenter and Ms Cristina Garmendia were appointed as directors on 5 April 2019.

(4) Includes remuneration in kind (health and life insurance premiums paid in favour of Executive Directors), interest accrued on deferred variable remuneration, other insurance premiums paid and other benefits.

(5) Remuneration received for representing the Company on Boards of Directors of listed companies and others in which the Company has a presence, outside of the consolidated group

(6) It includes EUR 170 thousand of financial instruments granted during the year 2019 corresponding to the provisional incentive of the 1st cycle of the Annual Conditional Incentive linked to the 2019-2021 Strategic Plan.

At the Ordinary Annual General Meeting of 5 April 2019, shareholders voted to set the number of Board members at 16. At 31 December 2019 the Board of Directors had 16 members and at 31 December 2018 and 2017 it had 18 members.

CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

8.2. Remuneration of Senior Management

The breakdown and details of remuneration received by Senior Management of the Group are as follows:

REMUNERATION OF SENIOR MANAGEMENT
(Thousands of euros)

	2019	2018
Salary (1)	9,288	8,698
Post-employment benefits (2)	1,576	1,313
Other long-term benefits	125	96
Other positions in Group companies	1,173	423
TOTAL	**12,162**	**10,530**
Remuneration received for representing the bank on Boards of Directors of listed companies and others in which the bank has a presence, outside of the consolidated group (3)	132	98
TOTAL REMUNERATION	**12,294**	**10,628**
Composition of Senior Management	11	10
General Managers	*3*	*3*
Deputy General Managers	*-*	*1*
Executive Managers	*7*	*5*
General Secretary and Secretary to the Board of Directors	*1*	*1*

(1) This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. Variable remuneration corresponds to the proportional part of the bonus set for the period, estimating an achievement level of 100%, and includes the accrued portion of the long-term share-based variable remuneration plan (see Note 32). It includes EUR 755 thousand of financial instruments granted during the year 2019 corresponding to the provisional incentive of the 1st cycle of the Annual Conditional Incentive linked to the 2019-2021 Strategic Plan.
(2) Includes insurance premiums and discretionary pension benefits.
(3) Registered in the income statement of the respective companies.

All the contracts of Senior Management members and the CEO have post-contractual non-competition commitments of one annual payment of their fixed components (payable in 12 monthly payments) and indemnity clauses equivalent to one annual payment of the fixed components, or the amount payable by law, whichever is higher.

The CEO has a compensation clause of 1 annuity of the fixed components of the remuneration. For members of Senior Management, there are 8 for whom the compensation provided for by legal imperative is greater than 1 annuity and for the remaining 3, the compensation provided by legal imperative is still less than 1 annuity.

The value of obligations accrued as defined contribution post-employment commitments with Executive Directors and Senior Management are as follows:

POST-EMPLOYMENT COMMITMENTS WITH EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT
(Thousands of euros)

	31-12-2019	31-12-2018
Post-employment commitments	15,130	15,904

8.3. Other disclosures concerning the Board of Directors

Article 30 of the Regulations of the Board of Directors of the Company governs the situations of conflict applicable to all directors, establishing that the director must avoid situations that could entail a conflict of interest between the Company and the Director or its related persons, adopting the measures necessary in this regard.

Directors bear certain obligations in their duty to avoid situations of conflicts of interest, such as: i) directly or indirectly carrying out transactions with CaixaBank unless they are ordinary operations, carried out under standard conditions for all customers and of little significance; ii) using the Company name or relying on their status as director of the Company to unduly influence private transactions; iii) making use of the Company's assets or availing themselves of their position at the Company to obtain an economic advantage or for any private purposes; iv) taking advantage of the company's business opportunities; v) obtaining advantages or remuneration from third parties other than the Company and its group in association with the performance of their duties, with the exception of mere courtesies; and vi) carrying out activities on their own behalf or through others that entail effective competition with the company, whether real or potential, or which in any way place them in permanent conflict with the interests of the CaixaBank.

The aforementioned obligations may be waived in one-off cases, in some cases require the approval by the General Meeting.

The Regulations of the Board of Directors are publicly available on the CaixaBank website (www.caixabank.com).

In any case, the advisers must notify the CaixaBank Board of Directors of any situation of conflict, direct or indirect, that the directors or persons related to them may be involved in, with the interests of the Entity, which will be subject to reporting in the financial statements, as established in article 229.3 of the Corporate Enterprises Act.

During 2019, no director has notified any situation that places them in a conflict of interest with the Entity. However, on the following occasions, directors abstained from intervening and voting in the deliberation of issues in sessions of the Board of Directors:

CONFLICTS OF INTEREST

DIRECTOR	CONFLICT
Jordi Gual Solé	Abstention from the deliberation and voting on the resolution regarding the sale of properties to the 'la Caixa' Banking Foundation.
Tomás Muniesa Arantegui	Abstention from the deliberation and voting on the resolution regarding the sale of properties to the 'la Caixa' Banking Foundation.
	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
Gonzalo Gortázar Rotaeche	Abstention from the deliberation and voting on the resolution regarding remuneration corresponding to 2019.
	Abstention from the deliberation and voting on the resolution regarding compliance with the 2018 individual and corporate objectives.
	Abstention from the deliberation and voting on the resolution regarding the 2019 challenges.
	Abstention from the deliberation and voting on the resolution regarding reappointment as CEO.
	Abstention from the deliberation and voting on the resolution regarding reappointment as a member of the Board of Directors' Executive Committee.
	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
Xavier Vives Torrents	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Appointments Committee.
Fundación CajaCanarias represented by Natalia Aznárez Gómez	Abstention from the deliberation and voting on the resolution regarding the acquisition of property owned by the Fundación CajaCanarias.
Natalia Aznárez Gómez (representative of the director Fundación CajaCanarias)	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
María Teresa Bassons Boncompte	Abstention from the deliberation and voting on the resolution regarding the sale of properties to the 'la Caixa' Banking Foundation.
	Abstention from the deliberation and voting on the resolution regarding reappointment as a member of the Appointments Committee.

CONFLICTS OF INTEREST

DIRECTOR	CONFLICT
María Verónica Fisas Vergés	Abstention from the deliberation and voting on the resolution regarding appointment as member of the Remuneration Committee.
	Abstention from the deliberation and voting on the resolution regarding the proposal to hold events between a related company and CaixaBank.
	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
Alejandro García-Bragado Dalmau	Abstention from the deliberation and voting on the resolution regarding the sale of properties to the 'la Caixa' Banking Foundation.
	Abstention from the deliberation and voting on the resolution regarding increasing the limit of his credit card.
Ignacio Garralda Ruiz de Velasco	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
María Amparo Moraleda Martínez	Abstention from the deliberation and voting on the resolution regarding reappointment as a member of the Board of Directors' Executive Committee.
	Abstention from the deliberation and voting on the resolution regarding reappointment as a member of the Remuneration Committee.
	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
John S. Reed	Abstention from the deliberation and voting on the resolution regarding reappointment as a member of the Appointments Committee.
José Serna Masià	Abstention from the deliberation and voting on the resolution regarding the sale of properties to the 'la Caixa' Banking Foundation.
Koro Usarraga Unsain	Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.

The Internal Rules of Conduct on Matters relating to the Stock Market regulates conflicts of interest, establishing the obligation to inform Regulatory Compliance of any conflict of interest affecting the director of his or her related parties.

There is no family relationship between the members of the CaixaBank Board of Directors and the group of key personnel comprising CaixaBank's Senior Management.

Prohibition of competition

Specifically, article 229.1f) of the Corporate Enterprises Act establishes that Board members may not carry out – on their own behalf or on the behalf of others – activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company's interests. Article 230 of the Corporate Enterprises Act stipulates that this prohibition can be lifted if the Company is not expected to incur damages or it is expected that it will be indemnified for an amount equal to the benefits expected to be obtained from the exemption. Express and separate approval of the exemption must be obtained from shareholders at the Annual General Meeting.

In this regard, Ignacio Garralda was appointed proprietary director at the Annual General Meeting of 6 April 2017, representing the shareholder Mutua Madrileña Automovilista, Sociedad de Seguros a Prima Fija ('Mutua Madrileña'). Mr Garralda is Chairman and CEO of Mutua Madrileña, the parent of a business group which, much like the CaixaBank Group, operates in numerous sectors of the insurance universe, with a presence also in pension fund management, investment fund management and the real estate business. Both entities maintain their strategic alliance through SegurCaixa Adeslas, a company owned by Mutual Madrileña (50%) and the CaixaBank Group (49.92%) and engaged in the exclusive development, marketing, sale and distribution of general insurance products in Spain, this despite the fact that Mutual Madrileña competes with SegurCaixa Adeslas in all insurance sectors except Health. This situation is expressly addressed in the Shareholders' Agreement signed by both companies.

In view of the scant relevance of the level of competition between both groups in the insurance, pension fund and investment fund management, and real estate business sectors – which, after reviewing the situation, is the case to this date – and of the advantages that Mr Garralda would contribute to the CaixaBank Board of Directors arising from his long-standing experience and qualifications, in addition to facilitating greater development of the current strategic alliance between both groups, a motion was laid before the Annual General Meeting of 6 April 2017 agreeing to exempt him from the non-competition obligation set out in article 229.1 f) of the Spanish Corporate Enterprises Act, and allowing him, within the framework provided, to hold office and discharge functions at companies belonging to the group at which Mutua Madrileña is the parent and in direct and indirect investee companies of Mutua Madrileña that arise from the interest or the discharge of functions in Mutua Madrileña. Furthermore, within the scope of the exemption, the Board of Directors approved a specific protocol to ensure that CaixaBank is not exposed to any damage as a result of his functions as a director, subject to monitoring by the Company.

Meanwhile, Marcelino Armenter was appointed a proprietary director in the Annual General Meeting of 5 April 2019, representing the shareholder Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, 'la Caixa" and Criteria Caixa, S.A.U. (CriteriaCaixa). From January 2017 to November 2019, Mr Armenter was a member of the Board of Directors of Grupo Financiero Inbursa, a Mexican company specialised in providing financial services, primarily in Mexico. Therefore, at the time of his appointment as director of CaixaBank, Mr Armenter was a non-executive proprietary director of Grupo Financiero Inbursa. He was appointed at the proposal of CriteriaCaixa, as the latter holds a significant stake in Grupo Financiero Inbursa. CaixaBank has entered collaboration agreements with Grupo Financiero Inbursa, whereby both entities act directly in geographic areas that do not overlap, but rather complement one another. Despite considering that Mr Armenter's roles and functions in Grupo Financiero Inbursa did not represent effective competition with the Company, given that article 229 of the Corporate Enterprises Act refers to 'potential' competition, to avoid any risk of not adhering to the terms of said Act and, insofar that there was no reason to expect any damage for the Company and that his incorporation into the CaixaBank Board of Directors would provide relevant benefits derived from his vast experience and qualifications in the banking sector, another motion was laid before the Annual General Meeting to, as well as appoint Mr Armenter as a director, agree to exempt him from the non-compete obligation established in article 229.1.f) of the Corporate Enterprises Act, allowing him to hold office and discharge any roles and positions in Grupo Financiero Inbursa. This proposal was approved at the General Meeting held on 5 April 2019.

8.4. Voting rights of key management personnel

At year-end, the (direct and indirect) voting rights held by "key management personnel" in the share capital of the Entity are as follows:

VOTING RIGHTS OF BOARD MEMBERS

*(Percentage *)*

	% OF SHARES CARRYING VOTING RIGHTS		% OF VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS		% OF TOTAL VOTING RIGHTS
	DIRECT	INDIRECT	DIRECT	INDIRECT	
Jordi Gual Solé	0.002				0.002
Tomás Muniesa Arantegui	0.003		0.001		0.004
Gonzalo Gortázar Rotaeche	0.016		0.007		0.023
Francesc Xavier Vives Torrents					
Marcelino Armenter Vidal	0.003				0.003
Mª Teresa Bassons Boncompte					
Maria Verónica Fisas Vergés					
Caja Canarias Foundation	0.639				0.639
Alejandro García-Bragado Dalmau					
Cristina Garmendia Mendizábal					
Ignacio Garralda Ruiz de Velasco					
Amparo Moraleda Martínez					
John S. Reed					
Eduardo Sanchiz Irazu					
José Serna Masiá					
Koro Usarraga Unsain					
TOTAL	**0.663**		**0.008**		**0.671**

(*) % calculated on issued capital at 31 December 2019.

VOTING RIGHTS OF SENIOR MANAGEMENT

*(Percentage *)*

	% OF SHARES CARRYING VOTING RIGHTS		% OF VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS		% OF TOTAL VOTING RIGHTS
	DIRECT	INDIRECT	DIRECT	INDIRECT	
Juan Antonio Alcaraz García	0.003		0.005		0.008
Iñaki Badiola Gómez	0.001		0.002		0.003
Matthias Bulach			0.001		0.001
Óscar Calderón de Oya	0.001		0.001		0.002
Francesc Xavier Coll Escursell	0.001		0.002		0.003
Jorge Fontanals Curiel			0.002		0.002
Luisa Martínez Gistau			0.001		0.001
Jordi Mondéjar López	0.001		0.002		0.003
Javier Pano Riera	0.002		0.002		0.004
Marisa Retamosa Fernández			0.001		0.001
Javier Valle T-Figueras					
TOTAL	**0.009**	**0.000**	**0.019**		**0.028**

(*) % calculated on issued capital at 31 December 2019.

9. Cash and cash balances at central banks and other demand deposits

The breakdown of this heading is as follows:

BREAKDOWN OF CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS
(Millions of euros)

	31-12-2019	31-12-2018
Cash	2,375	2,188
Cash balances at central banks	11,209	13,834
Other demand deposits	314	417
TOTAL	**13,898**	**16,439**

Cash balances at central banks includes balances held to comply with the mandatory minimum reserves requirement in the central bank based on eligible liabilities. The mandatory reserves earn interest at the rate applicable to all major Eurosystem financing operations.

10. Financial assets and liabilities held for trading

10.1. Trading derivatives

The breakdown of this heading is as follows:

BREAKDOWN OF TRADING DERIVATIVES (PRODUCT AND COUNTERPARTY)
(Millions of euros)

	31-12-2019		31-12-2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Unmatured foreign currency purchases and sales	**246**	**250**	**402**	**406**
Purchases of foreign currencies against euros	120	53	219	33
Purchases of foreign currencies against foreign currencies	47	58	138	131
Sales of foreign currencies against euros	79	139	45	242
Acquisitions and sales of financial assets				**1**
Acquisitions				
Sales				1
Share options	**221**	**228**	**197**	**253**
Bought	221		197	
Issued		228		253
Interest rate options	**91**	**95**	**101**	**117**
Bought	91		101	
Issued		95		117
Foreign currency options	**46**	**20**	**130**	**82**
Bought	46		130	
Issued		20		82
Other share and interest rate transactions	**9,526**	**6,191**	**12,008**	**12,766**
Share swaps	43	85	106	56
Future rate agreements (FRAs)				
Interest rate swaps	9,483	6,106	11,902	12,710
Credit derivatives				**12**
Sold				12
Commodity derivatives and other risks	**3,035**	**2,026**	**3,195**	**2,291**
Swaps	3,031	2,021	3,190	2,283
Bought	4	5	5	8
TOTAL	**13,165**	**8,810**	**16,033**	**15,928**
Of which: contracted in organised markets	27	34	31	77
Of which: contracted in non-organised markets	13,138	8,776	16,002	15,851

For the most part, the Entity hedges the market risk related to derivatives arranged with customers individually by arranging symmetric derivatives on the market, recognising both in the trading portfolio. In this way, the market risk arising from these operations is not significant.

10.2. Instrumentos de patrimonio

The breakdown of this heading is as follows:

BREAKDOWN OF EQUITY INSTRUMENTS
(Millions of euros)

	31-12-2019	31-12-2018
Shares in Spanish companies	370	267
Shares in foreign companies		
TOTAL	**370**	**267**

10.3. Debt securities

The breakdown of this heading is as follows:

BREAKDOWN OF DEBT SECURITIES **
(Millions of euros)

	31-12-2019	31-12-2018
Spanish government debt securities *	365	605
Foreign government debt securities *	112	21
Issued by credit institutions	97	45
Other Spanish issuers	76	37
Other foreign issuers	55	33
TOTAL	**705**	**741**

(*) See Note 3.3.3., section 'Concentration according to sovereign risk'.

(**) See ratings classification in Note 3.3.3, section "Concentration according to credit quality".

10.4. Short positions

The breakdown of this heading is as follows:

BREAKDOWN OF SHORT POSITIONS
(Millions of euros)

	31-12-2019	31-12-2018
On overdrafts on repurchase agreements	471	399
Debt securities - public*	401	347
Debt securities - other issuers	70	52
TOTAL	**471**	**399**

Contractual obligations upon maturity of the financial liability
(*) Note 3.3.3.3, section 'Concentration according to sovereign risk'

Overdrafts on repurchase agreements of debt securities are short-term transactions arranged to offset off-balance sheet positions that have been sold or are subject to a repurchase agreement.

11. Financial assets not designated for trading compulsorily measured at fair value through profit or loss

The breakdown of this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
(Millions of euros)

	31-12-2019	31-12-2018
Equity instruments	55	61
Debt securities	0	85
Loans and advances	166	327
Customers	166	327
TOTAL	**221**	**473**

12. Financial assets at fair value with changes in other comprehensive income

The breakdown of this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME
(Millions of euros)

	31-12-2019	31-12-2018 (*)
Equity instruments	**1,729**	**2,857**
Shares in listed companies	1,617	2,693
Shares in non-listed companies	112	164
Debt securities *	**14,587**	**17,046**
Spanish government debt securities	9,560	13,886
Foreign government debt securities	3,259	2,045
Issued by credit institutions	211	144
Other Spanish issuers	38	36
Other foreign issuers	1,519	935
TOTAL	**16,316**	**19,903**
Equity instruments		
Of which: gross unrealised gains		10
Of which: gross unrealised losses	(1,157)	(1,082)
Debt securities		
Of which: gross unrealised gains	496	298
Of which: gross unrealised losses	(4)	(27)

(*) See classification for 'ratings' in Note 3.3.3. "Concentration according to credit quality".

12.1. Equity instruments

The breakdown of the changes under this heading is as follows:

CHANGES IN EQUITY INSTRUMENTS - 2019
(Millions of euros)

	31-12-2018	ACQUISITIONS AND CAPITAL INCREASES	SALES AND CAPITAL REDUCTIONS	GAINS (-)/ LOSS (+) TRANSFERRED TO RESERVES	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	31-12-2019
Telefónica, S.A. (Note 14)	1,905				(289)		1,616
Repsol	786		(943)	106	51		0
Other	166	1	(42)	(26)	15	(1)	113
TOTAL	**2,857**	**1**	**(985)**	**80**	**(223)**	**(1)**	**1,729**

CHANGES IN EQUTY INSTRUMENTS - 2018
(Millions of euros)

	31-12-2017	1st APPLIC-ATION CIRCULAR 4/2017 (NOTE 1)	01-01-2018	ACQUISITION S AND CAP-ITAL INCREASES	SALES AND CAPITAL REDUC-TIONS	GAINS (-) / LOSSES (+) TRANSFERRED TO RESERVES	ADJUSTMENT S TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	31-12-2018
Telefónica, SA	2,109		2,109	0	0	0	(204)	0	1,905
Repsol *	0	0		0	(337)	4	(161)	1,280	786
Other	365	(47)	318	9	(48)	(22)	(90)	(1)	166
TOTAL	**2,474**	**(47)**	**2,427**	**9**	**(385)**	**(18)**	**(455)**	**1,279**	**2,857**

(*) On 20 September 2018, the Entity agreed to dispose of the current shareholding in Repsol, in line with the guidelines set out in the current strategic plan. The impact on the 2018 financial statements derived from the significant loss of influence in the shareholding in Repsol, after the execution of the equity-swap contracts and the reclassification of the residual shareholding to the financial heading 'Financial assets at fair value with changes in other comprehensive income' of the balance sheet stands at a gross loss of EUR 163 million.

The relevant financial information of the most relevant equity instruments classified in this section is as follows:

FINANCIAL INFORMATION ON KEY INVESTMENTS
(Millions of euros)

CORPORATE NAME	REGISTERED ADDRESS	% OWNERSHIP	% VOTING RIGHTS	EQUITY	LATEST PUBLISHED PROFIT/(LOSS)
Telefónica, SA (1)	Madrid - Spain	5.00%	5.00%	25,235	1,344
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, SA (Sareb) (2)	Madrid - Spain	12.24%	12.24%	(5,135)	(878)
Caser, Compañía de Seguros y Reaseguros, SA (2) (3)	Madrid - Spain	5.47%	5.47%	1,189	87

(1) Listed company. The information on equity and the last published profit/(loss) is at 30-09-2019.
(2) Non-listed companies. The information on equity and the last published profit/(loss) is at 31-12-2018.
(3) On 23 January 2020, the CaixaBank Group reached an agreement to sell its direct and indirect holding of 11.51% of Caser for an estimated price of 128 million euros. The operation will not have any significant equity-related impact for the Entity.

12.2. Debt securities

The breakdown of the changes under this heading is as follows:

CHANGES IN DEBT SECURITIES - 2019
(Millions of euros)

	FROM STAGE 1:	FROM STAGE 2:	FROM STAGE 3:	TOTAL
Adjusted balance at start of the year	**17,046**			**17,046**
Plus:				
Acquisitions	9,510			9,510
Interest	0			0
Gains/(losses) recognised with adjustments to equity (Note 22)	221			221
Less:				
Sales and redemptions	(11,829)			(11,829)
Amounts transferred to the income statement (Note 30)*	(163)			(163)
CLOSING BALANCE	**14,587**			**14,587**

(*) In 2019 there have been fixed income portfolio sales with a nominal amount of EUR 7,036 million and a profit of EUR 171 million, including the profit due to the cancellation of associated hedges.

CHANGES IN DEBT SECURITIES - 2018
(Millions of euros)

	FROM STAGE 1:	FROM STAGE 2:	FROM STAGE 3:	TOTAL
Opening balance	**13,719**			**13,719**
Plus:				
Acquisitions	8,452			8,452
Interest	51			51
Gains/(losses) recognised with adjustments to equity (Note 22)	(177)			(177)
Less:				
Sales and redemptions	(4,953)			(4,953)
Amounts transferred to statement of profit or loss (Note 30)	(46)			(46)
CLOSING BALANCE	**17,046**			**17,046**

(*) In 2018 there were fixed income portfolio sales with a nominal amount of 4,540 million euros and a profit of 126 million euros, including the profit due to the cancellation of associated hedges.

13. Financial assets at amortised cost

The breakdown of this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS AT AMORTISED COST 31-12-2019
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	IMPAIRMENT ALLOWANCES	ACCRUED INTEREST	FEE AND COMMISSION INCOME	OTHER	OUTSTANDING AMOUNT
Debt securities	**13,893**		**99**			**13,992**
Loans and advances	**212,146**	**(3,576)**	**355**	**(211)**	**229**	**208,943**
Credit institutions	4,353	(2)	4			4,355
Customers	207,793	(3,574)	351	(211)	229	204,588
TOTAL	**226,039**	**(3,576)**	**454**	**(211)**	**229**	**222,935**

BREAKDOWN OF FINANCIAL ASSETS AT AMORTISED COST 31-12-2018
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	IMPAIRMENT ALLOWANCES	ACCRUED INTEREST	FEE AND COMMISSION INCOME	OTHER	OUTSTANDING AMOUNT
Debt securities	**13,804**		**90**			**13,894**
Loans and advances	**213,219**	**(4,394)**	**367**	**(236)**	**72**	**209,028**
Credit institutions	7,483		4			7,488
Customers	205,736	(4,394)	363	(236)	72	201,540
TOTAL	**227,023**	**(4,394)**	**457**	**(236)**	**72**	**222,922**

13.1. Valores representativos de deuda

The breakdown of the net balances under this heading is as follows:

BREAKDOWN OF DEBT SECURITIES
(Millions of euros)

	31-12-2019	31-12-2018
Spanish public debt*	11,989	11,917
Other Spanish issuers	1,297	1,321
Other foreign issuers	706	656
TOTAL	**13,992**	**13,894**

(*) See Note 3.3.3., 'Concentration according to sovereign risk'.

The breakdown of changes in the gross carrying amount (amount on balance sheet without considering allowances for impairment of assets) of debt securities at amortised cost is as follows:

CHANGES IN DEBT SECURITIES - 2019
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**13,894**			**13,894**
New financial assets	1,052			1,052
Financial asset disposals (other than write-offs)	(875)			(875)
Changes in interest accrual	(81)			(81)
Exchange differences and other	2			2
CLOSING BALANCE	**13,992**	**0**	**0**	**13,992**
Impairment allowances*				0

(*) There were no significant movements in the period

CHANGES IN DEBT SECURITIES - 2018
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Balance at the start of the financial year — Loans and receivables	**1,406**			**1,406**
1st Application Circular 4/2017 of the Bank of Spain	10,952			10,952
Adjusted balance at start of the year	**12,358**			**12,358**
New financial assets	2,869			2,869
Financial asset disposals (other than write-offs)	(1,225)			(1,225)
Changes in interest accrual	0			0
CLOSING BALANCE	**13,894**	**0**	**0**	**13,894**
Impairment allowances*	0			0

(*) The 1st application of Circular 4/2017, of the Bank of Spain, entailed a movement to release 31 million euros on 1 January 2018.

13.2. Loans and advances

Loans and advances – Credit institutions

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS BY TYPE
(Millions of euros)

	31-12-2019	31-12-2018
Demand	**2,977**	**5,921**
Other accounts	2,977	5,921
Term	**1,376**	**1,562**
Deposits with agreed maturity	1,350	1,529
Assets in stage 3	26	33
TOTAL	**4,353**	**7,483**

Loans and advances - Loans and advances to customers

The breakdown of changes in the gross carrying amount (amount on balance sheet without considering allowances for impairment of assets) of loans and advances to customers is as follows:

CHANGES IN LOANS AND ADVANCES TO CUSTOMERS - 2019
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**182,786**	**13,815**	**9,333**	**205,934**
Transfers	**(1,236)**	**548**	**688**	**0**
From stage 1:	(4,043)	3,655	388	0
From stage 2:	2,770	(3,649)	879	0
From stage 3:	37	542	(579)	0
New financial assets	38,668	1,058	389	40,115
Financial asset disposals (other than write-offs)	(32,443)	(2,263)	(1,281)	(35,987)
Write-offs			(1,900)	(1,900)
CLOSING BALANCE	**187,775**	**13,158**	**7,229**	**208,162**

CHANGES IN LOANS AND ADVANCES TO CUSTOMERS - 2018
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**198,139**	**0**	**12,271**	**210,410**
1st application Circular 4/2017 of the Bank of Spain	(13,661)	13,211	0	(450)
Adjusted balance at start of the year	**184,478**	**13,211**	**12,271**	**209,960**
Transfers	**(1,846)**	**1,416**	**430**	**0**
From stage 1:	(4,814)	4,279	535	0
From stage 2:	2,903	(3,777)	874	0
From stage 3:	65	914	(979)	0
New financial assets	37,653	1,501	557	39,711
Financial asset disposals (other than write-offs)	(37,499)	(2,313)	(2,629)	(42,441)
Write-offs	0	0	(1,296)	(1,296)
CLOSING BALANCE	**182,786**	**13,815**	**9,333**	**205,934**

The movement of hedges of "Financial assets at amortised cost – Loans and advances to customers" is as follows:

CHANGES IN IMPAIRMENT ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS - 2019
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**358**	**518**	**3,518**	**4,394**
Net allowances	(18)	(43)	378	317
From stage 1:	(97)	6	158	67
From stage 2:	(13)	(92)	97	(8)
From stage 3:	(6)	(18)	(98)	(122)
New financial assets	106	79	265	450
Financial asset disposals	(8)	(18)	(44)	(70)
Amounts used			(1,027)	(1,027)
Transfers and other	23	(15)	(118)	(110)
CLOSING BALANCE (*)	**363**	**460**	**2,751**	**3,574**

CHANGES IN IMPAIRMENT ALLOWANCES OF LOANS AND ADVANCES TO CUSTOMERS - 2018
(Millions of euros)

	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**1,168**	**0**	**4,284**	**5,452**
1st application Circular 4/2017 of the Bank of Spain	*(624)*	*477*	*924*	*777*
Adjusted balance at start of the year	**544**	**477**	**5,208**	**6,229**
Net allowances	(232)	(221)	365	(88)
From stage 1:	42	14	148	204
From stage 2:	(3)	(70)	(15)	(88)
From stage 3:	(3)	(18)	(131)	(152)
New financial assets	102	55	369	526
Financial asset disposals	(370)	(202)	(6)	(578)
Amounts used	0	0	(1,502)	(1,502)
Transfers and other	46	262	(553)	(245)
CLOSING BALANCE	**358**	**518**	**3,518**	**4,394**

14. Derivatives - Hedge accounting (assets and liabilities)

The breakdown of the balances of these headings is as follows:

BREAKDOWN OF HEDGING DERIVATIVES (PRODUCT AND COUNTERPARTY)
(Millions of euros)

	31-12-2019		31-12-2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rates	2,070	278	1,784	307
Equity instruments	58			
Currencies and gold	(6)	2	(4)	2
Other		40	95	88
TOTAL FAIR VALUE HEDGES	2,122	320	1,875	397
Interest rates	11		3	
Equity instruments			63	
Other		122	147	340
TOTAL CASH FLOW HEDGES	11	122	213	340
TOTAL	**2,133**	**442**	**2,088**	**737**
Memorandum items				
Of which: OTC - credit institutions	489	227	935	516
Of which: OTC - other financial corporations	1,644	215	1,151	221
Of which: OTC - other			2	

The details of the schedule of the nominal amount of interest rate hedging items and their average interest rate is as follows:

MATURITY SCHEDULE OF HEDGING ITEMS AND AVERAGE INTEREST RATE
(Millions of euros)

	AMOUNT OF THE HEDGED ITEM						AVERAGE INTEREST RATE
	< 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	>5 YEARS	TOTAL	
Asset interest-rate hedges	210	455	61	1,832	11,433	13,991	(0.14%)
Liability interest-rate hedges		306	236	16,132	15,378	32,052	1.66%
TOTAL FAIR VALUE HEDGES	210	761	297	17,964	26,811	46,043	1.31%
Asset interest-rate hedges		32		1,679	3,399	5,110	0.99%
TOTAL CASH FLOW HEDGES		32		1,679	3,399	5,110	0.99%

HEDGING ITEMS - FAIR VALUE HEDGES
(Millions of euros)

				31-12-2019				31-12-2018	
				VALUE OF HEDGING INSTRUMENT		CHANGE IN FV USED TO CALCULATE THE INEFFECTIVENESS OF THE HEDGE	INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS	VALUE OF HEDGING INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES			ASSETS	LIABILITIES
Macrohedges	Issuances	Transformation from fixed to floating	Interest-rate swaps and options	1,858	22	206	(3)	1,710	124
	Fixed-rate loans	Transformation from fixed to floating	Interest-rate swaps and options	175	218	154		17	153
	Floating-rate loans	Transformation from Euribor 12M floating rate to EONIA floating rate	Interest-rate swaps			(6)		7	
	TOTAL			**2,033**	**240**	**354**	**(3)**	**1,734**	**277**
Microhedges	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps		6	(2)			3
	Public debt OCI portfolio	Debt transformation from inflation-linked fixed to floating rate	Interest-rate swaps, inflation-linked swaps and inflation-linked options		40	(21)		88	107
	Public debt OCI portfolio	Transformation of fixed-rate debt in foreign currency to floating-rate in foreign currency	Interest-rate swaps		34	(24)			10
	Shares issued	Transformation from 12M Euribor to 3M Euribor	Interest-rate swaps	31		(15)		46	
	OCI portfolio equity instruments*	Value of the instrument	Equity Swap	58		58			
	Other					(9)	(1)	7	
	TOTAL			**89**	**80**	**(13)**	**(1)**	**141**	**120**

FV: Fair value
(*) Corresponds to the hedge on 1% of Telefónica

HEDGED ITEMS - FAIR VALUE HEDGES
(Millions of euros)

				31-12-2019				2019			31-12-2018	
				HEDGED INSTRUMENT		ACCUMULATED FAIR VALUE ADJUSTMENTS IN THE HEDGED ITEM					HEDGED INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ACCUMULATED AMOUNT OF FV ADJUSTMENTS OF HEDGED ITEMS **	CHANGE IN VALUE USED TO CALCULATE THE HEDGING INEFFECTIVENESS OF THE HEDGE HEDGING	LINE ON THE BALANCE SHEET INCLUDING THE HEDGED ITEM	ASSETS	LIABILITIES
Macrohedges	Issuances	Transformation from fixed to floating	Interest-rate swaps and options		27,215		1,464	89	(209)	Financial liabilities at amortised cost		22,179
	Fixed-rate loans (**)	Transformation from fixed to floating	Interest-rate swaps and options	11,757		57		(781)	(154)	Financial assets at amortised cost	12,211	
	Floating-rate loans	Transformation from Euribor 12M floating rate to EONIA floating rate	Interest-rate swaps	660					6	Financial assets at amortised cost	3,615	
	TOTAL			**12,417**	**27,215**	**57**	**1,464**	**(692)**	**(357)**		**15,826**	**22,179**
Microhedges	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps	69		N/A	N/A		2	Financial assets at fair value *	64	
	Public debt OCI portfolio	Transformation of inflation-linked debt to fixed-rate to floating-rate	Interest rate swaps, swaps on inflation and inflation options	468		N/A	N/A		21	Financial assets at fair value *	434	
	Public debt OCI portfolio	Debt transformation from fixed rate in foreign currency to floating rate in foreign currency	Interest-rate swaps	1,037		N/A	N/A		24	Financial assets at fair value *	880	
	Shares issued	Transformation from 12M Euribor to 3M Euribor	Interest-rate swaps		4,837		31		15	Shares issued		5,639
	Equity instruments portfolio changes in OCI	Value of the instrument	Equity Swap	323		N/A	N/A		(58)	Financial assets at fair value *		
	Other			3					8		34	
	TOTAL			**1,900**	**4,837**		**31**		**12**		**1,412**	**5,639**

(*) With changes in other comprehensive income
(**) See Note 18.

HEDGING ITEMS - CASH FLOW HEDGES
(Millions of euros)

				31-12-2019				31-12-2018	
				VALUE OF HEDGING INSTRUMENT				VALUE OF HEDGING INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES	AMOUNT RECLASSIFIED FROM EQUITY TO PROFIT OR LOSS	INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS	ASSETS	LIABILITIES
Macrohedges	Floating-rate loans	Transformation from floating to fixed	Interest-rate swaps			3		3	
	Mortgage Euribor loans	Mortgage Euribor transformation to fixed rate	Interest-rate swaps	11		11			
	TOTAL			**11**		**14**		**3**	
Microhedges	Inflation-linked public debt	Transformation from inflation-linked floating to fixed rate	Inflation-linked swaps and inflation-linked options		122	4		145	340
	Corporate bonds to floating	Transformation from floating to fixed	Interest rate swaps						
	Currency-linked public debt	Transformation from floating rate in foreign currency to floating rate in euros	Currency swaps			(1)			
	Equity instruments portfolio associates*	Value of the instrument	Equity Swap			49		63	
	Other							2	
	TOTAL				**122**	**52**		**210**	**340**

(*) The hedge on 1.36% of the stake in Erste Bank has been cancelled in 2019, generating a profit of EUR 49 million, registered under the heading "Gains/(losses) from hedge accounting, net" of the statement of profit or loss.

HEDGED ITEMS - CASH FLOW HEDGES
(Millions of euros)

				31-12-2019			31-12-2018	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	RESERVE OF CASH FLOW HEDGES	PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES	LINE ON THE BALANCE SHEET INCLUDING THE HEDGED ITEM	RESERVE OF CASH FLOW HEDGES	PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES
Macrohedges	Floating-rate loans	Transformation from floating to fixed	Interest-rate swaps			Financial assets at amortised cost	2	0
	Mortgage Euribor loans	Transformation of mortgage Euribor to fixed rate	Interest-rate swaps	2				
	Fixed-rate term deposits	Transformation from fixed to floating	Interest-rate swaps		25	Financial assets at amortised cost	0	26
	TOTAL			**2**	**25**	**0**	**2**	**26**
Microhedges	Inflation-linked public debt.	Transformation from inflation-linked floating debt to fixed rate	Inflation-linked swaps and inflation-linked options	(75)		Financial assets at fair value *	(55)	0
	Corporate bonds to floating	Transformation from floating to fixed	Interest-rate swaps	0		Financial assets at fair value *	0	0
	Currency-linked public debt	Transformation from floating rate in foreign currency to floating rate in euros	Currency swaps			Financial assets at fair value *	0	0
	Equity instruments of investments in associates	Value of the instrument	Equity Swap			Investments in joint ventures and associates	61	0
	Other						2	0
	TOTAL			**(75)**	**0**		**8**	**0**

(*) with changes in other comprehensive income

15. Investments in subsidiaries, joint ventures and associates

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES — 2019
(Millions of euros)

	31-12-2018 CARRYING AMOUNT	31-12-2018 STAKE%	ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	IMPAIRMENT LOSSES	TRANSFERS AND OTHER	31-12-2019 CARRYING AMOUNT	31-12-2019 STAKE%
COST	16,115		932	(2)	0	(224)	16,821	
BuildingCenter	9,056	100.00%					9,056	100.00%
VidaCaixa	2,252	100.00%					2,252	100.00%
Banco BPI **	2,060	100.00%					2,060	100.00%
Hiscan Patrimonio	660	100.00%				(40)	620	100.00%
CaixaBank Payments & Consumer (Note 7)	379	100.00%	931			262	1,572	100.00%
CaixaBank Payments (Note 7)	262	100.00%				(262)	0	
Puerto Triana	261	100.00%					261	100.00%
Other	1,185		1	(2)		(184)	1,000	
IMPAIRMENT ALLOWANCES	(7,126)		0	0	(160)	0	(7,286)	
BuildingCenter	(6,422)				(138)		(6,560)	
Hiscan Patrimonio	(377)						(377)	
Other	(327)				(22)		(349)	
TOTAL GROUP ENTITIES	**8,989**		**932**	**(2)**	**(160)**	**(224)**	**9,535**	
COST	1,396		0	0	0	0	1,396	
Erste Group Bank *	1,363						1,363	9.92%
Other	33						33	
IMPAIRMENT ALLOWANCES	(8)		0	0	0	0	(8)	
Other	(8)						(8)	
TOTAL ASSOCIATES	**1,388**		**0**	**0**	**0**	**0**	**1,388**	
COST	148		4	(98)	0	(18)	36	
Comercia Global Payments (Note 7)	89	49.00%		(89)				
Cartera Perseidas	36	40.54%					36	40.54%
Other	23		4	(9)		(18)	0	
IMPAIRMENT ALLOWANCES	(57)		0	0	(2)	22	(36)	
Cartera Perseidas	(36)						(36)	
Other	(21)				(2)	22	0	
TOTAL JOINT VENTURES	**91**		**4**	**(98)**	**(2)**	**4**	**0**	

(*) On 31 December 2019, the market value of 9.92% of the holding is 1,431 million euros (1,239 million euros on 31 December 2018).
(**) As described in the 2018 financial statements, through various operations, CaixaBank acquired 100% of the share capital of BPI that entailed the payment of 329 million euros.

Impairment of the portfolio of investments

At year-end, there were no agreements to provide additional financial support or any other contractual commitment made by the parent company or subsidiaries with associates and joint ventures of the Entity not recognised in the financial statements. Likewise, there are no contingent liabilities related to these investments.

For the purpose of analysing the recoverable value of the portfolio of shares in associates and joint ventures, the Entity periodically monitors impairment indicators of its investees. Particularly, the following items are considered, among others: i) business performance; ii) share prices throughout the period; and iii) the target prices published by renowned independent analysts.

The methodology to determine the recoverable value for the stake in Erste Group Bank is based on dividend discount models (DDM).

A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND SENSITIVITY SCENARIOS
(Percentage)

	ERSTE GROUP BANK (3)	
	31-12-2019	31-12-2018
Forecast periods	5 years	5 years
Discount rate (1)	10.10%	10.10%
Growth rate (2)	2.50%	2.50%
Sensitivity	[-0.5%; +0.5%]	[-0.5%; +0.5%]

(1) Calculated on the yield for the Spanish 10-year bond, plus a risk premium.
(2) Corresponds to the normalised growth rate used to calculate the fair value.
(3) For the banking sector, the determination of the recoverable value considers the sensitivity with respect to the interest margin and the cost of risk of [0.05%; +0.05%]

Financial information of associates

Below selected information is displayed on significant investments in entities accounted for using the equity method, which is additional to the information presented in Appendices 2 and 3:

SELECTED INFORMATION OF ASSOCIATES

	ERSTE GROUP BANK
Nature of the company's activities	Has strong deposits business and offers retail products, corporate products and investment banking services.
Country of incorporation and countries of operation	Austria, the Czech Republic, Hungary, Croatia, Slovakia, Romania and Serbia
Restrictions on dividend payments	Regulatory restrictions or limitations according to the level of capital, return or growth outlook of the business

16. Tangible assets

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN TANGIBLE ASSETS
(Millions of euros)

	2019			2018	
	LAND AND BUILDINGS	FURNITURE, FACILITIES AND OTHER	RIGHTS OF USE*	LAND AND BUILDINGS	FURNITURE, FACILITIES AND OTHER
Cost					
Opening balance	2,378	3,704		2,430	3,483
1st application Circular 2/2018 (Note 1)			1,294		
Additions	109	358	272	46	333
Disposals	(11)	(187)	(44)	(15)	(116)
Transfers	(122)	51		(83)	4
CLOSING BALANCE	2,354	3,926	1,522	2,378	3,704
Accumulated depreciation					
Opening balance	(455)	(2,670)		(459)	(2,633)
Additions	(22)	(147)	(109)	(22)	(128)
Disposals	9	150	3	9	93
Transfers	18	(6)		17	(2)
CLOSING BALANCE	(450)	(2,673)	(106)	(455)	(2,670)
Impairment allowances					
Opening balance	0	(15)		0	(14)
Allowances (Note 35)				0	0
Releases (Note 35)		2		0	1
Transfers				0	(2)
CLOSING BALANCE	0	(13)	0	0	(15)
OWN USE, NET	**1,904**	**1,240**	**1,416**	**1,923**	**1,019**
Cost					
Opening balance	101	4		202	5
Additions				1	0
Disposals	(35)	(1)		(89)	(2)
Disposal due to contributions **				(73)	(1)
Transfers	(1)	(2)		60	2
CLOSING BALANCE	65	1	0	101	4
Accumulated depreciation					
Opening balance	(16)	(3)		(34)	(4)
Additions	(1)			(4)	(1)
Disposals	7			17	2
Disposal due to contributions **				11	1
Transfers		2		(6)	(1)
CLOSING BALANCE	(10)	(1)	0	(16)	(3)
Impairment allowances					
Opening balance	(26)	0	0	(57)	0
Allowances (Note 35)	(5)			(2)	0
Releases (Note 35)	2			4	0
Amounts used	8			24	0
Disposal due to contributions **				18	0
Transfers	2			(13)	0
CLOSING BALANCE	(19)	0	0	(26)	0
REAL ESTATE INVESTMENTS	**36**	**0**	**0**	**59**	**1**

(*) Corresponds to the rights of use of land and buildings. With respect to rights of use assets, the item 'Other financial liabilities — Liabilities associated with rights of use assets' (see Note 20.4) shows the current value of future lease payments during the contract's mandatory term
(**) Includes property assets transferred to Building Center under the framework of the operation with Lone Star, which is described in the 2018 financial statements.

Property, plant and equipment for own use

Property, plant and equipment for own use are allocated to the Banking Business cash-generating unit (CGU) and at year-end they do not present any indication of impairment (see Note 17). In addition, the Entity carries out regular individualised valuations of certain property for own use classified as “Land and buildings”. At year-end, the available valuations do not indicate the existence of any impairment.

Selected information about property, plant and equipment for own use is presented below:

OTHER INFORMATION ABOUT PROPERTY, PLANT AND EQUIPMENT FOR OWN USE
(Millions of euros)

	31-12-2019	31-12-2018
Fully amortised assets still in use	2,146	2,152
Commitments to acquire tangible assets*	Insignificant	Insignificant
Assets with ownership restrictions	Insignificant	Insignificant
Assets covered by an insurance policy	100% **	100% **

(*) Sales made in previous years with sale and leaseback agreements include buy options that may be exercised by the Entity on termination of the lease agreement at the market value of the offices at that date, to be determined where appropriate by independent experts (see Note 33).
(**) Some of the insurance policies have an excess

17. Intangible assets

The breakdown of this heading is as follows:

BREAKDOWN OF INTANGIBLE ASSETS
(Millions of euros)

	CGU	REMAINING USEFUL LIFE	31-12-2019	31-12-2018
Goodwill			**529**	**735**
Acquisition of Banca Cívica	Banking	2.5 years	522	724
Acquisition of Bankpime	Banking	2 years	7	11
Other intangible assets			**358**	**378**
Software		1 to 15 years	348	334
Other intangible assets (generated by mergers/acquisitions)			10	44
Customer relationships (core deposits) of Barclays Bank	Banking	4 years	10	13
Customer relationships (core deposits) of Banca Cívica	Banking			30
Customer relations (core deposits) of Banco de Valencia	Banking			1
TOTAL			**887**	**1,113**

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN OTHER INTANGIBLE ASSETS
(Millions of euros)

	2019			2018		
	GOODWILL	SOFTWARE	OTHER ASSETS	GOODWILL	SOFTWARE	OTHER ASSETS
Gross cost						
Opening balance	2,410	856	203	2,410	755	227
Additions		109			108	
Transfers and other		(60)			(6)	
Write-downs (Note 35)			(147)		(1)	(24)
SUBTOTAL	2,410	905	56	2,410	856	203
Accumulated depreciation						
Opening balance	(1,675)	(522)	(159)	(1,451)	(481)	(133)
Additions	(206)	(46)	(11)	(224)	(43)	(26)
Transfers and other		11			2	
Write-downs (Note 35)			124			
CLOSING BALANCE	(1,881)	(557)	(46)	(1,675)	(522)	(159)
TOTAL	**529**	**348**	**10**	**735**	**334**	**44**

Selected information related to other intangible assets is set out below:

OTHER INFORMATION ABOUT OTHER INTANGIBLE ASSETS
(Millions of euros)

	31-12-2019	31-12-2018
Fully amortised assets still in use	692	654
Commitments to acquire intangible assets	Insignificant	Insignificant
Assets with ownership restrictions	Insignificant	Insignificant

Impairment test of the banking CGU

For the purpose of analysing the recoverable amount of the Banking Business CGU, the Entity performs a regular allocation of the Entity's capital based on internal regulatory capital models, which take into account the risks assumed by each of the businesses. The amount to be recovered from the CGU is compared to its recoverable amount to determine any potential impairment.

The recoverable amount is based on value in use, which was determined by discounting the estimated dividends over the medium term obtained from the projection of the budget with a time horizon of 5 years. In addition, the projected cash flows are updated every six months to factor in any potential deviations to the model.

The projections are determined using assumptions based on the macroeconomic data applicable to the Entity's activity, contrasted by means of renowned external sources and the entities' internal information. A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND BANKING BUSINESS CGU SENSITIVITY SCENARIOS
(Percentage)

	31-12-2019	31-12-2018	SENSITIVITY
Discount rate *	7.5%	9.0%	[-1.5%; + 1.5%]
Growth rate **	1.0%	2.0%	[-0.5%; + 0.5%]
Net interest income over average total assets (NII) ***	[1.21% - 1.46%]	[1.29% - 1.60%]	[-0.05%; + 0.05%]
Cost of risk (CoR) ****	[0.26% - 0.36%]	[0.09% - 0.33%]	[-0.1%; + 0.1%]

(*) Calculated on the yield for the German 10-year bond, plus a risk Premium.
(**) Corresponds to the normalised growth rate used to calculate the net carrying value.
(***) Net interest income over average total assets, reduced by persistence of low rates.
(****) Cost of risk in 2018 affected by one-off releases (without considering them, it would be [0.22% - 0.33%]).

At the close of the financial year, it has been confirmed that the projections used in the previous impairment test and actual figures would not have affected the conclusions of that test. Similarly, the sensitivity analyses did not uncover the need to recognise any impairment at the close of the financial year.

18. Other assets and other liabilities

The breakdown of these items in the balance sheet is as follows:

BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES
(Millions of euros)

	31-12-2019	31-12-2018
Insurance contracts related to long-term commitments (Notes 21.1 and 21.2)	**1,206**	**527**
Inventories	**14**	**13**
Other assets	**2,436**	**1,414**
Prepayments and accrued income *	1,603	729
Ongoing transactions	195	130
Other	638	555
TOTAL OTHER ASSETS	**3,656**	**1,954**
Prepayments and accrued income *	**785**	**751**
Ongoing transactions	**226**	**807**
Other	**47**	**69**
TOTAL OTHER LIABILITIES	**1,058**	**1,627**

(*) Includes the accumulated amount of adjustments to fair value hedges of the hedged items accrued until their maturity (see Note 14)

19. Non-current assets and disposal groups classified as held for sale

The breakdown of the changes of the balance under this heading is as follows:

BREAKDOWN OF NON-CURRENT ASSETS FOR SALE
(Millions of euros)

	2019			2018		
	FORECLOSURE ASSETS			FORECLOSURE ASSETS		
	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)
Gross cost						
Opening balance	267	59	121	570	178	350
Additions	127	9	11	167	10	45
Disposals for the year	(199)	(11)	(57)	(442)	(30)	(57)
Disposals due to contributions (5)				(4)	(113)	(240)
Transfers and other (3)	(13)	13	103	(24)	14	23
CLOSING BALANCE	182	70	178	267	59	121
Impairment allowances						
Opening balance	(54)	(10)	(23)	(97)	(42)	(104)
Allowances (Note 37)		(9)	(36)	(3)	(11)	(29)
Recoveries (Note 37)	4	7	6	10	6	8
Disposal due to contributions (5)		1	12	0	26	73
Transfers and other (4)				36	6	16
Amounts used	10	1	(1)	0	5	13
CLOSING BALANCE	(40)	(10)	(42)	(54)	(10)	(23)
TOTAL	**142**	**60**	**136**	**213**	**49**	**98**

(1) Foreclosure rights are measured initially at the carrying amount at which the asset will be recognised when the definitive foreclosure occurs.
(2) Mainly includes: investments reclassified as non-current assets held for sale, assets deriving from the termination of operating lease agreements and closed branches.
(3) Includes mainly reclassifications of foreclosure rights to "Other foreclosed assets" or "Investment property" when the property is put up for lease (see Note 16).
(4) Includes provisions recognised to hedge against the risk of insolvency on credit operations of CaixaBank cancelled through the acquisition of real estate assets by BuildingCenter.
(5) Contribution of assets to BuildingCenter

The detail, by age, of foreclosed assets, excluding impairment allowances, determined on the basis of the foreclosure date, is as follows:

AGE OF FORECLOSED ASSETS
(Millions of euros)

	31-12-2019		31-12-2018	
	No. OF ASSETS	GROSS AMOUNT	No. OF ASSETS	GROSS AMOUNT
Up to 1 year	55	3	61	9
Between 1 and 2 years	107	11	1,081	101
Between 2 and 5 years	1,814	170	1,694	152
More than 5 years	909	68	861	64
TOTAL	**2,885**	**252**	**3,697**	**326**

20. Financial liabilities

The breakdown of this heading is as follows:

BREAKOWN OF FINANCIAL LIABILITIES AT AMORTISED COST — 31-12-2019
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTANDING AMOUNT
Deposits	**222,690**	**107**	**31**	**(14)**	**(375)**	**222,439**
Central banks	13,084	(40)				13,044
Credit institutions	4,289	7	0	0	0	4,296
Customers	205,317	140	31	(14)	(375)	205,099
Debt securities issued	**30,025**	**405**	**0**	**(10)**	**(88)**	**30,332**
Other financial liabilities	**8,104**					**8,104**
TOTAL	**260,819**	**512**	**31**	**(24)**	**(463)**	**260,875**

BREAKOWN OF FINANCIAL LIABILITIES AT AMORTISED COST — 31-12-2018
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTANDING AMOUNT
Deposits	**229,413**	**(115)**	**46**	**(16)**	**(450)**	**228,878**
Central banks	28,316	(263)				28,053
Credit institutions	5,619	10	0	0	0	5,629
Customers	195,478	138	46	(16)	(450)	195,196
Debt securities issued	**26,561**	**417**	**6**	**(10)**	**(83)**	**26,891**
Other financial liabilities	**4,704**					**4,704**
TOTAL	**260,678**	**302**	**52**	**(26)**	**(533)**	**260,473**

20.1. Deposits from credit institutions

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF DEPOSITS FROM CREDIT INSTITUTIONS
(Millions of euros)

	31-12-2019	31-12-2018
Demand	**1,269**	**1,219**
Reciprocal accounts	2	0
Other accounts	1,267	1,219
Term or at notice	**3,020**	**4,400**
Deposits with agreed maturity	2,408	2,667
Hybrid financial liabilities	1	3
Repurchase agreement	611	1,730
TOTAL	**4,289**	**5,619**

20.2. Customer deposits

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF CUSTOMER DEPOSITS
(Millions of euros)

	31-12-2019	31-12-2018
By type	**205,317**	**195,478**
Current accounts and other demand deposits	113,514	104,918
Savings accounts	66,119	61,168
Deposits with agreed maturity	22,731	25,490
of which: registered mortgage covered bonds	*3*	*2,953*
Hybrid financial liabilities	1,697	1,131
Repurchase agreements (*)	1,256	2,771
By sector	**205,317**	**195,478**
Public administrations	10,507	10,856
Private sector (*)	194,810	184,622

(*) Includes temporary assignments of assets in money market operations through counterparties, of 24 and 361 million euros on 31 December 2019 and 31 December 2018, respectively.

20.3 Debt securities issued

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF DEBT SECURITIES ISSUED
(Millions of euros)

	31-12-2019	31-12-2018
Mortgage covered bonds	14,607	16,139
Plain vanilla bonds	8,695	4,345
Structured notes	620	648
Promissory notes	703	29
Preference shares	2,250	2,250
Subordinated debt	3,150	3,150
TOTAL	**30,025**	**26,561**

The changes in the balances of each type of securities issued is as follows:

CHANGES IN DEBT SECURITIES ISSUED - 2019
(Millions of euros)

	MORTGAGE COVERED BONDS	PUBLIC SECTOR COVERED BONDS	PLAIN VANILLA BONDS	STRUCTURED NOTES	SUBORDINATED DEBT	PREFERENCE SHARES
Gross balance						
Opening balance	50,044	5,000	4,636	741	3,150	2,250
Issuances	512		4,382	141		
Depreciation and amortisation	(3,600)		(282)	(99)		
Exchange differences and other	4					
CLOSING BALANCE	46,960	5,000	8,736	783	3,150	2,250
Repo securities						
Opening balance	(33,905)	(5,000)	(291)	(93)		
Buy-backs				26		
Repayments and other	1,552		250	(96)		
CLOSING BALANCE	(32,353)	(5,000)	(41)	(163)		
CLOSING NET BALANCE	**14,607**		**8,695**	**620**	**3,150**	**2,250**

CHANGES IN DEBT SECURITIES ISSUED - 2018
(Millions of euros)

	MORTGAGE COVERED BONDS	PUBLIC SECTOR COVERED BONDS	PLAIN VANILLA BONDS	STRUCTURED NOTES	SUBORDINATED DEBT	PREFERENCE SHARES
Gross balance						
Opening balance	47,771	6,800	3,957	554	4,972	1,000
Issuances	6,573	2,000	2,000	318	1,000	1,250
Depreciation and amortisation	(4,300)	(3,800)	(1,321)	(131)	(2,822)	
Exchange differences and other						
CLOSING BALANCE	50,044	5,000	4,636	741	3,150	2,250
Repo securities						
Opening balance	(30,298)	(6,712)	(898)	(106)	(27)	
Buy-backs	(4,858)	(2,000)		(32)		
Repayments and other	1,251	3,712	607	45	27	
CLOSING BALANCE	(33,905)	(5,000)	(291)	(93)	0	0
CLOSING NET BALANCE	**16,139**	**0**	**4,345**	**648**	**3,150**	**2,250**

The breakdown of preference share issues are as follows:

BREAKDOWN OF PREFERENCE SHARE ISSUES
(Millions of euros)

				OUTSTANDING AMOUNT	
DATE OF ISSUE	MATURITIES	NOMINAL AMOUNT	NOMINAL INTEREST RATE	31-12-2019	31-12-2018
June 2017 *	Perpetual	1,000,000	6.75%	1,000	1,000
March 2018 *	Perpetual	1,250,000	5.25%	1,250	1,250
PREFERENCE SHARES				2,250	2,250
Own securities purchased				0	
TOTAL				**2,250**	**2,250**

(*) Perpetual issuance placed for institutional investors on organised markets, with a discretionary coupon, which may be redeemed under specific circumstances at the option of the Group and, in any case, they will be converted into new-issue common shares of the Group if it reports a Common Equity Tier 1 ratio (CET1) below the ratio set in each issuance.

The breakdown of subordinated debt issues is as follows:

BREAKDOWN OF SUBORDINATED DEBT ISSUES
(Millions of euros)

				OUTSTANDING AMOUNT	
DATE OF ISSUE	MATURITY	NOMINAL AMOUNT	NOMINAL INTEREST RATE	31-12-2019	31-12-2018
15-02-2017	15-02-2027	1,000	3.50%	1,000	1,000
07-07-2017	07-07-2042	150	4.00%	150	150
14-07-2017	14-07-2028	1,000	2.75%	1,000	1,000
17-04-2018	17-04-2030	1,000	2.25%	1,000	1,000
SUBORDINATED DEBT				3,150	3,150
Own securities purchased					
TOTAL				**3,150**	**3,150**

20.4. Other financial liabilities

The detail of the balance of this heading in the balance sheet is as follows:

BREAKDOWN OF OTHER FINANCIAL LIABILITIES
(Millions of euros)

	31-12-2019	31-12-2018
Payment obligations	1,981	2,044
Of which: Contributions and shortfalls pending payment to the DGF	*315*	*337*
Guarantees received	1,461	9
Clearing houses	1,308	906
Tax collection accounts	1,144	1,209
Special accounts	621	389
Liabilities associated with right-of-use assets (Note 1 and Note 16)	1,430	
Other items	159	147
TOTAL	**8,104**	**4,704**

The heading 'Other financial liabilities — Liabilities associated with right-of-use assets' (see Note 16) presents the current value of future lease payments during the mandatory period of the contract. The movement corresponding to the financial year is as follows:

FUTURE PAYMENTS OF OPERATIONAL LEASE CONTRACTS
(Millions of euros)

	01-01-2019*	REGISTRATION	FINANCIAL UPDATE	PAYMENTS	31-12-2019
Linked to the sales contract and subsequent lease Soinmob Inmobilaria, SAU	591	29	10	(40)	590
Linked to other operational leases	703	202	10	(75)	840
TOTAL	**1,294**	**231**	**20**	**(115)**	**1,430**
Discount rate applied (according to the term)					
Spain	[0.10%-1.66%]				[0.10%-1.66%]

(*) See Note 1.4 "Comparison of information"

21. Provisions

The breakdown of the changes of the balance under this heading is as follows:

MOVEMENT OF PROVISIONS
(Millions of euros)

	PENSIONS AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS	OTHER LONG-TERM EMPLOYEE BENEFITS	PENDING LEGAL ISSUES AND TAX LITIGATION		COMMITMENTS AND GUARANTEES GIVEN		
			LEGAL CONTINGENCIES	PROVISIONS FOR TAXES	CONTINGENT RISKS	CONTINGENT COMMITMENTS	OTHER PROVISIONS*
BALANCE AT 31-12-2017	**598**	**1,223**	**496**	**232**	**219**	**43**	**387**
1st application Circular 4/2017 of the Bank of Spain					12	(1)	
With a charge to the statement of profit or loss	9	86	54	28	(23)	(7)	115
Provision		84	174	29	48	78	309
Reversal			(120)	(1)	(71)	(85)	(194)
Interest cost / (income)	9						
Personnel expenses		2					
Gains / (Actuarial losses)	(113)						
Amounts used	(24)	(231)	(128)	(41)			(309)
Transfers and other	(12)	(6)					163
BALANCE AT 31-12-2018	**458**	**1,072**	**422**	**219**	**208**	**35**	**356**
With a charge to the statement of profit or loss	7	969	119	19	(27)	(6)	33
Provision		7	148	19	91	87	194
Reversal	(1)	(15)	(29)		(118)	(93)	(161)
Interest cost / (income)	8						
Personnel expenses		977					
Gains / (Actuarial losses)	87						
Amounts used	(27)	(332)	(165)				(121)
Transfers and other	(6)		14		(81)		117
BALANCE AT 31-12-2019	**519**	**1,709**	**390**	**238**	**100**	**29**	**385**

(*) Includes the impacts derived from the repurchase and subsequent sale of Servihabitat Servicios Inmobilarios related to the operation with Lone Star, which is described in the 2018 financial statements and which represented the recorded loss of 152 million euros.

21.1. Pensions and other post-employment obligations

Provisions for pensions and similar obligations – Defined benefit post-employment plans

The Entity's main defined-benefit post-employment benefit obligations are as follows:

- Part of the commitments with employees and former employees of the Entity covered by insurance contracts with entities belonging to the Group or not, most of which coming from merger processes. In these cases, the Entity is the policyholder, and the contracts are managed by each insurance company, which also assumes the risks.
- The rest of the obligations are implemented through the CaixaBank Employment Pension Plan, which has different sub-plans. These subplans are integrated into two pension funds, namely the fund Pensions Caixa 30, a pension fund that which combines a greater number of holders and beneficiaries. The Pension Funds keep their defined-benefit commitments insured through different insurance contracts, mostly with VidaCaixa, the policyholder of which is the Pension Plan Control Committee itself. CaixaBank does not control the Pension funds into which these subplans are integrated, although it holds a minority representation on the Control Committees established in each of them.
- Given that the majority of defined-benefit commitments covered through the Pension Funds or insurance policies taken out directly by CaixaBank, the objective of which is for the provisions payable to beneficiaries to be the same as the insurance provisions in the policies taken out, the Entity is not exposed to volatilities or unusual market movements. At the end of the

different years, the fair value of the policies taken out directly with VidaCaixa or other entities, and that of the assets of the Pension Funds (primarily also insurance policies), are calculated using a homogeneous valuation methodology as established by accounting standards.

If an insurance policy is a CaixaBank Employment Pension Plan asset and its flows exactly match the amount and timing of the benefits payable under the plan, the fair value of these insurance policies is deemed to be the present value of the related obligations. There will only be a defined benefit net liability when certain commitments are not insured by CaixaBank or the pension fund, for example, longevity queues for which the insurers have not been able to find financial instruments with a sufficiently long duration that replicate the guaranteed payments.

Whilst the insurance policies taken out with insurers external to the Group and the value of the assets held through the Pension Funds are presented in net form on the balance sheet, given that they are eligible assets of the pan and are used to settle the obligations assumed, the fair value of the other policies taken out directly by CaixaBank with VidaCaixa are recorded under 'Other assets - all other assets'.

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS
(Millions of euros)

	DEFINED BENEFIT OBLIGATIONS (A)		FAIR VALUE OF ASSETS INVOLVED (B)		OTHER ASSETS (C)		NET (ASSET)/LIABILITY FOR LONG-TERM COMMITMENTS (A+B+C)	
	2019	2018	2019	2018	2019	2018	2019	2018
OPENING BALANCE	(2,026)	(2,148)	1,568	1,550			(458)	(598)
Interest cost (income)	(32)	(35)	25	26			(7)	(9)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	(32)	(35)	25	26			(7)	(9)
Actuarial gains/(Losses) arising from experience assumptions	18	96					18	96
Actuarial gains/(Losses) arising from financial assumptions	(200)	1	95	16			(105)	17
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN EQUITY	(182)	97	95	16			(87)	113
Plan contributions			21	14			21	14
Plan payments	131	116	(104)	(92)			27	24
Payments	2	2	(2)	(2)				
Transactions	(70)	(58)	55	56			(15)	(2)
OTHER	63	60	(30)	(24)			33	36
CLOSING BALANCE	**(2,177)**	**(2,026)**	**1,658**	**1,568**			**(519)**	**(458)**
Of which: Vested obligations	(2,156)	(2,001)						
Of which: Non-vested obligations	(21)	(25)						
Of which: Implemented through insurance policies			1,658	1,568				

The present value of defined benefit obligations was calculated using the following criteria:

- The “projected unit credit” accrual method has been used, which considers each year of service as giving rise to one additional unit of benefit entitlement and measures each unit separately.
- The estimated retirement age of each employee is the first age at which the employee has the right to retire or the age determined in the agreements, as applicable.
- The actuarial and financial assumptions used in the measurement are unbiased and mutually compatible.

The assumptions used in the Entity's calculations are as follows:

ACTUARIAL AND FINANCIAL ASSUMPTIONS

	2019	2018
Discount rate of post-employment benefits (1)	0.98%	1.64%
Long-term benefit discount rate (1)	-0.02%	0.05%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
CPI annual cumulative (3)	1.90%	1.2% 2018; 1.8% 2019 onwards
Annual salary increase rate	CPI+0.5%	1.25% 2018; CPI + 0.5% 2019 and onwards

(1) Using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed. Rate informed on the basis of the weighted average term of these commitments.

(2) Depending on each obligation.

(3) Using the Spanish zero coupon inflation curve in 2019. Rate informed on the basis of the weighted average term of the commitments.

The actuarial assumptions of pension commitments are carried out by qualified and independent actuaries.

Furthermore, in order to preserve the governance of the valuation and management of risks inherent to these commitments, the Entity has established an activity framework where the ALCO Committee manages proposals to hedge these risks, and the Global Risk Committee approves any change to the criteria to value the liabilities reflected by these commitments.

Below follows a sensitivity analysis of the value of obligations based on the main assumptions used in the actuarial valuation. To determine this sensitivity the calculation of the value of the obligations is replicated, changing the specific variable and maintaining the remaining actuarial and financial assumptions unchanged. One drawback of this method is that it is unlikely that a change will occur in one variable alone as some of the variables may be correlated:

ANALYSIS OF THE SENSITIVITY OF THE OBLIGATIONS

(Millions of euros)

	+50 bp	-50 bp
Discount rate	(29)	32
Annual pension review rate	10	(9)

The estimate of the fair value of insurance contracts related to pensions taken out directly by CaixaBank with VidaCaixa or other entities, and the estimate of the value of assets of Pension Funds (mainly also insurance policies), consider the value of discounted future payments guaranteed following the same rates curve used for obligations. Thus, given that the expected flows of payments are matched to those that will be derived from the policies, potential reasonable changes at year-end in the discount rate would have a similar impact on the fair value of the insurance contracts linked to pensions and the fair value of the assets held through Pension Funds.

Consistent with the indications of note 2.12, the sensitivity of obligations has been calculated only when CaixaBank or the Pension Fund have not insured certain commitments, e.g. certain tales of longevity mentioned previously.

The estimated payment of the provisions planned for the next 10 years is stated below:

ESTIMATED PAYMENTS OF POST-EMPLOYMENT

(Millions of euros)

	2020	2021	2022	2023	2024	2025-2029
Estimated payments for post-employment commitments (1)	27	27	27	27	27	128

(1) Excluding insured provisions to be paid directly by VidaCaixa to the Pension Funds.

21.2. Provisions for other employee compensation

The Entity has funds to cover the commitments of its discontinuation programmes, both in terms of salaries and other social costs, from the moment of termination until reaching the age established in the agreements. Funds are also in place covering length of service bonuses and other obligations with existing personnel. The main training programmes for which funds are kept are as follows:

VOLUNTARY REDUNDANCY SCHEMES
(Millions of euros)

	YEAR RECOGNISED	NUMBER OF PEOPLE	INITIAL PROVISION
Labour agreement 17-07-2014	2014	434	182
Labour agreement for Barclays Bank personnel restructuring 2015	2015	968	187
Labour agreement 29-06-2015 (territorial reorganisation of the workforce)	2015	700	284
Paid early retirements and resignations 16-04-2016	2016	371	160
Labour agreement 29-07-2016	2016	401	121
Paid early retirements and resignations 10-01-2017	2017	350	152
Labour agreement 28-04-2017 - Discontinuations 2017	2017	630	311
Labour agreement 28-04-2017 - Discontinuations 2018	2018	151	67
Labour agreement 08-05-2019	2019	2,023	978

On 31 January 2020, a Labour Agreement on Incentivised Voluntary Terminations was reached, which would affect a potential group of 376 employees formed of employees born in and before 1962, who work in Barcelona and Teruel. The budgetary allowance of approximately 100 million euros outlined in the operational plan for these incentivised voluntary terminations is based on percentages of adhesion to previous incentivised voluntary termination processes, and it is estimated that 209 people would join the programme. The provision will be recorded in the first quarter of 2020.

The breakdown of the changes of the balance under this heading is as follows:

RECONCILIATION OF BALANCES OF OTHER LONG-TERM EMPLOYEE BENEFITS
(Millions of euros)

	NET (ASSET)/LIABILITY FOR DEFINED BENEFIT OBLIGATIONS	
	2019	2018
OPENING BALANCE	1,072	1,223
Included in profit or loss		
Service cost for the current year	2	5
Past service cost	977	79
Interest net cost (income)	1	2
Revaluations (gains)/losses	(5)	(5)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	975	81
Other		
Plan payments	(338)	(231)
Transactions		(1)
TOTAL OTHER	(338)	(232)
CLOSING BALANCE	**1,709**	**1,072**
Of which: With pre-retired personnel	448	633
Of which: Termination benefits	962	229
Of which: Supplementary guarantees and special agreements	181	91
Of which: Length of service bonuses and other	60	59
Of which: Other commitments deriving from Barclays Bank, SAU.	58	60

Given the nature of these obligations, the expected timing of outflows of funds embodying economic benefits, should they arise, is uncertain.

Provisions for pending legal issues

The Entity is subject to claims. Therefore, it is party to certain legal proceedings arising from the normal course of its business, including claims in connection with lending activities, relationships with employees and other commercial or tax matters. Accordingly, the outcome and expected schedule of outflows of funds from court proceedings must be considered uncertain.

The Entity considers that, on 31 December 2019, it has reliably estimated the obligations associated with each procedure, and has recognised, whenever required, suitable provisions that reasonably cover the liabilities that could be derived from these fiscal and legal situations. It also considers that any responsibility arising from these proceedings, considering each one individually, will not have a material adverse effect on the Entity's businesses, financial position or results of operations.

Reference rate for mortgages in Spain

In relation to the reference rate for mortgages in Spain, a preliminary ruling has been submitted to the Court of Justice of the European Union (CJEU) that challenges the validity of the mortgage loan contracts subject to the official reference rate – called IRPH (Spanish reference rate for mortgages) –, due to an alleged lack of transparency.

The legal matter of the debate is the transparency test based on article 4.2 of Directive 93/13, in cases when the borrower is a consumer. Given that the IRPH is the price of the contract and it is included in the definition of the main purpose of the contract, it must be written using clear and understandable language to enable the consumer to use clear and comprehensible criteria to assess the economic consequences on them deriving from the contract.

Although the European Commission considers that transparency requires a full explanation of the characteristics of the index and how it works, comparisons shown of available or official indexes, the historical evolution and the forecast of mortgage indexes set out in detail, etc., the Kingdom of Spain, the United Kingdom and the banking institution that is part of the procedure deem an official index to be public, transparent, and supervised by the statutory authorities and the essential legal instrument required for comparing prices in Spain is the APR (annual percentage rate), comprising the total price and the financial burden of the loan that is formed by the expenses, fees, index and differential applied.

The aforementioned preliminary ruling was made by a Magistrates Court several months after the Spanish High Court passed its judgment declaring that these contracts were valid, on 14 December 2017.

On 10 September 2019 the advocate general issued an opinion which, in light of the aspirations of the European Commission, confirms the transparency of the index and the absence of the need to provide future scenarios of possible performance of the same and comparisons between different indexes, highlighting the need to contribute regulated pre-contractual information to the current regulations.

The recent opinion of the advocate general, the existence of the prior judgment made by the Spanish High Court, the fact that the IRPH is an official reference rate, published and managed by the Bank of Spain, the existence of jurisprudence of the CJEU that confirms the transparency of the contracts linked to other official reference rates, and the existence of an APR (which is compulsorily reported to consumers, and which enables an understanding of the financial burden and the comparison of different mortgage offers, regardless of the reference index applied), are facts that, with the currently available information, result in a low probability of an adverse final judgment.

Similarly, is difficult to quantify, in advance, the impact of a judgment of the CJEU which, dissociating from the opinion of the advocate general and following the thesis of the European Commission, was ultimately unfavourable, since it would depend on a set of highly uncertain factors, among which the most relevant are as follows: i) what the rule to replace the aforementioned index should be (in other words, how the loan interest should be calculated), ii) whether it should be applied retroactively or not and until what date (if the CJEU ruling concludes that it must be applied retroactively), iii) as well as any well-founded claims filed as regards the lack of transparency. In such an adverse scenario, the impact would be material.

On 31 December 2019, the total amount of mortgages up to date with payments indexed to the IRPH (mortgage base rate) with individuals is approximately EUR 6,060 million (the majority of which are with consumers).

Ongoing investigation in Spanish Central Court (Juzgado de Instrucción Central) No.2 (Preliminary Proceedings 16/18)

In April 2018, the Anti-Corruption Prosecutor's Office started legal proceedings against CaixaBank, the Entity's former head of Regulatory Compliance and 11 employees, for events that could be deemed to constitute a money laundering offence, primarily due to the activity carried out in 10 branches of CaixaBank by alleged members of certain organisations formed of Chinese nationals, who allegedly conducted fraud against the Spanish Treasury between 2011 and 2015. The procedure is currently in its investigation phase and neither CaixaBank nor its legal advisers consider the risk associated with these criminal proceedings as being likely to arise. The potential impact of these events is not currently considered material, although CaixaBank is exposed to reputational risk due to these ongoing proceedings.

Ongoing investigation in Spanish Central Court (Juzgado de Instrucción Central) No.5 (Preliminary Proceedings 67/18)

As a result of a private prosecution, a set of corporate transactions in 2015 and 2016, together with an asset transaction, as alleged by the referred prosecution, are under investigation, being the later however non-existent (since it was never granted).Without prejudice to the reputational damage resulting from any judicial investigation, it is not considered as probable that an economical risk linked to this criminal proceeding would materialise or cause a negative effect.

Provisions for taxes

The detail of the balance of this heading in the balance sheet is as follows:

BREAKDOWN FOR PROVISIONS FOR TAXES
(Millions of euros)

	31-12-2019	31-12-2018
Income tax assessments for years 2004 to 2006	33	33
Income tax assessments for years 2007 to 2009	12	12
Income tax assessments for years 2010 to 2012	13	13
Tax on deposits	18	18
Other	162	143
TOTAL	**238**	**219**

The main tax procedures ongoing at 2019 year-end are as follows:

- In 2017, the review actions for 2010 to 2012 were completed with no significant impact. Disputed Corporation Tax assessments are under appeal with the National Criminal Court, and disputed value-added tax assessments have been subject to an appeal against the decision of the tax authorities with the Central Economic-Administrative Court.
- In 2011, the Tax Inspection Bureau started to review 'la Caixa' in relation to financial years 2007 to 2009 for the main taxes applicable, which was completed in 2013. Disputed tax assessments are under appeal with the Spanish High Court.
- In 2008, the Tax Inspection Bureau started to review 'la Caixa' in relation to financial years 2004 to 2006 for the main taxes applicable, which was completed in 2010. Disputed tax assessments are under appeal with the Spanish High Court.

The Entity has provisions to cover the maximum risks that could arise from the formally disputed assessments relating to Corporation Tax and Value Added Tax.

21.4. Provision for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given (Note 24).

The content of the main sections of this heading is set out below. The expected timing of outflows of funds embodying economic benefits, should they arise, is uncertain.

Losses from agreements not formalised and other risks

Class action brought by the ADICAE association (floor clauses)

The legal procedure in which class action for discontinuance was carried out by ADICAE (the Association of Banking and Insurance Consumers) in application of the floor causes that exist in some of the entity's mortgages, are currently in the phase of Reversal and Procedural Infringement before the Spanish Supreme Court.

As stated in the previous financial statements, the risk associated with this matter was managed with specific coverage of EUR 625 million, and a team and specific procedures were developed to comply with the requests filed under the framework of Royal Decree-Law 1/2017, of 20 January, on urgent measures to protect consumers against floor causes.

The disbursements accumulated in 2019 and associated with this procedure have reached EUR 102 million.

With the available information, the risk derived from the disbursements that could arise due to these litigation proceedings is reasonably covered by the corresponding provisions.

22. Equity

22.1. Share capital

Share capital

Selected information on the figures and type of share capital figures is presented below:

INFORMATION ABOUT SHARE CAPITAL

	31-12-2019	31-12-2018
Number of fully subscribed and paid up shares (units) (1)	5,981,438,031	5,981,438,031
Par value per share (euros)	1	1
Closing price at year-end (euros)	2,798	3,164
Market cap at year-end, excluding treasury shares (2)	16,727	18,916

(1) All shares have been recognised by book entries and provide the same rights.
(2) CaixaBank's shares are traded on the continuous electronic trading system, forming part of the Ibex-35.

Retained earnings, revaluation reserves and other reserves

The breakdown of the balances of these headings is as follows:

BREAKDOWN OF RESERVES
(Millions of euros)

	31-12-2019	31-12-2018
Legal reserve (1)	1,196	1,196
Restricted reserves for financing the acquisition of treasury shares	2	3
Other restricted reserves (2)	509	509
Unrestricted reserves	1,088	1,165
TOTAL	**2,795**	**2,873**

(1) At the close of 2019 and 2018. the legal reserve reaches the minimum levels required by the Spanish Corporate Enterprises Act.
(2) Primarily associated to the goodwill of Morgan Stanley, Bankpime and Banca Cívica.

Other equity instruments

The value of shares included in variable share-based remuneration plans (see Note 32) not delivered is as follows:

BREAKDOWN OF OTHER EQUITY INSTRUMENTS
(Millions of euros)

	31-12-2019	31-12-2018
Value of shares not delivered	24	19

Treasury shares

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN TREASURY SHARES - 2019
(Millions of euros)

	2018	ACQUISITION AND OTHER	DISPOSAL AND OTHER **	2019
Number of treasury shares	2,608,240	2,031,597	(1,933,901)	2,705,936
% of share capital *	0.044%	0.034%	(0.032%)	0.045%
Cost / Sale	9	6	(6)	9

CHANGES IN TREASURY SHARES - 2018
(Millions of euros)

	2017	ACQUISITION AND OTHER	DISPOSAL AND OTHER **	2018
Number of treasury shares	3,520,392	28,720	(940,872)	2,608,240
% of share capital *	0.059%	0.000%	(0.016%)	0.044%
Cost / Sale	12	0	(3)	9

(*) Percentage calculated on the basis of the total number of CaixaBank shares at the end of the respective years.
(**) Gains from treasury share transactions were not significant.

Additionally, the number of treasury shares accepted as financial guarantees given by the Entity and treasury shares owned by third parties and managed by an Entity company were as follows:

TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES AND OWNED BY THIRD PARTIES
(Millions of shares/Millions of euros)

	TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES		TREASURY SHARES OWNED BY THIRD PARTIES MANAGED BY THE GROUP	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Number of treasury shares	13	12	12	19
% of share capital (*)	0.217%	0.202%	0.201%	0.314%
Nominal amount	13	12	12	19

22.2. Accumulated other comprehensive income

Changes under this heading are contained in the statement of recognised income and expenses.

23. Tax position

23.1. Tax consolidation

The consolidated tax group for Income Tax includes CaixaBank, as the parent, and subsidiaries include Spanish companies in the commercial group that comply with the requirements for inclusion under regulations, including the ”la Caixa” Banking Foundation and CriteriaCaixa. The other companies in the commercial group file taxes in accordance with applicable tax legislation.

Similarly, CaixaBank and some of its subsidiaries have belonged to a consolidated tax group for value added tax (VAT) since 2008, the parent company of which is CaixaBank.

23.2. Years subject to tax inspection

On 24 July 2018, the Spanish tax authorities notified CaixaBank of the beginning of an inspection for the main taxes applicable to it for the years 2013 to 2015, inclusive.

Accordingly, CaixaBank has the year 2016 and following open for review for the main taxes applicable. Furthermore, as the successor of Banca Cívica and the savings banks that formerly contributed their assets comprising the financial activity to Banca Cívica, Banco de Valencia and Barclays Bank, these institutions are open to inspection for the main taxes applicable to them from 2010 and beyond.

The various interpretations that can be drawn from the tax regulations governing transactions carried out by financial institutions may give rise to certain contingent tax liabilities that cannot be objectively quantified. The Entity’s management considers that the provision under “Provisions - Pending legal issues and tax litigation” in the balance sheet is sufficient to cover these contingent liabilities.

23.3. Reconciliation of accounting profit to taxable profit

The Entity's reconciliation of accounting profit to taxable profit is presented below:

RECONCILIATON OF ACCOUNTING PROFIT TO TAXABLE PROFIT
(Millions of euros)

	2019	2018
Profit/(loss) before tax (A)	**2,048**	**1,590**
Increases/decreases due to permanent differences	**(2,165)**	**(222)**
Difference in accounting and tax cost of shares transferred	30	162
Dividends and capital gains exempt from taxation, lower costs, etc.	(2,578)	(1,101)
recognised under EIGs	66	13
Valuation adjustments for impairment of subsidiaries	155	817
Expense recognised against reserves	(143)	(118)
Amortisation of goodwill	205	205
Other increases	100	57
Other reductions		(257)
Taxable income/(tax loss)	**(117)**	**1,368**
Tax payable (base * 30%)	**35**	**(410)**
Tax relief and tax credits	**1**	**1**
Income tax rate for the year	**36**	**(409)**
Tax adjustments	**(5)**	**15**
Tax adjustments for expense recognised against reserves	**(3)**	**(31)**
Other tax	**(2)**	**(2)**
INCOME TAX (B)	**26**	**(427)**
PROFIT/(LOSS) AFTER TAX (A) + (B)	**2,074**	**1,163**

The changes in the balance of these headings is as follows:

CHANGES in DEFERRED TAX ASSETS
(Millions of euros)

	31-12-2017	1st APPLICATION CIRCULAR 4/2017	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2018	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2019
Pension plan contributions	**503**		18	9		**530**			(4)	**526**
Allowances for credit losses	**4,064**	(8)	(24)	13	(13)	**4,032**		16	(47)	**4,001**
Insolvency provision (ECB 4/2017) (1)		264			(88)	**176**	(62)		(57)	**57**
Early retirement obligations	**27**				(9)	**18**		8	(16)	**10**
Provision for foreclosed property	**264**		10	12	(11)	**275**		18	(5)	**288**
Credit investment fees	**8**		(1)			**7**			(2)	**5**
Assets measured at fair value through equity	**54**			21	(1)	**74**		16		**90**
Tax loss carryforwards	**1,009**				(65)	**944**			(28)	**916**
Unused tax credits	**958**				(142)	**816**		1	(53)	**764**
Others from business combinations	**35**		2		(11)	**26**			(7)	**19**
Other (2)	**970**		30	145	(150)	**995**	(17)	140	(138)	**980**
TOTAL	**7,892**	**256**	**35**	**200**	**(490)**	**7,893**	**(79)**	**199**	**(357)**	**7,656**
Of which: monetisable	4,859					4,856				4,825

(1) In accordance with the thirty-ninth transitional provision of the Corporate Enterprises Act, the amount to integrate into the tax base in 2019 amounts to 190 million euros (the amount integrated in 2018 is 190 million euros), with 190 million euros pending integration.
(2) Includes, inter alia, eliminations from intra-group operations and those corresponding to different provisions, and other adjustments due to differences between accounting and tax rules.

CHANGE IN DEFERRED TAX LIABILITIES
(Millions of euros)

	31-12-2017	1st APPLICATION CIRCULAR 4/2017	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2018	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2019
Revaluation of property on 1st application of Bank of Spain Circular 4/2004	**236**		(4)		(17)	**215**			(13)	**202**
Assets measured at fair value through equity	**181**				(56)	**125**		29		**154**
Intangible assets from business combinations	**228**				(44)	**184**			(34)	**150**
Others from business combinations	**21**		2	4	(9)	**18**			(3)	**15**
Other	**91**		1	4	(10)	**86**	15	4	(9)	**96**
TOTAL	**757**	**0**	**(1)**	**8**	**(136)**	**628**	**15**	**33**	**(59)**	**617**

The Entity does not have any significant unrecognised deferred tax assets.

Twice per year, in collaboration with an independent expert, the Entity assesses the recoverable amount of its recognised deferred tax assets in the balance sheet, on the basis of a budget consisting in a 5-year horizon with the forecasted results used to estimate the recoverable value of the different CGU of the Group (see Note 17) and forecast, subsequently, applying a sustainable net interest margin (NIM) to the average total assets and a normalised cost of risk (CoR) of 1.6% and 0.39%, respectively.

The Entity deems that the deferred tax assets recorded arising from credits for carry-forward losses, deductions and non-monetisable timing differences corresponding to Spanish jurisdiction will have recovered in a maximum period of 15 years.

The Entity performs sensitivity analyses on the key assumptions of flow forecasts regarding the recoverability model (see Note 17), without this resulting in any significant changes to the estimated period in the base scenario.

The predictability of exercises to evaluate the recoverability of tax assets, which have been carried out since 2014, is strengthened by backtesting exercises, which result in high explainability.

In light of the existing risk factors (see Note 3) and the reduced deviation with respect to the estimates used to elaborate the budgets, the Administrators consider that, despite the limitations for applying different monetisable timing differences, tax loss carryforwards and unused tax credits, the recovery of all activated tax credits is still probable with future tax benefits.

23.5. Other

CaixaBank did not carry out any operations in 2019 under the scope of the special tax regime, in accordance with the provisions of article 86 of Act 27/2014, of 27 November, on corporation tax. Information relating to transactions carried out under the special tax scheme in prior years is included in the tax sections of the previous years' financial statements of CaixaBank, Banco de Valencia, Banca Cívica and Barclays Bank.

As per Article 42 of the consolidated text of the Corporation Tax Law, the tax credit for reinvestment of profit is provided in Appendix 4.

In 2013 an amendment was made that repealed article 12.3 of the restated text of the Corporation Tax Law, prohibiting tax deductible impairment at subsidiaries from 1 January 2013. A transitory system was also established to recover impairment that had been tax deductible up to 31 December 2012 amended by Royal Decree Law 3/2016. In this regard, Appendix 4 shows information on the impairment losses pending integration from entities classified as group entities, investments in joint ventures and associates at 31 December 2017 and the recoveries effected in 2018 in application of the aforementioned transitional regime.

24. Guarantees and contingent commitments given

The breakdown of "Guarantees and contingent commitments given" included as memorandum items is set out below:

BREAKDOWN OF EXPOSURE AND HEDGING ON GUARANTEES AND CONTINGENT COMMITMENTS AT 31-12-2019
(Millions of euros)

	OFF-BALANCE SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	4,799	153	134	(3)	(3)	(41)
Loan commitments given	55,602	2,034	214	(18)	(2)	(9)
Other commitments given	20,089	473	176	(11)	(8)	(34)

BREAKDOWN OF EXPOSURE AND HEDGING ON GUARANTEES AND CONTINGENT COMMITMENTS AT 31-12-2018
(Millions of euros)

	OFF-BALANCE SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	4,511	124	130	(10)	(23)	(66)
Loan commitments given	51,659	1,585	258	(21)	(2)	(12)
Other commitments given	17,867	502	241	(8)	(1)	(100)

The Entity only needs to pay the amount of contingent liabilities if the guaranteed counterparty breaches its obligations. It believes that most of these risks will reach maturity without being settled.

With respect to contingent commitments, the Entity has an undertaking to facilitate funds to customers through drawables on lines of credit and other commitments, whenever it receives a request and subject to compliance with certain conditions by the counterparties. It believes that a large portion of them will fall due prior to drawdown, either because they will not be requested by customers or because the drawdown conditions will not be met. The details of "Loan commitments given" included as memorandum items in the balance sheet, are set out below:

LOAN COMMITMENTS GIVEN
(Millions of euros)

	31-12-2019		31-12-2018	
	DRAWABLE	LIMITS	DRAWABLE	LIMITS
Drawable by third parties				
Credit institutions	37	37	77	77
Public administrations	3,614	4,543	1,887	2,496
Other sectors	54,199	102,921	51,538	99,363
TOTAL	**57,850**	**107,501**	**53,502**	**101,936**
Of which: conditionally drawable	3,751		4,098	

The table below details the contractual maturities of the loan commitments given:

CONTRACTUAL MATURITIES
(Millions of euros)

	< 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	> 5 YEARS	TOTAL
Drawable by third parties	1,122	2,524	9,566	11,759	32,879	57,850

25. Other significant disclosures

25.1. Operations on behalf of third parties

The breakdown of off-balance sheet funds managed for the account of third parties is as follows:

BREAKDOWN OF CUSTOMER FUNDS
(Millions of euros)

	31-12-2019	31-12-2018
Assets under management	151,272	138,247
Mutual funds, portfolios and SICAVs	63,189	59,274
Pension funds	30,637	26,590
Insurance	57,446	52,383
Other (*)	811	3,125
TOTAL	**152,083**	**141,372**

(*) Includes temporary funds associated with transfers and collections, in addition other funds distributed by CaixaBank.

25.2. Transferred financial assets

The Entity converted a portion of their homogeneous loan and credits into fixed-income securities by transferring the assets to various securitisation special purpose vehicles set up for this purpose. In accordance with current regulations, securitisations in which substantially all the risk is retained may not be derecognised.

The balances classified in "Financial assets at amortised cost" corresponding to the outstanding amounts of securitised loans are as follows:

BREAKDOWN OF SECURITISED LOANS
(Millions of euros)

	31-12-2019	31-12-2018
Securitised mortgage loans	**24,038**	**25,528**
Other securitised loans	**7,687**	**7,404**
Loans to companies	4,648	4,424
Leasing arrangements	1,535	240
Consumer financing	1,503	2,738
Other	1	2
TOTAL	**31,725**	**32,932**

Details of securitisations arranged, with the amounts outstanding and the amounts corresponding to credit enhancements granted to the securitisation funds are provided below:

LOAN SECURISATION - ISSUES ON DERECOGNISED SECURITISED LOANS
(Millions of euros)

			INITIAL EXPOSURE	SECURITISED LOAN		REPO SECURISATION BONDS		CREDIT ENHANCEMENTS	
DATE OF ISSUE		ACQUIRED BY:	SECURITISED	2019	2018	2019	2018	2019	2018
June	2001	TDA 14 Mixto, FTA	122	2	3			1	1
June	2002	AyT 7 Promociones Inmobiliarias 1, FTA	269	1	1			4	4
TOTAL			**391**	**3**	**4**	**0**	**0**	**5**	**5**

(*) In accordance with the regulations in force at the time of issue, the securitised loans were derecognised when the bonds were issued, given that circumstances arose that substantially allowed all risks and rewards relating to the underlying securitised financial asset to be transferred.
Currently, the Group does not have any continued involvement in the derecognised assets, and only as an agreement with the securitisation fund to manage the loans in market conditions.

LOAN SECURISATION - ISSUES ON ON-BALANCE-SHEET SECURITISED LOANS

(Millions of euros)

			INITIAL EXPOSURE	SECURITISED LOAN		REPO SECURISATION BONDS		CREDIT ENHANCEMENTS	
DATE OF ISSUE		ACQUIRED BY:	SECURITISED	2019	2018	2019	2018	2019	2018
June	2003	AyT Génova Hipotecario II, FTH	800	82	98	29	35	8	8
July	2003	AyT Génova Hipotecario III, FTH	800	91	108	35	42	8	8
March	2004	AyT Génova Hipotecario IV, FTH	800	106	125	13	20	8	8
June	2004	AyT Hipotecario Mixto II, FTA	160	0	0	1	1	2	2
November	2004	TDA 22 Mixto, FTH	120	28	31	14	17	2	2
June	2005	AyT Hipotecario Mixto IV, FTA	200	28	34	18	15	1	1
June	2005	AyT Génova Hipotecario VI, FTH	700	124	144	78	91	5	5
November	2005	AyT Génova Hipotecario VII, FTH	1,400	294	339	119	137	8	9
December	2005	Valencia Hipotecario 2, FTH	940	135	159	41	31	5	5
June	2006	AyT Génova Hipotecario VIII, FTH	2,100	428	493	232	267	9	9
July	2006	FonCaixa FTGENCAT 4, FTA	600	61	72	19	20	5	5
July	2006	AyT Hipotecario Mixto V, FTA	318	64	72	46	55	2	2
November	2006	Valencia Hipotecario 3, FTA	901	201	230	70	81	5	5
November	2006	AyT Génova Hipotecario IX, FTH	1,000	279	317	107	121	6	7
June	2007	AyT Génova Hipotecario X, FTH	1,050	314	356	316	357	10	11
November	2007	FonCaixa FTGENCAT 5, FTA	1,000	181	211	38	38	27	27
December	2007	AyT Génova Hipotecario XI, FTH	1,200	383	429	388	435	37	39
July	2008	FonCaixa FTGENCAT 6, FTA	750	134	155	23	23	19	19
July	2008	AyT Génova Hipotecario XII, FTH	800	273	307	273	306	30	30
April	2009	Bancaja BVA-VPO 1, FTA	55	12	16	16	19	3	3
December	2010	AyT Goya Hipotecario III, FTA	4,000	1,787	1,984	1,781	1,980	178	200
April	2011	AyT Goya Hipotecario IV, FTA	1,300	583	648	596	662	66	66
December	2011	AyT Goya Hipotecario V, FTA	1,400	649	728	670	748	72	76
March	2013	FonCaixa Leasings 2, FTA	1,217	0	241	0	243	0	112
February	2016	CaixaBank RMBS 1, FT	14,200	10,918	11,800	10,945	11,846	568	568
June	2016	CaixaBank Consumo 2, FT	1,300	324	488	350	534	52	52
November	2016	CaixaBank Pymes 8, FT	2,250	899	1,242	973	1,343	84	93
March	2017	CaixaBank RMBS 2, FT	2,720	2,256	2,419	2,294	2,459	129	130
July	2017	CaixaBank Consumo 3, FT	2,450	911	1,408	931	1,457	42	99
November	2017	CaixaBank Pymes 9, FT	1,850	977	1,375	1,007	1,413	44	85
December	2017	CaixaBank RMBS 3, FT	2,550	2,122	2,325	2,135	2,344	88	115
May	2018	CaixaBank Consumo 4, FT	1,700	835	1,347	944	1,494	43	69
November	2018	CaixaBank Pymes 10, FT	3,325	2,322	3,231	2,525	3,325	159	159
June	2019	CaixaBank Leasings 3, FT	1,830	1,535	0	1,581	0	90	0
November	2019	CaixaBank Pymes 11, FT	2,450	2,389	0	2,450	0	116	0
TOTAL			**60,236**	**31,725**	**32,932**	**31,058**	**31,959**	**1,931**	**2,029**

Securitisation bonds placed in the market are recognised under 'Financial liabilities at amortised cost - Customers' in the accompanying balance sheets, and they are the difference between the carrying amount of securitised bonds and the carrying amount of repo bonds adjusted by the differences arising from redemption mismatches.

Furthermore, the Entity maintains the following synthetic securitisation transactions, by means of which it partially transfers the credit risk of a group of borrowers classified under the heading "Financial assets at amortised cost – Loans and receivables" of the balance sheet:

SYNTHETIC SECURITISATION TRANSACTIONS
(Millions of euros)

				CARRYING AMOUNT SECURITISED	
ISSUE DATE		FUND	INITIAL EXPOSURE SECURITISED	31-12-2019	31-12-2018
February	2016	Gaudí I	2,025	356	920
August	2018	Gaudí II	2,025	2,019	2,025
April	2019	Gaudí III	1,282	1,281	
TOTAL			**5,332**	**3,656**	**2,945**

The transfer of credit risk takes the form of a financial guarantee and it is not considered a substantial transfer of risk and profit. Therefore, the underlying exposure is maintained on the balance sheet.

25.3. Securities deposits and investment services

The detail, by type, of the securities deposited by third parties with the Entity is as follows:

SECURITIES DEPOSITED BY THIRD PARTIES
(Millions of euros)

	31-12-2019	31-12-2018
Book entries	**131,376**	**114,196**
Securities recorded in the market's central book-entry office	95,083	84,212
Equity instruments. - quoted	43,985	40,368
Equity instruments. - unquoted	11	53
Debt securities. - quoted	51,087	43,791
Securities registered at the Entity		29
Debt securities. - quoted		29
Securities entrusted to other depositories	36,293	29,955
Equity instruments. - quoted	19,341	15,681
Equity instruments. - unquoted	1	1
Debt securities. - quoted	16,919	14,259
Debt securities. - unquoted	32	14
Other financial instruments	893	475
TOTAL	**132,269**	**114,671**

25.4. Financial assets derecognised due to impairment

Changes in the items derecognised from the balance sheet because recovery was deemed remote are summarised below. These financial assets are recognised under "Suspended assets" in the memorandum accounts supplementing the balance sheet:

CHANGES IN WRITTEN-OFF ASSETS
(Millions of euros)

	2019	2018
OPENING BALANCE	**13,067**	**14,107**
Additions:	**1,609**	**1,730**
Disposals:	**2,342**	**2,770**
Cash recovery of principal (Note 34)	722	387
Cash recovery of past-due receivables	22	35
Disposal of written-off assets*	1,169	1,618
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	429	730
CLOSING BALANCE	**12,334**	**13,067**
Of which: interest accrued on the non-performing loans**	4,082	4,375

(*) Corresponds to the sale of non-performing and written-off assets and includes interest related to these portfolios.
(**) Primarily includes interest on financial assets at the time of derecognition from the consolidated balance sheet.

25.5. Public sector covered bonds

Information relating to loans used as guarantees for public sector covered bonds is shown below:

LOANS USED AS GUARANTEES FOR PUBLIC SECTOR COVERED BONDS
(Millions of euros)

	31-12-2019			31-12-2018		
	TOTAL NOMINAL AMOUNT (*)	*OF WHICH, RESIDENTS IN SPAIN*	*OF WHICH, RESIDENTS IN OTHER EEA COUNTRIES*	TOTAL NOMINAL AMOUNT (*)	*OF WHICH, RESIDENTS IN SPAIN*	*OF WHICH, RESIDENTS IN OTHER EEA COUNTRIES*
Central governments	232	*232*		191	*191*	*0*
Autonomous and regional government	7,151	*7,049*	*102*	7,065	*6,931*	*134*
Local government	1,328	*1,328*		1,537	*1,537*	*0*
TOTAL	**8,711**	***8,609***	***102***	**8,793**	***8,659***	***134***

(*) Principal drawn down and receivable on loans

The table below shows the nominal amount of public sector covered bonds issued and outstanding:

NOMINAL AMOUNT OF PUBLIC SECTOR COVERED BONDS ISSUED

(Millions of euros)

	31-12-2019	31-12-2018
Public sector covered bonds issued	**5,000**	**5,000**
Issued via public offering	**0**	
Other issuances	**5,000**	**5,000**
Residual maturity up to 1 year	1,500	
Residual maturity between 1 and 2 years	1,500	1,500
Residual maturity between 2 and 3 years	2,000	1,500
Residual maturity between 3 and 5 years		2,000
Of which: Treasury shares	*5,000*	*5,000*
COVERAGE OF PUBLIC SECTOR COVERED BONDS ON LOANS	**57.40%**	**56.86%**

26. Interest income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF INTEREST INCOME
(Millions of euros)

	2019	2018
Credit institutions	**57**	**42**
Debt securities	**296**	**302**
Financial assets held for trading	6	12
Financial assets at fair value with changes in other comprehensive income	209	211
Financial assets at amortised cost	81	79
Loans and advances to customers and other financial income	**3,676**	**3,756**
Public administrations	74	97
Trade credits and bills	145	147
Mortgage loans	1,642	1,741
Personal loans	1,301	1,218
Credit accounts	466	485
Other	48	68
Adjustments to income due to hedging transactions	**(7)**	**4**
Other assets	**8**	**31**
Interest income - liabilities	**122**	**153**
TOTAL	**4,152**	**4,288**

The average effective interest rate of the various financial assets categories calculated on average net balances (excluding rectifications) is set out below:

AVERAGE RETURN ON ASSETS
(Percentage)

	2019	2018
Deposits at central banks	0.00%	0.00%
Financial assets held for trading – debt securities	0.70%	1.19%
Financial assets compulsorily measured at fair value through profit or loss - Debt securities	0.00%	0.00%
Financial assets measured at fair value with changes in other comprehensive income - Debt securities	1.31%	1.42%
Financial assets at amortised cost		
Loans and advances to credit institutions	1.06%	0.64%
Loans and advances to customers	1.85%	1.90%
Debt securities	0.73%	0.71%

27. Interest expense

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF INTEREST EXPENSE
(Millions of euros)

	2019	2018
Central banks	(48)	(39)
Credit institutions	(87)	(60)
Short positions	(9)	(12)
Customer deposits and other finance costs	(436)	(480)
Debt securities issued (excluding subordinated liabilities)	(487)	(503)
Subordinated liabilities *	(96)	(158)
Adjustments to expenses as a consequence of hedging transactions	497	588
Asset interest expense	(83)	(77)
Interest from leasing liabilities (Note 1.4 and 20.4)	(20)	
Other	(8)	(36)
TOTAL	**(777)**	**(777)**

(*) Excluding interest from preference shares accountable as Additional Tier 1 capital (recognised in shareholders' equity)

The average effective interest rate of the various financial liabilities categories calculated on average net balances (excluding rectifications) is set out below:

AVERAGE RETURN ON LIABILITIES
(Percentage)

	2019	2018
Deposits from central banks	0.22%	0.13%
Deposits from credit institutions	1.08%	0.88%
Customer deposits	0.16%	0.18%
Debt securities issued (excluding subordinated liabilities)	2.06%	2.36%
Subordinated liabilities	1.79%	2.48%

28. Dividend income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

DIVIDEND INCOME
(Millions of euros)

	2019	2018
Financial assets held for trading	**16**	**11**
Financial assets at fair value with changes in other comprehensive income	**109**	**202**
Telefónica	104	104
Repsol	1	71
Other	4	27
Investments in Group companies	**1,646**	**1,211**
VidaCaixa	833	538
Caixabank Payments & Consumer	403	39
Banco BPI	290	
Caixabank Asset Management	84	80
Promocaixa	17	13
Other	17	5
CaixaBank Facilities Management	2	2
CaixaBank Payments 1		534
Investments in associates and joint ventures	**86**	**60**
Erste Group	60	51
Comercia Global Payment	23	5
Other	3	4
TOTAL	**1,857**	**1,484**

29. Fees and commissions

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF FEE AND COMMISSION INCOME
(Millions of euros)

	2019	2018
Contingent liabilities	121	118
Credit facility drawdowns	64	64
Exchange of foreign currencies and banknotes	94	97
Collection and payment services	476	473
Of which: credit and debit cards	*41*	39
Securities services	87	69
Marketing of non-banking financial products	1,043	1,055
Other fees and commissions	355	325
TOTAL	**2,240**	**2,201**

BREAKDOWN OF FEE AND COMMISSION EXPENSES
(Millions of euros)

	2019	2018
Assigned to other entities and correspondents	(6)	(8)
Of which: transactions with cards and ATMs	*(4)*	(6)
Securities transactions	(37)	(29)
Other fees and commissions	(91)	(133)
TOTAL	**(134)**	**(170)**

30. Gains/(losses) on financial assets and liabilities

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES
(Millions of euros)

	2019	2018
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**173**	**131**
Financial assets at amortised cost	2	(22)
Debt securities	2	1
Loans and advances		(23)
Financial liabilities at amortised cost		107
Financial assets at fair value with changes in other comprehensive income	171	46
Debt securities (Note 12.2)	163	46
Other	8	
Other		
Gains/(losses) on financial assets and liabilities held for trading (net)	**101**	**(24)**
Equity instruments	15	(1)
Debt securities	(2)	(1)
Financial derivatives	88	(22)
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss (net)	**(64)**	**(4)**
Equity instruments	4	(3)
Debt securities	(55)	(2)
Loans and advances	(13)	1
Gains/(losses) from hedge accounting, net	**44**	**33**
Ineffective portions of cash flow hedges (Note 14)		
Ineffective portions of fair value hedges	(4)	1
Valuation of hedging derivatives (Note 15)	283	(467)
Valuation of hedged items (Note 14)	(287)	468
Other	48	32
TOTAL	**254**	**136**

31. Other operating income and expense

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF OTHER OPERATING INCOME
(Millions of euros)

	2019	2018
Income from investment properties and other income (1)	13	17
Other income	101	33
TOTAL	**114**	**50**

(1) Net carrying amount of assets generating rental income.

OTHER OPERATING EXPENSES
(Millions of euros)

	2019	2018
Contribution to the Deposit Guarantee Fund/National Resolution Fund	(327)	(308)
Operating expenses from investment properties and other (1)	(17)	(31)
Expenses associated with regulators and supervisors	(14)	(12)
Taxes on deposits	(63)	(57)
Equity provision associated with monetisable DTAs	(50)	(49)
Other items	(123)	(62)
TOTAL	**(594)**	**(519)**

(1) Includes expenses related to leased investment property

32. Personnel expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF PERSONNEL EXPENSES
(Millions of euros)

	2019	2018
Wages and salaries	(1,870)	(1,834)
Social security contributions	(424)	(393)
Contributions to pension plans (savings and risk)	(143)	(140)
Of which: Risk premiums paid to VidaCaixa	*(29)*	*(25)*
Other personnel expenses	(1,056)	(85)
Of which: Labour agreement 8-5-2019 (Note 21.2)	*(978)*	
Of which: Premiums paid to SegurCaixa Adeslas for employee health policies	*(16)*	*(16)*
TOTAL	**(3,493)**	**(2,452)**

The expense recognised in 'Transfers to defined contribution plans' includes mainly mandatory contributions stipulated which are made to cover retirement, disability and death obligations of serving employees. To cover retirement, CaixaBank makes a monthly contribution equal to a percentage of pensionable wage items ranging from 0% to 8.5% depending on the length of service at the Group and other agreed terms and conditions.

"Other personnel expenses" includes, inter alia, training expenses, education grants and indemnities and other short term benefits. The cost of share-based payment plans, is also recognised under this heading, recorded with a balancing entry under 'Shareholders' equity — Other equity items' of the accompanying balance sheet, net of the corresponding tax effect. The amounts accrued from the share-based compensation plans are set out below:

SHARE-BASED REMUNERATION
(Millions of euros)

	2019 (**)	2018	2017
Format variable compensation package bonus - Executive Director, Senior Executive and other members of the group identified	9	8	7
Variable remuneration of the Long-Term Incentives Plan related to the SP 2015-2018 *		2	3
Variable remuneration of the Annual Consolidable Incentives Plan related to the SP 2019-2021	3		
TOTAL	**12**	**10**	**10**
Beneficiaries of the Annual Consolidable Incentives Plan (people):	90		

(*) With respect to the Long-Term Incentives Plan linked to the SP 2015-2018, the estimated maximum number of authorised Beneficiaries of the Plan stood at 80 people. The earned amount in 2017 is the target, which has been adjusted in 2018 for the achievement of the plan.
(**) In accordance with that established in the Policy of Remunerations approved in the agreements of the General Committee of Shareholders of 6 April 2019, the reference for the calculation of the stock equivalent to the variable compensation package based on instruments for 2019 is the average of the CaixaBank, SA share price between 1 and 15 February of 2020.

The characteristics of the variable components in place that entail remunerations paid in shares are detailed below:

SHARE-BASED REMUNERATION

REMUNERATION IN SHARES*	GROUP IDENTIFIED	ACCRUAL PERIOD	PAYMENT SCHEME	PARAMETERS EVALUATED	COMPLETION LEVEL
Variable remuneration in bonus format	Executive Directors **, Senior Management *** and other members of the identified collective ***	Yearly	Upon each settlement, the payment is made in shares [50%] and cash [50%]	i) Individual challenges (50%) linked to strategic objectives.	Min [80%] and Max [120%] A final qualitative adjustment will be considered [+/- 25%]
				ii) Corporate challenges (50%) linked to the following parameters: - ROTE (10%) - Core cost-to-income ratio (10%) - Variation of problematic assets (10%) - Risk Appetite Framework (RAF) (10%) - Quality (5%) - Conduct and compliance (5%)	Min [60%] and Max [120%]
Annual Conditioned Incentives Plan related to the SP 2019-2021 **	Executive Directors, Senior Management, and other key management personnel of the Group	From 2019 to 2023: - 1st cycle: 2019-2021 - 2nd cycle: 2020-2022 - 3rd cycle: 2021-2023	Executive Directors and Management Committee members: - 1st cycle: 1/3 in 2023, 2024 and 2025 - 2nd cycle: 1/3 in 2024, 2025 and 2026 - 3rd cycle: 1/3 in 2025, 2026 and 2027 Other key management personnel of the Group - 1st cycle: 100% in 2023 - 2nd cycle: 100% in 2024 - 3rd cycle: 100% in 2025	i) Provisional incentive based on the following metrics: - Core cost-to-income ratio (40%) - ROTE (40%) - Customer experience index (20%)	Min [80%] and Max [120%] The granting of the provisional incentive depends on meeting a minimum ROTE for each cycle.
				ii) Definitive incentive: ex post adjustment to the provisional incentive based on the following metrics: - RAF (60%) - Total Shareholder Return (TSR) (30%) - Global Reputation Index (IGR) (10%)	Additional conditions are established according to CaixaBank's position with respect to the metrics indicated.

(*) The Annual Remunerations Report regarding the directors of listed limited companies this year includes the terms and conditions related to said payment schemes.

(**) Executive Directors receive variable remuneration in the form of a bonus, determined by a target compensation established by the Board at the proposal of the Remuneration Committee, with a level of achievement adjusted to the risk and the measurement of performance. It will be approved by the Board at the proposal of the Remuneration Committee.

(***) The challenge of the members of Senior Management and other members of the identified collective is calculated in line with the CEO, although the weighting of the RAF and of the variation of problematic assets is 15% and 5%, respectively.

The average number of employees, by professional category and gender, is set out below:

AVERAGE NUMBER OF EMPLOYEES (*)

(Number of employees)

	2019 (*)			2018		
	MEN	WOMEN	*OF WHICH: WITH A DISABILITY EQUAL TO OR ABOVE 33%*	MEN	WOMEN	*OF WHICH: WITH A DISABILITY EQUAL TO OR ABOVE 33%*
Directors	3,159	1,970	*18*	3,454	2,062	
Middle management	2,758	3,427	*25*	2,900	3,653	*29*
Agents	7,089	10,106	*170*	7,244	10,070	*194*
TOTAL	**13,006**	**15,503**	***213***	**13,598**	**15,785**	***223***

(*) The distribution by professional category and gender at 31 December 2019 and 2018 does not differ significantly from that shown in the previous table.

33. Other administrative expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF OTHER ADMINISTRATIVE EXPENSES
(Millions of euros)

	2019	2018
IT and systems	(317)	(285)
Advertising and publicity *	(213)	(135)
Property and fixtures	(83)	(83)
Rent **	(27)	(141)
Communications	(52)	(53)
Outsourced administrative services	(129)	(117)
Tax contributions	(34)	(35)
Surveillance and security carriage services	(30)	(30)
Representation and travel expenses	(39)	(40)
Printing and office materials	(8)	(8)
Technical reports	(31)	(33)
Contribution and taxes on property	(5)	(2)
Governing and control bodies	(5)	(5)
Other expenses	(37)	(10)
TOTAL	**(1,010)**	**(977)**

* Includes advertising in media, sponsorships, promotions and other commercial expenses.
** The amount of the short-term rentals in which Circular 2/2018 has not been applied is immaterial.

"Technical reports" relates to fees and expenses, excluding the related VAT, paid to the auditor, broken down as follows:

EXTERNAL AUDITOR FEES *
(Thousands of euros)

	2019	2018
Audit (PwC)	**1,650**	**1,597**
Audit	1,239	1,112
Limited review	411	485
Other services	**532**	**283**
Comfort letters for issues	334	139
Agreed procedural reports	198	144
TOTAL	**2,182**	**1,880**

(*) The services contracted with our auditors comply with the Spanish Auditing Act's requirements of independence, and none of the work performed is incompatible with auditing duties.

Information on the average payment period to suppliers

The following tables provide a breakdown of the required information relating to payments made and pending at the balance sheet date:

PAYMENTS MADE AND OUTSTANDING AT THE BALANCE SHEET DATE
(Millions of euros)

	2019
Total payments made	2,092
Total payments pending	49
TOTAL PAYMENTS IN THE YEAR	**2,141**

AVERAGE SUPPLIER PAYMENT PERIOD AND RATIOS
(Day)

	2019
Average payment period to suppliers	20.05
Ratio of transactions paid	20.11
Ratio of transactions pending payment	17.52

In accordance with the Second Transitional Provision of Act 15/2010, the general maximum statutory period is 30 days, which may be extended to 60 days upon agreement of the parties.

34. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
(Millions of euros)

	2019	2018
Financial assets at amortised cost / Loans and receivables	**(317)**	**21**
Loans and advances	(317)	20
Net allowances (Note 13)	(317)	88
Of which - Credit institutions		0
Of which - Customers	*(317)*	*88*
Write-downs	(722)	(455)
Recovery of loans written off	722	387
Debt securities	0	1
Financial assets at fair value with changes in other comprehensive income / Available-for-sale financial assets	**0**	**(2)**
Write-downs	0	(2)
Debt securities	0	(2)
TOTAL	**(317)**	**19**

35. Impairment/(reversal) of impairment on non-financial assets

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE IMPAIRMENT/(REVERSAL) OF IMPAIRMENT ON NON-FINANCIAL ASSETS
(Millions of euros)

	2019	2018
Tangible assets	**(39)**	**(20)**
Property, plant and equipment for own use	(36)	(22)
Reversals (Note 16)	2	1
Write-downs	(38)	(23)
Investment property (Note 16)	(3)	2
Allowances	(5)	(2)
Releases	2	4
Intangible assets (Note 17)	**(22)**	**(24)**
Write-downs	(22)	(24)
Others (Note 18)		**1**
Other		1
TOTAL	**(61)**	**(43)**

36. Gains/(losses) on derecognition of non-financial assets

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF GAINS/(LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS
(Millions of euros)

	2019			2018		
	GAINS	LOSSES	NET PROFIT/(LOSS)	GAINS	LOSSES	NET PROFIT/(LOSS)
On disposals of tangible assets	39	(19)	20	39	(38)	1
From share sales (Note 7 and 15)	713	(2)	711	7	(163)	(156)
On disposals of other assets (*)	1		1	1		1
TOTAL	**753**	**(21)**	**732**	**47**	**(201)**	**(154)**

(*) Corresponds to gains or losses on selling real estate classified as inventories (see Note 18).

37. Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE GAINS/(LOSSES) OF NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE
(Millions of euros)

	2019	2018
Impairment losses on non-current assets held for sale (Note 19)	(28)	(19)
Profit/(loss) on disposal of non-current assets held for sale	(8)	2
TOTAL	**(36)**	**(17)**

The total profit/(loss) on the disposal of non-current assets relate to property to satisfy loans, none of which were for significant amounts individually.

38. Information on the fair value

38.1. Fair value of financial assets and liabilities

All financial instruments are classified into one of the following levels using the following hierarchy for determining fair value by valuation technique:

- Level 1: the price that would be paid for it on an organised, transparent and deep market ("listed price" or "market price") is used. In general, this level includes debt securities with a liquid market, quoted equity securities, derivatives traded on organised markets and mutual funds.
- Level 2: valuation techniques are used in which the assumptions correspond to directly or indirectly observable market data or to prices listed on organised markets.

  The fair value of the instruments classified in Level 2, for which there is no market price, is estimated on the basis of the listed prices of similar instruments and valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

- Tier 3: valuation techniques are used in which certain of the significant assumptions are not supported by directly observable market inputs.

  The fair value of the rest of the financial instruments classified in Level 3, for which there are no directly observable market data, is determined using alternative techniques, including price requests submitted to the issuer or the use of market parameters corresponding to instruments with a risk profile that can be equated to that of the instrument being measured, adjust

  ted to reflect the different intrinsic risks.

  For unquoted equity instruments, classified in Level 3, acquisition cost less any impairment loss determined based on available information is considered the best estimate of fair value.

The process for determining fair value ensures that its assets and liabilities are measured appropriately. A committee structure has been put in place on which the process for proposing and approving the arrangement of financial instruments on the market is based:

- The market inputs and other risk quantification and measurement parameters and methodologies, together with the conditioning factors for registering trades and their potential accounting, legal and tax impacts, are analysed by the areas responsible prior to authorisation.
- An independent unit is responsible for issues related to the measurement of derivatives and fixed-income securities. It reports organisationally to the Risk Area, which discloses the decisions made to the management area where the new product should be arranged.

Without reducing its freedom and independence when making decisions about risk evaluation and quantification, this analysis does entail a process of comparing, reconciling and, where possible, obtaining the consensus of the business areas.

The fair value of the financial instruments recognised in the balance sheet, excluding the insurance business, broken down by associated carrying amount and level is as follows:

FAIR VALUE OF FINANCIAL ASSETS
(Millions of euros)

	31-12-2019					31-12-2018				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading (Note 10)	**14,240**	**14,240**	**1,100**	**13,140**		**17,041**	**17,041**	**1,035**	**16,006**	
Derivatives	13,165	13,165	27	13,138		16,033	16,033	31	16,002	
Equity instruments	370	370	370			267	267	267		
Debt securities	705	705	703	2		741	741	737	4	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 11)	**221**	**221**	**53**	**2**	**166**	**473**	**473**	**53**		**420**
Equity instruments	55	55	53	2		61	61	53		8
Debt securities						85	85			85
Loans and advances	166	166			166	327	327			327
Customers	166	166			166	327	327			327
Financial assets designated at fair value through profit or loss (Note 1)	**1**	**1**	**1**							
Debt securities	1	1	1							
Financial assets at fair value with changes in other comprehensive income (Note 12)	**16,316**	**16,316**	**16,037**	**167**	**112**	**19,903**	**19,903**	**19,601**	**133**	**169**
Equity instruments	1,729	1,729	1,617		112	2,857	2,857	2,693		164
Debt securities	14,587	14,587	14,420	167		17,046	17,046	16,908	133	5
Financial assets at amortised cost (Note 13)	**222,935**	**240,949**	**11,593**	**2,604**	**226,752**	**222,922**	**240,233**	**11,653**	**638**	**227,942**
Debt securities	13,992	14,368	11,593	2,604	171	13,894	14,077	11,653	638	1,786
Loans and advances	208,943	226,581			226,581	209,028	226,156			226,156
Central banks										
Credit institutions	4,355	4,741			4,741	7,488	8,145			8,145
Customers	204,588	221,840			221,840	201,540	218,011			218,011
Derivatives - Hedge accounting (Note 14)	**2,133**	**2,133**		**2,133**		**2,088**	**2,088**		**2,088**	

FAIR VALUE OF FINANCIAL LIABILITIES
(Millions of euros)

	31-12-2019					31-12-2018				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities held for trading (Note 10)	**9,281**	**9,281**	**505**	**8,776**		**16,327**	**16,327**	**476**	**15,851**	
Derivatives	8,810	8,810	34	8,776		15,928	15,928	77	15,851	
Short positions	471	471	471			399	399	399		
Financial liabilities designated at fair value through profit or loss	**1**	**1**	**1**							
Other financial liabilities	1	1	1							
Financial liabilities measured at amortised cost (Note 20)	**260,875**	**263,674**	**31,589**		**232,085**	**260,473**	**261,014**	**26,941**		**234,073**
Deposits	222,439	223,354			223,354	228,878	228,704			228,704
Central banks	13,044	13,084			13,084	28,053	28,316			28,316
Credit institutions	4,296	4,302			4,302	5,629	5,599			5,599
Customers	205,099	205,968			205,968	195,196	194,789			194,789
Debt securities issued	30,332	32,215	31,589		626	26,891	27,606	26,941		665
Other financial liabilities	8,104	8,105			8,105	4,704	4,704			4,704
Derivatives - Hedge accounting (Note 14)	**442**	**442**		**442**		**737**	**737**		**737**	

The measurements obtained using internal models may differ if other techniques were applied or assumptions used regarding interest rates, credit risk spreads, market risk, exchange rate risk, or the related correlations and volatilities. Nevertheless, the Entity's directors consider the models and techniques applied appropriately reflect the fair values of the financial assets and financial liabilities recognised in the balance sheet, and the gains and losses on these financial instruments.

The main valuation techniques, assumptions and inputs used in fair value estimation for levels 2 and 3 by type of financial instruments are as follows:

Heading	Instrument type		Assessment techniques	Main assumptions
Financial assets and liabilities held for trading	Derivatives	Swaps	Present value method	• Interest rate curves • Correlations (equities) • Dividends (equities) • Probability of default for the calculation CVA and DVA
		Exchange rate options Models	Black-Scholes, Local Stochastic Volatility, Vanna-Volga	
		Interest rate options	Normal Black model	
		Index and equity options	Black-Scholes, Local Volatility models	
		Inflation rate options	Normal Black model	
		Credit	Present Value and Default Intensity method	
	Debt securities		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Equity instruments		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market
	Debt securities			
	Loans and receivables		Present value method	• Interest rate curves • Early cancellation ratios • Credit loss ratios (internal models)
Financial assets at fair value with changes in other comprehensive income	Equity instruments		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market • Net Asset Value • Carrying amount
	Debt securities			
Financial assets at amortised cost	Debt securities		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market • Net Asset Value • Carrying amount
	Loans and receivables		Present value method	• Interest rate curves • Early cancellation ratiosa • Credit loss ratios (internal models)
Derivatives - Hedge accounting	Swaps		Present value method	• Interest rate curves • Correlations (equities) • Dividends (equities) • Probability of default for the CVA and DVA calculation
	Interest rate options		Black model	
Financial liabilities at amortised cost	Deposits		Present value method	• Interest rate curves • Projections of deposits with no maturity (internal model) • Credit loss ratios (internal models)
	Debt securities issued		Present value method	• Interest rate curves • Credit loss ratios (internal models)

(1) Present value method (net present value): this model uses the cash flows of each instrument, which are established in the different contracts, and deducts them to calculate the present value.
(2) Market peers (similar asset prices): market peer instrument prices, reference indices or benchmarks are employed to calculate the performance as of the entry price or its current valuation, making subsequent adjustments to take into account the differences between the measured asset and the one taken as reference. It can also be assumed that the price of an instrument is equivalent to another one.
(3) Black-Scholes model: this model applies a log-normal distribution of the securities prices in such a way that, under a neutral risk, the return expected is the risk-free interest rate. Under this assumption, the price of vanilla options can be calculated analytically, in such a way that the volatility of the price process can be obtained by inverting the BS formula for a premium quoted on the market.
(4) Black model: Black-Scholes model extended to interest rates, futures prices, exchange rates, etc.
(5) Local volatility model: in this model volatility is determined in time according to the degree of moneyness, reproducing the volatility smiles observed in the market. The volatility smile of an option is the empirical relationship observed between its implied volatility and exercise price. These models are appropriate for exotic options using Monte Carlo simulation or the resolution of differential equations for valuation purposes.
(6) Local stochastic volatility model in this model volatility follows a stochastic process in time according to the degree of moneyness, reproducing the volatility smiles observed in the market. These models are appropriate for long-term exotic options using Monte Carlo simulation or the resolution of differential equations for valuation purposes.
(7) Vanna-volga model: this model is based on building the local replica portfolio whose hedging costs of second derivatives, vanna (premium derivative with respect to the volatility and the underlying) and volga (premium's second derivative with respect to the volatility), are added to the corresponding Black-Scholes prices in order to reproduce the volatility smiles.
(8) Early cancellation ratios: early cancellation ratios calibrated to internal historical data
(9) Credit loss ratios: ratios based on expected loss estimates using IFRS methodology for Stage 2 based on internal models.
(10) Projections of deposits with no maturity: this model is employed to project the maturity of demand deposit accounts based on historical data, considering the sensitivity of the demand deposit accounts' remuneration at market interest rates and the degree of permanence of account balances on the balance sheet.

Credit risk and funding cost valuation adjustment

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are added to the valuation of Over the Counter (OTC) derivatives due to the risk associated with the counterparty's and own credit risk exposure, respectively. In addition, Funding Valuation Adjustment (FVA) is a valuation adjustment of derivatives of customer transactions that are not perfectly collateralised that includes the funding costs related to the liquidity necessary to perform the transaction.

The CVA is calculated bearing in mind the expected exposure with each counterparty in each future maturity. The CVA for an individual counterparty is equal to the sum of the CVA for all maturities. Adjustments are calculating by estimating exposure at default (EAD), the probability of default (PD) and loss given default (LGD) for all derivatives on any underlying at the level of the legal entity with which the CaixaBank Group has exposure. Similarly, DVA is calculated by multiplying the expected negative exposure given the probabilities of default by the Group's LGD.

The data necessary to calculate PD and LGD come from the credit markets (Credit Default Swaps). Counterparty data are applied where available. Where the information is not available, an exercise is carried out that considers – among other factors – the counterparty's sector and rating in order to assign the probability of default and the loss given default, calibrated directly to market or with market adjustment factors for the probability of default and the historical expected loss.

With FVA, the adjustment shares part of the CVA/DVA approaches, since it is also based on the future credit exposure of the derivatives, but in this case the exposures are not netted by counterparty, but rather at aggregate level in order to recognise the joint management of the liquidity. The data necessary to calculate funding cost are also based on prices taken from its issuance and credit derivatives markets.

The change in the value of the CVA/FVA and DVA/FVA adjustments are recognised in “Gains/(losses) on financial assets and liabilities held for trading, net” in the statement of profit or loss. The table below shows the changes to these adjustments:

CVA/FVA AND DVA/FVA CHANGES
(Millions of euros)

	2019		2018	
	CVA/FVA	DVA/FVA	CVA/FVA	DVA/FVA
OPENING BALANCE	(152)	31	(121)	27
Additions/changes in derivatives	52	(12)	(31)	4
Cancellation or maturity of derivatives	0	0		
CLOSING BALANCE	(100)	19	(152)	31

Transfers between levels

The transfers between levels of the instruments recorded at fair value, excluding the insurance business, are specified below:

TRANSFERS BETWEEN LEVELS — 2019
(Millions of euros)

FROM:	LEVEL 1		LEVEL 2		LEVEL 3 *	
TO:	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 3	LEVEL 1	LEVEL 2
ASSETS						
Financial assets at fair value with changes in other comprehensive income	**49**					**5**
Debt securities	49					5
Financial assets at amortised cost	**114**					**1,049**
Debt securities	114					1,049
TOTAL	163					1,054

(*) Certain issuances have been reclassified from level 3 to level 2, due to a rise in the quality of the prices published.

TRANSFERS BETWEEN LEVELS — 2018
(Millions of euros)

FROM:	LEVEL 1		LEVEL 2		LEVEL 3	
TO:	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 3	LEVEL 1	LEVEL 2
ASSETS	93	5	150			
Financial assets held for trading	**2**					
Debt securities	2					
Financial assets at fair value with changes in other comprehensive income	**91**	**5**				
Debt securities	91	5				
Financial assets at amortised cost			**150**			
Debt securities			150			
TOTAL	93	5	150			

Given the Entity's risk profile regarding its portfolio of debt securities measured at fair value (see Note 3.3.3), the change in fair value attributable to credit risk is not expected to be significant.

Changes and transfers of financial instruments in Level 3

The change brought about in the Level 3 balance, on instruments registered at fair value, is detailed below:

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS AT FAIR VALUE **
(Millions of euros)

	2019			2018		
		FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME			FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME	
	NON-TRADING FA* - VRD	DEBT SEC.	EQUITY INSTRUMENTS	NON-TRADING FA* - VRD	DEBT SEC.	EQUITY INSTRUMENTS
OPENING BALANCE	85	5	164	0	86	308
First application of Circular 4/2017 of the Bank of Spain				87	(86)	0
ADJUSTED OPENING BALANCE	85	5	164	87	0	308
Reclassifications to other levels	**0**	**(5)**	**0**	**0**	**5**	**0**
Total gains/(losses)	**(85)**	**0**	**(9)**	**(2)**	**0**	**(111)**
To profit or loss	**(85)**	0	0	(2)	0	0
To reserves			(25)	0	0	(15)
To equity valuation adjustments	**0**	0	16	0	0	(96)
Acquisitions	**0**	**0**	**0**	**0**	**0**	**1**
Settlements and other	**0**	**0**	**(43)**	**0**	**0**	**(34)**
CLOSING BALANCE	0	0	112	85	5	164
Total gains/(losses) in the period for instruments held at the end of the period	85	0	9	2	0	111

FA: Financial Assets. DEBT SEC.: Debt securities
(*) Compulsorily measured at fair value through profit or loss.
(**) No significant impacts have materialised as a result of the sensitivity analyses carried out on the level 3 financial instruments.

38.2. Fair value of property assets

In the particular case of property assets, fair value corresponds to the market appraisal of the asset in its current condition by independent experts:

- Statistical appraisals are used for real estate with a fair value of less than EUR 300 thousand.
- For foreclosed real estate with a fair value of EUR 300 thousand or more, appraisals have been requested in accordance with the criteria established by Order ECO/805/2003:
  - Appraisals below 2 years old are used for investment property.
  - Appraisals below 1 year old are used for non-current assets held for sale and disposal groups classified as held for sale.

The fair value of property is not significantly different from the carrying amount and is measured based on Level 2 in the fair value hierarchy.

The Entity has a corporate policy that guarantees the professional competence and the independence and objectivity of external valuation agencies as provided for in legislation, under which these agencies must comply with neutrality and credibility requirements so that use of their estimates does not undermine the reliability of their valuations. This policy stipulates that all valuation agencies and appraisers used by the Entity in Spain must be included in the Bank of Spain's Official Registry and that their valuations be performed in accordance with the methodology set out in Ministerial Order ECO/805/2003 of 27 March.

The main companies and agencies with which the Entity worked in Spain for the year are listed below:

APPRAISERS OF REAL ESTATE ASSETS
(Percentage)

	TANGIBLE ASSETS - INVESTMENT PROPERTY	NON-CURRENT ASSETS HELD FOR SALE
Krata	14%	7%
Tasaciones Inmobiliarias	23%	19%
Sociedad de Tasación	19%	11%
Gesvalt	5%	9%
JLL Valoraciones	7%	6%
CBRE Valuation Advisory	7%	25%
Global Valuation	9%	11%
Valoraciones y Tasaciones Hipotecarias		1%
Tecnitasa		2%
UVE Valoraciones	14%	9%
Other	2%	0%
TOTAL	**100%**	**100%**

39. Disclosures required under the Mortgage Market Law

In accordance with regulations governing the mortgage market, issuers of mortgage covered bonds are required to disclose relevant information regarding their issuances. Consequently, CaixaBank, SA presents the following information regarding its total mortgage covered bond issuances:

Information on support and privileges available to holders of mortgage covered bonds issued by the Group

CaixaBank is the only Group entity that issues mortgage covered bonds in Spain.

Mortgage covered bonds are securities in which the principal and interest are especially secured, with no need for registration, by mortgages on all the bonds registered in favour of the Entity, without prejudice to liability of the Entity's assets.

The securities include credit rights for holders vis-à-vis the Entity, guaranteed as stated in the preceding paragraphs, and entail execution to claim payment for the issuer after they mature. The holders of these securities are considered to be creditors with special preference, as stipulated in section 3 of Article 1,923 of the Civil Code, vis-à-vis any other creditor, in relation to the total mortgage credits and loans registered in favour of the issuer. All holders of bonds, irrespective of their date of issue, have the same seniority over the loans and credits which guarantee the bonds.

The members of the Board of Directors certify that CaixaBank has express policies and procedures in place covering all activities carried out within the scope of its mortgage market issuances, and that they guarantee strict compliance with the mortgage market regulations applicable to such activities. These policies and procedures cover issues such as:

- Relationship between the sum of loans and credits and the appraisal value of the mortgaged asset.
- Relationship between the debt and the borrower's income, and verification of the information provided by the borrower and its solvency.
- Prevention of mismatches between flows from the hedging portfolio and those arising from payments owed on issued securities.
- Proper procedures for the selection of appraisers.

Information concerning mortgage market issuances

The nominal value of mortgage covered bonds, mortgage participations and mortgage transfer certificates issued by CaixaBank that are outstanding on 31 December 2019 and 2018:

MORTGAGE MARKET ISSUES
(Millions of euros)

	31-12-2019	31-12-2018
Mortgage covered bonds issued in public offers (debt securities)	**0**	**0**
Mortgage covered bonds not issued in public offers (debt securities)	**46,960**	**50,044**
Residual maturity up to 1 year	1,175	2,600
Residual maturity between 1 and 2 years	7,425	1,175
Residual maturity between 2 and 3 years	7,390	7,425
Residual maturity between 3 and 5 years	9,650	13,140
Residual maturity between 5 and 10 years	19,333	24,221
Residual maturity over 10 years	1,987	1,483
Deposits	**2,899**	**2,953**
Residual maturity up to 1 year	379	54
Residual maturity between 1 and 2 years	675	379
Residual maturity between 2 and 3 years	417	675
Residual maturity between 3 and 5 years	300	717
Residual maturity between 5 and 10 years	678	678
Residual maturity over 10 years	450	450
TOTAL MORTGAGE COVERED BONDS	**49,859**	**52,997**
Of which: recognised under liabilities	*17,506*	*19,092*
Mortgage participations issued in public offers		
Mortgage participations not issued in public offers (*)	**4,572**	**5,173**
TOTAL MORTGAGE PARTICIPATIONS	**4,572**	**5,173**
Mortgage transfer certificates issued in public offers		
Mortgage transfer certificates not issued in public offers (**)	**19,452**	**20,676**
TOTAL MORTGAGE TRANSFER CERTIFICATES	**19,452**	**20,676**

(*) The weighted average maturity at 31 December 2019 is 136 months (144 months at 31 December 2018).
(**) The weighted average maturity at 31 December 2019 is 181 months (176 months at 31 December 2018).

Information on mortgage loans and credits

The nominal amount of all CaixaBank's mortgage loans and credits as well as those which are eligible, pursuant to applicable regulations, for the purposes calculating the mortgage covered bonds issuance limit, is as follows:

MORTGAGE LOANS. ELIGIBILITY AND ACCOUNTABILITY IN RELATION TO THE MORTGAGE MARKET
(Millions of euros)

	31-12-2019	31-12-2018
Total loans	**110,564**	**115,924**
Mortgage participations issued	**4,572**	**5,174**
Of which: On balance sheet loans	*4,572*	*5,173*
Mortgage transfer certificates issued	**19,455**	**20,680**
Of which: On balance sheet loans	*19,452*	*20,676*
Loans backing mortgage bonds issuances and covered bond issuances	**86,537**	**90,070**
Non-eligible loans	20,825	22,302
Meet eligibility requirements, except for limits established in article 5.1. of Royal Decree 716/2009 of 24 April	7,793	9,168
Other	13,032	13,134
Eligible loans	65,712	67,768
Non-computable amounts	97	101
Computable amounts	65,615	67,667
Loans suitable for backing mortgage bond issuances	65,615	67,667

Information is also provided on all pending mortgage loans and credits, and those that are eligible without taking into account the calculation limits set out in Article 12 of Royal Decree 716/2009 of 24 April:

MORTGAGE LOANS AND CREDITS
(Millions of euros)

	31-12-2019		31-12-2018	
	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS
By source	**86,537**	**65,712**	**90,070**	**67,768**
Originated by the Entity	85,273	64,900	89,121	67,156
Other	1,264	812	949	612
By currency	**86,537**	**65,712**	**90,070**	**67,768**
Euro	85,861	65,195	89,276	67,181
Other	676	517	794	587
By payment situation	**86,537**	**65,712**	**90,070**	**67,768**
Business as usual	81,166	64,417	82,928	66,279
Past-due	5,371	1,295	7,142	1,489
By average residual maturity	**86,537**	**65,712**	**90,070**	**67,768**
Up to 10 years	17,583	12,782	18,084	13,095
From 10 to 20 years	44,319	35,835	46,671	37,328
From 20 to 30 years	22,273	16,688	22,853	16,733
Over 30 years	2,362	407	2,462	612
By type of interest rate	**86,537**	**65,712**	**90,070**	**67,768**
Fixed	19,358	16,365	17,462	14,430
Floating	67,166	49,336	72,593	53,325
Mixed	13	11	15	13
By holder	**86,537**	**65,712**	**90,070**	**67,768**
Legal entities and entrepreneurs	17,591	8,296	18,814	9,131
Of which: Real estate developers	*3,948*	*1,564*	4,052	1,792
Other individuals and not-for-profit institutions	68,946	57,416	71,256	58,637
By collateral	**86,537**	**65,712**	**90,070**	**67,768**
Assets / completed buildings	**82,856**	**64,391**	**86,340**	**66,398**
Homes	72,055	59,478	74,668	60,870
Of which: Subsidised housing	*1,954*	*1,664*	2,154	1,745
Commercial	3,352	1,797	3,782	2,042
Other	7,449	3,116	7,890	3,486
Assets / buildings under construction	**2,838**	**898**	**2,494**	**842**
Homes	2,124	726	1,818	712
Of which: Subsidised housing	*26,662*	*8*	28	8
Commercial	85	27	82	31
Other	629	145	594	99
Land	**843**	**423**	**1,236**	**528**
Built	803	415	969	520
Other	40	8	267	8

A breakdown of the eligible loans and mortgage covered bonds affected by the issuance of CaixaBank mortgage covered bonds on 31 December 2019 and 2018 is provided below, according to the outstanding principal of loans and credit, divided by the last fair value of the guarantees affected (LTV):

ELIGIBLE MORTGAGE LOANS AND CREDITS
(Millions of euros)

	31-12-2019	31-12-2018
Mortgage on homes	**60,141**	**61,521**
Transactions with LTV below 40%	26,160	26,099
Transactions with LTV between 40% and 60%	22,996	24,389
Transactions with LTV between 60% and 80%	10,985	11,033
Other assets received as collateral	**5,571**	**6,247**
Transactions with LTV below 40%	3,613	4,016
Transactions with LTV between 40% and 60%	1,875	2,155
Transactions with LTV over 60%	83	76
TOTAL	**65,712**	**67,768**

Changes in mortgage loans and credits, which back the issuance of mortgage covered bonds, are shown below:

MORTGAGE LOANS AND CREDITS CHANGES IN NOMINAL VALUES — 2019
(Millions of euros)

	ELIGIBLE LOANS	NON-ELIGIBLE LOANS
Opening balance	**67,768**	**22,302**
Reductions in the year	**7,551**	**5,442**
Cancellations on maturity		198
Early cancellation	178	784
Assumed by other entities	135	79
Other	7,238	4,381
Additions in the year	**5,495**	**3,965**
Originated by the Entity	5,359	3,161
Assumed by other entities	1	
Other	135	804
Closing balance	**65,712**	**20,825**

The amounts available (committed amounts not drawn down) of the whole portfolio of mortgage loans and credits pending amortisation on 31 December 2019 and 2018 are as follows:

AVAILABLE MORTGAGE LOANS AND CREDITS
(Millions of euros)

	31-12-2019	31-12-2018
Potentially eligible	17,195	17,353
Other	3,909	3,786
TOTAL	**21,104**	**21,139**

The calculation of the degree of collateralisation and overcollateralization at 31 December 2019 and 2018 of the mortgage covered bonds issued by CaixaBank is as follows:

DEGREE OF COLLATERALISATION AND OVERCOLLATERALISATION
(Millions of euros)

		31-12-2019	31-12-2018
Non-registered mortgage covered bonds		46,960	50,044
Registered mortgage covered bonds placed as customer deposits		2,899	2,953
MORTGAGE COVERED BONDS ISSUED	**(A)**	**49,859**	**52,997**
Total outstanding mortgage loans and credits (*)		110,564	115,924
Mortgage participations issued		(4,572)	(5,174)
Mortgage transfer certificates issued		(19,455)	(20,680)
PORTFOLIO OF LOANS AND CREDIT COLLATERAL FOR MORTGAGE COVERED BONDS	**(B)**	**86,537**	**90,070**
COLLATERALISATION:	**(B)/(A)**	**174%**	**170%**
OVERCOLLATERALISATION:	**[(B)/(A)]-1**	**74%**	**70%**

(*) Includes on- and off-balance-sheet portfolio

40. Related party transactions

The "key management personnel" at CaixaBank are those persons having authority and responsibility for planning, directing and controlling the activities of the Entity, directly or indirectly, including all members of the Board of Directors and Senior Management (equivalent to the Management Committee members) of CaixaBank. Given their posts, each member of key management personnel is treated as a related party.

Close relatives to 'key management personnel' are also considered related parties, understood as family members who could exercise influence, or be influenced by this person, in matters relating to the Entity, as well as the companies in which the key staff or their close relatives exercise control, joint control or significant influence, or directly or indirectly have important voting powers.

According to the Regulations of the Board of Directors, transactions between Directors and their related parties must be authorised by the Board of Directors, subject to a report by the Audit and Control Committee, except if they meet the following three conditions: i) they are governed by standard form contracts applied on an across the-board basis to a large number of clients; ii) they go through at market prices, generally set by the person supplying the goods or services; and iii) that the amount of the transaction does not exceed one per cent (1%) of the company's annual earnings. Notwithstanding the above, express authorisation by the Bank of Spain is required for the granting of loans, credits or guarantees to the "key management personnel".

The approval policy for loans to members of the Board of Directors who are employees of CaixaBank and Senior Management is governed by the provisions of the collective bargaining agreement for savings bank and financial savings institutions, as well as the internal employment regulations that implement this agreement. The breakdown of financing granted to "key management personnel and executives" is as follows:

OUTSTANDING FINANCING TO KEY PERSONNEL - DIRECTORS AND SENIOR MANAGEMENT
(Thousands of euros)

	2019	2018
Outstanding financing	**6,964**	**8,109**
Average maturity (years)	21	21
Average interest rate (%)	0.34	0.29
Financing granted in the year	**32**	**8**
Average maturity (years)	5	0
Average interest rate (%)	0.65	5.78

All other loan and deposit transactions or financial services arranged by CaixaBank with "key management personnel", in addition to related party transactions, were approved under normal market conditions. Moreover, none of those transactions involved a significant amount of money. Likewise, there was no evidence of impairment to the value of the financial assets or to the guarantees or contingent commitments held with "key management personnel".

The most significant balances between CaixaBank and its related parties are detailed below, complementing the other balances in this report.

RELATED PARTY BALANCES AND OPERATIONS
(Millions of euros)

	SIGNIFICANT SHAREHOLDER (1)		GROUP ENTITIES		ASSOCIATES AND JOINT VENTURES		DIRECTORS AND SENIOR MANAGEMENT (2)		OTHER RELATED PARTIES (3)		EMPLOYEE PENSION PLAN	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018	31-12-2019	31-12-2018
ASSETS												
Loans and advances to credit institutions			702	723								
Loans and advances	25	32	13,595	12,555	445	602	7	8	20	11		
Reverse repurchase agreement				*257*								
Mortgage loans	*25*	*31*		*48*		*2*	*7*	*8*	*10*	*6*		
Other		*1*	*13,595*	*12,250*	*445*	*600*			*10*	*5*		
Of which: valuation adjustments			*(14)*		*(1)*							
Debt securities	8		584	305								
TOTAL	**33**	**32**	**14,881**	**13,583**	**445**	**602**	**7**	**8**	**20**	**11**		
LIABILITIES												
Customer deposits	162	339	6,160	4,823	685	426	29	39	58	97	36	36
Debt securities issued			117	117								
TOTAL	**162**	**339**	**6,277**	**4,940**	**685**	**426**	**29**	**39**	**58**	**97**	**36**	**36**
PROFIT OR LOSS												
Interest income	1	2	253	220	6	3						
Interest expense			(97)	(81)								
Fee and commission income			781	714	176	205						
Fee and commission expenses			(28)	(11)	(1)							
TOTAL	**1**	**2**	**909**	**842**	**181**	**208**						
OTHER												
Contingent liabilities	1	2	511	482	44	25						
Contingent commitments			2,421	3,406	411	308	1	1	3	12		
Assets under management (AUMs) and assets under custody (4)	14,879	14,552	57,657	46,146	1,571	1,700	224	210	430	458		
TOTAL	**14,880**	**14,554**	**60,589**	**50,034**	**2,026**	**2,033**	**225**	**211**	**433**	**470**		

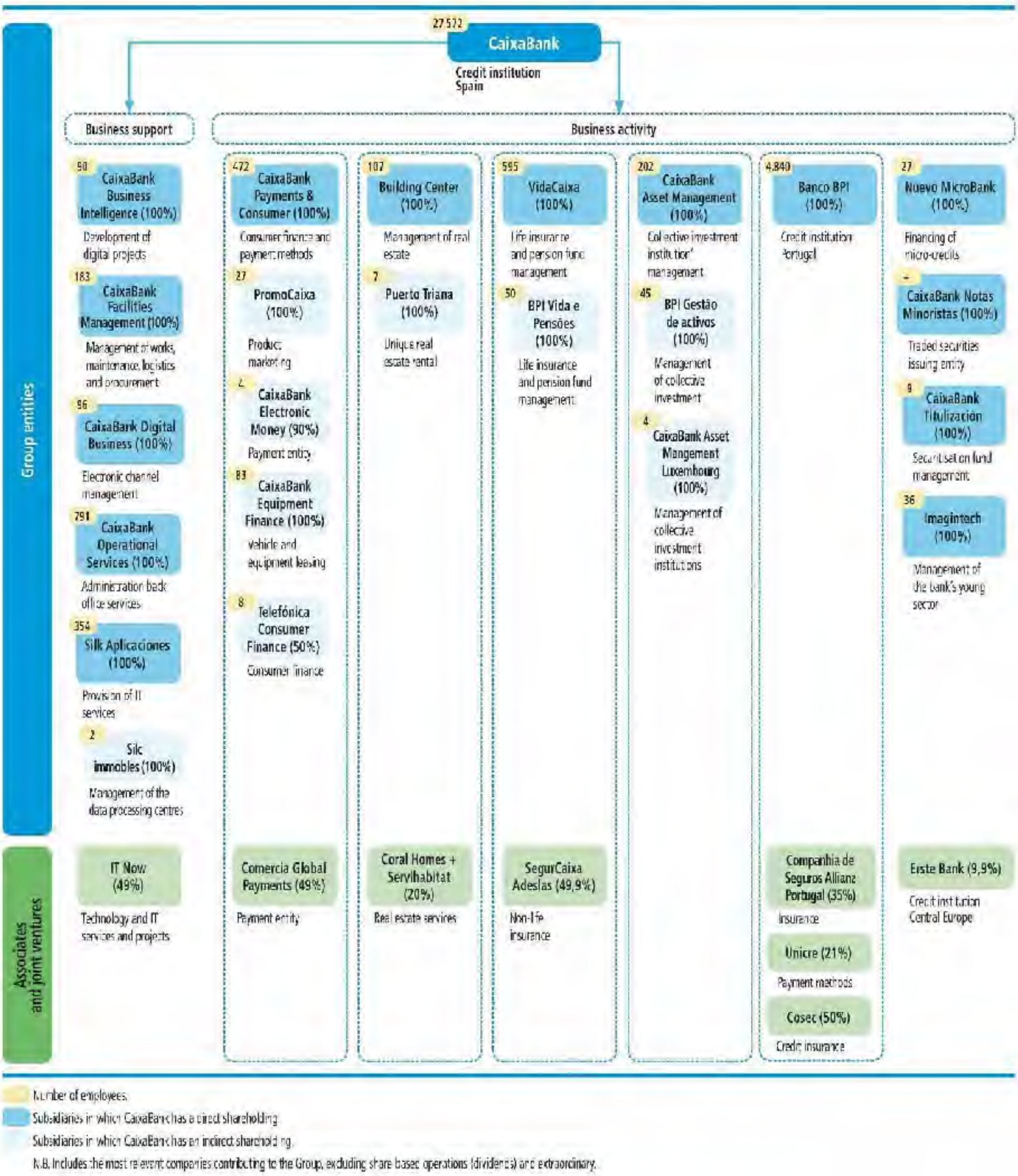
(1) "Significant shareholder" refers to any shareholder that is the parent of or has joint control of or significant influence over the Group, the latter term as defined in IAS 28, irrespective of its economic rights. Along these lines they solely refer to balances and operations made with "la Caixa" Banking Foundation, CriteriaCaixa and its subsidiaries. On 31 December 2019 and 2018, CriteriaCaixa's stake in CaixaBank was 40%.

(2) Directors and Senior Management of CaixaBank.

(3) Relatives and companies related to members of the Board of Directors and Senior Management of CaixaBank.

(4) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

The table below shows the main subsidiaries, joint ventures and associates, and their type of link.



Linked companies	Nature of the link
CaixaBank ↔ FBLC + CriteriaCaixa	CaixaBank provides the FBLC Group (including CriteriaCaixa) certain financial brokerage services, under the Internal Protocol of Relationships subscribed by the parties.
CaixaBank ↔ FBLC + CriteriaCaixa; Business activity; Business support	CaixaBank, S.A. is the parent company of the tax group for the purpose corporation tax with regard to the majority of the consolidated group's subsidiaries with a tax address in Spain. The tax group includes CriteriaCaixa and the "la Caixa" Banking Foundation, in accordance with the current legislation.
CaixaBank ↔ Business activity; Business support	CaixaBank fully or partially brokers the financial operations of the companies under its consolidated group and finances their activities. Similarly, CaixaBank holds BPI prudential issuances in its portfolio, within the framework of the management of the Group's joint liquidity.
CaixaBank ↔ Business activity	CaixaBank receives fees for the services of its subsidiaries and associates marketed via its network in Spain.
Banco BPI ↔ BPI Vida e Pensões; BPI Gestão de Activos; Companhia de Seguros Allianz Portugal; Unicre; Cosec	BPI receives fees for marketing the services marketed via its network in Portugal. Similarly it fully or partially brokers the financial operations of these companies and finances their activities.
IT Now ↔ Silk Aplicaciones ↔ FBLC + CriteriaCaixa; Business activity	IT Now (a joint venture between the Group and IBM) provides to Silk Aplicaciones technological and IT development services. In turn, Silk Aplicaciones provides computer services to the FBLC Group (including CriteriaCaixa) and to the rest the CaixaBank Group's subsidiaries.
CaixaBank Business Intelligence; CaixaBank Digital Business ↔ CaixaBank	CaixaBank Business Intelligence and CaixaBank Digital Business provide CaixaBank with digital project development services and digital channel management services, respectively.
CaixaBank Operational Services; CaixaBank Facilities Management ↔ FBLC + CriteriaCaixa; CaixaBank; Business activity; Business support	CaixaBank Operational Services and CaixaBank Facilities Management provide the companies of the identified group, administrative back-office services and works management, maintenance, logistics and procurement services, respectively.
VidaCaixa ↔ CaixaBank	CaixaBank has outsourced certain employee commitments to VidaCaixa.
Silc immobles ↔ CaixaBank	Silc Immobles maintains the real estate and carries out maintenance on the data processing centres, which are leased to CaixaBank.
Building Center ↔ CaixaBank; Business activity; Business support	BuildingCenter is the owner of real estate that is leased to subsidiaries of the Group and it receives rental income through said real estate. Similarly, BuildingCenter provides management services on certain CaixaBank assets for which it receives a fee.
Coral Homes + Servihabitat ↔ Building Center ↔ CaixaBank	Servihabitat undertakes the servicing of the BuildingCenter property portfolio. Similarly, Servihabitat receives marketing fees for sales through its real estate channels owned by BuildingCenter and CaixaBank.

Transactions between Group companies form part of the normal course of business and are carried out at arm's length.

The most relevant operations of 2019 and 2018 with the significant shareholder, in addition to those mentioned in the previous notes of this report, are as follows:

- On 31 December 2019 and 2018, CriteriaCaixa holds derivatives with CaixaBank to hedge the interest rates on bilateral loans for a nominal amount of 846 million and 1,100 million euros, respectively. The fair value of this derivative at 31 December 2019 and 2018 was 10 million and 13 million euros, respectively.
- The sale to the "la Caixa" Banking Foundation of two residential plots and one equipment plot owned by CaixaBank was formalised on 7 October 2019. The sale price was EUR 12.1 million, with the sale generating a profit of EUR 5.8 million.

Description of the relations with CriteriaCaixa and the 'la Caixa' Banking Foundation

The 'la Caixa' Banking Foundation, CriteriaCaixa and CaixaBank have an Internal Protocol on Relations available on the CaixaBank website, last updated in 2018, which governs the mechanisms and criteria of relations between CaixaBank and the 'la Caixa' Banking Foundation and CriteriaCaixa, particularly in the following areas: i) management of related operations, establishing mechanisms to avoid conflicts of interest; and ii) regulation of the information flows needed to fulfil reporting obligations in terms of trading and supervision.

The last amendment to the Internal Protocol on Relations was a result of the decision of the European Central Bank's Governing Council, of 26 September 2017, to stop supervising CriteriaCaixa, as the group headed by CaixaBank is the obliged party. As a result, Criteria Caixa was no longer considered a mixed portfolio financial company, having fulfilled the conditions established by the ECB for the deconsolidation for prudential purposes of CriteriaCaixa in CaixaBank.

41. Other disclosure requirements

41.1. Environment

There is no significant environmental risk due to the activity of the Entity, and therefore, it is not necessary to include any specific breakdown on environmental information in the document (Order of the Ministry of Justice JUS/471/2017).

CaixaBank is committed to carrying out its business, projects, products and services in the most environmentally-friendly way possible (see the corresponding section in the accompanying Management Report).

In 2019 the Entity did not receive any major fines or sanctions in relation to compliance with environmental regulations.

41.2. Customer service

CaixaBank has a Customer Service Office charged with handling and resolving customer complaints and claims. This office has no connections with commercial services and performs its duties with independent judgment and according to the protection rules for financial services customers.

If complaints are not resolved satisfactorily or the regulatory period has elapsed without obtaining a reply, claimants can contact the Supervisor's Claims Services: Bank of Spain, CNMV and the Directorate-General of Insurance and Pension Funds. Reports issued by the Supervisors' Claims Services are non-binding and the entity against which a complaint has been lodged may decide whether any rectification is needed in accordance with the Supervisor's conclusions.

Furthermore, functions of the Customer Service Office also include the execution of the adopted resolutions; identifying legal and operational risks by analysing claims received and preparing and fostering improvement proposals to mitigate identified risks; ensuring the claims system and system for reporting on claims management to the Entity's governing bodies and to the supervisory authorities is fit for purpose.

Similarly, the Customer Service Office takes part in the process of approving new products through the Products Committee, anticipating possible problem areas based on the experience of claims.

A number of potential improvements to the policies, procedures and documents for marketing the products and services of CaixaBank and its Group have been identified from an in-depth analysis of claims and, in particular, the reports issued by the Supervisors' Claims Services in 2019. These led to the Customer Service Office drawing up 20 improvement proposals respectively.

The average resolution time in 2019 is 24 calendar days, compared to 20 calendar days in 2018.

The Customer Service Office is supported by the Customer Contact Center (CCC), which reports directly to the Chief Business Officer. Its duties include attending to requests for information, managing dissatisfaction over telephone channels and written complaints related to service quality, as well as reputation-related matters from a corporate perspective. It is also responsible for offering support to branches so they can prevent and resolve any disputes with customers, sharing with other departments and subsidiaries the reasons for dissatisfaction to determine which processes to correct and helping roll out improvements reducing the likelihood of possible customer claims.

COMPLAINTS RECEIVED

(Number of complaints)

	2019	2018
HANDLED BY THE CUSTOMER SERVICE OFFICE AND CUSTOMER CONTACT CENTER (CCC)	75,722	83,093
Customer Service Office (CSA) and Customer Contact Center (CCC)	75,722	83,093
TELEPHONE CLAIMS AND COMPLAINTS	10,993	11,415
Customer Contact Center (CCC)	10,993	11,415
FILED WITH THE SUPERVISORS' CLAIMS SERVICES	1,201	1,981
Bank of Spain	1,116	1,900
Comisión Nacional del Mercado de Valores (Spanish securities market regulator)	85	81

The number of reports or resolutions issued by Customer Services and the Supervisors' Claims Services was as follows:

REPORTS ISSUED BY CUSTOMER SERVICES AND SUPERVISORS' CLAIMS SERVICES

	CS AND CSO		BANK OF SPAIN		CNMV	
TYPE OF RESOLUTION	2019	2018	2019	2018	2019	2018
Resolved in favour of the claimant	34,811	24,032	193	318	18	23
Resolved in favour of the entity	25,592	45,502	163	187	17	20
Acceptance			223	356	13	14
Other (rejected/unresolved)	12,107	9,919	299	531	5	0
TOTAL	**72,510**	**79,453**	**878**	**1,392**	**53**	**57**

42. Statements of cash flows

The main cash flow variations corresponding to the financial year are set out below by type:

- Operating activities: (EUR -3,582 million) The variation is due mostly to the decreased balance of deposits in central banks (EUR 15,009 million) in 2019 in financial liabilities at amortised cost, offset partially by the flow generated by the adjusted gains/losses of the financial year.
- Investing activities: (EUR -159 million) Explained fundamentally by the payments and charges of movements of tangible and intangible assets.
- Funding activities (EUR 1,199 million): The variation of the available liquidity and resources during the financial year mainly arises from the ordinary cash flows resulting from the issue and repayment of debt or equity-based instruments and the paid dividends.

Appendix 1 - CaixaBank investments in subsidiaries of the CaixaBank Group

(Thousands of euros)

(1/2)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF THE DIRECT HOLDING (NET)
Aris Rosen, S.A.U.	Services	Barcelona-Spain	100.00	100.00	60	433	(73)	1,432
Arquitrabe Activos, S.L.	Holding company	Barcelona-Spain	100.00	100.00	98,431	(363)	6,223	94,814
Banco BPI, S.A.	Banking	Portugal	100.00	100.00	1,293,063	1,704,007	342,113	2,060,366
BPI (Suisse), S.A. (2)	Asset management	Switzerland	-	100.00	3,000	7,847	1,535	-
BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliário, SA	Management of collective investment institutions	Portugal	-	100.00	2,500	14,953	4,076	-
BPI Vida e Pensões - Companhia de Seguros, SA	Life insurance and pension fund management	Portugal	-	100.00	76,000	55,732	4,373	-
BPI, Incorporated (3)	Banking	US	-	100.00	5	852	(5)	-
BuildingCenter, S.A.U.	Holder of real estate assets	Madrid-Spain	100.00	100.00	2,000,060	124,092	(166,443)	2,495,696
Caixa Capital Biomed S.C.R. S.A.	Venture capital company	Barcelona-Spain	90.91	90.91	1,200	2,766	13	3,400
Caixa Capital Fondos Sociedad De Capital Riesgo S.A.	Venture capital company	Madrid-Spain	100.00	100.00	1,200	14,325	213	15,934
Caixa Capital Micro SCR S.A.	Venture capital company	Madrid-Spain	100.00	100.00	1,200	579	165	1,654
Caixa Capital Tic S.C.R. S.A.	Venture capital company	Barcelona-Spain	80.65	80.65	1,209	6,428	274	6,640
Caixa Corp, S.A.	Holding company	Barcelona-Spain	100.00	100.00	361	330	21	585
Caixa Emprendedor XXI, S.A.U.	Promotion of business and entrepreneurial initiatives	Barcelona-Spain	100.00	100.00	1,007	16,525	1,034	17,954
CaixaBank Asset Management Luxembourg, S.A.	Management of collective investment institutions	Luxembourg	-	100.00	150	3,315	424	-
CaixaBank Asset Management, SGIIC, S.A.U. (4)	Management of collective investment institutions	Madrid-Spain	100.00	100.00	86,310	(42,317)	90,410	111,351
CaixaBank Brasil Escritório de Representaçao Ltda. (1)	Representative office	Brazil	100.00	100.00	1,200	1,749	590	345
CaixaBank Business Intelligence, SAU	Development of digital projects	Barcelona-Spain	100.00	100.00	100	1,199	264	1,200
CaixaBank Digital Business, S.A.	Electronic channel management	Barcelona-Spain	100.00	100.00	13,670	9,844	448	21,144
CaixaBank Electronic Money, E.D.E., S.L.	Payment entity	Madrid-Spain	-	90.00	350	4,742	1,797	-
CaixaBank Equipment Finance, S.A.U.	Vehicle and equipment leasing	Madrid-Spain	-	100.00	10,518	33,949	7,829	-
CaixaBank Facilities Management, S.A.	Project management, maintenance, logistics and procurement	Barcelona-Spain	100.00	100.00	1,803	1,871	1,272	2,053
CaixaBank Notas Minoristas, S.A.U.	Finance	Madrid-Spain	100.00	100.00	60	1,412	194	6,759
CaixaBank Operational Services, S.A.	Specialised back office administration services	Barcelona-Spain	100.00	100.00	1,803	19,546	1,840	9,579
CaixaBank Payments & Consumer, E.F.C., E.P., S.A.	Consumer finance	Madrid-Spain	100.00	100.00	135,156	1,093,534	376,632	1,571,634
CaixaBank Titulizacion S.G.F.T., S.A.	Securitisation fund management	Madrid-Spain	100.00	100.00	1,503	735	3,052	6,423
Cestainmob, S.L.	Real-estate management	Barcelona-Spain	-	100.00	120	515	(5)	-
Coia Financiera Naval, S.L.	Provision of financial services and intermediation in the shipbuilding sector	Madrid-Spain	76.00	76.00	3	6	24	2
Corporación Hipotecaria Mutual, E.F.C., S.A.	Mortgage lending	Madrid-Spain	100.00	100.00	3,005	78,337	639	76,987
El Abra Financiera Naval, S.L.	Provision of financial services and intermediation in the shipbuilding sector	Madrid-Spain	76.00	76.00	3	6	28	2

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF THE CAIXABANK GROUP
(Thousands of euros)

(2/2)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF THE DIRECT HOLDING (NET)
Estugest, S.A.	Administrative activities and services	Barcelona-Spain	100.00	100.00	661	1,758	5	2,381
Grupo Aluminios de Precisión, S.L.U. (*)	Aluminium smelting in sand moulds	Burgos-Spain	100.00	100.00	7,500	19,539	46	3,360
Grupo Riberebro Integral, S.L. (*)	Production and marketing of agricultural products	La Rioja-Spain	-	80.00	6,940	6,719	(263)	-
HipoteCaixa 2, S.L.	Mortgage loan management company	Barcelona-Spain	100.00	100.00	3	71,769	874	73,825
Hiscan Patrimonio, S.A.	Holding company	Barcelona-Spain	100.00	100.00	46,867	194,124	672	243,115
ImaginTech, S.A.	Digital business	Barcelona-Spain	99.99	100.00	60	(5)	9	58
Inter Caixa, S.A.	Services	Barcelona-Spain	99.99	100.00	60	(17)	(3)	47
Interim Luxproject, S.A.	Holding company	Luxembourg	100.00	100.00	30	920	(694)	950
Inversiones Corporativas Digitales, S.L.	Holding company	Barcelona-Spain	-	100.00	3	(3,065)	(0)	-
Inversiones Inmobiliarias Teguise Resort, S.L.	Hotels and similar accommodation	Lanzarote-Spain	60.00	60.00	7,898	8,826	2,511	8,618
Inversiones Valencia Capital, S.A.	Holding company	Barcelona-Spain	100.00	100.00	10,557	2,273	137	9,456
Líderes de Empresa Siglo XXI, S.L.	Private security for goods and people	Barcelona-Spain	100.00	100.00	378	648	164	753
Negocio de Finanzas e Inversiones II, S.L.	Finance	Barcelona-Spain	100.00	100.00	6	443	(1)	448
Nuevo Micro Bank, S.A.U.	Financing of micro-credits	Madrid-Spain	100.00	100.00	90,186	233,665	34,704	90,186
PromoCaixa, S.A.	Product marketing	Barcelona-Spain	-	100.00	60	1,894	17,962	-
Puerto Triana, S.A.U.	Real estate developer specialised in shopping centres	Seville-Spain	100.00	100.00	124,290	32,167	(29,271)	126,940
Sercapgu, S.L.	Holding company	Barcelona-Spain	100.00	100.00	4,230	(309)	106	632
Silc Immobles, S.A.	Real-estate administration, management and operation	Madrid-Spain	-	100.00	40,070	106,946	313	0
Silk Aplicaciones, S.L.U.	Provision of IT services	Barcelona-Spain	100.00	100.00	15,003	100,565	1,443	176,211
Sociedad de Gestión Hotelera de Barcelona, S.L.	Real-estate operations	Barcelona-Spain	-	100.00	8,144	10,092	806	-
Telefónica Consumer Finance E.F.C., S.A.	Consumer finance	Madrid-Spain	-	50.00	5,000	29,608	3,069	-
Unión de Crédito para la Financiación Mobiliaria e Inmobiliaria, E.F.C., S.A.U.	Mortgage loans	Madrid-Spain	100.00	100.00	53,383	1,847	562	43,101
VidaCaixa Mediació, Sociedad de Agencia de Seguros Vinculada, S.A.U.	Insurance agency	Madrid-Spain	-	100.00	60	4,922	298	-
VidaCaixa, S.A. de Seguros y Reaseguros Sociedad Unipersonal (4)	Direct life insurance, reinsurance and pension fund management	Madrid-Spain	100.00	100.00	1,347,462	(30,445)	717,410	2,251,712

(*) Companies classified as non-current assets held for sale
(1) All data except cost are in local currency: Brazilian real (thousands).
(2) All data except cost are in local currency: Swiss franc (thousands)
(3) All data except cost are in local currency: US dollar (thousands)
(4) This company's figure for reserves includes interim dividend.
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Appendix 2 - CaixaBank stakes in agreements and joint ventures of the CaixaBank Group

(Thousands of euros) (1 / 1)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED FROM THE TOTAL HOLDING
Cartera Perseidas, S.L. (2)	Holding company	Madrid-Spain	40.54	40.54	169	8	-	359	(155)	(43)	(43)	0	-
Comercia Global Payments, Entidad de Pago, S.L.	Payment entity	Madrid-Spain	-	49.00	407,842	188,269	181,923	4,425	170,601	44,548	44,548	-	28,097
Cosec – Companhia de Seguros de Crédito, S.A.	Credit insurance	Portugal	-	50.00	124,245	75,047	20,738	7,500	34,707	6,991	6,991	-	2,752
Global Payments South America, Brasil – Serviços de Pagamentos, S.A. (1)	Payment methods	Brazil	33.33	33.33	706,504	684,585	65,024	181,564	(147,143)	(12,502)	(12,502)	1,582	-
Inversiones Alaris, S.L. In liquidation (L)	Securities Holding	Pamplona-Spain	33.33	66.67	15,559	9,035	-	11,879	(4,597)	(757)	(757)	0	-
Payment Innovation HUB, S.A.	Payment methods	Barcelona-Spain	-	50.00	826	235	1,700	60	64	467	467	-	-
Vivienda Protegida y Suelo de Andalucía, S.A.	Real estate development	Seville-Spain	-	50.00	5,608	7,152	-	60	(1,459)	(145)	(145)	-	-

(L) Companies in liquidation.

(1) All data except the cost and the dividend are in local currency: Brazilian real (thousands).

(2) Joint agreement non-material agreement for the Group.

N.B. The information on companies corresponds with the last data available (real or estimated) at the time this Report was drawn up.

Appendix 3 – Investments in associates of CaixaBank

(Thousands of euros)

(1/2)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT /(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED FROM THE TOTAL HOLDING
Abaco Iniciativas Inmobiliarias, S.L. In liquidation (L)	Real estate development	Sevilla - Spain	-	40.00	57,888	79,537	-	13,222	(34,832)	(40)	(40)	-	-
Ape Software Components S.L.	Computer programming activities	Barcelona - Spain	-	25.22	2,721	2,370	2,212	12	307	33	33	-	-
Banco Comercial de Investimento, S.A.R.L. (2)	Banking	Mozambique	-	35.67	166,317,836	146,857,329	22,947,053	10,000,000	5,619,172	4,008,309	4,008,309	-	5,078
BIP & Drive, S.A.	Teletoll systems	Madrid - Spain	-	25.00	22,317	12,733	262,263	4,613	3,553	1,418	1,418	-	-
Brilliance-Bea Auto Finance Co., L.T.D. (3)	Automotive sector financing	China	-	22.50	7,747,975	6,102,732	489,777	1,600,000	7,420	37,823	37,823	-	-
Companhia de Seguros Allianz Portugal, S.A.	Insurance	Portugal	-	35.00	1,391,100	1,187,164	511,412	39,545	123,787	40,604	40,604	-	-
Coral Homes, S.L.U.	Real estate services	Madrid - Spain	-	20.00	4,842,895	153,345	236,880	270,774	4,406,132	12,645	12,645	-	-
Drembul, S.L.	Real estate development	Logroño - Spain	-	25.00	55,083	27,301	3,449	30	20,434	(514)	(514)	-	388
Ensanche Urbano, S.A.	Real estate development	Castellón de la Plana - Spain	-	49.30	37,323	68,299	179	9,225	(39,624)	(576)	(576)	-	-
Erste Group Bank AG (C)	Banking	Austria:	9.92	9.92	252,101,002	231,971,249	6,337,689	859,600	13,375,328	1,222,962	1,142,223	1,363,405	59,688
Girona, S.A.	Holding company	Girona - Spain	34.22	34.22	5,825	197	834	1,200	4,541	(114)	(114)	1,642	-
Global Payments – Caixa Acquisition Corporation S.A.R.L.	Payment methods	Luxembourg	49.00	49.00	30,204	32	-	13	30,204	(45)	(45)	14,831	-
Guadapelayo, S.L. In liquidation (L)	Real estate development	Madrid - Spain	-	40.00	312	4,948	-	1,981	(6,561)	(55)	(55)	-	-
Inter-Risco – Sociedade de Capital de Risco, S.A.	Venture capital	Portugal	-	49.00	1,162	307	1,099	400	534	(79)	(79)	-	-
Ircio Inversiones, S.L. In liquidation (L)	Real estate development	Burgos - Spain	35.00	35.00	2,128	7,359	-	675	(5,910)	3	3	0	-
IT Now, S.A.	Services for IT technology projects	Barcelona - Spain	39.00	49.00	142,232	135,910	264,212	3,382	1,849	1,090	1,090	1,323	-
Justinmind, S.L.	Development of IT systems	Barcelona - Spain	-	16.98	1,638	396	805	5	379	(250)	(250)	-	-
Nlife Therapeutics, S.L.	Research and development in biotechnology	Granada - Spain	-	37.18	13,245	10,096	1,928	6,930	(3,974)	(1,003)	(1,003)	-	-
Numat Medtech, S.L.	Other types of research and development in natural and technical sciences	Palma - Spain	-	17.86	676	132	-	7	711	(352)	(352)	-	-
Parque Científico y Tecnológico de Córdoba, S.L.	Science park operation and management	Córdoba - Spain	15.58	35.69	29,821	19,321	631	23,422	(17,146)	(474)	(474)	-	-
Peñíscola Green, S.L.	Real estate development	Castellón de la Plana - Spain	-	33.33	11,749	4,852	-	12,000	(5,069)	(33)	(33)	-	-

CAIXABANK INVESTMENT IN ASSOCIATES OF THE CAIXABANK GROUP
(Thousands of euros)

2 - 2

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED FROM THE TOTAL HOLDING
Portic Barcelona, S.A.	Other services related to information technology and telecommunications	Barcelona - Spain	-	25.81	2,306	296	2,197	291	1,616	102	102	-	-
Redsys Servicios de Procesamiento, S.L.	Payment methods	Madrid - Spain	-	20.00	127,553	56,276	192,620	5,815	53,972	11,490	11,491	-	-
SegurCaixa Adeslas, S.A. de Seguros y Reaseguros	Non-life insurance	Madrid - Spain	-	49.92	4,848,497	3,673,910	3,216,897	469,670	301,246	351,542	389,904	-	142,903
Servired, Sociedad Española de Medios de Pago, S.A.	Payment methods	Madrid - Spain	-	22.01	30,555	2,540	4,776	16,372	10,716	928	928	-	569
Sistema de Tarjetas y Medios de Pago, S.A.	Payment methods	Madrid - Spain	-	18.11	291,080	285,691	7,643	240	3,864	1,286	1,286	-	-
Sociedad de Procedimientos de Pago, S.L.	Payment entity	Madrid - Spain	-	22.92	3,743	1,666	3,892	2,346	(290)	21	21	-	-
Societat Catalana per a la Mobilitat S.A.	Development and implementation of the T-mobilitat project	Barcelona - Spain	23.50	23.50	75,859	67,006	5,414	9,874	(527)	(494)	(494)	1,846	-
Telefonica Factoring do Brasil, Ltda. (1)	Factoring	Brazil	20.00	20.00	252,046	214,792	159,704	5,000	1,000	31,254	31,254	2,029	1,893
Telefonica Factoring España, S.A.	Factoring	Madrid - Spain	20.00	20.00	81,282	66,799	6,870	5,109	1,643	7,634	7,634	2,525	1,398
Unicre - Institução Financeira de Crédito, S.A.	Card issuance	Portugal	-	21.01	375,284	278,813	173,790	10,000	70,252	16,218	16,218	-	5,000
Zone2Boost, S.L.	Holding company for business acquisition	Barcelona - Spain	-	40.00	2,002	67	-	3	1,999	(67)	(67)	-	-

(L) Companies in liquidation.
(C) Listed companies. Latest publicly-available data at the date of preparation of the notes to these financial statements.
(1) All data except the cost and the dividend are in local currency: Brazilian real
(2) All data except the cost and the dividend are in local currency: New Mozambique metical (thousands)
(3) All data except cost are in local currency: Renmimbi (thousands)
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Appendix 4 – Other tax details

Profit qualifying for the tax credits set forth in Article 42 of the restated text of the Corporation Tax Law approved by Royal Decree-Law 4/2004, of 5 March (Transitional provision twenty-four of Corporation Tax Law 27/2014):

TAX CREDIT FOR REINVESTMENT OF EXTRAORDINARY PROFIT
(Millions of euros)

YEAR	PROFIT QUALIFYING	DEDUCTION BASE	TAX CREDIT (1)	YEAR OF REINVESTMENT
2013	54	54	6	2013
2014	282	282	34	2014

(1) There are unused tax credits due to a shortage of taxable income in the consolidated income tax return.

Reinvestment is carried out in equity securities granting holdings in excess of 5%, and on property, plant and equipment, intangible assets and investment property relating to the business activity.

The table below shows information on the impairment losses pending integration from entities classified as group entities, investments in joint ventures and associates at 31 December 2017 and the recoveries effected in 2018:

DEDUCTIONS FOR IMPAIRMENT AT INVESTEES
(Millions of euros)

INVESTEE	AMOUNTS DEDUCTED FROM PREVIOUS TAX PERIODS PENDING INCLUSION AT 31-12-2017	AMOUNTS INCLUDED IN 2018	AMOUNTS DEDUCTED FROM PREVIOUS TAX PERIODS PENDING INCLUSION AT 31-12-2018 (3)
BuildingCenter, SA (1)	645	(215)	430
Caixa Capital Biomed, SA	1	(1)	0
Caixa Capital Fondos (2)	2	(2)	0
Céleris	3	(3)	0
Credifimo, EFC, SAU (2)	104	(35)	69
Hiscan Patrimonio (2)	8	(8)	0
Inversiones Valencia SCR (1)	9	(5)	3
Ircio inversiones, SL	0	(0)	0
Puerto Triana (1)	20	(7)	13
Sercapgu (2)	2	(1)	1
Tubespa (2)	3	(1)	2
TOTAL	**797**	**(277)**	**520**

(1) Impairment eliminated on consolidation
(2) Impairment partially eliminated on consolidation
(3) Of the impairments disclosed in this column, 482 million euros was eliminated in the consolidated tax group.

Appendix 5 – Disclosure on the acquisition and disposal of ownership interests in subsidiaries in 2019

(Article 155 of the Corporate Enterprises Act and Article 125 of the restated text of Spanish Securities Market Law).

On 1 March 2019 CaixaBank filed a notice with the CNMV. informing of exceeding the 3% threshold as a result of the disposal process of the shareholding in Repsol, previously announced on 21 September 2018.

On 30 April 2019 a notice was filed with the CNMV on the concerted action in the company General de Alquiler de Maquinaria, reporting that – within the framework of the dissolution process of this concerted action – the entirety of CaixaBank's holding in this company has been sold.

On 19 June 2019, Banco de Santander, party to the concerted action in General de Maquinaria, reported the dissolution of this concerted action.

On 18 August 2019, CaixaBank issued a statement of related party connections for the arrangement of an equity swap on 51,921,316 shares in Telefónica on 15 July 2019. Through this financial instrument, CaixaBank. has arranged a fair value hedge of the underlying shares at the agreed unit price. At 15 July 2019 the definitive parameters for the instrument were established, although the instructions for the creation of the transaction had been arranged previously.

Appendix 6 – List of agents

Information required under Article 21 of Royal Decree 84/2015, of 13 February

NAME
ALFONSO AMURRIO MARTINEZ
ANTONIO ASENSIO ROMERO
ANTONIO JESUS GOMEZ CHICA
APOLONIA GOMEZ SANTOS
BEATRIZ LOPEZ BELLO
ESTELA RODRIGO FRESNEDA
FRANCISCA CASTILLA GIGANTE
FRANCISCO JAVIER DOMINGUEZ CORNEJO
GESTIMAR ASESORES S.COOPERATIVA
GOMEZ SANCHEZ MOLERO SL
IDELFONSO MARTINEZ LERIDA
INMACULADA ROMERO DE DIEGO
J MADERA ASESORES AGRICOLAS
JESUS MIGUEL PRADO CEA
JESUS RAFAEL SERRANO LOPEZ
JONATHAN PEREZ IGLESIA
JOSE ANDRES CEJAS GALVEZ
JOSE MANUEL CRUZ MUÑIZ
JOSE RAMON MUÑOZ ORTEGA
JUANA WIC GOMEZ
JYD SERV FINANCIERS MANCHUELA SL
LORENA TOLEDO GARCIA
LOURDES CERES OCAÑA
LUZ MARIA GARCIA VALERO
MARIA PURIFICACION ROPERO CASTILLO
MARIA ARACELI JANDULA MONTILLA
MARIA AURORA JURADO ROMEO
MARIA BEATRIZ MATAS ALMIRON
MARIA CARMEN ULGAR GUTIERREZ
MARIA ISABEL PAÑOS RUEDA
MARIA JULIANA GOMEZ PAEZ
MARIA LUISA DOMINGUEZ ALVAREZ
MARIA REYES RODRIGUEZ NARANJO
MATIAS JESUS RUIZ LOPEZ
MIGUEL ANGEL SANCHEZ PAREJA
MIGUEL GARCIA DOMINGUEZ
SERFIS ASESORIA E XESTION SL
SERGIO LOPEZ RODRIGUEZ

Proposed appropriation of CaixaBank profit

The appropriation of profits of CaixaBank, SA from the 2019 financial year, which the Board of Directors agrees to propose to the General Shareholders' Meeting for approval, based on the information available to elaborate these financial statements, is presented below:

PROPOSED APPROPRIATION OF PROFIT OF CAIXABANK SA

(Euros)

	2019
BASIS OF APPROPRIATION	
Profit/(loss) for the year	2,073,521,148.66
DISTRIBUTION	
To dividends (1)	897,215,704.65
To reserves(2)	1,176,305,444.01
To legal reserve (3)	
To voluntary reserve (4)	1,176,305,444.01
NET PROFIT FOR THE YEAR	**2,073,521,148.66**

(1) The Board of Directors will submit a proposal at the Annual General Meeting to approve a dividend of 0.15 euros per share, to be paid in April 2020. The total distributable amount is the estimated maximum, which will be reduced in accordance with the number of treasury shares held by CaixaBank at the date of payment of the divided as, in accordance with the Spanish Corporate Enterprises Act, treasury shares are not eligible to receive dividends.

(2) Estimated amount (see note 4).

(3) It is not necessary to transfer part of the 2019 profit to the legal reserve, as this reserve has reached 20% of the share capital (article 274 of the Corporate Enterprises Act).

(4) Estimated amount to be appropriated to voluntary reserves. This amount will increase by the same amount that the amounts earmarked for payment of the final dividend decreases (see Notes 1 and 2 above). The remuneration corresponding to 2019 from AT1 capital instruments amounts to 133,290,284.20 euros, and it will be understood to be charged to this amount of voluntary reserves.

Management Report

2019

CaixaBank

CaixaBank Management Report for 2019

CaixaBank, S.A. (hereinafter CaixaBank or the Bank) is a public limited company subject to the rules and regulations applicable to banks operating in Spain. CaixaBank and its subsidiaries comprise the CaixaBank Group (hereinafter CaixaBank Group or Group).

This CaixaBank, S.A. **Management report** has been prepared in accordance with the Spanish Commercial Code and Royal Legislative Decree 1/2012, of 2 July, enacting the Spanish Corporate Enterprises Act.

The **forward-looking information** contained in the different sections of this document reflects the plans, predictions or estimates of the management of CaixaBank, S.A. on the date of publication. This information is based on assumptions that are deemed to be reasonable. However, the information presented herein should not be interpreted as a guarantee of the Bank's future performance. Indeed, any plans, predictions and estimates are subject to numerous risks and uncertainties and, therefore, the Bank's future performance may not necessarily coincide with its initial projections.

The financial information disclosed in this management report has been obtained from the accounting and management records of CaixaBank, S.A., and is presented in accordance with the criteria set forth in Bank of Spain Circular 4/2017 of, 27 November, and subsequent amendments.

When including Non-Financial Information and Information on Diversity, due regard has been paid to the provisions of Act 11/2018, of 28 December, modifying the Commercial Code, as well as the revised text of the Corporate Enterprises Act enacted by Royal Legislative Decree 1/2010, of 2 July, and Account Auditing Act 22/2015, of 20 July, on non-financial information and diversity. The non-financial information related to CaixaBank, S.A. is included in the CaixaBank Group Consolidated Management Report, which is available together with the CaixaBank Group's 2019 Consolidated Annual Financial Statements, and they are deposited at the Commercial Register of Valencia.

Our identity

The CaixaBank Group is a financial group with a socially responsible, long-term universal banking model, based on quality, trust, and specialisation, which offers a value proposition of products and services adapted for each sector, adopting innovation as a strategic challenge and a distinguishing feature of its corporate culture, and whose leading position in retail banking in Spain and Portugal makes it a key player in supporting sustainable economic growth.

CaixaBank, S.A. is the parent company of a group of financial services whose shares are traded on the stock exchanges of Barcelona, Madrid, Valencia and Bilbao, as well as on the continuous market, forming part of the IBEX 35 since 2011. It is also listed on the Euro Stoxx Banks Price EUR, the MSCI Europe, and the MSCI Pan-Euro.

Our mission

"To contribute to the financial well-being of our customers and the advancement of society"

CaixaBank offers its customers the best tools and expert advice to make decisions and develop habits that form the basis of **financial well-being** and that enable them, for example, to appropriately plan to address recurring expenses, cover unforeseen events, maintain purchasing power during retirement or make their dreams and projects come true.

We do this with:

- Specialised advice,
- Personal finance simulation and monitoring tools,
- Comfortable and secure payment methods,
- A broad range of saving, pension and insurance products,
- Responsibly-granted loans, and
- Overseeing the security of our customers' personal information.

Besides contributing to our customers' financial well-being, our aim is to **support the progress of the whole of society.** We are a deeply-rooted retail bank in all areas in which we work and, for this reason, we feel a part of the progress of the communities where we engage our business.

We contribute to the progress of society:

- Effectively and prudently channelling savings and financing, and guaranteeing an efficient and secure payment system,
- Through financial inclusion and education; environmental sustainability; support for diversity; with housing aid programs; and promoting corporate voluntary work, and
- of course, through our collaboration with the Obra Social of the "la Caixa " Banking Foundation, whose budget is partly nourished through the dividends that CriteriaCaixa earns from its stake in CaixaBank. A major part of this budget is funnelled into identified local needs through the CaixaBank branch network in Spain and BPI in Portugal.

CaixaBank

OUR
MISSION

To contribute to the financial well-being of our customers and the advancement of society

OUR
VALUES

- Quality
- Social commitment
- Confidence

OUR
CULTURE

- People, first
- Agility, our attitude
- Collaboration, our strength

OUR
STRATEGIC VISION

Leading and innovative financial group with the best customer service and setting the benchmark for socially responsible banking

CUSTOMERS

- Setting the benchmark
- Relationship based on proximity and trust
- Excellence in service
- Value proposition for each segment
- Commitment to innovation

SHAREHOLDERS

- Long-term creation of value
- Offering attractive returns
- Close and transparent relationship

SOCIETY

- Maximising our contribution to the national economy
- Establishing stable relationships and trust with the environment
- Helping to solve the most urgent social challenges
- Transition to a low carbon economy

EMPLOYEES

- Ensuring their well-being
- Fostering their professional development
- Promoting diversity, equal opportunities, and reconciliation
- Fostering a meritocratic model

UNIVERSAL BANKING MODEL

A socially responsible banking model covering all financial and insurance needs

Responsible and ethical behaviour

CaixaBank's **Corporate Social Responsibility Policy** has been approved by the Board of Directors and is monitored by top-level CaixaBank committees with the direct involvement of Senior Management, which establishes the foundations for responsible activity and economic efficiency with a commitment to the socio-economic development of people and the country. This commitment provides added value to the Bank and its stakeholders, and encompasses the entire value chain of the organisation: economic and financial factors of the business, environmental responsibility, customer satisfaction, creation of value through shareholders, the needs and aspirations of employees, the relationship with suppliers and contributors, and the impact on the communities and environments in which it operates.

CaixaBank's Corporate Social Responsibility Policy based on ESG (Environment, Society and Governance) criteria, has established five key strategic areas that serve as a guideline and contribute to focusing on the priorities within the scope of responsible management.

Respecting human rights is a key part of CaixaBank's corporate values and the minimum standard of action to conduct business legitimately. Therefore, CaixaBank implements a **Human Rights Policy** and **Code of Ethics and Action Principles**, which constitute the highest level of regulations in CaixaBank's internal hierarchy. These policies have been approved by the Board of Directors and are inspired by the principles of the UN International Bill of Human Rights and the Declaration of the International Labour Organization, as well as other ethical standards and codes of conduct.

Below is a list of the main policies on ethics and integrity approved by the Board of Directors:

Policy	Purpose	Last update	Public on CaixaBank's corporate website
Code of Ethics and Action Principles	Manifesto on the values and ethical principles that inspire their activity and that must govern CaixaBank's activity.	January 2019	Yes
Corporate Human Rights Policy	Minimum standard of action to conduct business legitimately.	October 2019	Yes
Anti-corruption Policy	Impede the Company and its external collaborators, directly or through intermediaries, from engaging in conduct that may be against the law or the core business principles of CaixaBank.	January 2019	Yes
Criminal Compliance Corporate Policy	Prevent and deter the commission of criminal offences within the organisation.	October 2018	Yes

Policy	Purpose	Last update	Public on CaixaBank's corporate website
CaixaBank Group Corporate Policy for Anti-Money Laundering and Counter Terrorist Financing and for Management of Sanctions and International Financial Countermeasures	Actively promote applying the highest international standards in this matter in all jurisdictions where CaixaBank is present and operates.	July 2019	Yes
Action Principles of the Corporate Policy for Relations with the Defence sector	This policy regulates the conditions for maintaining business relations in the sector, as well as establishing restrictions and exclusion criteria.	December 2019	No[1]
Internal Code of Conduct in the Securities Market (ICC)	Promote transparency in markets and to protect the legitimate interests of investors at all times in accordance with Regulation 596/2014 of the European Parliament and the Market Act.	July 2019	Yes
General Conflict of Interest Corporate Policy	Allows preventing and managing any conflicts of interest that may materialise in any number of different situations and scenarios.	October 2018	Yes
Corporate Privacy Policy	Includes the fundamental right to data protection and privacy.	May 2018	No[1]
Telematic Code of Conduct	Guarantee the proper use of CaixaBank's technical and IT resources, and aims to raise awareness among employees of the benefits of properly using the communications network, and the security of IT and communication equipment.	May 2014	No

In addition, CaixaBank governs its activity according to following responsible policies and principles:

Policy	Description
Environmental Risk Management Policy	Implement the Environmental Risk Management Policy and review the procedure for granting of risks, including the regulatory and market changes.
Energy and Environmental Management Policy	Establish the principles of action to which CaixaBank commits in terms of the environment and energy.
Supplier Code of Conduct	Spread and promote the ethical values and principles that will govern the activity of CaixaBank's suppliers of goods and services, contractors and third-party collaborators.
Occupational Health and Safety Policy	Reinforce all the initiatives and measures that facilitate proper working conditions.
Purchasing Policy	Establish the criteria to follow in the carrying out of the supplier selection and negotiation processes.
Tax Risk Control and Management Policy	Establish strategic tax principles aligned with responsible fiscal behaviour.
General Remuneration Policy	Foster patterns of behaviour to ensure that value is generated in the long term and that results are sustained over time. In addition it bases its strategy of attracting and retaining talent on providing professionals with a distinctive social corporate business project, the possibility of professional development and enjoyment of competitive overall remuneration.
Corporate Governance Policy	Establish the criteria and guidelines that should regulate the organisation and operation of the governing bodies of the Company, in development of the applicable standard and the recommendations on good corporate governance.
Policy on information, communication and contact with shareholders, institutional investors and proxy advisors	Establish a policy that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.
Dividend Policy	Set out the principles and basic criteria that will govern the agreements on shareholder remuneration submitted by the Board of Directors for approval by the General Shareholders' Meeting.
Policy for the selection, diversity, and assessment of the suitability of directors, senior executives, and other key function holders of CaixaBank	Set out the principles, criteria and fundamental guidelines of the organisation and the procedures to assess the suitability of members of the CaixaBank Board of Directors and Senior Management, and other key positions, particularly in selection processes regarding their appointment, pursuant to applicable regulations and best corporate governance practices.

[1] Some principles of the Politic are public

Policy	Description
Corporate Policy on Corporate Social Responsibility	Extend responsible principles and practices across society so that we can all make progress on social and environmental concerns, favouring the attainment of the Group's strategic objectives using responsible and sustainable practices.

CaixaBank is **committed to transparency** and provides its customers with accurate, truthful, and comprehensible information about its operations, fees, and procedures to submit complaints and resolve issues.

The appropriate design of financial products and services, which includes financial instruments and banking and insurance products and services, as well as their proper marketing, are a priority. The enforcement of the regulations that govern the different products and services: (i) financial instruments (Markets in Financial Instruments Directive - MiFID); (ii) banking products and services (ECB Guidelines on product oversight and governance arrangements for retail banking products); and (iii) insurance products (Insurance Distribution Directive - IDD), ensure that CaixaBank has in place suitable customer knowledge processes, so it can offer them products and services suited to their financial needs, and clear and truthful communications processes on the risk of their investments.

Organisational structure

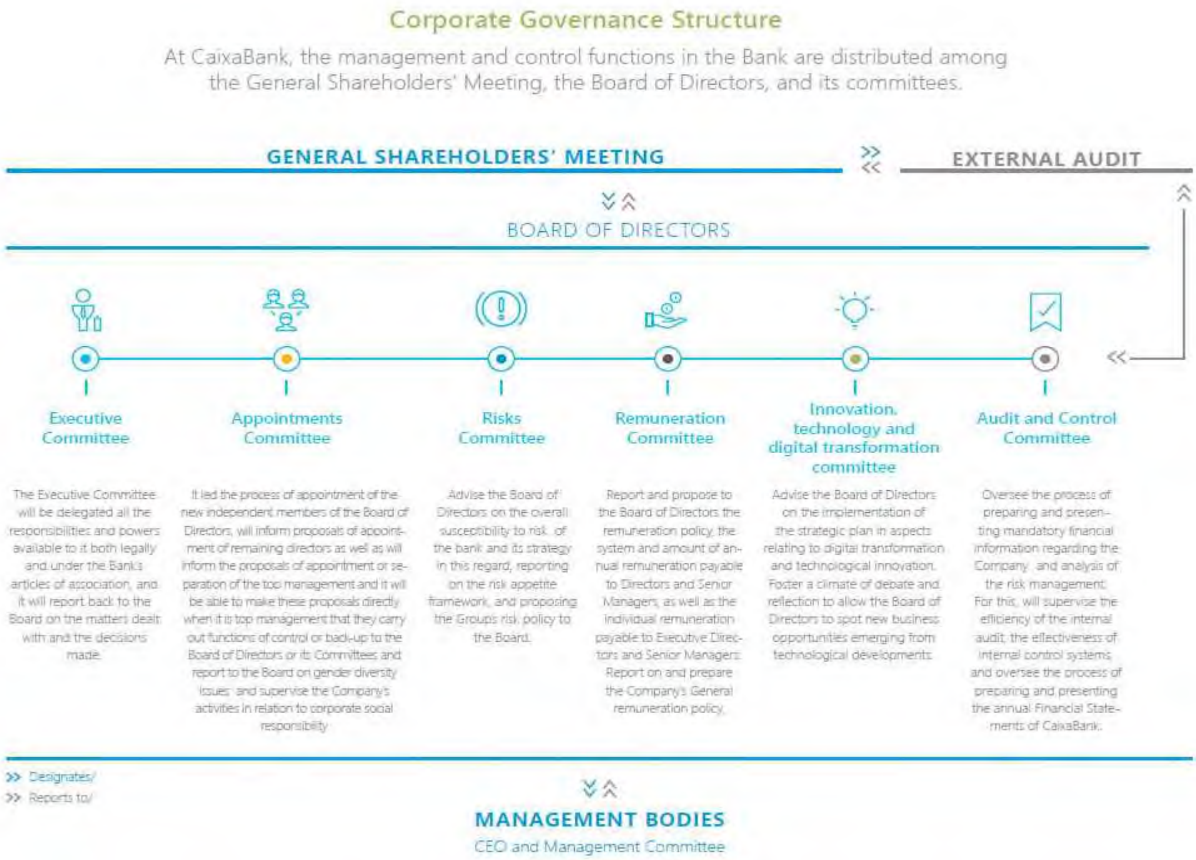
CaixaBank is a public limited company whose shares are listed on the stock exchanges and is subject to supervision by the European Central Bank, the Bank of Spain and the Spanish Securities Market Commission (CNMV).

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.

In accordance with the commitment to our mission and vision, there is a need to integrate the practices of Good Corporate Governance into our activity. This is a strategic priority for having a well governed and managed company, and for being recognised for this.

The structure of the Bank's Corporate Governance structure is detailed below:



The information relating to the Bank's corporate governance is contained in CaixaBank's Annual Corporate Governance Report, which is available on CaixaBank's website (www.caixabank.com) and attached to this document.

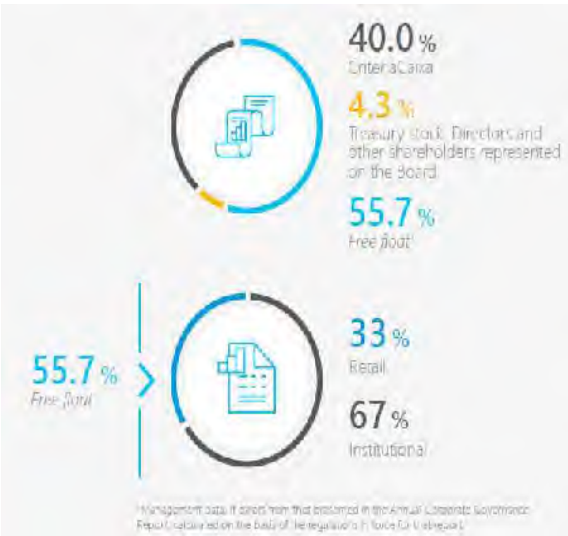
Shareholder structure

At year-end 2019, CaixaBank had a capital stock of 5,981,438,031 shares, each with a face value of 1 euro, belonging to a single class and series, with identical ownership and financial rights, and entered in the corresponding register.

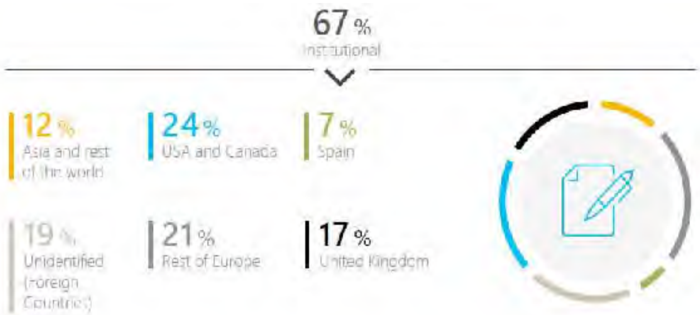
The aforementioned capital stock is distributed as follows:

Share tranches	Shareholders[2]	Shares	Share capital
From 1 to 499	252,188	52,286,167	0.9%
From 500 to 999	112,500	80,243,048	1.3%
From 1,000 to 4,999	169,379	365,373,800	6.1%
From 5,000 to 49,999	42,695	479,155,251	8.0%
From 50,000 to 100,000	786	53,135,981	0.9%
Over 100,000[3]	575	4,951,243,784	82.8%
Total	**578,123**	**5,981,438,031**	**100%**

Shareholder structure



Geographic distribution of institutional investors



Operations involving the purchase and sale of treasury shares by the Bank will conform to the provisions of the regulations in force and in the agreements of the General Shareholders' Meeting in this regard.

Information on the acquisition and disposal of shares held in treasury during the period is included in Note 22 'Equity' to the accompanying Financial Statements.

Dividend policy

In accordance with the dividend policy approved by the Board of Directors on 31 January 2019, the remuneration of shareholders, as of 2019, will be a single cash dividend paid around April 2020 after the close of the financial year.

Likewise, in the 2019-2021 Strategic Pl an, CaixaBank reported its intention, in compliance with the dividend policy, of remunerating shareholders by distributing an amount in cash greater than 50% of consolidated net profit, setting the maximum amount to be distributed charged to 2019 at 60% of the consolidated net profit.

On 31 January 2020, the Board of Directors announced its intention to lay a motion before the Annual General Meeting proposing payment of a cash dividend of 0.15 euro per share against profit for 2019. This payment would represent 53% of the profit for 2019, in line with the Strategic Plan. In addition, it agreed to set the maximum amount payable against 2020 earnings at 60% of the consolidated net profit.

[2] For those investors' shares which operate through a custody entity located outside of Spain, only the custody entity is considered to be the shareholder and shall be that which is registered in the corresponding book-entry ledger.

[3] Includes treasury shares.

Performance of the share in 2019

The CaixaBank share closed trading on 31 December 2019 at 2.798 euros per share, up 16.1% in the fourth quarter of the year, restraining the fall in the year to -11.6% (vs. a variation of +11.1% Eurostoxx Banks and -3.4% Ibex 35 Banks). The general indices closed 2019 trading with increases: Eurostoxx 50 +24.8% and Ibex 35 +11.8%.

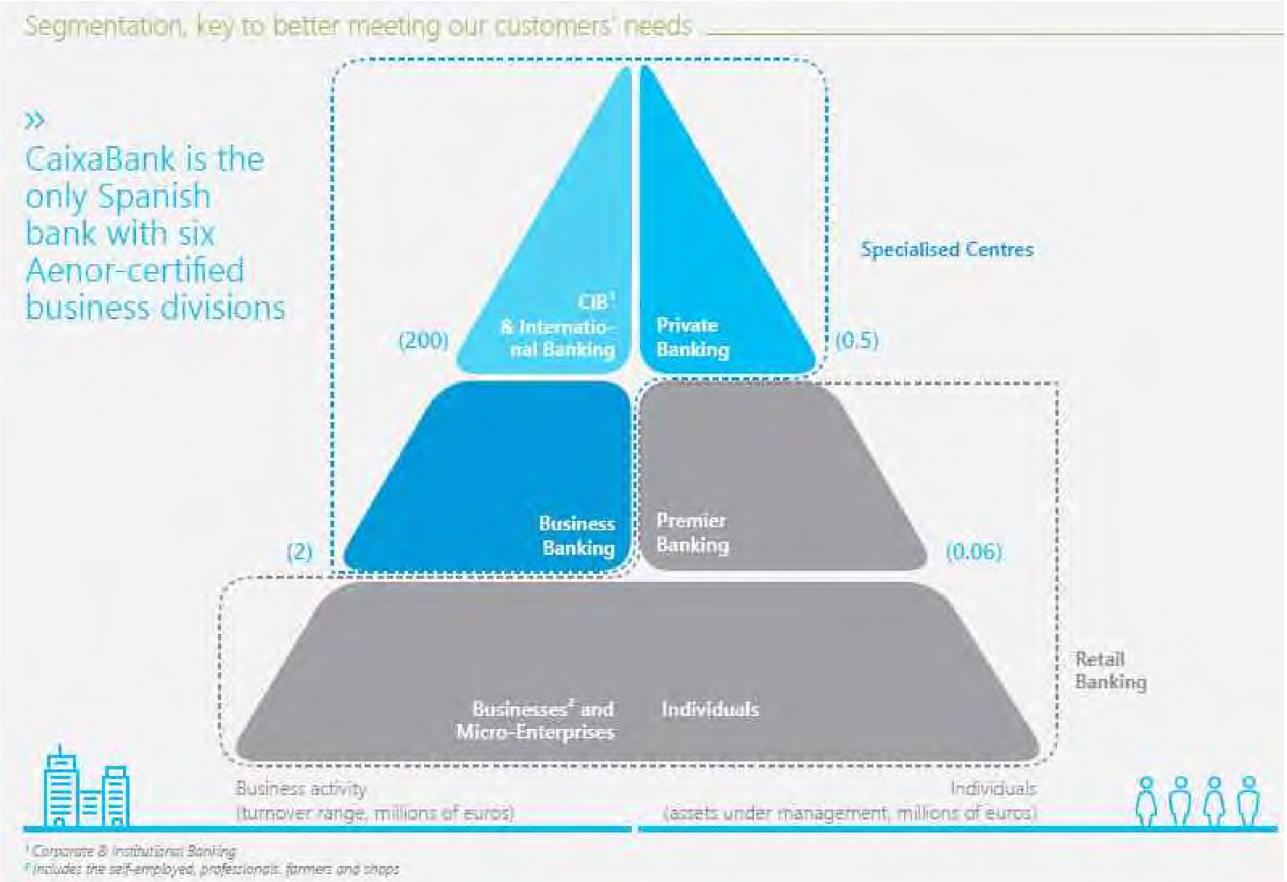
The ECB announcement of a monetary policy measures package in the third quarter (with a restrained reduction of the rate on the deposit facility, the improved conditions of TLTRO III and a new remuneration system for liquidity deposited with the ECB) have contributed to the recovery in investor sentiment.

In 2019, the trading volume of the share in euros and the number of securities traded dropped 45.3% and 21.3%, respectively.

Performance of main stock exchanges (January 2019 base 100)

Business model

CaixaBank has a universal banking model, through which it offers a wide range of products and services tailored to the needs of customers via a commercial platform that combines branches and digital channels.



Individual banking, companies and micro-enterprises

The Retail Banking's value proposal is based on an omnichannel, innovative and differentiated offering aimed at individual customers, businesses and entrepreneurs, always striving for the best customer experience.

The BusinessBank's value proposal is aimed at companies, entrepreneurs, freelancers and businesses. It offers all the necessary day-to-day solutions related to security, protection, internationalisation and financing, always with the support of specialised managers.

Premier Banking

The Premier Banking value proposal is based on three main pillars: an exclusive advice model, qualified professionals and solutions for customers, consolidating our leadership in financial advice.

Private Banking

Private Banking has specialised teams and more than 600 certified professionals with an average of over 15 years of experience working in the branch network and offering the best service.

Private Banking has 53 exclusive centres to guarantee that customers always receive a personal service. Different service models are offered to customers, from traditional financial advice to independent advice and broker services. In addition, the Social Value Project provides solutions in the fields of Philanthropy and Socially Responsible Investment (SRI).

Business Banking

CaixaBank Empresas has consolidated itself as the benchmark bank for Spanish companies. It incorporates a value proposal that offers innovative solutions and a specialised service, through its 125 centres distributed across Spain, providing expert advice via videoconference or by activating new communication channels between customers and financial managers, such as the Muro de Empresas and Go&Business.

Business Banking presents a model of exclusive customer service in which a team of experts attends the needs of each company. The Bank aims to continue improving its customer relations and expand its base of company customers in order to continue boosting loans while providing the best service.

CIB & International Banking

The CIB & International Banking's proposal integrates three business areas, Corporate Banking, Institutional Banking and International Banking, as well as several product areas that provide services to customers, such as Capital Markets, Cash Management, Project Finance, Asset Finance, and M&A.

Corporate Banking's value proposal offers a tailor-made service to corporate clients, aiming to become their primary bank. This involves crafting personalised value proposals and working with clients in export markets.

Institutional Banking serves public and private-sector institutions by offering specialist management of financial services and solutions.

International Banking offers support to customers of the branch network, CIB and Business Banking that operate abroad, as well as local large corporates, through its 27 international service points with global outreach and 175 professionals.

The information related to the evolution of the different business areas of CaixaBank, S.A. is included in point 01: Business model, of the Consolidated Management Report of the CaixaBank Group.

Risk management

CaixaBank maintains a medium-low risk profile, a comfortable level of capital adequacy and a high level of liquidity, in accordance with its business model and the risk appetite defined by the Board of Directors.

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

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.

Strategic risk management system

1. Identifying and assessing risks (Risk Assessment).
2. Risk definition and taxonomy. Risk catalogue.
3. Risk Appetite Framework (RAF).
4. Risk planning.

Risk culture

The Risk culture is based, among other things, on general risk management principles, employee training and evaluation of variable remuneration for employee performance.

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.

The following is a summary of the most relevant aspects of management and intervention for the different risks identified in the Corporate Risk Catalogue in 2019 referred to the CaixaBank Group.

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2019
BUSINESS MODEL RISKS			
Business profitability	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 management of this risk is supported by the strategic financial planning process, which is continually monitored to assess the fulfilment of the strategy and budget. After quantifying the number of deviations and identifying their cause, conclusions are presented to the management and governing bodies to evaluate the benefits of making adjustments to ensure that the internal objectives are fulfilled.	In 2019 the return on tangible equity exceeded the cost of capital when excluding the impact of the Labour Agreement. In an environment of sustained low rates, the ongoing digital transformation has been enhanced and CaixaBank's business model, which has endured this situation, has been improved. Focus was put on the insurance and asset management businesses, on business segments that are less sensitive to interest rates (consumer loans) and on adapting the customer liability and liquidity management. All of this was carried out advocating a cost containment policy compatible with a continued investment in technology and in transforming the distribution model.

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2019
BUSINESS MODEL RISKS			
Eligible own funds / Capital adequacy	Risk resulting from constraints on the Group's ability to adapt its level of own funds to regulatory requirements or changes in its risk profile.	Management activity focuses on maintaining a comfortable capital adequacy situation with a low-medium risk profile in order to cover any unexpected losses. The objective of the new 2019-2021 Strategic Plan is to reach a CET1 level of approximately 12% of RWAs and to obtain one additional percentage point (temporary) to cover any potential regulatory impacts forecasted over the next few years (such as the completion of Basel 3 and other regulatory modifications).	The CET1 ratio is 12.0%, thereby broadly meeting the minimum requirements, and the MDA (Maximum Distributable Amount) buffer stands at EUR 4,805 million. In 2019 an active preparation of coverage was carried out to comply with future MREL (Minimum Required Eligible Liabilities) requirements: 5 issues of senior non-preferred (SNP) debt were carried out for an amount of EUR 3,382 million and 1 issue of senior preferred (SP) debt for EUR 1,000 million.
Funding and liquidity	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.	The management approach is based on a decentralised system (CaixaBank and BPI) with the segregation of functions, aiming to maintain an efficient level of liquid assets. This involves the active management of liquidity and the sustainability and stability of funding sources in both normal and stress scenarios.	With the evolution of the commercial gap, in addition to the issuances made (EUR 5,382 million), which exceed the maturities for the year (EUR 2,135 million), the total liquid assets have amounted to EUR 89,427 million and the average 12-month LCR (liquidity coverage ratio) reached 186%. Institutional financing amounts to EUR 32,716 million and has performed very well in 2019 due to the success in accessing markets with different debt instruments.

RISKS SPECIFIC TO THE FINANCIAL ACTIVITY			
Credit	Risk of a decrease in the value of the CaixaBank Group's assets due to uncertainty in a counterparty's ability to meet its obligations.	This is the most significant risk for the Group's balance sheet. It is derived from its banking and insurance activity, cash flow operations, and its investee portfolio, encompassing the entire management cycle of the operations. The principles and policies that underpin the credit risk management are: • A prudent approvals policy based on: (i) an appropriate relationship between income and the expenses borne by consumers; (ii) documentary proof of the information provided by the borrower and the borrower's solvency; (iii) pre-contractual information and information protocols that are appropriate to the personal circumstances and characteristics of each customer and operation. • Monitoring the assets' quality throughout their lifecycle on the basis of preventive management and recognising their impairment early. • Updated and accurate assessments of the impairment at all times and diligent management of the non-performing loans and recoveries.	The monitoring and control processes were improved in 2019, enhancing the effectiveness of the recovery processes, which has led to continued and sustained improvements in the credit quality metrics of the balance sheet, the same as in previous years. The NPL ratio dropped to 3.6% (4.7% on 31 December 2018).
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.	The management approach is based on monitoring the processes for evaluating asset impairment and write-down tests, in addition to compliance with the optimisation policies of shareholdings and real estate holdings in accordance with the strategic objectives.	

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2019
RISKS SPECIFIC TO THE FINANCIAL ACTIVITY			
Market	The value decrease of the assets or value increase of the liabilities included in the trading portfolio, due to fluctuations in rates, exchange rates, credit spreads, external factors or prices on the markets where those assets/liabilities are traded.	The management process aims to maintain a low and stable risk, under the established tolerance limits.	
Structure of interest rates	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, liability and off balance sheet instruments of the Group not recorded in financial assets held for trading.	This risk is managed by optimising the net interest margin and keeping the economic value of the balance sheet within the limits established in the risk appetite framework. CaixaBank actively manages risk by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet by its deposits and lending transactions with customers.	In 2019, CaixaBank held its balance-sheet position to increases in interest rates. The reasons for this positioning are structural and management-related. Specifically, from a structural point of view, exceptionally low interest rates have continued to drive the movement of deposits from fixed-term accounts to on-demand accounts.

OPERATIONAL AND REPUTATIONAL RISK			
Legal/Regulatory risk	Potential losses or decline in the CaixaBank Group's profitability 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.	Legal and regulatory risk management pursues the Group's legal protection; on the one hand, by monitoring and interpreting the regulatory changes, as well as their implementation, and on the other hand, by individually managing the defence in judicial and extrajudicial proceedings and monitoring these processes' impact on assets for the Group.	In 2019 the Group participated in relevant consultation processes at a national and European level, such as the finalisation of Basel III Accord, the Consumer Credit Directive, the Distance Marketing Consumer Financial Services Directive, the Benchmark Regulation Directive (BMR) and other legislative amendments in transparency, as well as in the implementation of laws, such as Act 5/2019, governing real estate credit agreements, and Royal Decree-Law 19/2018 on payment services and other urgent measures for the financial sector (PSD2), among others linked to technological risks.
Conduct	Application of criteria for action contrary to the interests of customers and stakeholders, or acts or omissions by the Group 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.	Conduct risk management is not just the responsibility of a single department, but of the entire Group. All employees must strive to ensure compliance with current legislation and to implement procedures to translate this legislation to their day-to-day work.	Support to the conduct culture, by means of two main mechanisms: • Linking conduct criteria to variable remuneration by: 1) including indicators in the corporate objectives, such as customer due diligence and the correct formalisation of operations; and 2) the successful completion of certain regulatory training courses. In both cases the 2019 compliance objectives were reached. • Awareness actions in the scope of Conduct by means of carrying out specific sessions with the network and publishing communications in corporate channels. Reinforcement of policies, procedures and controls on anti-corruption and conflicts of interest.

	Definition in the Corporate Risk Catalogue	Risk management	Key milestones in 2019
OPERATIONAL AND REPUTATIONAL RISK			
Technological	Losses due to the unsuitability or failures of the hardware or software of technological infrastructures, due to cyber attacks or other circumstances, which can compromise the availability, integrity, accessibility and security of infrastructure and data.	Its management consists in identifying, implementing and monitoring indicators linked to the different scopes in which Technological Risk is divided. Furthermore, CaixaBank continues to be aligned with the most renowned international standards in Information Technologies (IT).	Roll-out of the Technological Risk control framework in line with a new advanced control and monitoring method. This methodology is aligned with the supervisor guides on IT risk, including scenarios associated with cybersecurity, such as cyber attacks, cyber spying and information leaks, among others.
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.	The management and control of this risk seeks to avoid or mitigate negative impacts on the Group, whether it is directly or indirectly due to impacting relevant stakeholders (e.g. customers), caused by internal systems and processes or third-party actions.	In 2019 the Corporate Policy on the management of outsourcing was updated and implemented. This policy is aligned with the new EBA Guide and the best practices, reinforcing the corporate control and governance of the risks in outsourcing. In addition, the Business' Digital Transformation and the coming into force of new regulations and supervisory expectations (e.g. PSD2) are requiring a greater focus on external fraud prevention and operational resilience.
Reliability of financial information	Deficiencies in the accuracy, integrity and criteria of the process used when preparing the data necessary to evaluate the financial and equity position of the CaixaBank Group.	The management involves monthly monitoring of the accounting close and monitoring of the adequate functioning of the Internal Control over Financial Reporting System (ICFRS), in addition to other metrics and policies related to financial information.	
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).	The management aims to keep CaixaBank's main reputation indicators at satisfactory levels and advance in monitoring control and preventive measures.	In 2019 crisis communication management protocols were updated using procedures based on the severity of the crisis event and by creating a Crisis Communication Committee. CaixaBank's Global Reputation Index has been reviewed in depth to ensure that its stakeholders' perceptions and weights are aligned with the reputational characteristics and expectations of the 2019-2021 Strategic Plan.

CaixaBank's risk management system and risk policy is described in more detail in Note 3 "Risk management" of the CaixaBank Annual Financial Statements.

Environment, business outlook and strategy

Economic context

Global and market trends

Moderate slowdown in economic growth: a growth rate of 2.9% has been estimated, below the figure registered in 2018, as a result of the global economic cycle's maturity, the industrial shock and geopolitical factors.

- **China maintains a gradual deceleration trend:** the estimated growth in 2019 is of 6.1%, falling short of the 6.6% reported in the previous year.
- **The US-China trade showdown intensifies up to the summer and tensions ease in the final stretch of 2019:** the trade flows and overall activity are already suffering the impact of the trade tensions, and despite the fact that an agreement will be reached, it is unlikely that it will be enough to eliminate the uncertainty in this field.

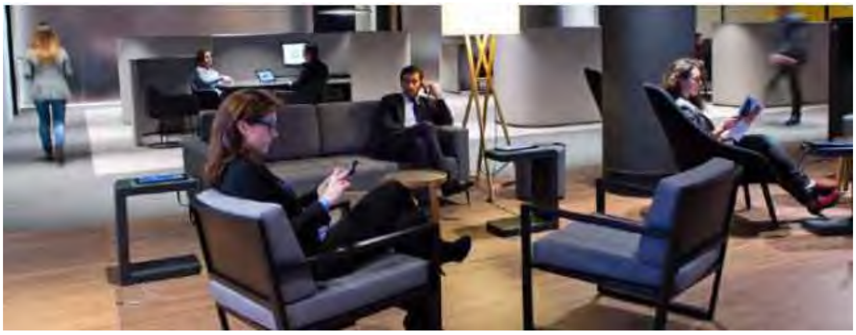
- **The US economy maintains a positive trend:** the estimated growth in 2019 is of 2.3%, which is a robust pace given the context of trade tensions and the fading fiscal impulse of 2017-18.
- **Rise in trade tensions between the US and the European Union:** the World Trade Organization's ruling in favour of the US with regard to a case of public aid granted to Airbus by the EU results in the US imposing tariffs on EU products. The expansion to new products cannot be discarded.
- **Waning growth in the Eurozone:** the economic slowdown initiated in 2018 has intensified in 2019 (estimated growth of 1.1%), mainly due to a lesser dynamic foreign trade and the complications experienced by the manufacturing sector (especially intense in the automotive sector).
- **Political uncertainty in Europe**: in 2019 the concern of a possible disorderly Brexit has been a source of uncertainty. Following the agreement reached with the EU, which eliminated this possibility, now the concern is in the complexity of reaching a satisfactory agreement that governs the new relationship between the United Kingdom and the EU.
- **Volatility in the financial markets continues:** the global growth slowdown together with the growing trade tensions between the US and China are key factors in 2019. The ease of trade tensions helped reduce the volatility and support the performance of the stock markets and sovereign interest rates in the final stretch of the year.
- **The Federal Reserve reverses the process of monetary normalisation:** against the backdrop of limited inflationary pressures and signs of an economic slowdown, the Fed has reduced rates three times, and with the aim of addressing any possible liquidity constraints in the market, it has initiated new purchases of assets.
- **The ECB formalises a new stimulus package as a response to the economic slowdown:** cut in the deposit rate (10 bp), new bond purchases, lower interest rates for TLTROs (operations offering long-term financing to the financial sector) and the stimulus will continue until inflation approaches its target.

2020 global outlook

- **Slight upturn in global growth mainly caused by the emerging block:** growth is estimated at 3.3%, falling short of the historical average (3.8%).
- **The US growth rate will experience a slowdown:** the economic cycle's maturity and the uncertainties associated with the trade tensions will weigh on the activity. All in all, extreme scenarios, such as a recession, are highly unlikely.
- **Growth in the Eurozone will remain restrained:** it will continue suffering the automotive sector's structural change, the global risks for trade and the uncertainties related to Brexit.

- **Monetary conditions very flexible in the Eurozone:** no major changes are expected in the monetary policy in 2020, and it will remain flexible with the aim of supporting activity.

Spanish economy overview



- **The economy is converging to more moderate growth rates:** as the economy progresses towards a more mature stage in the cycle and the external sector suffers the international context's deterioration, the growth rate will slow down, although remaining at remarkable levels.
- **Spain continues to make positive progress:** despite the slowdown, growth remains above the majority of developed economies.
- **Consumers are warier:** a more moderate economic outlook and the sluggish employment growth results in higher savings and lower growth of consumer spending.
- **Different behaviour between the service and manufacturing sectors:** the manufacturing sector is suffering the deterioration of the global trade flows and the complications experienced in the automotive sector, whereas the service sector is coping in a better position.
- **The real estate market has stabilised:** after years of strong growth, the price of housing and the supply and demand show signs of stabilisation.
- **The new credit production slows down:** this trend was due, to a great extent, to the sharp downturn in new mortgage loan operations, which were temporarily affected by the coming into effect of last year's new mortgage act. However, the data for the last few months of the year already show a slight recovery in the mortgage field.
- **The economy remains healthy:** after six consecutive years of significant growth, the economy continues to avoid accumulating macroeconomic imbalances. The private sector maintains restrained debt levels, the current account is in surplus and the competitiveness gains of recent years remain.
- **The political situation, a factor to follow:** after a year 2019 dominated by election dates, the new coalition government represents a factor of stability.

2020 **outlook** for Spain

- **Transition towards more sustainable growth rates:** growth is estimated at 1.5% for 2020, a more moderate rate than in previous years, but more in line with the economy's growth potential.
- **The internal demand, a pillar of growth:** the positive dynamics in the job market and the considerable income expected, boosted by an increase in wages, will provide a slight upturn in consumer spending, which will support the investment trend.

Portuguese economy overview

- **Positive rate of growth:** despite the slowdown, due to a certain decrease in investments and exports, the economy maintains a satisfactory rate of growth.
- **The growth of employment, a key factor behind the good climate of confidence:** the job market, which is close to full employment, is a key factor behind the internal demand's uptrend.
- **The improvement of macroeconomic imbalances is reflected in the country risk premium:** the positive evolution of the public deficit and the good financial data have led to a lower country risk premium.
- **A new government with a continuist vision:** the public accounts are expected to continue improving.

2020 **outlook** for Portugal

- **Slight slowdown in growth:** the activity is expected to be slightly slower, 1.7%, due to a reduced growth in internal demand. The main sources of risk will be external, among of which are the US shift towards protectionism and the slower growth of the main trade partners.

CaixaBank in this environment

In the context of risks and opportunities arising from the macro-economic environment, the Bank and the Group maintains robust levels of capital and liquidity, proven by compliance with internal and external stress tests and reported on in the capital and liquidity self-assessment processes (ICAAP and ILAAP, respectively)[4].

The Group also manages the effect of a persistently low interest rate environment through a strategy of diversifying income sources towards products that are less sensitive to interest rates, the development and improvement of the range of products and services more suited to this environment, and the continued improvement of the Group's efficiency and productivity.

[4] ICAAP, Internal capital adequacy assessment process. ILAAP, Internal liquidity adequacy assessment process.

Regulatory context

CaixaBank actively involved in the debate on the development of the financial sector's regulatory and supervisory standards. By doing so, the Bank seeks to contribute to establishing a robust and harmonised regulatory and supervisory framework that helps safeguard the financial stability and favour economic growth and the well-being of **consumers, customers, shareholders and employees**.

The participation in the regulatory debate is carried out through an ongoing dialogue with relevant authorities and institutions, with whom it shares its views on the regulatory proposals and queries by means of position papers and impact analysis documents, either at the request of these or on its own initiative. Usually, this activity is carried out with the different associations representing the sector, with the aim of promoting positions of consensus. To this end, CaixaBank is member of a vast number of associations. In the field of banking, most of its activity is channelled through CECA (Spanish Confederation of Savings Banks) at a national level, ESBG (the European Savings and Retail Banking Group) at a European level, and IIF (the Institute of International Finance) at a global level.

The main initiatives that CaixaBank has monitored during the year are listed below:

SUSTAINABLE FINANCE

- Sustainability-related disclosures in the financial services sector
- EBA action plan on sustainable finance
- Regulation proposal for the establishment of a framework to facilitate sustainable investment
- Regulation on EU climate transition benchmarks, EU Paris-aligned benchmarks and sustainability-related disclosures for benchmarks

TAXATION

- Draft bill on Tax on Financial Transactions
- Tax on Specific Digital Services
- Measures to Prevent and Combat Tax Fraud
- Amendment to the General Tax Law to incorporate the DAC6 directive into Spanish law

INNOVATION AND DIGITALISATION

- EBA Guidelines on Cloud outsourcing
- EBA Guide on managing ICT and security risks
- Initiatives on crowdfunding service providers
- FinTech action plan
- Royal Decree-Law on payment services and other urgent financial measures (PSD 2)
- Spanish regulatory sandbox

FINANCIAL STABILITY AND STRENGTHENING OF THE FINANCIAL SECTOR

- European Covered Bonds
- Banking Recovery and Resolution Directive (BRRD 2)
- Capital Requirements Directive and Regulations (CRD 5/CRR 2)
- Directive on the prevention of money laundering and terrorism financing (AMLD 4)
- EBA Guide on loan origination
- International Financial Reporting Standard
- Benchmarking Regulations
- Regulations on the minimum loss coverage for non-performing exposures

CONSUMER PROTECTION AND TRANSPARENCY

- Markets in Financial Instruments Directive (MIFID2/MIFIR)
- Consumer Credit Directive (CCD)
- Organic Law on the Protection of Personal Data and guarantee of digital rights (LOPD)
- Regulatory law on real estate loan contracts (LCI)
- International Financial Reporting Standard
- Amendment to the Order on transparency and protection of customers of banking services
- Royal Decree-Law on payment accounts, payment account switching and comparability of fees (PAD)

In the regulatory scope greater concern is placed especially on minimising errors when advising on the different legal or regulatory interpretation matters, reducing the lawsuit management shortcomings and improving the management of the requirements of regulators/supervisors and of the penalty proceedings that may be brought. Furthermore, greater concern is also placed on personal data protection and privacy in compliance with standards related to activities carried out by employees or agents that may harm the interests and rights of the customers.

Technological, social and competitive context

The **digital innovation** offers new opportunities to be a faster and more efficient organisation and to transform customer relations.

In turn, the technological revolution is significantly altering the competitive framework in which financial institutions operate. As such, digitalisation is leading to the appearance of new competitors such as Fintechs and digital platforms called Bigtech, with disruptive potential in terms of competition and services. Specifically, these new competitors tend to be more agile and flexible, have a light cost structure, and are able to take advantage of different technologies to offer the customer a comfortable and simple user experience at a lower cost. Likewise, for now, most of these new entrants have a highly specialised approach to specific financial services. This differs from the traditional model, characterised by the joint provision of financial services, and can lead to a fragmentation of the value chain, with impact on margins and cross-selling.

However, the Company believes the new entrants also represent an opportunity as a source of collaboration, learning and stimulus for the fulfilment of the digitalisation and business transformation objectives established in the Strategic Plan. CaixaBank regularly monitors the main new entrants and the movements of BigTech towards the banking industry. In addition, CaixaBank has Imagin as a top-level value proposal that it will continue to develop. With respect to the competition from Bigtech, CaixaBank is committed to improving the customer experience and modernising the relationship model with the added value of the responsible use of data.

Demand for long-term savings products will continue growing in the context of greater demands for household financial planning and the low rate environment. Since 2014, long-term savings products, which include pension plans, investment funds and savings insurance, have grown by around 45%. This is explained by the low interest rate environment that has led to the search for more attractive returns in a context where the return on deposits is zero. This growth has been reinforced by the banks' strategy of increasing fee income with the management and marketing of these products. In the coming years, the demand for these savings products will continue due to the growing need for financial planning, whether to obtain attractive returns on low-risk products or savings products that complement public pensions.

Cybercrime has increased in terms of volume of events and severity, escalating as a regulatory priority in the supervisors' agenda.

CaixaBank is aware of the importance and existing threat level, and constantly monitors the technological environment and applications in terms of information integrity and confidentiality, system availability and business continuity, through planned reviews and continuous audit (with monitoring of defined risk indicators). CaixaBank also carries out the relevant analyses to adapt the security protocols to new challenges and has defined a new strategic information security plan to remain at the forefront of information protection, in accordance with the best market standards.

The **Society is increasingly demanding socially responsible banks** that concern themselves with the social and environmental well-being of the territories in which they have a presence. Thus, it is expected that the areas of financial inclusion and education, of compliance culture and environmental risk management will become more relevant in the financial sector.

In this regard, measures related to the management of ESG risks have been given a greater focus throughout this year. One notable example is the far-reaching actions set out in the European Commission's Green New Deal, which will be translated into specific legislative initiatives. From the point of view of the business in the environmental area, these initiatives could materialise in elements such as potential exposure to sectors with intensive carbon emissions or high exposure to risks associated with the energy transition.

In anticipation, the principles and values that form the foundation of CaixaBank are closely aligned with ESG principles, although the increasing level of demand for sustainability in the sector leads to greater potential reputational impact.

Against this backdrop, CaixaBank actively monitors the developments and initiatives in the aforementioned fields, participating, for example, in the debate within the sector on the European directives in the Spanish legal system. CaixaBank is also a signatory and is committed to multiple initiatives and working groups to address, among other aspects, the improvement of management and reporting in these areas.

Similarly, within the framework of a rigorous, responsible and transparent decision-making process, the Group takes into account the ESG implications deriving from its admission and investment policy. In this sense it strives to optimise the risk/return ratio and avoid, minimise, mitigate or remedy, insofar as possible, those factors that could entail risk for the environment or community.

2019-2021 Strategic Plan

Following the conclusion of the 2015-2018 Strategic Plan, the Group initiates the new 2019-2021 Strategic Plan with the aim of **being a leading and innovative financial group with the best customer service and a benchmark of socially responsible banking.**
Five strategic lines:

Offering the best customer experience

The ambitious Plan will see the Group stepping up its digital transformation process to ensure better customer orientation and adapt to new customer behaviour. The aim is to offer the best experience across any channel, based on the knowledge that most modern consumers prefer omnichannel services. Therefore, the following leverage factors have been established:

- **Continued transformation of the distribution network** to offer greater value to customers: the Store urban branch model is consolidated (increase to a minimum of 600 branches in 2021) and the AgroBank model is strengthened in rural areas (over 1,000 branches in towns with under 10,000 inhabitants). This reconfiguration will maintain customer proximity while also improving commercial efficiency, productivity and service.
- **Enhancing the remote and digital customer service model**: boosting the inTouch model and an opportunity to continue growing in imaginBank and the high-added value services offered through our digital channels.
- **Continued expansion of our range of products and services**: we will continue to expand our ecosystem to cover all the financial and insurance needs of our customers, through new banking and non-banking products and services.
- **Segmentation and review of customer journeys**: optimisation of processes and usability to provide the best customer experience through any selected channel.

Speeding up digital transformation to become more efficient and flexible

The current environment and new technologies offer new opportunities (e.g. blockchain, artificial intelligence and clouds) that will enable us to be a faster, more efficient and flexible bank. The main priorities in this area are:

- **Reducing time-to-market** for new product launches.
- **Improving the efficiency of backoffice** processes
- Harnessing the **potential** of **Big Data** for the whole organisation.
- Continuing to improve the **flexibility, scalability and efficiency of our infrastructures**, including increased cloud usage, architecture developments, expansion of agile methodologies, and continued investments in cybersecurity.

Fostering an agile and collaborative culture that puts people first

The main goal of this strategic line is to strengthen our corporate culture and keep people at the heart of the organisation. The new plan will continue to **promote talent** (ensuring the development of their potential through a merit-based approach, diversity and empowerment), as well as defining and implementing the best **value proposition for employees** (improving the employee experience), and promoting **agility and collaboration**. This will include the following initiatives, among others:

- Simplifying processes and structures to make them more agile, cross-cutting and closer to customers.
- Fostering horizontal collaboration and communication.
- Increasing teams using the agile work methodology.
- Rewarding and promoting innovation.

Generating attractive returns for shareholders while remaining financially sound

The objective for the 2019-2021 Plan is to **sustain a high return** (even in an environment of stable rates) by maintaining a strong balance sheet. We expect to achieve a return on tangible equity (ROTE) **over 12%** in 2021, based on the following leverage factors:

- Improving core income, supported by the following drivers:
  - Long-term insurance and saving, businesses with a high potential for growth.
  - Consumer finance, offering customers efficient solutions.
  - Loans to companies, helping them to grow.
  - Payment methods: our leadership generates opportunities for growth through increased electronic trade.
  - BPI: opportunity to replicate the CaixaBank model in Portugal.
- High investment and transformational effort, making it possible to enhance the service provided and boost productivity.
- Reduction of problematic assets: significant reduction in bad loans, achieving a NPL ratio of under 3% in 2021.
- Consolidating financial stability: the CET1 capital ratio will be situated around 12%, and with a buffer of an additional percentage point that it will go constituting until end of 2021 to address future regulatory changes.

Due to the greater return, combined with the maintained financial stability, we will be able to sustain an attractive dividend policy for our shareholders (>50% cash payout for the whole period).

Setting the benchmark for responsible management and social commitment

CaixaBank strives to be an industry leader in socially responsible banking, by **reinforcing responsible business management** (with an emphasis on transparency with customers), **ensuring best practices in internal control and corporate governance**, and maintaining its **commitment to society**. The priorities of the Socially Responsible Banking Plan are as follows:

- To strengthen the culture of transparency with customers.
- To have a more diverse and skilled team.
- To maintain our commitment to financial inclusion.
- To promote the responsible and sustainable financing.
- To promote financial culture.

HIGHLIGHTS AND SIGNIFICANT EVENTS IN THE YEAR

The information with regard to the following matters, included the research activities and development, is included in the point 03: Non-financial information statement, of the CaixaBank Group consolidated management report.

Customer experience

- CaixaBank named the **Best Bank in Spain 2019**, by *Euromoney* and *Global Finance*.
- *Global Finance* also acknowledged CaixaBank as the **Best bank in Western Europe** for the second consecutive year.
- *CaixaBank opens the* **All in One** *spaces in Valencia and Barcelona. The All in One in Barcelona is Europe's largest financial experience hub.*

Innovation and Digitisation

- CaixaBank, named **Best Bank Transformation in Europe in 2019**, by *Euromoney*.
- Global Finance recognised CaixaBank as **Most Innovative Bank in Western Europe**.
- On 23 May 2019, the Board of Directors agreed **to establish the Committee on Innovation, Technology and Digital Transformation**, as an advisory committee to the Board of Directors.

People management

- CaixaBank reached an agreement with the employees' union representatives to draw up a **plan involving 2,023 compensated terminations**. The employee representatives also agreed other measures that provide further labour flexibility, including longer opening times, geographical reorganisation of the workforce, an increase in Store and Business Bank branches to a total of 700, an increase in employees assigned to the inTouch remote service model up to a total of 2,000 and a restructuring of the labour agreements relating to the rural network, in order to improve flexibility and efficiency, among other labour flexibility measures. The impact on the second quarter's income statement reached EUR -978 million, gross.
- CaixaBank has been added to the **2019 Bloomberg Gender-Equality Index**, which distinguishes companies committed to transparency in gender reporting and advancing equality between men and women in the workplace.
- In January 2020 a **new Equality Plan** was signed with all trade unions, and it contains substantial improvements in terms of the following:
  a) Goal towards the representation of women in managerial positions.
  b) Reconciliation: extension of the bereavement leave in the event of death of a spouse or common-law partner with minors and extension of the paternity leave in 10 days gradually in 3 years, to promote shared responsibility in the family unit. In addition, flexibility is enhanced to a specific time, respecting the organisational needs.
- On 31 January 2020 an **Incentivised Voluntary Termination Labour Agreement** was reached, potentially affecting 376 employees, from the generation of 1962 and under, that provide their services in Barcelona and Teruel. The budgetary allowance of approximately 100 million euros outlined in the operational plan for these incentivised voluntary terminations is based on percentages of adhesion to previous incentivised voluntary termination processes, and it is estimated that 209 people would join the programme. The provision will be recorded in the first quarter of 2020.

Sustainability

- CaixaBank **issues its first Social Bond** in support of the United Nation's SDGs worth EUR 1,000 million with a 5-year maturity. With this bond, CaixaBank will fund projects that contribute to fighting poverty and creating jobs in economically disadvantaged areas of Spain, in line with the United Nations' Sustainable Development Goals (SDG).
- CaixaBank **adheres to the United Nations Principles for Responsible Banking**.
- CaixaBank **joins** the **UN Collective Commitment to Climate Action**.
- Euromoney names CaixaBank **the Best Responsible Bank in Europe in 2019.**

Evolution of Results and Business Activity

When managing the business and making decisions, the directors and management team at CaixaBank essentially rely on the CaixaBank Group or consolidated financial management information, the main financial figures of which are as follows:

€ millions / %	January - December		Year-on-year
	2019	2018	
PROFIT/(LOSS)			
Net interest income	4,951	4,907	0.9%
Net fee and commission income	2,598	2,583	0.6%
Core income	8,316	8,217	1.2%
Gross income	8,605	8,767	(1.8%)
Recurring administrative expenses, depreciation and amortisation	(4,771)	(4,634)	2.9%
Pre-impairment income	2,855	4,109	(30.5%)
Pre-impairment income stripping out extraordinary expenses	3,834	4,133	(7.2%)
Profit/(loss) attributable to the Group	1,705	1,985	(14.1%)
INDICATORS OF PROFITABILITY (Last 12 months)			
Cost-to-income ratio	66.8%	53.1%	13.7
Cost-to-income ratio stripping out extraordinary expenses	55.4%	52.9%	2.5
ROE [5]	6.4%	7.8%	(1.4)
ROTE[5]	7.7%	9.5%	(1.8)
ROA	0.4%	0.5%	(0.1)
RORWA	1.1%	1.3%	(0.2)

	December 2019	December 2018	Year-on-year
BALANCE SHEET			
Total Assets[5]	391,414	386,546	1.3%
Equity[5]	25,151	24,364	3.2%
Customer funds[5]	384,286	359,549	6.9%
Loans and advances to customers, gross	227,406	224,693	1.2%
RISK MANAGEMENT			
NPL	8,794	11,195	(2,401)
Non-performing loan ratio	3.6%	4.7%	(1.1)
Cost of risk (last 12 months)	0.15%	0.04%	0.11
Provisions for insolvency risk	4,863	6,014	(1,151)
NPL coverage ratio	55%	54%	1
Net foreclosed assets held for sale[6]	958	740	218
Foreclosed available for sale real estate assets coverage ratio	39%	39%	-
LIQUIDITY			
Total Liquid Assets	89,427	79,530	9,897
Liquidity Coverage Ratio (last 12 months)	186%	196%	(10)
Net Stable Funding Ratio (NSFR)	129%	117%	12
Loan to deposits	100%	105%	(5)
CAPITAL ADEQUACY			
Common Equity Tier 1 (CET1)	12.0%	11.5%	0.5
Tier 1	13.5%	13.0%	0.5
Total capital	15.7%	15.3%	0.4
MREL	21.8%	18.9%	2.9
Risk-Weighted Assets (RWAs)3	147,880	145,942	1,938
Leverage ratio	5.9%	5.5%	0.4
SHARE INFORMATION			
Share price (€/share)	2.798	3.164	(0.366)
Market capitalisation	16,727	18,916	(2,189)

The "Results" and "Business performance" sections below present the performance of CaixaBank, S.A.'s business, except when indicated otherwise.

[5] The ROTE and ROE calculation for 2019 includes valuation adjustments in the denominator, restating the figure published in 2018. A change of accounting policy associated with the recognition of certain defined benefit commitments led to restating assets, customer funds, equity and share and profitability ratios of previous periods. See details under the section 'Business Activity-Balance Sheet'.

[6] Exposure in Spain.

Results

The main metrics of CaixaBank, S.A.'s profit and loss account for 2019 are presented below together with its comparison with the previous year.

€ millions	2019	2018
Net interest income	**3,375**	**3,511**
Dividend income	1,857	1,484
Net fee and commission income	2,106	2,031
Gains/(losses) on financial assets and liabilities and others	208	173
Other operating income and expense	(480)	(469)
Gross income	**7,066**	**6,730**
Recurring administrative expenses, depreciation and amortisation	(4,067)	(3,876)
Extraordinary expenses	(978)	-
Operating income/(loss)	**2,021**	**2,854**
Allowances for insolvency risk and other charges to provisions	(446)	(232)
Gains/(losses) on disposal of assets and others	473	(1,032)
Profit/(loss) before tax	**2,048**	**1,590**
Income tax expense	26	(427)
Profit/(loss) after tax	**2,074**	**1,163**

In 2019 CaixaBank, S.A. reported a net profit of **EUR 2,074 million**.

Unique aspects of 2019

- Realisation of gains from fixed-income assets amounting to EUR +171 million → Note 12 of the individual financial statements
- Labour agreement for employment restructuring by means of paid early retirements and resignations, with an impact of EUR -978 million → Note 21 of the individual financial statements
- Result derived from the cancellation of a cash flow hedge on 1.36% of the Group's stake in Erste Bank, with an impact of EUR +49 million → Note 14 of the individual financial statements
- Sales agreement with the CaixaBank Group company CaixaBank Payments&Consumer for the sale of the entire stake in PromoCaixa, S.A.U. and Comercia Global Payments, E.P., S.L. for an amount of EUR 212 million and EUR 585 million, respectively → Note 7 of the individual financial statements

Net interest income

The **net interest income** in 2019 amounted to EUR 3,375 million (-3.9 % on the same period of 2018). The solid performance is impacted by the drop in lower returns on loans and advances and the fixed income portfolio.

Decline in the income of loans and advances, due to a lower portfolio interest rate not being compensated by the reduced retail funds' expenditure resulting from lower rates.

€ millions	2019		2018	
	Average balance	Rate %	Average balance	Rate %
Financial Institutions	22,864	0.68	19,081	0.93
Loans and advances (a)	197,640	1.85	197,404	1.89
Debt securities	31,114	1.02	29,529	1.16
Other assets with returns	2,456	0.62	2,074	1.81
Other assets	62,366	-	54,524	-
Total average assets (b)	**316,440**	**1.31**	**302,612**	**1.42**
Financial Institutions	30,638	(0.74)	36,917	(0.51)
Retail customer funds (c)	198,819	(0.15)	187,720	(0.15)
Wholesale marketable debt securities & other	26,594	(0.83)	24,974	(0.94)
Subordinated liabilities	5,400	(1.36)	6,335	(1.73)
Other funds with cost	3,512	(1.24)	3,208	(1.61)
Other funds	51,477	-	43,458	-
Total average funds (d)	**316,440**	**(0.28)**	**302,612**	**(0.29)**
Customer spread (a-c)		**1.70**		**1.74**
Balance sheet spread (b-d)		**1.03**		**1.13**

To help readers interpret the information contained in this report, the following aspects should be taken into account:

According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. Financial institutions on the assets side includes the negative interest on the balances of financial institutions held on the liabilities side, the most significant being TLTRO II income. Conversely, the heading financial institutions on the liabilities side shows the negative interest on the balances of financial institutions on the assets side. Only the net amount between income and expense for both headings has economic significance.

The balances of all headings except "Other assets" and "Other funds" correspond to balances with returns/cost. "Other assets" and "Other funds" incorporate balance items that do not have an impact on the Net interest income and on returns and costs that are not assigned to any other item.

Dividend income

Dividend income includes the dividends paid by the Group companies, mainly VidaCaixa and CaixaBank Payments&Consumer. Similarly, they include Telefónica's dividend for EUR 104 million and Erste Bank's for EUR 60 million.

Fees and commissions

Fee and commission income reached EUR 2,106 million, up 3.7% year on year:

€ millions	2019	2018
Banking services, securities and other fees	1,226	1,128
Mutual funds, managed accounts and SICAVs	316	333
Pension plans	110	99
Sale of insurance products	454	471
Net fee and commission income	**2,106**	**2,031**

- **Banking services, securities and other fees** includes income on securities transactions, transactions, risk activities, deposit management, payment methods and investment banking. The annual improvement (8.7%) was largely influenced by that online banking.
- The **fees on insurance sales** dropped when compared to 2018 (-3.6%), impacted by the launch schedule of new products.
- **Commissions from mutual funds, managed accounts and SICAVs** came to EUR 316 million (-5.1%). This change was impacted by, among other factors, the reduction of the average net assets managed during 2019 as a result of the markets' negative performance at the end of 2018. However, it has progressively recovered throughout 2019, especially in the last quarter.
- **Commissions from managing pension plans** stand at EUR 110 million (+11.1%).
  Growth driven, among other aspects, by the increase in average assets.

Gains/losses on financial assets and liabilities and others

Gains/(losses) on financial assets and liabilities and others amounted to EUR 208 million (+21%) and includes the materialisation of unrealised capital gains on financial assets at fair value with changes in OCI, among other factors.

Other operating income and expense

The year-on-year change of **Other operating income and expense** (+2.6%) is essentially impacted by a higher contribution to the Deposit Guarantee Fund (DGF) and the Single Resolution Fund (SRF), as well as by lower property expenses (Property Tax and maintenance costs).

€ millions	2019	2018
Contribution to the Single Resolution Fund / Deposit Guarantee Fund	(327)	(308)
Other	(153)	(161)
Other operating income and expense	**(480)**	**(469)**

Administration expenses, depreciation and amortisation

Recurring administrative expenses, depreciation and amortisation stood at EUR 4,067 million, +4.9% when compared to the previous year:

- Staff expenses increased by 2.6% in the year due to their organic rise, albeit with a continued improvement in the second quarter after the Labour agreement reached this year.
- General expenses increased 3.4%, among other factors, due to the transformation of the distribution model (Store branches, InTouch remote customer service model), greater expenditure on technology, and new regulatory requirements. Furthermore, applying Bank of Spain Circular 2/2018, by transposing International Financial Reporting Standard 16 (IFRS 16) on leasing contracts, has involved a drop in rental expenses by EUR 115 million.
- Depreciation and amortisation rose 21.2% as a result, among other factors, of the coming into force of Circular 2/2018, and involves the recognition and subsequent amortisation of leased property usage rights and is compensated mainly by a reduction of general expenses.

Extraordinary expenses included the agreement reached with the employees' union representatives, in the second quarter, regarding a plan of compensated terminations, as well as other measures that would provide further labour flexibility for EUR 978 million, gross. The majority of the agreed departures were implemented on 1 August.

€ millions	2019	2018
Gross income	**7,067**	**6,730**
Personnel expenses	(2,514)	(2,452)
General expenses	(1,011)	(977)
Depreciation and amortisation	(542)	(447)
Recurring administrative expenses, depreciation and amortisation	**(4,067)**	**(3,876)**
Extraordinary expenses	(978)	-

Allowances for insolvency risk and other charges to provisions

Smaller **allowances for insolvency risk** (EUR 297 million in the year). Extraordinary events had an impact on its performance in both annual periods, especially the reversal of EUR 275 million in provisions to update the recoverable value of the exposure to a large borrower. It also includes the negative impact resulting from the recalibration of models.

Other charges to provisions (EUR 148 million in the year) shows mainly the coverage of future contingencies and impairment of other assets.

Gains/(losses) on disposal of assets and others

Gains/(losses) on disposal of assets and others includes, essentially, the results of individual operations resulting from the sales of assets and write-downs:

- In 2019 a sales agreement was entered with the CaixaBank Group company Payments&Consumer for the sale of its entire stake in PromoCaixa, S.A.U., Comercia Global Payments, E.P., S.L. and Visa Inc for an amount of EUR 212 million, EUR 585 million and EUR 58 million, respectively.

Business performance

When managing the business and making decisions, the directors and management team at CaixaBank rely on the Group or consolidated management information. For this reason, figures contained in this section reflect CaixaBank Group data, unless otherwise indicated.

The **total assets of the Group stand at EUR 391,414 million** at 31 December 2019 (up 1.3% compared to 2018 year-end). Below are the key figures for the CaixaBank Group and CaixaBank, S.A.:

€ millions	Group		CaixaBank, S.A.	
	31-12-19	**31-12-18**	**31-12-19**	**31-12-18**
Total assets	391,414	386,546	299,164	305,038
Total liabilities	366,263	362,182	277,109	284,182
Equity[7]	25,151	24,364	22,055	20,856

Loans and advances to customers

The **Loans and advances to customers, gross of the Group** stands at EUR **227,406 million**, +1.2% in the year with a 2.4% growth in the **performing portfolio**.

€ millions	**31-12-19**	**31-12-18**
Loans to individuals	124,334	127,046
Home purchases	*88,475*	*91,642*
Other	*35,859*	*35,404*
Loans to business	91,308	85,817
Corporates and SMEs	*85,245*	*79,515*
Real estate developers[8]	*6,063*	*6,302*
Public sector	11,764	11,830
Loans and advances to customers, gross[9]	**227,406**	**224,693**
(Provisions for insolvency risk)	(4,704)	(5,728)
Loans and advances to customers, net	**222,702**	**218,965**
Contingent liabilities	16,856	14,588

The most notable events over the year are:

- **Loans to home purchases** (-3.5% in the year) continues to be marked by the deleveraging of households.
- **Loans to individuals – Other** has increased 1.3% in 2019, boosted mainly by **consumer credit** (+13.8% in the year).
- **Loans to corporates and SMEs** were up 7.2% in 2019.
- **Loans to real estate developers** fell by 3.8% in the year and the exposure to the **public sector** remains at similar levels.

The reconciliation of the Loans and advances to customers of the CaixaBank Group and CaixaBank, S.A. is presented below:

€ millions	**31-12-19**
Loans and advances to customers, gross – CaixaBank Group	**227,406**
(+) Removal of CaixaBank balances with Group companies	11,834
(+) Consolidation adjustments	1,306
(-) Balance from Group companies	(34,910)
Loans and advances to customers, gross – CaixaBank, S.A.	**205,636**

[7] Capital allocated to businesses for the purposes of calculating ROTE (shareholders' equity + value adjustments).

[8] After a homogenisation of BPI segmentation criteria with the criteria of the Group, at 2018 year-end, EUR 527 million were re-segmented, from developer credit to credit to corporates and SMEs, essentially.

[9] See "Reconciliation of activity indicators using management criteria" in the "Financial information glossary".

Customer funds

Customer funds of the Group stand at EUR 384,286 million, up 6.9% in 2019, impacted, among other factors, by the strength of the franchise and the recovery of the markets.

€ millions	31-12-19	31-12-18
Customer funds	218,532	204,980
Demand deposits	*189,552*	*174,256*
Time deposits[10]	*28,980*	*30,724*
Insurance contract liabilities[11]	57,446	53,450
Reverse repurchase agreements and other	1,294	2,060
On-balance sheet funds	**277,272**	**260,490**
Mutual funds, managed accounts and SICAVs	68,584	64,542
Pension plans	33,732	29,409
Assets under management	**102,316**	**93,951**
Other accounts	**4,698**	**5,108**
Total customer funds[12]	**384,286**	**359,549**

On-balance sheet funds stood at EUR 277,272 million (+6.4%):

- Growth in demand deposits up to EUR 189,552 million (+8.8%).
- Time deposits totalled EUR 28,980 million. Their yearly performance was impacted by the issue of a retail note in the first quarter for EUR 950 million with a 5-year maturity, which partially offset the reduction of deposits in a backdrop of rock-bottom interest rates on renewal of maturities.
- Increase in liabilities under insurance contracts[13] (+7.5%) thanks to the evolution of the product portfolio and adaptation to the customers' needs. The positive trend of the Unit Link, growing 35.3% in the year, is noteworthy.

Assets under management rose to EUR 102,316 million. The increase in this heading (+8.9%) was largely down to market recovery following the slump seen at the end of the fourth quarter of 2018.

- The assets managed in **mutual funds, managed accounts and SICAVs** stand at EUR 68,584 million (+6.3%).
- **Pension plans** came to EUR 33,732 million (+14.7%).

Other accounts mainly includes temporary funds associated with transfers and collections.

The reconciliation of customer funds of the CaixaBank Group and CaixaBank, S.A. is presented below:

€ millions	31-12-19
Total customer funds management criterion – CaixaBank	**384,286**
(+) Removal of CaixaBank balances with Group companies	2,576
(+) Consolidation adjustments	6,208
(-) Balance from Group companies	(37,760)
Total customer funds management criterion – CaixaBank, S.A.	**355,310**

[10] Includes retail debt securities amounting to EUR 1,625 million at 31 December 2019, EUR 950 million of which correspond to the retail note issued in the first quarter of 2019.

[11] The balance of previous periods (EUR +1,067 million 31 December 2018) was restated as a consequence of the new accounting criterion for defined benefit commitments with employees.

[12] See "Reconciliation of activity indicators using management criteria" in the "Financial information glossary".

[13] Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Link and Flexible Investment Life Annuity products (the part managed).

Credit risk quality

Non-performing loans have fallen EUR 2,401 million in the year, placing the **NPL ratio at 3.6%** (-108 basis points in the year). In addition to the active management of the non-performing portfolio and the normalisation of the asset's quality indicators, portfolio sales have been formalised in 2019 (especially impacting the fourth quarter).

On 31 December 2019, **allowances for impairment losses** stood at EUR 4,863 million. The change in provisions in the period is largely down to the adjustments made to the recoverable value on credit exposures, the cancellation of debt incurred from the acquisition and foreclosure of real estate assets and the derecognition of assets and write-offs. The coverage ratio reached 55% (+1 percentage point in the year).

(%)	31-12-19	31-12-18
Loans to individuals	4.4%	4.7%
Acquisition of property	*3.4%*	*3.8%*
Other	*6.7%*	*7.2%*
Loans to businesses	3.2%	5.4%
Corporate and SMEs	*2.9%*	*4.7%*
Property developers	*8.0%*	*14.3%*
Public sector	0.3%	0.4%
NPL ratio (loans + contingent liabilities)	**3.6%**	**4.7%**
NPL coverage ratio	**55%**	**54%**

Liquidity and financing structure

The Bank manages the liquidity risk to maintain sufficient liquidity levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework.

Note 3.12 "Liquidity risk" of CaixaBank annual Financial Statements describes the Bank's strategic principles, risk appetite and risk strategy and liquidity and financing strategy.

The Bank's key figures for liquidity and financing structure are as follows:

€ millions	31-12-19	31-12-18
Total liquid assets (1)	81,252	70,032
Of which: available balance in non-HQLA facility	*30,330*	*16,836*
Of which: HQLA	*50,922*	*53,196*
Institutional Financing	31,666	28,903

(1) Data corresponding to CaixaBank at the consolidated level without BPI (reporting perimeter and regulatory compliance).

The Bank's total liquid assets stands at EUR 81,252 million at 31 December 2019, up EUR 11,220 million in the year due to the shift in the loan-deposit gap and the fact that new issues exceeded maturities.

The **balance drawn under the ECB facility** at 31 December 2019 amounted to EUR 11,554 million, of which EUR 3,409 million correspond to TLTRO II and EUR 8,145 million correspond to TLTRO III (during 2019, EUR 23,410 million related to TLTRO II have been returned and EUR 8,145 million related to TLTRO III have been drawn).

Institutional financing amounting to EUR 31,666 million with the Bank's successful access to the markets during 2019 by issuing different debt instruments.

Available capacity to issue mortgage and regional public sector covered bonds at CaixaBank, S.A. came to EUR 3,727 million at 31 of December 2019.

Information on **CaixaBank, S.A.'s issuances in 2019** is as follows:

€ millions Issue	Total amount	Amount	Maturity	Cost[14]
Senior debt	1,000	1,000	7 years	1.195% (midswap +0.90%)
Senior non-preferred debt	3,382	1,000	5 years	2.47% (midswap +2.25%)
		50	10 years	2.00% (midswap +1.56%)
		1,250	7 years	1.464% (midswap +1.45%)
		82	15 years	1.231%
		1,000	5 years	0.765% (midswap +1.13%)
Mortgage covered bonds	500	500	15 years	1.40% (midswap +0.442%)

Since year-end 2019, CaixaBank has issued EUR 1,000 euros in 5-year senior preferred debt with an annual return of 0.43%, equivalent to mid-swap +58 basis points.

There are a series of regulatory requirements for liquidity, which for the CaixaBank perimeter at the consolidated level without BPI (reporting perimeter and regulatory compliance) are as follows:

- **The Liquidity Coverage Ratio (LCR)** *(average last 12 months)*, at 31 December 2019, was **186%,** well clear of the **minimum requirement of 100%.**

- **The Net Stable Funding Ratio** (NSFR)[15] stood at **129%** at 31 December 2019, above the **100% regulatory minimum required from June 2021.**

[14] Meaning the yield on the issuance.

[15] Calculations applying the criteria established as per regulation (EU) 2019/876, to enter into force as of June 2021 (interpretation of the aforementioned criteria).

Capital management

CaixaBank is subject to minimum capital requirements on an individual basis. The main **individual** capital adequacy indicators are presented below.

€ millions and %	31-12-19	31-12-18
Common Equity Tier 1 (CET1)	13.8%	13.3%
Tier 1	15.4%	15%
Total capital	17.8%	17.5%
Risk-weighted Assets (RWA)	135,725	132,684

The decisions of the European Central Bank (ECB) and the national supervisor required the **CaixaBank Group** to maintain requirements during 2019, CET1, Tier1 and Total Capital ratios[16] of 8.78%, 10.28% and 12.28%, respectively.

The Common Equity Tier 1 (CET1) ratio reached 12.0% at 31 December 2019. Organic growth for the year was +37 basis points, regulatory and accounting changes had an impact of +2 basis points and market and other impacts made up +13 basis points.

These levels of CET1 lay the foundations for achieving the capital objective set in the 2019-2021 Strategic Plan, which stands at approximately 12% by the end of 2021, with an additional 1 percentage point prudential buffer to cover any future regulatory changes, including the end of the Basel 3 framework.

The ***Tier 1*** ratio was **13.5%**. Since last year, the Group has maintained 1.5% of AT1 instruments, in accordance with the provisions of Pillar 1 of the capital regulations.

The **Total Capital** ratio remained at **15.7%**.

The leverage ratio reached 5.9%.

With regard to the MREL requirement (22.5% of the RWAs at a consolidated level as of 1 January 2021), at 31 December 2019 CaixaBank had an RWA ratio[17] of 21.8% taking into account all the liabilities currently eligible by the Single Resolution Board. At a subordinated level, primarily including Senior non-preferred debt, the MREL ratio reached 19.6%.

The Group's current level of capital adequacy confirms that the applicable requirements would not lead to any automatic restrictions of the provision of the capital adequacy regulations regarding the distribution of dividends, variable remuneration, and the interests of holders of additional Tier 1 capital securities (there is a margin of 325 basis points, equating to EUR 4,805 million, until the Group's MDA trigger).

CaixaBank's dividends policy complies with the conditions outlined in the ECB recommendation published on 17 January 2020. Therefore, it does not present any limitations for the Bank.

The information on the CaixaBank Group's capital adequacy and capital ratios required by the regulations in effect in 2019 is detailed in Note 4 of the attached CaixaBank annual Financial Statements.

[16] Includes the countercyclical buffer of 0.03% due to exposure in other countries (mainly the United Kingdom and Norway).

[17] Pro-forma MREL ratio with the January 2020 issuance of EUR 1,000 million in Senior preferred debt would be 22.3%.

Non-financial information

The non-financial information on CaixaBank, S.A. is included in point 03: Statement of non-financial information, from the Consolidated Management Report of the CaixaBank Group.

Subsequent events

From 1 January 2020 to the date of issue of this report, no significant events have occurred in the Bank's development that have not been previously mentioned in this document or in the accompanying annual financial statements.

Financial information glossary

In addition to the financial information included in this document, prepared in accordance with International Financial Reporting Standards (IFRSs), this document includes certain Alternative Performance Measures (APMs) as defined in the guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) (the "ESMA Guidelines"). CaixaBank uses certain APMs, which have not been audited, for a better understanding of the company's financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRSs. Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

ESMA guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

In accordance with these guidelines, below is a list of the APMs used, along with a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS:

Profitability and Efficiency

a) **Customer spread:** this is the difference between:

- average rate of return on loans (income from loans and advances to customers divided by the net average balance of loans and advances to customers).
- average rate for retail customer funds (cost of retail customer funds divided by the average balance of those same retail customer funds, excluding subordinated liabilities).

b) **Balance sheet spread:** this is the difference between:

- average rate of return on assets (interest income divided by total average assets).
- average cost of funds (interest expenses divided by total average funds).

c) **ROE:** profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon, reported in shareholders' equity) divided by average shareholder equity plus valuation adjustments for the last 12 months.

Allows the Group to monitor the return on its shareholders' equity.

d) **ROTE:** quotient between:

- profit attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity).
- 12-month average shareholder equity plus valuation adjustments deducting intangible assets using management criteria (calculated as the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of provisions, recognised in Investments in joint ventures and associates in the public balance sheet).

Metric used to measure the return on a company's tangible equity.

e) **ROA:** quotient between the net profit (adjusted by the amount of the Additional Tier 1 coupon, reported in shareholder equity) and the average total assets, from the last twelve months.

f) **RORWA:** quotient between the net profit (adjusted by the amount of the Additional Tier 1 coupon, reported in shareholder equity) and the average risk-weighted total assets, from the last twelve months.

g) **Cost-to-income ratio:** operating expenses (administrative expenses, depreciation and amortisation) divided by gross income (or core income for the core cost-to-income ratio) for the last 12 months.

Risk management

a) **Cost of risk (CoR):** quotient between the total allowances for insolvency risk (12 months) divided by average of gross loans to customers, plus contingent liabilities, using management criteria**.**

b) **Non-performing loan ratio:** quotient between the non-performing loans and advances to customers and contingent liabilities, using management criteria, and the total gross loans and advances to customers and contingent liabilities, using management criteria.

c) **Coverage ratio:** quotient between the total credit loss provisions for loans to customers and contingent liabilities, using management criteria, and non-performing loans and advances to customers and contingent liabilities, using management criteria.

d) **Real estate available for sale coverage ratio:** quotient between the gross debt cancelled at the foreclosure or surrender of the real estate asset less the present net book value of the real estate asset; and the gross debt cancelled at the foreclosure or surrender of the real estate asset.

Reflects the coverage level via write-downs and accounting provisions on foreclosed real estate assets available for sale.

e) **Real estate available for sale coverage ratio with accounting provisions:** quotient between accounting coverage: charges to provisions of foreclosed assets, and the gross book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

Liquidity

a) **Total liquid assets:** sum of HQLAs (*High Quality Liquid Assets* within the meaning of Commission Delegated Regulation of 10 October 2014) plus the available balance under the facility with the European Central Bank (non-HQLA).

b) **Loan to deposits:** quotient between net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions), and on- balance sheet customer funds.

Metric showing the retail funding structure (allows us to value the proportion of retail lending being funded by customer funds).

Other relevant indicators

MDA (Maximum Distributable Amount) Buffer: the capital threshold below which limitations exist on dividend payments, variable remuneration and interest payments to holders of Additional Tier 1 capital instruments. It is defined as Pillar 1 + Pillar 2 capital requirements + capital buffers + possible AT1 and T2 deficits.

Market capitalisation: share price multiplied by the number of outstanding shares minus the number of treasury shares held at the end of the period.

Adjustment of the layout of the public income statement to management format

Net fee and commission income. Includes the following line items:

- Fee for commission income.
- Fee for commission expense.

Gains/(losses) on financial assets and liabilities and others. Includes the following line items:

- Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss (net).
- Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss (net).
- Gains/(losses) on financial assets and liabilities held for trading (net).
- Gains/(losses) from hedge accounting (net).
- Exchange differences (net).

Administrative expenses, depreciation and amortisation. Includes the following line items:

- Administrative expenses.
- Depreciation and amortisation.

Operating income/(loss)

- (+) Gross income.
- (-) Operating expenses.

Allowances for insolvency risk and charges to provisions. Includes the following line items:

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss and net or net profit or loss due to a change.
- Provisions/(reversal) of provisions.

Of which: Allowances for insolvency risk.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss corresponding to Loans and advances to customers, using management criteria.
- Provisions/(reversal) of provisions corresponding to Provisions for contingent liabilities, using management criteria.

Of which: Other charges to provisions.

- Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss, excluding balances corresponding to Loans and advances to customers, using management criteria.
- Provisions/(reversal) of provisions, excluding provisions corresponding to contingent liabilities using management criteria.

Gains/(losses) on disposal of assets and others. Includes the following line items:

- Impairment/(reversal) of impairment on investments in joint ventures or associates.
- Impairment/(reversal) of impairment on non-financial assets.
- Gains/(losses) on derecognition of non-financial assets and investments (net).
- Negative goodwill recognised in profit or loss.
- Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (net).

Reconciliation of activity indicators using management criteria

Loans and advances to customers, gross (consolidated)

December 2019 € millions	
Financial assets at amortised cost - Customers (Public Balance Sheet)	**222,154**
Reverse repurchase agreements (public and private sector)	(813)
Clearing houses	(1,239)
Other, non-retail, financial assets	(319)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	**166**
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	**2,403**
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	**350**
Provisions for insolvency risk	**4,704**
Loans and advances to customers (gross) using management criteria	**227,406**

Customer funds (consolidated)

December 2019 € millions	
Financial liabilities at amortised cost - Customer deposits (Public Balance Sheet)	**221,079**
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customer deposits)	**(2,878)**
Multi-issuer covered bonds and subordinated deposits	(2,932)
Counterparties and other	54
Retail funds (registered under Financial liabilities at amortised cost - Debt securities)	**1,625**
Retail issues and other	1,625
Liabilities under insurance contracts, using management criteria	**57,446**
Total on-balance sheet customer funds	**277,272**
Assets under management	**102,316**
Other accounts[18]	**4,698**
Total customer funds	**384,286**

18 Includes, among others, transitional funds associated with transfers and collection activity, as well as other funds distributed by the Group.

Annual Corporate **Governance Report**

For 2019

Corporate Governance in 2019

1.1 Changes in the governing bodies in 2019

In line with best corporate governance practices, the General Shareholders' Meeting held on 5 April 2019 resolved to reduce the number of Board members by two (2), thus bringing the total number of directors to sixteen (16); within the limits stipulated in the By-laws.

Shareholders also approved the re-election as Board members of Gonzalo Gortázar Rotaeche (executive director), María Amparo Moraleda Martínez (independent director), John S. Reed (independent director) and María Teresa Bassons Boncompte (proprietary director), as well as the appointment of Marcelino Armenter Vidal (proprietary director) and Cristina Garmendia Mendizábal (independent director) as new members of the Board of Directors.

Following the resolutions to re-elect and appoint the aforementioned directors and considering that directors Alain Minc, Juan Rosell Lastortras, Antonio Sáinz de Vicuña y Barroso and Javier Ibarz Alegría will not be re-elected upon reaching the end of their term of office, there are now 16 directors sitting on the Board of Directors.

Following the annual General Shareholders' Meeting, the Board of Directors agreed to appoint Gonzalo Gortázar Rotaeche as Chief Executive Officer of CaixaBank, S.A., to be vested with all the powers that may be delegated by law and those laid out in the By-laws.

The Board of Directors, acting on the recommendation of the Appointments Committee and the Audit and Control Committee (in the latter case with regard to the composition of the Appointments Committee), also agreed to restructure the various committees attached to the Board.

Specifically, the Board of Directors appointed Verónica Fisas Vergés (independent director) as a new member of the Remuneration Committee and Xavier Vives Torrents (independent coordinating director) as a new member of the Appointments Committee, replacing, respectively, Juan Rosell Lastortras and Alain Minc.

The Board of Directors also agreed to re-appoint the directors re-elected by shareholders at the General Meeting as members of the Board committees on which they had previously been sitting (namely Gonzalo Gortázar Rotaeche was appointed to the Executive Committee; María Amparo Moraleda Martínez was appointed to the Executive Committee and the Remuneration Committee; John S. Reed was appointed to the Appointments Committee; and Teresa Bassons Boncompte was appointed to the Appointments Committee).

Last but not least, the Audit and Control Committee agreed to appoint Koro Usarraga Unsain as its Chairman, while the Risk Committee appointed Eduardo Javier Sanchiz Irazu as its Chairman.

Meanwhile, the Board of Directors reached the decision on 23 May 2019 to set up a new Innovation, Technology and Digital Transformation Committee.

1.2 New Innovation, Technology and Digital Transformation Committee

At a meeting held on 23 May 2019, the Board of Directors agreed to set up a new Innovation, Technology and Digital Transformation Committee, as an advisory committee attached to the Board of Directors, based on a recommendation received from the Appointments Committee.

The committee will aid and support CaixaBank's Board of Directors on all matters relating to technological innovation and digital transformation, while also helping it monitor and analyse any trends or innovations that might impact CaixaBank's strategy and business model in this field.

COMMITTEE MEMBERSHIP IS AS FOLLOWS:

Chairman
Jordi Gual Solé

Members
Gonzalo Gortázar Rotaeche
María Amparo Moraleda Martínez
Marcelino Armenter Vidal
Cristina Garmendia Mendizábal

1.3 Progress in corporate governance in 2019

Aside from what we have discussed previously as the main corporate governance milestones in 2019 —such as the reduced size of the Board of Directors and the creation of a specialised committee to advise the Board on matters relating to technological innovation and digital transformation (the Innovation, Technology and Digital Transformation Committee)— it is also noteworthy that following the 2019 Annual General Meeting female directors account for 37.50% of total Board membership (exceeding the 30% recommendation contained in the Good Governance Code), all this in line with best corporate governance practices and trends and recommendations of regulatory bodies and market analysts.

When it comes to working practices, it is worth noting that the Company has made further progress with various technical tools and organisational aspects, such as streamlining agendas and structuring meetings, while also extending time frames in relation to work planning and organisation.

In relation to the committees, the Regulations of the Board of Directors were amended in 2019 to bring the system for delivering meeting minutes of the Appointments Committee and the Remuneration Committee in line with the system already in place for the other committees.

All this as part of a constant drive to ensure best governance at the Entity to further improve its performance by recognising the ability of CaixaBank's governing bodies to carry out their work with the utmost quality.

1.4 Challenges for 2020

In view of the findings obtained from the self-assessment of the Board and its committees, and in a bid to further improve their operation and effectiveness, the Board of Directors has appraised and established certain improvement opportunities for 2020.

Notably, these include the need to optimise and streamline agendas so as to increase the amount of time spent debating business matters, thus gaining further insight and knowledge into the performance of the wider sector and market trendsends. Alternative wording: enable closer monitoring of the changes and trends within the sector.

The Entity also intends to continue expanding and improving its technical resources and Group-specific reporting and information processes, in relation to both business and organisational aspects, without losing sight of the fact that the governing bodies are capable of performing excellent work. If necessary, one or other specialised committee may be fine-tuned or restructured to further enhance corporate governance and ultimately the Entity's performance.

A. Capital structure

Share capital (A.1.)

At year-end, CaixaBank's share capital amounted to 5,981,438,031 euros, represented by 5,981,438,031 shares, each with a face value of 1 euro, all belonging to a single class and series and all with identical voting and dividend rights. The shares are represented through book entries and confer 5,981,438,031 voting rights. The company responsible for the book-keeping of the shares is Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR). The shares into which CAIXABANK's share capital is divided are listed for trading on the Barcelona, Bilbao, Madrid and Valencia stock exchanges through the Automated Trading System (Continuous Market).

The share capital was last changed on 14 December 2016.

On 1 June 2017, CaixaBank reported the approval of the issuance of preferential shares eventually convertible into new issue shares (Additional Tier 1), excluding the right of first refusal, for the amount of 1,000 million euros, the terms of which were established on the same day.

On 13 March 2018, CaixaBank announced the approval of an issue of contingent convertibles (convertible into new-issue shares of CaixaBank) (AT1) worth 1.25 billion euros, with the pre-emptive subscription right disapplied.

While the preference shares are perpetual, they may be redeemed under specific circumstances at the option of CaixaBank and are, in all cases, convertible into common newly-issued shares of the entity if CaixaBank or the CaixaBank Group has a Common Equity Tier 1 ratio (CET1), of less than 5.125%, calculated in accordance with European Regulation 575/2013, of 26 June, of the European Parliament and Council, on prudential requirements of credit institutions and investment firms.

The conversion price of the preferential shares will be the highest figure between (i) the average of the daily volume-weighted average share prices of CaixaBank corresponding to the five trading days prior to the day on which the announcement of the corresponding conversion scenario is made, (ii) €2,803 (Floor Price), with respect to the preferential shares issued in June 2017, and €2,583 (Floor Price), with respect to those issued in March 2018, and (iii) the face value of a CaixaBank share at time of conversion (at the date of this report, the face value of the CaixaBank share is one euro (€1)).

Significant shareholders and related disclosures during the year (A.2)

(Disclosures to the CNMV during the year)

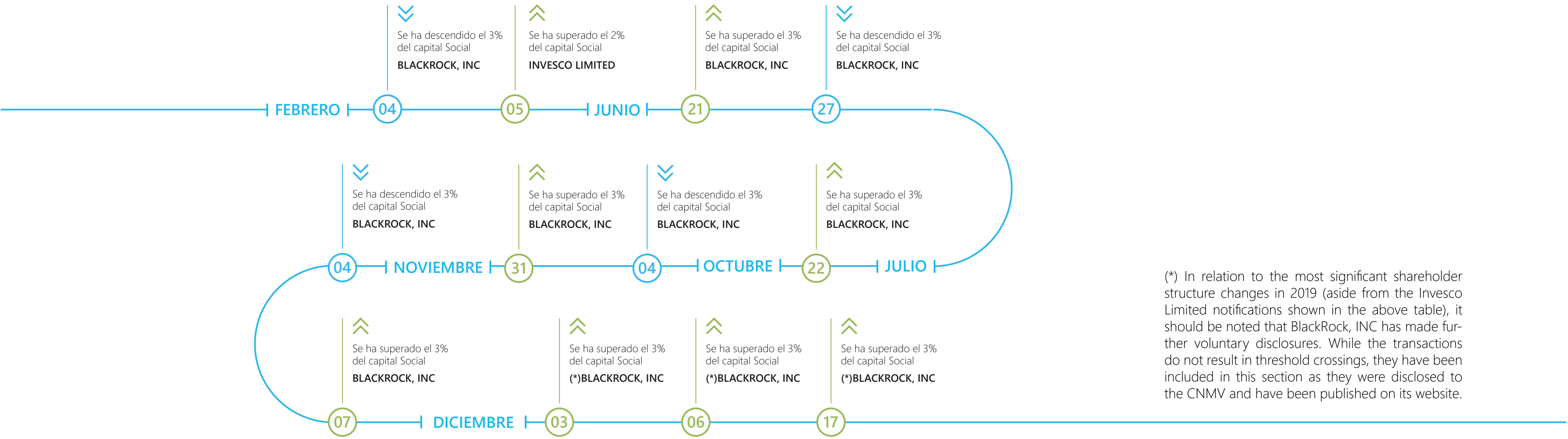
Figures at 31/12/2019

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC.	0.00	3.005	0.00	0.070	3.075
LA CAIXA BANKING FOUNDATION	0.00	40.00	0.00	0.00	40.00
INVESCO LIMITED	0.00	2.025	0.00	0.00	2.025

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BLACKROCK, INC	Other controlled entities belonging to BLACKROCK GROUP, INC	3.005	0.070	3.075
LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, S.A.U.	40.00	0.00	40.00
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	1.955	0.00	1.955
INVESCO LIMITED	INVESCO CAPITAL MANAGEMENT LLC	0.008	0.00	0.008
INVESCO LIMITED	INVESCO ADVISERS, INC	0.011	0.00	0.011
INVESCO LIMITED	INVESCO MANAGEMENT, S.A.	0.051	0.00	0.051

» MOST SIGNIFICANT SHAREHOLDER STRUCTURE CHANGES DURING THE YEAR:



According to public information available on the CNMV's website:

With regard to the ownership situation of "la Caixa" Banking Foundation in CaixaBank, it should be noted that at the close of 2019, Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona ("la Caixa") directly held 3,493 shares in CaixaBank, plus a further 2,392,575,212 shares indirectly through CriteriaCaixa (a company 100% controlled by the Banking Foundation).

Meanwhile, tthe stake held by BlackRock, INC came to 3.075% at year-end, which is the result of adding 3.005% in shares carrying voting rights to 0.070% in voting rights through financial instruments, all held indirectly. And with respect to Invesco Limited, its indirect stake was 2.025% in shares carrying voting rights.

(*) In relation to the most significant shareholder structure changes in 2019 (aside from the Invesco Limited notifications shown in the above table), it should be noted that BlackRock, INC has made further voluntary disclosures. While the transactions do not result in threshold crossings, they have been included in this section as they were disclosed to the CNMV and have been published on its website.

List the members of the Board of Directors with voting rights in the company (A.3)

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Jordi Gual Solé Doña	0.002	0.000	0.000	0.000	0.002	0.000	0.000
Tomás Muniesa Arantegui	0.003	0.000	0.001	0.000	0.004	0.000	0.000
Gonzalo Gortázar Rotaeche	0.016	0.000	0.007	0.000	0.023	0.000	0.000
Francesc Xavier Vives Torrents	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Marcelino Armenter Vidal	0.003	0.000	0.000	0.000	0.003	0.000	0.000
CajaCanarias Foundation	0.639	0.000	0.000	0.000	0.639	0.000	0.000
María Teresa Bassons Boncompte	0.000	0.000	0.000	0.000	0.000	0.000	0.000
María Verónica Fisas Vergés	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Alejandro García-Bragado Dalmau	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Cristina Garmendia Mendizábal	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ignacio Garralda Ruiz de Velasco	0.000	0.000	0.000	0.000	0.000	0.000	0.000
María Amparo Moraleda Martínez	0.000	0.000	0.000	0.000	0.000	0.000	0.000
John S. Reed	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Eduardo Javier Sanchiz Irazu	0.000	0.000	0.000	0.000	0.000	0.000	0.000
José Serna Masiá	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Koro Usarraga Unsaín	0.000	0.000	0.000	0.000	0.000	0.000	0.000

TOTAL PERCENTAGE OF VOTING RIGHTS HELD BY THE BOARD OF DIRECTORS

0.671

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
Don José Serna Masiá	Doña María Soledad García Conde Angoso	0.000	0.000	0.000	0.000

Relationships among **significant shareholders** (A.4)

The company is not aware of any relationship among significant shareholders, whether family, commercial, contractual or corporate in nature.

Relationships between **significant shareholders and the company and/or group** (A.5)

LA CAIXA BANKING FOUNDATION

Nature of relationship

Commercial/ Contractual

Brief description

There are commercial and contractual relationships which derive from ordinary trading or exchange activities, the regulating principles of which are contained in the Internal Relations between "la Caixa" Banking Foundation, Criteria and CaixaBank. In accordance with the Financial Ownership Management Protocol, the Banking Foundation, as parent of "la Caixa" Group; Criteria, as direct shareholder; and CaixaBank, as listed company, signed a new Internal Relations Protocol on 22 February 2018, the main objectives of which are to manage related-party transactions, establish mechanisms to avoid the emergence of conflicts of interest, govern the pre-emptive acquisition right over Monte de Piedad, govern collaboration on CSR matters and regulate the adequate flow of information to enable "la Caixa" Banking Foundation and Criteria and CaixaBank to draw up their financial statements and meet their periodic reporting and supervisory requirements as before regulatory and resolution bodies.

Relationships between **significant shareholders or shareholders represented on the Board and directors,** or their representatives (A.6)

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Alejandro García- Bragado Dalmau	LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, S.A.U.	First Deputy Chairman of the Board of Directors of CriteriaCaixa, S.A.U. and Board member of Saba Infraestructuras, S.A.
Marcelino Armenter Vidal	LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, S.A.U.	Chief Executive Officer and member of the Executive Committee of Criteria Caixa, S.A.U. and Board member of Saba Infraestructuras, S.A. Director of Inmo Criteria Caixa, S.A.U. and Executive Deputy Chairman of management company Caixa Capital Risc, SGEIC, S.A.
Ignacio Garralda Ruiz de Velasco	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA	Chairman and Chief Executive Officer of Mutua Madrileña Automovilista, Sociedad de Seguro a Prima Fija.
Natalia Aznárez Gómez	FUNDACIÓN BANCARIA CAJA NAVARRA, FUNDACIÓN CAJACANARIAS AND FUNDACIÓN CAJA DE BURGOS	CAJA CANARIAS FOUNDATION	Director of Fundación CajaCanarias.

Shareholders' agreements (A7)

The company is aware of an existing shareholders' agreement between FUNDACIÓN CAJA DE BURGOS, FUNDACIÓN BANCARIA, FUNDACIÓN BANCARIA CAJA NAVARRA, FUNDACIÓN CAJACANARIAS and "LA CAIXA" BANKING FOUNDATION, affecting 40.63 % of the company's share capital.

The share capital affected by the shareholders' agreement at time of signing was 80.597 %. This percentage pertained to the CaixaBank shares held by: Caja Navarra (now Fundación Bancaria Caja Navarra), Cajasol (now Fundación Cajasol), CajaCanarias (now Fundación CajaCanarias) and Caja de Burgos (now Fundación Caja de Burgos, Fundación Bancaria) (hereinafter, the "Foundations") and "la Caixa" Banking Foundation at 1 August 2012, the date the agreement was signed.

The current figure of 40.639 % is the sum of the stake held by "la Caixa" Banking Foundation through Criteria Caixa, S.A.U. and the stake held by Fundación Bancaria CajaCanarias, which is public information available on the CNMV website. In the first case, because it qualifies as a significant holding, and in the second, due to the seat that it holds on CaixaBank's Board of Directors. Therefore, the information on the percentage of capital affected by the Agreement does not include the holdings of the other two signatory foundations (Fundación Bancaria Caja Navarra and Fundación Bancaria Caja de Burgos), for which no information on their holdings in CaixaBank has been made public as they are not significant shareholders or members of the Board of Directors.

Brief description of the agreement

Following the merger by absorption of Banca Cívica by CaixaBank, the shareholders: "la Caixa" Banking Foundation, Caja Navarra (now Fundación Bancaria Caja Navarra), Cajasol (now Fundación Cajasol), CajaCanarias (now Fundación CajaCanarias) and Caja de Burgos (now Caja de Burgos, Fundación Bancaria) (hereinafter, the "Foundations") entered into a Shareholders' Agreement on 1 August 2012 in order to regulate relations between the Foundations and "la Caixa" Banking Foundation, as CaixaBank shareholders, and their reciprocal duties to cooperate, including their relationship with CaixaBank.

It was also agreed that "la Caixa" Banking Foundation would vote in favour of the appointment of two members of the Board of Directors of CaixaBank proposed by the Foundations and, in order to give stability to their shareholding in CaixaBank, the Foundations agreed upon a four-year lock-up period. They also acknowledged that the other Foundations (first and foremost) and "la Caixa" Banking Foundation (secondarily) would have a pre-emptive acquisition rights for two years should any of the Savings Banks wish to transfer all or part of their stake once the lock-up period had expired.

On 17 October 2016, the amendments were signed to the Integration Agreement between CaixaBank, S.A. and Banca Cívica, S.A. as well as the Shareholders' Agreement of CaixaBank, S.A., the first of which had been entered into on 26 March 2012 by Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), CaixaBank, S.A., Banca Cívica, S.A and the savings banks that once formed Banca Cívica, S.A., and the second on 1 August 2012 by "la Caixa" and the savings banks that formed Banca Cívica, S.A. The amendments to the aforementioned agreements mean that the banks that comprised Banca Cívica, S.A., instead of proposing the appointment of two directors at CaixaBank, may now nominate one director at CaixaBank, S.A. and one director at VidaCaixa, S.A. (a CaixaBank subsidiary).

The other result is that the three-year extension of the agreements that was automatically triggered at the beginning of August 2016 will now have a duration of four years instead.

On 4 October 2018, the agreement was amended by a further agreement entered into by the Foundations and "la Caixa" Banking Foundation, following Fundación Cajasol's announcement that it intended to walk away from the Integration Agreement between CaixaBank, S.A. and Banca Cívica S.A., once six years had elapsed from its signing.

Amendments were also made to Recital III, Clause 1 'Purpose of the Shareholders' Agreement' to remove the mention 'to support the "la Caixa" Banking Foundation, Clause 3 'Territorial Advisory Boards'. Clause 5 'Right of First Refusal' has been removed, such that its wording is no longer applicable. Furthermore, the third paragraph of clause six 'Term of the Shareholders' Agreement' is no longer applicable.

The commitments regarding the combined Welfare Projects of the Foundations and the "la Caixa" Banking Foundation remain valid, with the same content and scope as before, with the exception of the commitments between Cajasol and "la Caixa" Banking Foundation, for which only the commitments made on the date of that document remain in force up until such time as they are completed.

The advisory nature of the Territorial Advisory Boards for Canary Islands, Navarre and Castile-Leon shall continue in force.

Date of termination of agreement, if applicable

On 17 October 2016, the parties signed a series of amendments to the integration agreement between CaixaBank, S.A. and Banca Cívica, S.A and to the Shareholders' Agreement of CaixaBank, S.A., the first of which had been entered into on 26 March 2012 by Caja de Ahorros y Pensiones de Barcelona ("la Caixa"), CaixaBank, S.A., Banca Cívica, S.A and the savings banks that then comprised Banca Cívica, S.A., and the second on 1 August 2012 by "la Caixa" and the savings banks that formed Banca Cívica, S.A.

The amendments took the form of an agreement signed on 4 October 2018 between the "Foundations" and "la Caixa" Banking Foundation, amending the Shareholders' Agreement in order to render paragraph three of clause six ("Term of the Shareholders' Agreement") null and void, among other changes.

On 29 October 2018, price sensitive information was filed with the CNMV, confirming that all parties had signed the amendments to the Integration Agreement between CaixaBank and Banca Cívica, S.A., and the CaixaBank Shareholders' Agreement. The main purpose of the amendment is to clarify the terms of the agreement in relation to certain commitments undertaken by "la Caixa" Banking Foundation to comply with the conditions approved in March 2016 by the ECB Supervisory Board for the prudential deconsolidation of Criteria in CaixaBank. Compliance with such conditions led to a reduction in the holding of the Banking Foundation, and the subsequent loss of control over CaixaBank.

The automatic three-year renewal of the agreements that took place on 1 August 2016 will instead last for four years.

The agreement will now expire on 3 August 2020.

Concerted actions

The company is not aware of any concerted actions among its shareholders.

Controlling **shareholder** (A.8)

No individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV").

Treasury shares and authorisation of the General Shareholders' Meeting (A.9 and A.10)

AT THE CLOSE OF THE YEAR:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES (*)	TOTAL PERCENTAGE OF SHARE CAPITAL
2,705,936	423,157	0.053

(*) THROUGH:

Name of direct shareholder	Number of direct shares
VIDACAIXA, S.A. DE SEGUROS Y REASEGUROS	19,528
MICROBANK	5,635
BANCO BPI, S.A.	393,716
CAIXABANK PAYMENT & CONSUMER	4,278
Total	423,157

At the Annual General Meeting of 28 April 2016, it was agreed to authorise the Board of Directors so that, in accordance with the provisions of Articles 146 and 509 of the Corporate Enterprises Act, it could proceed with the derivative acquisition of treasury shares, directly and indirectly, through its subsidiaries, under the following terms:

- The shares may be acquired on one or more occasions in the form of a purchase and sale, swap, dation in payment or any other legally admissible form, provided the combined nominal amount of the acquired shares and those already held by the Company does not exceed 10% of the subscribed capital.
- When the acquisition is for consideration, the price or equivalent value shall be the price of the Company share on the Continuous Market at the close of the day prior to the acquisition, +/-15%.

This authorisation is valid for five years from the adoption of the resolution at the General Shareholders' Meeting.

In addition, and for the purposes of article 146.1, section a, paragraph 2 of the Corporate Enterprises Act, a resolution was carried to expressly authorise the acquisition of shares in the Company by any of the subsidiaries, under the same terms set out in the resolution.

The shares acquired by virtue of this authorisation may be subsequently disposed of or redeemed, or else extended to employees and directors of the Company or its group as part of the remuneration systems set out in Article 146, section a, paragraph 3 of the Corporate Enterprises Act.

The Board of Directors is empowered to delegate this authorisation to any person or persons it sees fit.

All the foregoing subject to the remaining limits and requirements of the Corporate Enterprises Act and other applicable legislation and hereby revoking the unused portion of the previous authorisation granted at the General Shareholders' Meeting held on 19 April 2012.

The Board of Directors, at a meeting held on 28 January 2016, agreed to establish the rules and criteria for intervention in treasury shares on the basis of a new alerts system and in accordance with the authorisation envisaged in article 46 of the Internal Rules of Conduct to define the margin of discretion of the inside area when managing treasury shares.

Working capital (A.11)

The CNMV defines "estimated working capital" (without prejudice to other definitions) as the part of share capital that is not in the possession of significant shareholders or members of the board of directors or that the company does not hold in treasury shares.

WORKING CAPITAL

CNMV criterion	%
Share capital	100 %
Treasury shares	0.05 %
Board	0.66 %
Significant shareholders (TOTAL)	45.12 %
WORKING CAPITAL (CNMV criteria)	**54.17 %**

Exercise of voting rights. Neutralisation measures and other issued securities (A.12, A.13 and A.14)

There are no restrictions on the transfer of shares and/or restrictions on voting rights. Notwithstanding the above, it should be noted that Article 16 et seq. of Law 10/2014, of 26 June, on Discipline, Supervision and Solvency of Credit Institutions states that persons wishing to acquire ownership interest in the Entity (under the terms of article 16) or voting rights or to increase, directly or indirectly, their stake in said ownership interest, such that their voting rights or share capital reach certain thresholds or they obtain control of the credit institution, must give prior notice to the Bank of Spain.

Further, there are no legal restrictions or limitations set forth in the By-laws on exercising voting rights at CaixaBank. However, as explained under section B below, CaixaBank's By-laws and General Shareholders' Meeting Regulations stipulate that all shareholders who individually, or in a group with other shareholders, are able to evidence ownership of at least one thousand (1,000) shares, and who have registered ownership of same in the relevant book-entry ledger at least five days in advance of the date the General Meeting is to be held, may attend the meeting in person.

Shareholders at the Annual General Meeting on 19 April 2012 voted to amend certain articles of the By-laws. The amendments include, among others, specification that given that the Company allows shareholders to exercise their voting rights and proxies through means of remote communication, the restriction of owning a minimum of one thousand shares to be able to attend the General Meeting would only apply to those attending in person.

Therefore, ffollowing this amendment, shareholders do not have to hold a minimum number of shares to be eligible to attend the Annual General Meeting (either in person or by proxy) and exercise their voting rights through means of remote communication.

CaixaBank has not adopted any measures to neutralise a take-over bid or to issue securities that are not traded on an EU regulated market.

B. General Shareholders' Meeting

Regulation of the General Shareholders' Meeting
(B.1, B.2, B.3, B.6, B.7 and B.8)

There are no differences between the quorum and the manner of adopting corporate resolutions established by the LSC for General Shareholders' Meetings and those set by CaixaBank.

In connection with the amendments to the By-laws approved in the Annual General Meeting of 28 April 2016, and to adapt the text of the Regulations of the Annual General Meeting to the wording of the By-laws, the same General Meeting resolved as follows: first, to amend article 12 of the Regulations of the Annual General Meeting relating to the constitution of the Annual General Meeting, in order to also specify in those Regulations that the enhanced quorum required to agree on the issuance of bonds would only apply to issuances that fall within the remit of the General Meeting; and second, to include an exception to the term for attending or granting proxies for General Meetings. Therefore, it was agreed to amend articles 8 ("Right of attendance") and 10 ("Right of representation") of the Board's Regulations to expressly specify, in relation to the terms of five (5) days, that there is an exception for the specific cases where any law applicable to the Company establishes a regime that is incompatible.

Regarding amendments to the company's by-laws, CaixaBank's rules and regulations largely include the same limits and conditions as those set forth in the LSC.

The provisions of the Corporate Enterprises Act shall be applied to protect shareholders' rights when changing the By-laws.

In addition, as a credit institution, and in accordance with the terms of Article 10 of Royal Decree 84/2015, of 13 February, amendments to CaixaBank's Articles of Association are governed by the authorisation and registration procedure set forth therein. However, it is worth noting that certain changes (including the change of registered office in Spain, the increase in share capital or the textual incorporation of legal or regulatory provisions that are imperative or prohibitive, or to comply with judicial or administrative resolutions) are not subject to the authorisation procedure, although they must always be reported to the Bank of Spain to be recorded in the Registry of Credit Institutions.

As for the restriction contained in the Articles of Association concerning the minimum number of shares needed to attend a general shareholders' meeting, it is established that any shareholder who owns a minimum of one thousand (1,000) shares, whether individually or when grouped with other shareholders, may attend the general meeting.

In order to attend a General Meeting, it will be necessary for shareholders to have registered ownership of their shares in the relevant book-entry ledger at least five (5) days ahead of the date of the General Meeting. There are exceptions for specific cases where any law applicable to the Company establishes a regime that is incompatible. Shareholders entitled to attend in accordance with the above will be provided with the appropriate attendance card, which may only be replaced by a certificate of legitimacy to prove that the requirements for attendance have been met.

One (1) share is required for distance voting.

It has not been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting. Article 4 of the Regulations of the General Shareholders' Meeting states that the General Meeting shall have the remit prescribed by applicable law and regulations at CaixaBank.

All All of CaixaBank's corporate governance content is available on the website (www.caixabank.com) under "Shareholders and Investors" "Corporate Governance and Remuneration Policy":

https://www.caixabank.com/informacionparaaccionistaseinversores/gobiernocorporativo_es.html

Specific information on Annual General Meetings can be found in the "Annual General Meeting" subsection of the "Corporate Governance and Remuneration Policy" section of the website:

https://www.caixabank.com/informacionparaaccionistaseinversores/gobiernocorporativo/juntageneralaccionistas_es.html

Also, when a General Meeting is announced, a banner appears on the CaixaBank homepage with a direct link to all the pertinent information. Note also that there is a section at the bottom of the CaixaBank homepage titled "Direct Links", where users can access all the information on the General Meetings by clicking on the "Annual General Meeting" link.

Information on the 2019 AGM (B.4 and B.5)

Attendance figures for general shareholders' meetings held during the year of this report and during the previous two years:

	Attendance figures				
			% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total
06/04/2017	42.54	24.43	0.03	1.25	68.25
Of which, free float	1.89	17.12	0.03	1.25	20.29
06/04/2018	41.48	23.27	0.03	0.23	65.01
Of which, free float	3.78	19.57	0.03	0.23	23.61
05/04/2019	43, 67	20.00	0.09	1.86	65.63
Of which, free float	3.02	15.96	0.09	1.86	20.93

The on floating capital is approximate, given that significant foreign shareholders hold their stakes through nominees.

All items on the agenda were approved by shareholders at the General Meeting held in 2019.

C. Company Administrative Structure

Board of Directors

Composition (C.1.1, C.1.2, C.1.3, C.1.4, C.1.5, C.1.6, y C.1.7 and C.1.29)

MAXIMUM AND MINIMUM NUMBER OF DIRECTORS ESTABLISHED IN THE ARTICLES OF ASSOCIATION AND THE NUMBER SET BY THE GENERAL MEETING:

The General Shareholders' Meeting of 5 April 2019 carried a resolution to set the number of Board members at 16.

MAXIMUM NUMBER OF DIRECTORS

22

MINIMUM NUMBER OF DIRECTORS

12

NUMBER OF DIRECTORS SET BY THE GENERAL MEETING

16

DIRECTORS:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Jordi Gual Solé		Proprietary	Chairman	30/06/2016	06/04/2017	AGM Resolution
Tomás Muniesa Arantegui		Proprietary	Deputy chairman	01/01/2018	06/04/2018	AGM Resolution
Gonzalo Gortázar Rotaeche		Executive	Chief executive	30/06/2014	05/04/2019	AGM Resolution
Francesc Xavier Vives Torrents		Independent	Independent Coordinating Director	06/05/2008	23/04/2015	AGM Resolution
Marcelino Armenter Vidal		Proprietary	Director	05/04/2019	05/04/2019	AGM Resolution
CajaCanarias Foundation	Natalia Aznárez Gómez	Proprietary	Director	23/02/2017	06/04/2017	AGM Resolution
María Teresa Bassons Boncompte		Proprietary	Director	06/26/2012	05/04/2019	AGM Resolution
María Verónica Fisas Vergés		Independent	Director	25/02/2016	04/28/2016	AGM Resolution
Alejandro García-Bragado Dalmau		Proprietary	Director	01/01/2017	06/04/2017	AGM Resolution
Cristina Garmendia Mendizábal		Independent	Director	05/04/2019	05/04/2019	AGM Resolution
Ignacio Garralda Ruiz de Velasco		Proprietary	Director	06/04/2017	06/04/2017	AGM Resolution
María Amparo Moraleda Martínez		Independent	Director	24/04/2014	05/04/2019	AGM Resolution
John S. Reed		Independent	Director	11/03/2011	05/04/2019	AGM Resolution
Eduardo Javier Sanchiz Irazu		Independent	Director	21/09/2017	06/04/2018	AGM Resolution
José Serna Masiá		Proprietary	Director	30/06/2016	06/04/2017	AGM Resolution
Koro Usarraga Unsain		Independent	Director	30/06/2016	06/04/2017	AGM Resolution

The General Secretary and Secretary to the Board of Directors, Óscar Calderón de Oya, is not a director.

TOTAL NUMBER OF DIRECTORS **16**

RESIGNATIONS, DISMISSALS OR OTHER BOARD DEPARTURES DURING THE YEAR:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Alain Minc	Independent	24/04/2014	05/04/2019	Audit and Control Committee. Appointments Committee	No
Juan Rosell Lastortras	Independent	24/04/2014	05/04/2019	Remuneration Committee	No
Antonio Sainz de Vicuña y Barroso	Independent	24/04/2014	05/04/2019	Risks Committee	No
Javier Ibarz Alegría	Proprietary	26/06/2012	05/04/2019	Executive Committee	No

TABLES REGARDING THE MEMBERS OF THE BOARD AND THEIR CATEGORIES:

EXECUTIVE DIRECTORS

GONZALO GORTÁZAR
Chief Executive Officer

Education

Graduated in Law and Business Studies from Comillas Pontifical University (ICADE) and holds an MBA in Business Administration from INSEAD.

Work experience

He served as Chief Financial Officer of CaixaBank and General Manager of Criteria CaixaCorp (2009-2011) up until his appointment as Chief Executive Officer in 2014.

Prior to that, he held various investment banking positions at Morgan Stanley and discharged corporate banking and investment duties at Bank of America.

He has also been First Deputy Chairman at Repsol and sat on the boards of directors of Inbursa, Erste Bank, SegurCaixa Adeslas, Abertis, Port Aventura and Saba.

Other current positions

He is currently Chairman of VidaCaixa and a director at Banco BPI.

TOTAL NUMBER OF EXECUTIVE DIRECTORS

1

PERCENTAGE OF BOARD

6.25

PROPRIETARY DIRECTORS

JORDI GUAL
Chairman

Education

He holds a PhD in Economics from the University of California at Berkeley and is a professor of Economics at IESE Business School and a Research Fellow at the Centre for Economic Policy Research (CEPR).

Work experience

He joined "la Caixa" Group in 2005. Prior to his appointment as Chairman, he served as Chief Economist and Head of Strategic Planning and Research at CaixaBank and as General Manager of Planning and Strategic Development at CriteriaCaixa. He has sat on the Board of Directors of Repsol and served as an Economics Advisor for the European Commission's Directorate-General for Economic and Financial Affairs in Brussels and as a Visiting Professor at the University of California at Berkeley, the Université Libre de Bruxelles and the Barcelona Graduate School of Economics.

Other current positions

He currently sits on the Board of Directors of Telefónica and on the Supervisory Board at Erste Bank. He is Chairman of FEDEA and Vice Chairman of Círculo de Economía and of Fundación Cotec para la Innovación, while also sitting on the Boards of Trustees of Fundación CEDE, Real Instituto Elcano and Fundación Barcelona Mobile World Capital.

TOMÁS MUNIESA
Deputy Chairman

Education

Mr Valle holds a degree in Business Studies and a Master in Business Administration from ESADE Business School.

Work experience

He joined "la Caixa" in 1976 and was appointed Assistant General Manager in 1992. In 2011, he was appointed Managing Director of CaixaBank's Insurance and Asset Management Group, where he remained until November 2018.

He was Executive Deputy Chairman and CEO of VidaCaixa from 1997 to 2018.

Prior to that, he was Chairman of MEFF, Deputy Chairman of BME, second Deputy Chairman of UNESPA, director and Chairman of the Audit Committee of the Insurance Compensation Consortium, director of Vithas Sanidad and alternate director at Inbursa.

Other current positions

He is currently Deputy Chairman of VidaCaixa and SegurCaixa Adeslas and sits on the Board of Trustees of ESADE Fundación and on the Board of Directors of Allianz Portugal.

MARCELINO ARMENTER
Proprietary director

Education

He holds a Bachelor's degree and a Master's degree in Business Administration from ESADE Business School.

Work experience

He began his career at Arthur Andersen, before joining Hidroeléctrica de Cataluña.

He has pursued his career at "la Caixa" Group since 1985, serving as Head of Audit and Internal Control (1985-1988), Head of Subsidiaries and Investees (1988-1995), CEO of Banco Herrero (1995-2001), General Manager of CaixaHolding (2001-2007), Deputy General Manager of "la Caixa" (2007-2011) and Chief Risks Officer at CaixaBank (2011-2013).

He is currently Chief Executive Officer and sits on the Executive Committee of Criteria Caixa, having previously served as General Manager. He was formerly a director of Grupo Financiero Inbursa (2017-2019).

Other current positions

He sits on the Board of Directors of Naturgy and Inmo Criteria Caixa and is Chairman and Chief Executive of Mediterranea Beach & Golf Community and Chief Executive Officer of Caixa Capital Risc. He is also a director of Saba Infrastructuras.

PROPRIETARY DIRECTORS

FUNDACIÓN CAJACANARIAS Rrepresented by Natalia Aznárez

Proprietary director

Education

She holds a degree in Business Science and Commercial Management from the University of Malaga and a Diploma in Accounting and Finance from the University of La Laguna.

Work experience

She began her career by collaborating with the general management of REA METAL WINDOWS. In 1990, she joined the marketing department of CajaCanarias, later heading up the Individual Customers segment in 1993. She was named Deputy Director of CajaCanarias in 2008, later becoming Deputy General Manager in 2010. Following the transfer of the institution's assets and liabilities to Banca Cívica, Ms Aznárez was named General Manager of CajaCanarias. Following the entity's transformation into a banking foundation, she served as General Manager until 30 June 2016.

Other current positions

She is currently head of Fundación CajaCanarias, chairman of CajaCanarias' Employee Pension Plan Control Committee, Deputy Chairman of Fundación Cristino de Vera and secretary to Fundación para el Desarrollo y Formación Empresarial CajaCanarias.

MARÍA TERESA BASSONS

Proprietary director

Education

She holds a degree in Pharmaceuticals from the University of Barcelona, specialising in Hospital Pharmacy.

Work experience

She also holds a pharmacy licence. She has been deputy chairman of the Official Pharmaceuticals Association of Barcelona (1997-2004) and Secretary General of the Council of Pharmaceutical Associations of Catalonia (2004-2008), member of the Advisory Council on Smoking of the Catalan Government (1997-2006) and of the Advisory Committee on Bioethics of the Catalan Government (2005-2008) and director of the INFARMA Conference and Exhibition at the Fira trade fair in Barcelona in 1995 and 1997 and of the publications "Circular Farmacéutica" and "l'Informatiu del COFB".

She has sat on the Board of Directors of "la Caixa" (2005-2014) and Criteria CaixaHolding (2011-2012), on the Board of Trustees of "la Caixa" Foundation (2014-2016) and on the Advisory Committee of Caixa Capital Risc until 2018.

Ms Bassons has sat on Executive Committee and chaired the Committee of Health Sector Companies of the Chamber of Commerce of Barcelona through to May 2019. She now sits on the Oncolliga Scientific Committee.

Other current positions

She is a director of Bassline and of Laboratorios Ordesa y Administradora de Terbas XXI, S.L.U.

She is a member of the Oncolliga Scientific Committee.

ALEJANDRO GARCÍA-BRAGADO

Proprietary director

Education

Mr Calderón holds a degree in Law from the University of Barcelona and is a qualified state attorney.

Work experience

In 1984 he requested an extended leave of absence to become Board Secretary at Barcelona Stock Exchange, while continuing to practise law. In 1994 he left the Barcelona Stock Exchange to become an adviser to "la Caixa". He was appointed Deputy Secretary in 1995 and as Secretary to the Board of Directors in 2003. He has also served as Deputy Chairman and Deputy Secretary to the Board of Trustees of "la Caixa" Banking Foundation (2014-2016). At CaixaBank, he has been secretary (non-director) of the Board of Directors (2009-2016) and General Secretary (2011-2014).

He was also Secretary to the Board of Directors of La Maquinista Terrestre y Marítima; Intelhorce; Hilaturas Gossipyum; Abertis Infraestructuras; Inmobiliaria Colonial; Agbar. He has also sat on the Board of Directors of Gas Natural.

Other current positions

He is first Deputy chairman of Criteria-Caixa and sits on the Board of Directors of Saba Infraestructuras.

IGNACIO GARRALDA

Proprietary director

Education

He holds a degree in law from the Complutense University of Madrid. He has been a notary public on leave of absence since 1989.

Work experience

He began his career as a notary specialising in trade transactions (1976-1982), before going on to become a licensed stock broker (1982-1989). He was a founding member of AB Asesores Bursátiles, where he served as Deputy Chairman until 2001; Deputy Chairman of Morgan Stanley Dean Witter)(1999-2001), Chairman of Bancoval (1994 to 1996) and director of Sociedad Rectora de la Bolsa de Madrid (1991-2009).

He is Chairman and Chief Executive Officer of Mutua Madrileña Automovilista, having sat on the Board of Directors since 2002 and on the Executive Committee since 2004. He presently serves as its Chairman and also chairs the Investments Committee.

Other current positions

He is the First Deputy Chairman of BME and also sits on the Board of Directors of Endesa, having chaired its Audit Committee since 2016. He is also Chairman of Fundación Mutua Madrileña and sits on the Board of Trustees of Fundación Princesa de Asturias, of Museo Reina Sofía, of Pro Real Academia Española and of the Drug Addiction Help Foundation

PROPRIETARY DIRECTORS

JOSÉ SERNA
Proprietary director

Education

He holds a degree in law from the Complutense University of Madrid. He is a state attorney (on leave of absence) and previously worked as a notary (until 2013).

Work experience

In 1971 he became a state attorney, providing services at the State Attorney's Office until taking leave of absence in 1983, while also serving as legal counsel to the Madrid Stock Exchange (1983-1987). Registered Barcelona stockbroker (1987). Chairman of the company that developed the new Barcelona Stock Exchange (1988) and Chairman of Barcelona Stock Exchange (1989-1993).

Chairman of Sociedad de Bolsas de España (1991-1992) and Deputy Chairman of MEFF. He was also Deputy Chairman of Fundación Barcelona Centro Financiero and of Sociedad de Valores y Bolsa Interdealers, S.A.

In 1994, he became a Barcelona stockbroker and member of the city's association.

Barcelona notary (2000-2013). He sat on the Board of Directors of ENDESA (2000-2007) and various group companies.

TOTAL NUMBER OF PROPRIETARY DIRECTORS

8

PERCENTAGE OF BOARD

50

INDEPENDENT DIRECTORS

XAVIER VIVES
Coordinating independent director

Education

Professor or Economics and Finance at IESE Business School. Doctorate in Economics from the University of California (Berkeley).

Work experience

Previously Professor of European Studies at INSEAD (2001-2005). Director of the Institute of Economic Analysis of the CSIC (1991-2001); and a visiting lecturer at the universities of California (Berkeley), Harvard, New York (King Juan Carlos I Chair) and Pennsylvania, as well as the Autonomous University of Barcelona and the Pompeu Fabra University.

He has also advised the World Bank, the Inter-American Development Bank, the New York Federal Reserve, the European Commission (where he was Special Advisor to the EU Vice President and European Commissioner for Competition). He is also a member of CAREC (Advisory Council for Economic Recovery and Growth) of the Government of Catalonia and has advised many international companies. Mr Vives also served as Chairman of the Spanish Economics Association and of EARIE (European Association for Research in Industrial Economics) and Deputy Chairman of the Spanish Association for Energy Economics and Duisenberg Fellow of the ECB.

Other current positions

He is also a member of Academia Europaea; Research Fellow of the Center for Economic Studies (CESifo) and the Centre for Economic Policy Research; Fellow of the European Economic Association and of the Econometric Society.

MARÍA VERÓNICA FISAS
Independent director

Education

Ms Fisas earned a degree and master's degree in business administration from EAE Business School.

Work experience

In 2009, she joined the Board of Directors of Stanpa (Spanish National Association of Perfumery and Cosmetics), becoming its Chairman in 2019, and she is also Chairman of Fundación Stanpa.

Other current positions

She has been the CEO of Natura Bissé and the Group's General Manager since 2007. She has sat on the Board of Trustees of Fundación Ricardo Fisas Natura Bissé since 2008.

CRISTINA GARMENDIA
Independent director

Education

She earned her degree in Biological Science, specialising in Genetics, and a PhD in Molecular Biology from the Severo Ochoa Molecular Biology Centre attached to the Autonomous University of Madrid. Ms Garmendia also holds an MBA from the IESE Business School of the University of Navarra.

Work experience

She served as Minister of Science and Innovation of the Government of Spain during the IX Legislature (2008-2011).

She has been Executive Deputy Chairman and Chief Financial Officer of the Amasua Group, Chairman of the Spanish Association of Biotechnology Companies (ASEBIO) and has sat on the governing council of the Spanish Confederation of Business Organisations (CEOE). She has also sat on the Boards of Directors of Science & Innovation Office Link, Naturgy, Corporación Financiera Alba, Pelayo Mutua de Seguros and was previously Chairman of Genetrix.

Other current positions

She is currently a director at Compañía de Distribución Integral Logística Holdings, Mediaset, Ysios Capital Partners and Satlantis Microsats. She is also President of the COTEC Foundation, a member of the España Constitucional Foundation, SEPI and member of the Advisory Board of the Women for Africa Foundation, as well as a member of the Social Council of the University of Seville.

INDEPENDENT DIRECTORS

MARÍA AMPARO MORALEDA
Independent director

Education

She graduated in Industrial Engineering from the ICAI Business School and holds an MBA from the IESE Business School.

Work experience

She previously served as Chief Operating Officer at Iberdrola's International Division with responsibility for the United Kingdom and the United States (2009-2012), while also heading the company Iberdrola Engineering and Construction (2009-2011). She has also sat on the Board of Directors of Faurecia (2012-2017).

She previously pursued her career at the IBM Group, serving as Executive Chairman of IBM for Spain and Portugal (2001-2009) and later extending her remit to Greece, Israel and Turkey (2005-2009). Prior to that, she served as deputy executive to the Chairman of IBM Corporation (2000-2001), General Manager of INSA (a subsidiary of IBM Global Services) (1998-2000) and Head of Human Resources for EMEA at IBM Global Services (1995-1997).

Other current positions

She is currently an independent director at Solvay, Airbus Group and Vodafone.

She also sits on the governing council of the CSIC, the Advisory Committee of SAP Ibérica, Spencer Stuart and KPMG and is a tenured member of the Spanish Royal Academy of Economic and Financial Sciences. She is also a full member of the Academy of Social and Environmental Sciences of Andalusia, trustee of MD Anderson Cancer Center of Madrid and sits on the International Advisory Board of IE Business School.

JOHN S. REED
Independent director

Education

Mr Reed earned a degree in Philosophy, Arts and Science from Washington & Jefferson College and the Massachusetts Institute of Technology

Work experience

He was a lieutenant in the U.S. Army Corps of Engineers from 1962 to 1964, before embarking on a career spanning 35 years at Citibank/Citicorp and Citigroup, the last sixteen years of which as President, eventually retiring in 2000. He would later return to work as Chairman of the New York Stock Exchange (2003-2005) and as Chairman of the MIT Corporation (2010-2014).

Other current positions

He currently sits on the Board of the American Cash Exchange and the Boston Athenaeum and on the Board of Trustees of the NBER. He is a Fellow of the American Academy of Arts and Sciences and of the American Philosophical Society.

EDUARDO JAVIER SANCHIZ
Independent director

Education

Mr Sanchiz holds a degree in Economic and Business Sciences from the University of Deusto and a Master's Degree in Business Administration from IE Business School.

Work experience

He has worked at Almirall since 2004, serving as Chief Executive Officer from 2011 to 2017. Prior to that, he served as Executive Director of Corporate Development and Finance and CFO. Mr Sanchiz has sat on the company's Board of Directors since 2005 and on its Dermatology Committee since 2015.

Going further back, he held various positions at US pharmaceutical company Eli Lilly & Co. Further positions of note include General Manager for Belgium and Mexico and Executive Officer for the business area responsible for countries from central, northern, eastern and southern Europe.

He was a member of the American Chamber of Commerce in Mexico and of the Association of Pharmaceutical Industries in a number of countries in Europe and Latin America.

Other current positions

He currently sits on the Board of Directors and the Strategy Committee of Laboratoires Pierre Fabre.

KORO USARRAGA
Independent director

Education

Ms Usarraga holds a degree and master's in Business Administration from ESADE Business School.

She has also completed the Senior Management Program (PADE) at IESE Business School. He is a member of the Official Registry of Account Auditors.

Work experience

She worked at Arthur Andersen for 20 years and was appointed partner of the audit division in 1993.

In 2001, she was appointed Corporate General Manager of Occidental Hotels & Resorts. She has also been General Manager of Renta Corporación and sat on the Board of Directors of NH Hotel Group (2015-2017).

Other current positions

She currently sits on the Board of Directors of Vocento, Vehicle Testing Equipment and 2005 KP Inversiones.

TOTAL NUMBER OF INDEPENDENT DIRECTORS

7

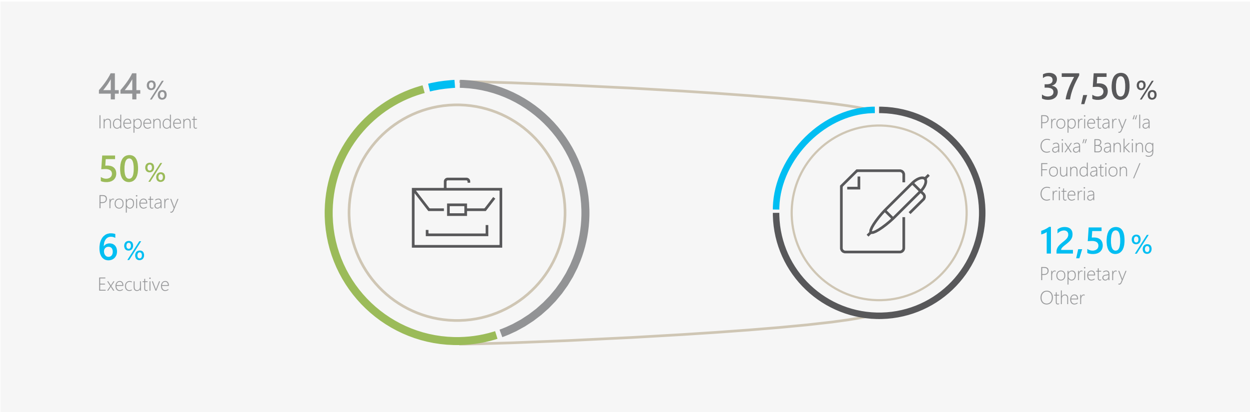
PERCENTAGE OF THE BOARD

43.75

Ms. Cristina Garmendia Mendizábal is member of the CaixaBank Private Banking Advisory Board. Since being appointed as director in 2019, she received a remuneration of eight thousand euros for her position on the Advisory Board, an amount not considered to be significant.

No other independent director receives from the company or any group company any amount or benefit other than compensation as a director. No independent director has or has had a business relationship with the company or any company in the group, whether in his or her own name or as a significant shareholder, director or senior executive of another company.

Perfil de los miembros del Consejo[1]



Information relating to the number of female directors at the close of the past 4 years (C.1.4)

	Number of female directors				% of directors for each category			
	2019	2018	2017	2016	Year 2019	2018	2017	2016
Executive	0	0		0	0.00	0.00	0.00	0.00
Proprietary	2	2	2	1	25.00	25.00	28.57	16.67
Independent	4	3	3	3	57.14	33.33	33.33	37.50
Other external	0	0	0	0	0.00	0.00	0.00	0.00
Total	**6**	**5**	**5**	**4**	**37.50**	**27.78**	**27.78**	**25.00**

Diversity policy (C.1.5., C.1.6., C.1.7.)

CaixaBank has a selection, diversity and suitability assessment policy in place for directors, senior management members and other key function holders of CaixaBank and its Group (the "Policy"), which was approved by the Board of Directors on 20 September 2018.

The aim of this Policy, among others, is to establish suitable diversity in the composition of the Board of Directors, thus ensuring a wide range of knowledge, qualities, perspectives and experiences in the heart of the Board, while helping to foster diverse and independent opinions and a solid and mature decision-making process.

The policy also seeks to ensure a suitable degree of diversity in the composition of the Board, particularly in terms of gender and, as the case may be, training and professional experience, age and geographical origin, while respecting the principle of non-discrimination and equal treatment, all of which are fundamental considerations when conducting selection and suitability assessment processes for CaixaBank directors.

Director selection process do not contain any hidden biases that might impede the selection of female directors at the Company. Furthermore, article 15 of the Regulations of the Board of Directors establishes one of the Appointment Committee's roles as informing the Board on matters relating to gender diversity, ensuring that director selection processes favour diversity of experiences and knowledge, and facilitate the selection of female directors, whilst establishing an objective of representation of the least represented gender on the Board of Directors, and providing guidance on how to reach this objective, all the while ensuring compliance with the diversity policy applied for the Board of Directors, as detailed in the Annual Corporate Governance Report.

Adequate diversity in the composition of the Board is taken into account throughout the entire process of selection and suitability assessment at CaixaBank, considering, in particular, gender diversity.

When analysing and suggesting candidate profiles for posts on the Board of Directors, the Appointments Committee takes gender diversity into account.

In particular, the following considerations are made:

- In the director selection and re-election procedures, the suitability assessment will consider the objective of favouring diversity of gender, knowledge, training and professional experience, age and geographical origin in the composition of the Board.
- The Board of Directors and the Appointments Committee shall ensure at all times that there is an appropriate balance of knowledge and experience, while also facilitating the selection of candidates of the less represented gender, and avoiding any kind of discrimination in this respect.
- The diversity aspects just mentioned will also be taken into account when carrying out the annual assessment of the composition and skills and expertise of the Board of Directors, especially the percentage of Board members of the less represented gender. The aim is to ensure that the number of female directors is compliant with Recommendation 14 of the Good Governance Code of Listed Companies. For these purposes, the Appointments Committee must document the degree of fulfilment of this objective and of any other objectives deemed relevant, and shall indicate, in the case of a breach, the reasons, resolution measures and schedule of actions.
- The Appointments Committee, aided by the General Secretary and the Secretary of the Board and taking into account the balance of knowledge, experience, expertise and diversity required and in place on the Board of Directors, draws up and constantly updates a competency matrix, which is approved by the Board of Directors. Furthermore, adequate diversity in the composition of the Board has been taken into account throughout the entire selection and suitability assessment at CaixaBank, considering, in particular, diversity of gender, training, professional experience, age, and geographic origin.

In relation to 2019, the Board (basing its findings on a report received from the Appointments Committee) has concluded that it currently features a satisfactory composition, with an adequate balance of knowledge and experience among its members, both in the financial sector and other relevant areas, to ensure the proper governance of the credit institution, as well as sufficient experience among members to ensure complementary points of view.

In the verification of compliance with the director selection policy, the Appointments Committee has concluded that the structure, size and composition are suitable, particularly with respect to gender diversity and diversity in training and professional experience, age and geographical origin, in accordance with the verification of compliance with the selection policy, and also taking into account the individual suitability re-assessment of each director carried out by the Appointments Committee, leading to the conclusion that the overall composition of the Board of Directors is suitable.

In particular, it should be noted that the Board is willing to continue reducing its size as and when needed in order to fulfil the diversity objectives set out in the Policy, particularly with regard to gender diversity, while also observing the conditions regarding the composition of CaixaBank's Board of Directors prescribed by the European Central Bank for the prudential deconsolidation of CriteriaCaixa from CaixaBank.

On the subject of gender diversity, note that there has been a steady increase in the number of female directors in recent years, reaching 37.50% of total Board membership in 2019. This percentage is in line with the target set by the Appointments Committee: that the number of female directors must account for at least 30% of total Board membership by 2020, in accordance with Recommendation 14 of the Good Governance Code. The Board fully intends to continue complying with Recommendation 14 throughout 2020, so as to ensure that the percentage of female directors remains above 30%.

At year-end 2019, women accounted for 37.50% of all directors, 57.14% of independent directors and 25% of proprietary directors.

Female directors account for 33.33% of the Executive Committee. Women make up 33.3% of the total membership of the Appointments Committee and 67% of the total membership of the Remuneration Committee, which is also chaired by a woman.

The Risks Committee features two female members, representing 66.66% of its total membership. Female directors account for 33.33% of the Audit and Control Committee, which also has a female director as its chairman.

Meanwhile, female directors represent 40% of the total membership of the Innovation, Technology and Digital Transformation Committee. In other words, women are represented on all the Company's committees.

It is therefore safe to say that CaixaBank's Board of Directors ranks highly among IBEX 35 companies when it comes to the presence of women, as seen from the 2018 report of the CNMV on corporate governance of entities with securities admitted to trading on regulated markets (which averaged 23.1% in 2018).

Proprietary directors appointed at the request of shareholders with less than a 3 % equity interest (C.1.8)

FUNDACIÓN BANCARIA CAJA NAVARRA, FUNDACIÓN CAJACANARIAS Y FUNDACIÓN CAJA DE BURGOS

Reason

Validity of the Shareholders' Agreement described in section A.7, which entitles each of the signatories to appoint one director at CaixaBank.

MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA

Reason

These are set out in the Appointments Committee's report to the Board, which includes, as an appendix, the Board's report on the proposed appointment of Ignacio Garralda Ruiz de Velasco as a proprietary director, which was submitted to and approved by shareholders at the 2017 Annual General Meeting.

The aforementioned report states that the arrival of Mr Garralda as board member will bring with it a number of significant benefits due to his extensive experience and expertise, while also facilitating the current strategic alliance between the CaixaBank Group and the Mutua Madrileña Group.

There have been no formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed, and therefore no failure to meet any such request.

Powers delegated by the Board (C.1.9)

GONZALO GORTÁZAR ROTAECHE

All powers delegable by law and under the by-laws are delegated, without prejudice to the restrictions on the delegation of powers set out in the Regulations of the Board of Directors, which apply for internal purposes only.

EXECUTIVE COMMITTEE

The Executive Committee has been delegated all of the responsibilities and powers that may be delegated by law and under the Company's by-laws. For internal purposes, the Executive Committee is subject to the limitations set forth in Article 4 of the Rules of the Board of Directors.

Positions held by directors at other CxB companies (C.1.10)

Name of director	Name of group member	Post	Does the director have executive powers?
Tomás Muniesa Arantegui	VidaCaixa, S.A., de Seguros y Reaseguros	Deputy Chairman	No
Gonzalo Gortázar Rotaeche	VidaCaixa, S.A., de Seguros y Reaseguros	Chairman	No
Gonzalo Gortázar Rotaeche	Banco BPI, S.A.	Director	No

Positions held by directors at other listed companies (C.1.11 and C.1.12)

Name of director	Name of listed company	Position
Ignacio Garralda Ruiz de Velasco	Endesa, S.A.	Director
Ignacio Garralda Ruiz De Velasco	BME Holding, S.A.	First Deputy Chairman
Jordi Gual Solé	Erste Group Bank, AG.	Member of the Supervisory Board
Jordi Gual Solé	Telefónica, S.A.	Director
María Amparo Moraleda Martínez	Solvay, S.A.	Director
María Amparo Moraleda Martínez	Airbus Group, S.E.	Director
María Amparo Moraleda Martínez	Vodafone Group PLC	Director
Marcelino Armenter Vidal	Naturgy Energy Group, S.A.	Director
Cristina Garmendia Mendizábal	Mediaset España Comunicación, S.A.	Director
Cristina Garmendia Mendizábal	Compañía de Distribución Integral Logistica Holdings, S.A.	Director
Koro Usarraga Unsain	Vocento, S.A.	Director

The information on directors and positions held at other listed companies refers to year-end.

With regard to the position held by Jordi Gual Solé at Erste Group Bank, AG, his exact title is Member of the Supervisory Board. However, due to space restrictions when filling in the form, he is listed as Director.

The company has imposed rules on the maximum number of company boards on which its own directors may sit. Article 32.4 of the Regulations of the Board of Directors states that directors must observe the restrictions on board membership laid down by current law and regulations on the organisation, supervision and solvency of credit institutions.

Operation and workings of the Board (C.1.15, C.1.20, C.1.24, C.1.25, C.1.26, C.1.27, C.1.28, C.1.29 and C.1.35)

Amendments to the Board Regulations

The Board of Directors, at a meeting held on 21 February 2019, resolved to amend article 15.4 of the Regulations of the Board of Directors so as to explicitly state that the minutes of the Appointments Committee and of the Remuneration Committee are to be delivered to all Board members, rather than simply remaining at their disposal at the Company's General Secretary's Office. This effectively makes those committees subject to the same rules as those governing the Audit and Control Committee and the Risks Committee.

In accordance with the provisions of article 529 of the Corporate Enterprises Act, the amended text of both was reported to the Comisión Nacional del Mercado de Valores (CNMV), executed in a public document and filed at the Companies Registry. After being filed at the Companies Registry on 3 July 2019, the unabridged texts were published by the CNMV and by CaixaBank, S.A. on its corporate website (www.caixabank.com).

Proxy voting

With respect to the rules on proxy voting, article 17 of the Regulations of the Board states that directors must personally attend Board meetings. However, when they are unable to do so in person, they shall endeavour to grant their proxy in writing, on a special basis for each meeting, to a fellow Board member, including the appropriate instructions therein. Non-executive directors may only grant a proxy to a fellow non-executive director, while independent directors may only grant a proxy to a fellow independent director.

Likewise, the internal regulations stipulate that the proxy shall be granted by any postal, electronic means or by fax, provided that the identity of the director is assured.

However, so that the proxyholder can vote accordingly based on the outcome of the debate by the Board, proxies are not typically granted with specific instructions and must always be given in strict accordance with legal requirements. This is consistent with the provisions of the Capital Enterprises Act governing the powers of the Chairman of the Board of Directors, who is responsible, among other matters, for encouraging debate and the active involvement of all directors at Board meetings, while safeguarding their right to form their own opinion and stance.

Decision-making

Qualified majorities other than those established by law are not required for any specific decision.

NUMBER OF BOARD MEETINGS — **12**

NUMBER OF BOARD MEETINGS WITHOUT THE CHAIRMAN — **0**

The Board of Directors held 12 meetings, as well as an off-site working event on 26 September.

NUMBER OF MEETINGS WHEN AT LEAST 80% OF DIRECTORS ATTENDED	12
% OF ATTENDANCE OVER TOTAL VOTES DURING THE YEAR	97.89 %
NUMBER OF MEETINGS IN SITU OR REPRESENTATIONS MADE WITH SPECIFIC INSTRUCTIONS OF ALL DIRECTORS	8
% OF VOTES ISSUED AT IN SITU MEETINGS OR WITH REPRESENTATIONS MADE WITH SPECIFIC INSTRUCTIONS OUT OF ALL VOTES CAST DURING THE YEAR	97.89 %

In 2019, there were just four non-attendances by CaixaBank directors. Proxies given without specific instructions count as non-attendances. Director absences occur when directors are unable to attend. Proxies, when given, do not generally include specific instructions for the proxyholder, so that the proxyholder can adhere to the outcome of the discussion by the Board.

Therefore, the percentage of non-attendances to the total votes cast in 2019 was 2.11%, on the understanding that proxies given without specific instructions count as non-attendances.

Meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

NUMBER OF MEETINGS	4

The Coordinating Director was not appointed at CaixaBank because it has an Executive Chairman, but rather as a further safeguard in the desconsolidación process with the former controlling shareholder. For this reason, he dedicates more time to the independent directors. In 2019 he held two meetings with the independent directors; one with the proprietary directors and one with the micro-proprietary directors. He reports to the Board of Directors on all such meetings and suggests and discusses improvements.

Meetings held by each Board committee:

NUMBER OF MEETINGS HELD BY THE EXECUTIVE COMMITTEE	19
NUMBER OF MEETINGS HELD BY THE AUDIT AND CONTROL COMMITTEE	18
NUMBER OF MEETINGS HELD BY THE APPOINTMENTS COMMITTEE	8
NUMBER OF MEETINGS HELD BY THE REMUNERATION COMMITTEE	9
NUMBER OF MEETINGS HELD BY THE RISKS COMMITTEE	15
NUMBER OF MEETINGS HELD BY THE INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE	1

Information

There is a procedure in place whereby directors may obtain the information needed to prepare for the meetings of the governing bodies with sufficient time.

Pursuant to article 22 of the Regulations of the Board of Directors, directors have the duty to demand and the right to obtain from the company any information they may need to discharge their duties. For such purpose, the director should request information on any aspect of the Company and examine its books, records, documents and further documentation. The right to information extends to investee companies provided that this is possible.

Requests for information must be directed to the Chairman of the Board of Directors, if he holds executive status, and, otherwise, to the Chief Executive Officer, who will forward the request to the appropriate party in the Company. If the Chairman deems that the information is confidential, he will notify the Director [...] as well as of the director's duty of confidentiality.

However, documents must be approved by the Board. In particular, documents that cannot be fully analysed and discussed during the meeting due to their size are sent out to Board members ahead of the Board meeting in question.

The Board and audits (C.1.27, C.1.28, C.1.30, C.1.31, C.1.32, C.1.33 and C.1.34)

Relations with the market and the independence of external auditors

With regard to its relationship with market agents, the Company acts on the principles of transparency and non-discrimination enshrined in applicable legislation and those set out in the Regulations of the Board of Directors, which stipulate that the Board shall disclose price-sensitive information to the Spanish Securities Market Commission (CNMV) and post the relevant information on its corporate website to inform the public immediately with regard to any material information. As for the Company's relationship with analysts and investment banks, the Investor Relations department shall coordinate the Company's relationship with analysts, shareholders and institutional investors and manage their requests for information in order to ensure they are treated fairly and objectively.

In this regard, and pursuant to Recommendation 4 of the Good Governance Code of Listed Companies, at its meeting on 30 July 2015 the Board of Directors, under its general powers to determine the Company's general policies and strategies, resolved to approve the Policy on information, communication and contact with shareholders, institutional investors and proxy shareholders which is available on the Company's website.

Under this policy, and pursuant to the authority vested in the coordinating director appointed in 2017, he or she shall liaise as and when needed with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance.

Meanwhile, the powers delegated to the Board of Directors legally and through the internal regulations specifically include the duty of supervising the dissemination of information and communications relating to the Company. Therefore, the Board of Directors is responsible for managing and supervising at the highest level the information distributed to shareholders, institutional investors and the markets in general. Consequently, the Board of Directors, through the corresponding bodies and departments, works to ensure, protect and facilitate the exercising of rights by shareholders, institutional investors and the markets in general in the defence of the corporate interest and in compliance with the following principles:

Transparency, equality and non-discrimination, continuous information, affinity with the corporate interest, remaining at the cutting edge in the use of new technologies and compliance with the law and CaixaBank's internal regulations.

These principles apply to all information disclosed and the Company's communications with shareholders, institutional investors and relations with markets and other stakeholders, such as financial intermediaries, management companies and custodians of the Company's shares, financial analysts, regulatory and supervisory bodies, proxy advisers, information agencies and credit rating agencies.

The Company pays particular heed to the rules governing the processing of inside information and relevant information contained in applicable legislation and the Company's regulations on shareholder relations and communications with securities markets, as contained in CaixaBank's Code of Business Conduct and Ethics, the Internal Code of Conduct on Matters Relating to the Stock Market of CaixaBank, S.A. and the Regulations of the Board of Directors (also available on the Company's website).

The Audit and Control Committee submits recommendations to the Board of Directors (which are then laid before shareholders at the General Meeting) regarding the selection, appointment, re-election and replacement of the external auditor. It is also responsible for maintaining appropriate relations with the external auditor in order to receive information on any matters that might compromise its independence and any other matters related to the process of auditing the accounts. In all events, on an annual basis, the Audit and Control Committee must receive from the external auditors a declaration of their independence with regard to the Company or entities directly or indirectly related to it, in addition to information on any non-audit services rendered to those entities by the aforementioned auditors or persons or entities related to them, as stipulated by auditing legislation. In addition, the Audit and Control Committee will issue annually, prior to the issuance of the audit report, a report containing an opinion on the independence of the auditor. This report must evaluate, without fail, any such non-audit services that may have been rendered, both individually and collectively, above and beyond statutory audit services and related to the regime of independence or the applicable audit regulations.

As an additional mechanism of ensuring the auditor's independence, article 45.4 of the Bylaws states that the General Meeting may not revoke the auditors until the period for which they were appointed terminated, unless it finds just cause. The Company has policies governing the relationship with the external auditor to guarantee compliance with applicable legislation and the independence of auditing work.

With respect to the concrete measures established to ensure the independence of external auditors, in 2018 CaixaBank's Board of Directors approved a policy governing relations with the external auditor. This policy aims to ensure that the process of appointing the account auditor of CaixaBank, S.A. and its Consolidated Group is compliant with the new regulatory framework, thus ensuring that it is an impartial and transparent process and that both the appointment and the relationship framework with the auditor are implemented in accordance with prevailing law and regulations.

Among other things, this Policy covers the principles that govern the selection, contracting, appointment, re-election and termination of the CaixaBank Account Auditor, as well as the relationship framework between both parties.

The audit firm performs the following non-audit work for the company and/or its group:

	COMPANY	GROUP COMPANIES	TOTAL
AMOUNT INVOICED FOR NON-AUDIT SERVICES (THOUSAND EUROS)	532	625	1,157
AMOUNT INVOICED FOR NON-AUDIT SERVICES/ AMOUNT FOR AUDIT WORK (IN %)	32 %	29 %	30 %

Number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group.

	Individual	Consolidated
NUMBER OF CONSECUTIVE YEARS	2	2
NUMBER OF YEARS AUDITED BY THE CURRENT AUDIT FIRM/ NUMBER OF FISCAL YEARS THE COMPANY HAS BEEN AUDITED (IN %)	10 %	10 %

The Audit and Control Committee is responsible for ensuring that the financial information is correctly drawn up. Its duties include the following, which are there to avoid a qualified audit report, among other objectives:

With regard to overseeing financial reporting:

i. reporting to the Annual General Meeting about matters raised by shareholders that fall within the committee's remit and, in particular, 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.

ii. overseeing the process of compiling and presenting mandatory financial information regarding the Company and, where relevant, the Group, reviewing the Company's accounts, compliance with related regulatory requirements, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria.

And, in particular, knowing, understanding and overseeing the effectiveness of the system of internal control over financial reporting (ICFR), drawing conclusions with regard to the system's level of trust and reliability, and reporting on any proposals to amend accounting principles and criteria raised by the management, in order to guarantee the integrity of accounting and financial reporting systems, including financial and operational control, and compliance with applicable legislation in this regard. The committee may submit recommendations or proposals to the Board of Directors that are designed to safeguard the integrity of the mandatory financial information;

iii. ensuring that the Board of Directors submits the annual financial statements to the General Shareholders' Meeting, without qualified opinions or reservations in the audit report and that, in the event that reservations do exist, ensuring that the committee's Chairman and the auditors clearly explain the content and scope of those qualified opinions or reservations to shareholders.

iv. reporting to the Board of Directors, in advance, on the financial information and related non-financial information that the Company must periodically release to the markets and its supervisory bodies;

The Company did not change its external auditor in 2019. The auditor's report on the financial statements for the preceding year does not contain a qualified opinion or any reservation. The individual and consolidated financial statements submitted to the Board for preparation were not previously certified. The above notwithstanding, note that as part of the internal control over financial reporting (ICFR) process, the financial statements for the year ended 31 December 2019 (which form part of the annual financial statements) are to be certified by the Company's Head of Financial Accounting, Control and Capital.

Takeover bids (C.1.38)

The Company has not entered into any material agreements that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Selection (C.1.16, C.1.21, C.1.22, and C.1.23)

In accordance with article 529 decies of Royal Legislative Decree 1/2010, of 2 July, enacting the amended text of the Corporate Enterprises Act, and articles 5, 6 and 18 to 21 of the Regulations of the Board of Directors, director appointment proposals that the Board of Directors lays before the General Meeting, and the appointment resolutions carried by the Board itself by virtue of the co-option powers legally attributed to it, must be preceded by a corresponding recommendation from the Appointments Committee in the case of independent directors, and by a report in the case of all other directors. Director appointment or reappointment proposals must be accompanied by a supporting report from the Board of Directors, assessing the competence, experience and merits of the proposed nominee.

In addition, when exercising its powers to propose appointments to the General Shareholders' Meeting and co-opt directors to cover vacancies, the Board shall endeavour to ensure that external directors or non-executive directors represent a majority over executive directors and that the latter should be the minimum strictly necessary.

The Board shall also seek to ensure that the majority group of non-executive directors includes holders of stable significant shareholdings in the company or their representatives, or those shareholders that have been proposed as directors even though their holding is not significant (proprietary directors), and persons of recognised experience who can perform their functions without being influenced by the company or its group, its executive team or significant shareholders (independent directors).

The definitions established in applicable regulations and detailed in article 19 of the Regulations of the Board of Directors are used to classify directors accordingly.

The Board will also strive to ensure that among its external directors, the proportion of proprietary and independent directors on the Board reflects the existing proportion of the Company's share capital represented by proprietary directors and the rest of the capital and that independent directors account for at least one third of all directors.

No shareholder may be represented on the Board of Directors by a number of proprietary directors exceeding 40% of total Board members, without prejudice to the right of all shareholders to be represented at the Company in proportion to their stake, in accordance with applicable law.

Directors shall remain in their posts for the term of office stipulated in the By-laws (which is four years) —for as long as the General Meeting does not resolve to remove them and they do not stand down from office— and may be re-elected one or more times for periods of equal length. However, independent directors may not continue to serve as such for a continuous period exceeding 12 years.

Directors designated by co-option shall hold their post until the date of the next General Meeting or until the legal deadline for holding the General Meeting that is to decide whether to approve the financial statements for the previous financial year has passed. If the vacancy arises after the General Meeting is called but before it is held, the appointment of the director by co-option to cover the vacancy will take effect until the next General Meeting is held.

On 20 September 2018, the Board of Directors approved the policy on the selection, diversity and suitability assessment of directors, senior management members and key function holders at CaixaBank and its group (hereinafter, the "Policy"). The Policy is part of the Company's corporate governance system, governing key commitments and aspects of the Company and its Group in relation to the selection and appointment of directors.

In the director selection process, with respect to individual requirements, candidates to become directors, and current directors, must meet the suitability requirements needed to exercise their role, in accordance with the provisions of applicable regulations. In particular, they must have recognised business and professional repute, suitable knowledge and experience for performing their duties, and be able to exercise good governance at the Company.

Applicable law and regulations will also be taken into account when shaping the overall composition of the Board of Directors. In particular, the overall composition of the Board of Directors must incorporate sufficient knowledge, abilities and experience regarding the governance of credit institutions, to sufficiently understand the Company's activities, including the primary risks, and to ensure the effective capacity of the Board of Directors to take independent and autonomous decisions in the Company's interests.

The Appointments Committee, aided by the General Secretary and the Secretary of the Board and taking into account the balance of knowledge, experience, expertise and diversity required and in place on the Board of Directors, draws up and constantly updates a competency matrix, which is approved by the Board of Directors.

Where applicable, the results of applying the matrix may be used to identify future training needs or areas to strengthen in future appointments.

The selection procedure for members of the Board established in the Policy will be complemented, in any applicable areas, with the provisions of the Protocol on suitability assessment and appointments procedures for directors, senior management members and other key function holders at CaixaBank (the "Suitability Protocol"), or equivalent internal standard in place at any time.

The Protocol establishes the Company's units and internal procedures involved in the selection and ongoing assessment of members of the Board of Directors, general managers and other senior executives, the heads of the internal control function and other key posts in CaixaBank, as defined under applicable legislation. Under the "Protocol", the Board of Directors, in plenary session, assesses the suitability of proposed candidates, based on a report from the Appointments Committee. Also, with regard to the procedure to assess the suitability of candidates prior to their appointment as Director, the Suitability Protocol also establishes procedures to continually evaluate Directors and to assess any unforeseeable circumstances which may affect their suitability for the post.

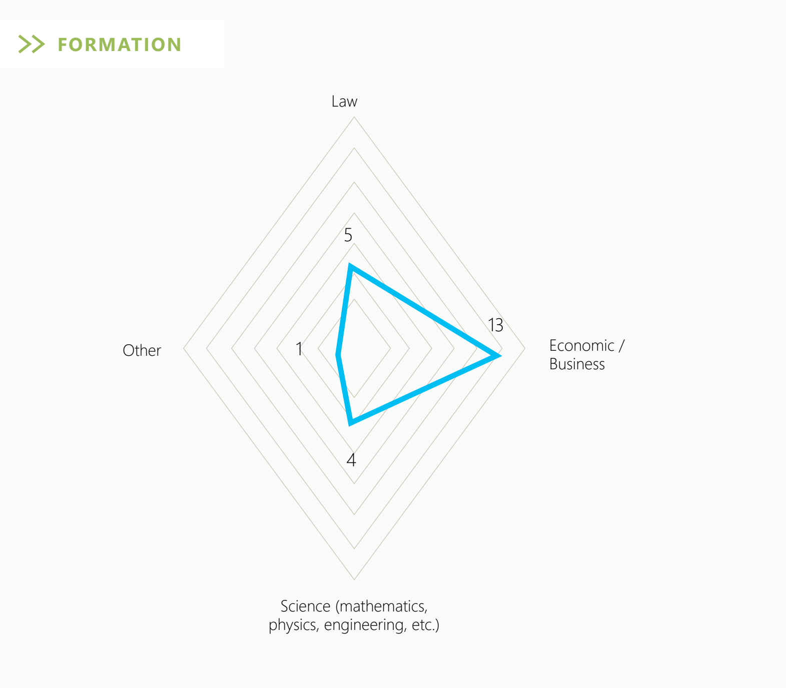
There are no specific requirements, other than those relating to directors, to be appointed as Chairman of the Board of Directors. Neither the By-laws nor the Regulations of the Board of Directors establish any age limit for serving as director, or any limited mandate or stricter requirements for independent directors beyond those required by law.

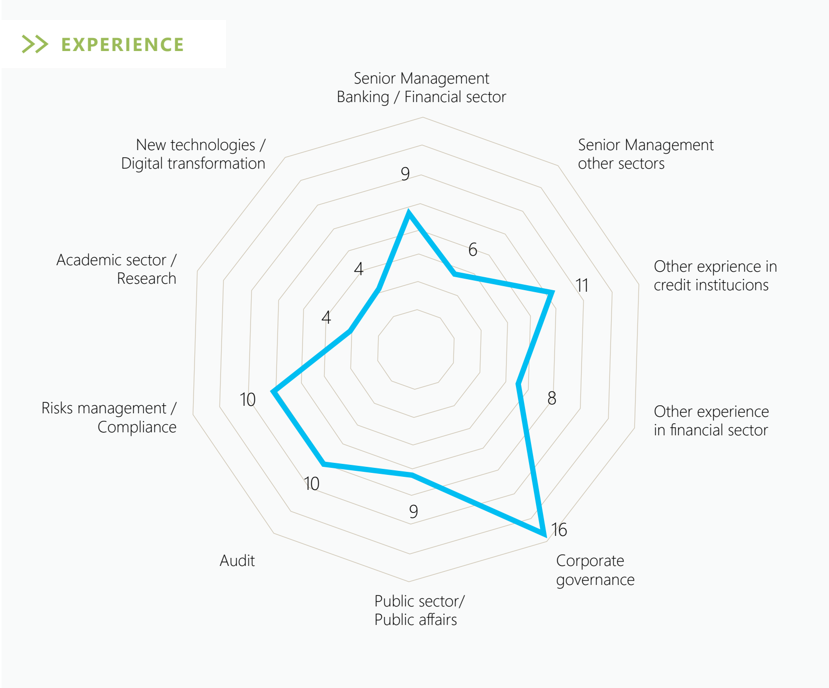
Directors shall step down when the period for which they were appointed has elapsed, when so decided by the General Meeting in exercise of its legal authority and powers under the By-laws, and when they resign.

Directors must also offer to tender their resignation to the Board of Directors in the situations described in due course (C.1.19), and shall then effectively tender their resignation if the Board sees fit.

When a director leaves office prior to the end of their term, they must explain the reasons in a letter to be delivered to all Board members.

Matrix showing the knowledge, experience and diversity of the CaixaBank Board of Directors (December 2019)





The matrix reveals that CaixaBank's Board of Directors has a satisfactory composition, with an adequate balance of knowledge and experience among its members, both in the financial sector and other relevant areas, to ensure the proper governance of the credit institution, as well as sufficient experience among members to ensure complementary points of view.

Obligation to **resign** (C.1.19 and C.1.36)

Article 21.2 of the Regulations of the Board of Directors stipulates that directors must offer to tender their resignation to the Board of Directors and then tender their resignation if the Board so decides, in the following cases:

a. when they depart the executive positions, posts or functions with which their appointment as director was associated;

b. when they are subject to any of the cases of incompatibility or prohibition provided by law or no longer meet the suitability requirements according to applicable law and regulations;

c. when they are indicted for an allegedly criminal act or are subject to disciplinary proceedings for serious or very serious misdemeanours instructed by the supervisory authorities;

d. when their continued presence on the Board would threaten the Company's interests, or when the reasons for which they were appointed cease to exist. In particular, and in the case of proprietary directors, when the shareholder they represent transfers all of its stake. They must also tender their resignation when the shareholder in question lowers its shareholding to a level that requires a reduction in the number of proprietary directors;

e. following a significant change in their professional circumstances or in the conditions that warranted their appointment as director; and

f. when, due to events attributable to the director, his or her continued presence on the Board would cause serious damage to the Company's assets or reputation in the eyes of the Board.

Article 21.3 of the Regulations of the Board of Directors states that if an individual representing a legal entity director is caught by any of the circumstances listed above, that representative must offer to tender their resignation to the legal entity that appointed them. If the latter decides that its representative should remain in office as director, the legal person director must offer to tender its resignation to the Board of Directors.

All the foregoing without prejudice to the terms of Royal Decree 84/2015 of 13 February, implementing Act 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions, on the requirements of standing and repute that directors must meet and the consequences of the subsequent failure to meet those requirements, as well as any other applicable regulations or guidelines given the company's activities.

Defendants in legal proceedings (C.1.37)

No director has notified the company that he/she has been tried or notified that legal proceedings have been filed against him or her for any of the offences described in article 213 of the LSC.

Evaluation (C.1.17 and C.1.18)

Based on the findings of the 2018 evaluation report of the Board of Directors, in 2019 the Appointments Committee monitored all the organisational improvement measures explained below.

Aside from what we have discussed previously as the main corporate governance milestones in 2019 —such as the reduced size of the Board of Directors and the creation of the Innovation, Technology and Digital Transformation Committee, plus the fact that following the 2019 AGM female directors account for 37.50% of total Board membership— CaixaBank has made further progress in developing and implementing organisational practices and approaches to work that have made the Bank more efficient and enhanced the quality of its internal functioning and operation.

It should be noted that the Bank has made further progress with various technical tools and organisational aspects, such as streamlining agendas and structuring meetings, while also extending time frames in relation to work planning and organisation.

As regards committees, the Regulations of the Board of Directors were amended in 2019 to extend the obligation to send out minutes of the meetings of the Appointments Committee and the Remuneration Committee to all board members, as the Entity had already been doing in the case of the Audit and Control Committee, the Risks Committee and the Executive Committee.

Description of the evaluation process and the areas evaluated

As stipulated in article 529.9 of the Corporate Enterprises Act and article 16 of the Regulations of the Board of Directors, the Board evaluates its performance annually. It is also compliant with Recommendation 36 of the current Good Governance Code of February 2015, which recommends that a regular self-assessment be carried out on the performance of the Board of Directors and its committees.

The Board of Directors conducted a self-assessment of its own functioning and operation in 2019, based on the self-assessment questionnaires approved by the Appointments Committee in 2018, with certain ad-hoc changes made. Since the 2019 assessment was based on the same self-assessment questionnaire used in 2018, with only minimal changes, we were able to include comparative results for the previous year.

The methodology used was largely one of analysing the responses to the questionnaires. The following aspects are addressed:

Operation of the Board of Directors (preparation, dynamic and culture; evaluation of the working tools made available to directors and of the self-assessment process for the Board of Directors); composition and functioning of the committees, performance of the Chairman, Chief Executive Officer, Independent Coordinator Director and the Secretary to the Board of Directors, as well as an individual peer assessment of each director.

Members of each committee are also sent a self-assessment form on the functioning and operation of their respective committee.

The results and conclusions reached, including recommendations, are contained in the document analysing the performance assessment of CaixaBank's Board of Directors and its committees for 2018, which was approved by the Board of Directors.

Broadly speaking, and in light of the responses received from directors as a result of the self-assessments and activity reports drawn up by each committee, the Board of Directors holds a positive view of the quality and efficiency of its own operation and that of its committees in 2019.

Total remuneration received by the Board of Directors (C.1.13. y C.1.39)

» **6,831**

REMUNERATION ACCRUED IN THE YEAR BY THE BOARD OF DIRECTORS (THOUSAND EUROS)[1]

» **5,546**

AMOUNT OF VESTED PENSION INTERESTS FOR CURRENT MEMBERS (THOUSAND EUROS)

» **0**

AMOUNT OF VESTED PENSION INTERESTS FOR FORMER MEMBERS (THOUSAND EUROS)[2]

[1] The Remuneration Policy provides a breakdolwn of remuneration payable to directors "in their capacity as such" and to the Executive Director.

[2] No information is provided on consolidated pension rights for former directors, since the Company has no type of commitment (contribution or benefit) with former executive directors under the pensions system.

Director remuneration in 2019, as reported in this section, takes the following aspects into account:

At year-end 2019, the Board of Directors comprised a total of 16 members, with Gonzalo Gortázar acting as Chief Executive Officer and being the only Board member to discharge executive functions.

On 5 April 2019, the General Shareholders' Meeting agreed to reduce the number of directors by two, thus bringing the total number to sixteen. It also approved the appointment of Marcelino Armenter (proprietary director) and Cristina Garmendia (independent director) as new members of the Board of Directors. Meanwhile, the following directors departed the Board due their posts having expired: Alain Minc, Juan Rosell, Antonio Sáinz de Vicuña and Javier Ibarz.

Following the General Meeting, the Board of Directors resolved to restructure the various committees attached to the Board of Directors, doing so on the recommendation of the Appointments Committee and the Audit and Control Committee (referring to the composition of the Appointments Committee). The Board appointed Verónica Fisas (independent director) as a new member of the Remuneration Committee, and Xavier Vives (independent coordinating director) as a new member of the Appointments Committee. The Board of Directors also agreed to re-appoint the directors re-elected by shareholders at the General Meeting as members of the Board committees on which they had previously been sitting. Last but not least, the Audit and Control Committee agreed to appoint Koro Usarraga as its Chairman, while the Risks Committee appointed Eduardo Javier Sanchiz as its Chairman.

On 23 May 2019, the Board of Directors decided to set up a new Innovation, Technology and Digital Transformation Committee. It also agreed that Amparo Moraleda, Cristina Garmendia and Marcelino Armenter would sit on that committee, in addition to the Chairman and Chief Executive Officer.

The total remuneration of the Board of Directors does not include remuneration for seats held on other boards on the Company's behalf outside the consolidated group, which amounted to 246,000 euros, nor the amount of contributions made to savings schemes with non-vested economic rights during the year, which came to 509,000 euros.

Agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction

32
NUMBER OF BENEFICIARIES

TYPE OF BENEFICIARY

Chief Executive Officer and three members of the Management Committee, five executive officers and 23 middle managers.

DESCRIPTION OF AGREEMENT

Chief Executive Officer: One year of the fixed components of his remuneration.

Management Committee members: indemnity clause equivalent to one annual payment of the fixed components of their remuneration, or the amount payable by law, whichever is higher. There are currently three committee members for whom the indemnity to which they are legally entitled remain less than one year of their salary.

Further, the Chief Executive Officer and the members of the Management Committee are entitled to one annual payment of their fixed remuneration, payable in monthly instalments, as consideration for their non-compete undertaking. This payment would be discontinued were this covenant to be breached.

Executive officers and middle managers: 28 executives and middle managers: between 0.1 and 1.5 annual payments of their fixed remuneration above that provided for at law. Executives and middle managers of Group companies are included in the calculation.

These contracts must always be communicated to and/or approved by the Board of Directors (not only in the situations and circumstances required by law). These clauses are also communicated to shareholders at the General Meeting.

The Board of Directors is responsible for approving the Remuneration Policy of the Board of Directors, the Identified Staff and the General Staff of the CaixaBank Group, subject to a preliminary report from the Remuneration Committee and in accordance with the system set out in the By-laws. The Board also approves the remuneration of directors within the limit set by the General Meeting and, in the case of executive directors, the additional remuneration payable for their executive duties and the other terms of their contracts. The Board approves the appointment and removal of senior managers, as well as the terms of their contract, including clauses on termination benefits.

It should be noted that the Board Remuneration Policy includes detailed information on the remuneration of directors, particularly the CEO, and is approved by the General Meeting. For the other managers (five beneficiaries) who do not qualify as senior management, and middle managers (23 beneficiaries), the impact of their dismissal generating the right to receive compensation would be immaterial since in these cases the clauses are absorbed by the legal compensation payable in such cases.

The Management Committee (C.1.14)

MEMBERS (EXCLUDING CEO)

JUAN ANTONIO ALCARAZ
Chief Business Officer

Education

Mr Alcaraz holds a degree in Business Sciences from Cunef (Complutense University of Madrid) and a Master of Business Administration from the IESE Business School.

Work experience

He joined "la Caixa" in December 2007 and is now in charge of the following business units as Chief Business Officer: Retail Banking, Global Customer Experience and Specialized Consumer Segments (Imaginbank, Family, Senior, Agrobank, and Holabank).

He also heads: CaixaBank Digital Business and CaixaBank Business Intelligence.

He has served as General Manager of Banco Sabadell (2003-2007) and prior to that as Deputy General Manager of Santander and Central Hispano (1990-2003).

Other current positions

He is also the Chairman of CaixaBank Payments & Consumer and sits on the Board of Directors of SegurCaixa Adeslas. He is also Chairman of Asociación Española de Directivos, member of the Advisory Board of Foment del Treball, trustee of Fundación Tervalis, member of the Advisory Board of the International University of Catalonia and a member of RICS.

XAVIER COLL
Chief Human Resources and Organisation Officer

Education

He holds a degree in Medicine from the University of Barcelona, a Master of Business Administration from the University of Chicago and a Master of Public Health from Johns Hopkins University. He was a recipient of the "la Caixa" Fulbright Scholarship.

Work experience

He joined the "la Caixa" in 2008 as Chief Human Resources Officer and currently sits on its Management Committee. He has over 30 years of experience in the international health sector, in multilateral development banking and in the financial industry.

Prior to joining "la Caixa" group, he was Director of the President's Office and Vice President of Human Resources at the World Bank and Director of Human Resources at the European Investment Bank.

JORDI MONDÉJAR
Chief Risks Officer

Education

Mr Mondéjar holds a degree in Economic and Business Sciences from the University of Barcelona. He is a member of the Official Registry of Account Auditors.

Work experience

He worked at Arthur Andersen from 1991 through to 2000, where he specialised in financial audits at financial institutions and other regulated entities.

He joined "la Caixa" Group in 2000, serving as Head of Financial Accounting, Control and Capital prior to his appointment as Chief Risks Officer in 2016.

Other current positions

He sits on the Board of Directors of Sareb and is non-executive Chairman of Buildingcenter, S.A

IÑAKI BADIOLA
Head of Corporate Institutional Banking and International Banking

Education

Mr Badiola holds a degree in Economic and Business Science from the Complutense University of Madrid and a Master in Business Administration from IE Business School.

Work experience

His track record in the financial industry spans more than 20 years and includes financial positions at various companies operating in the following sectors: technology (EDS), distribution (ALCAMPO), public administration (GISA), transportation (IFERCAT) and real estate (Harmonia).

He has previously served as Executive Manager of CIB and Corporate Manager of Structured Finance and Institutional Banking.

MATTHIAS BULACH

Head of Financial Accounting, Control and Capital

Education

Mr Bulach holds a degree in Economic Sciences from the University of St. Gallen and a Master in Business Administration from the IESE Business School.

Work experience

He joined "la Caixa" in 2006 as head of the Economic Analysis Office, carrying out strategic planning, analysing the banking and regulatory system and providing support to the Chairman's Office on the task of restructuring the financial sector. Prior to his appointment as Executive Director in 2016, he served as Corporate Manager of Planning and Capital. Before joining the Group, he was a Senior Associate at McKinsey & Company, where he specialised in the financial sector and in developing and deploying international projects.

Other current positions

He currently sits on the Supervisory Board of Erste Group Bank AG and on the Boards of Directors of CaixaBank Asset Management, CaixaBank Payments & Consumer and BuildingCenter S.A.

JORGE FONTANALS

Executive Director of Resources

Education

Mr Fontanals holds a degree in Business Administration and completed an Advanced Management Program at the ESADE Business School.

Work experience

Prior to his appointment as Head of Resources in 2014, he served as Corporate Manager of IT at CaixaBank and before that he held various managerial positions relating to resources at both CaixaBank and other Group companies.

Other current positions

He currently sits on the Boards of Directors of CaixaBank Facilities Management, SILK Aplicaciones and SILC Inmobles.

MARÍA LUISA MARTÍNEZ

Executive Director of Communication, Institutional Relations, Brand and CSR

Education

Ms Martínez holds a degree in Modern History from the University of Barcelona and in Information Sciences from Autonomous University of Barcelona. She has also completed the Senior Management Program (PADE) at IESE Business School.

Work experience

She joined "la Caixa" in 2001 to head up media relations. In 2008 she was appointed Head of Communication with responsibility for corporate communication and institutional management with the media. In 2014, she was appointed Corporate Head of Communication, Institutional Relations, Brand and CSR and she has served as Executive Manager of those same disciplines since 2016.

Other current positions

She is also president of Autocontrol (the self-regulatory organisation of the advertising industry in Spain); of Dircom Cataluña (professional association of communications executives and professionals); and sits on the Communication Committee of the Spanish Chamber of Commerce.

JAVIER PANO

Chief Financial Officer

Education

Mr Pano holds a degree in Business Sciences and a Master of Business Administration from the ESADE Business School.

Work experience

He has been CaixaBank's CFO since July 2014 and is also Chairman of the ALCO and head of liquidity management and wholesale funding, having previously held positions of responsibility in the realm of capital markets.

Before joining "la Caixa" in 1993, he held various key positions at different companies.

Other current positions

He sits on the Board of Directors of both BPI and Cecabank.

MARISA RETAMOSA
Head of Internal Audit

Education

Ms Retamosa holds a Degree in Computer Science from the Polytechnic University of Catalonia. She is CISA (Certified Information System Auditor) and CISM (Certified Information Security Manager) certified by ISACA.

Work experience

She has been Corporate Manager of Security and Resources Governance, and previously served as Head of Security and Service Control in IT Services. She has also served as Head of the Resource Audit Division.

She joined "la Caixa " in 2000. Prior to that, she worked at Arthur Andersen (1995-2000), where she performed system and process audit and risk consulting activities.

JAVIER VALLE
Executive Director of Insurance

Education

Mr Valle holds a degree in Business Studies and a Master in Business Administration from ESADE Business School. Community of European Management Schools (CEMS) at HEC Paris.

Work experience

Over the ten last years he has been General Manager at Bansabadell Vida, Bansabadell Seguros Generales and Bansabadell Pensiones, as well as CEO of Zurich Life. He was CFO of the Group Zúrich in Spain and Director of Investments for Spain and Latin America.

Other current positions

He is managing director of VidaCaixa, deputy chairman and member of the Executive Committee and Governing Board of Unespa and director of the Consortium of Insurance Compensation and of ICEA.

ÓSCAR CALDERÓN
General Secretary and Secretary to the Board of Directors

Education

Mr Calderón holds a degree in Law from the University of Barcelona and is a qualified state attorney.

Work experience

He has also served as state attorney before the High Court of Justice (Tribunal Superior de Justicia) of Catalonia, where he represented and defended the Spanish State in civil, criminal and employment cases and in adversary proceedings involving public bodies. He was a member of the Provincial Compulsory Purchase Tribunal (1999-2002). State Lawyer, Secretary of the Catalan Regional Administrative Court for Tax and Economic Appeals (2002-2003).

He joined "la Caixa" Group in 2004, serving as legal counsel attached to the General Secretary's Office of "la Caixa"; Deputy Secretary to the Board of Directors of Inmobiliaria Colonial (2005-2006); Secretary to the Board of Directors of Banco de Valencia (2013); and Deputy Secretary to the Board of Directors of "la Caixa" until June 2014. He was served as trustee and Deputy Secretary of "la Caixa" Foundation through to its dissolution in 2014, and as Secretary to the Board of Trustees of "la Caixa" Banking Foundation until 2017.

Other current positions

He is currently trustee and Secretary to the Board of Trustees of Fundación del Museo de Arte Contemporáneo de Barcelona (MACBA). He is also Secretary of Fundación de la Economía Aplicada (FEDEA).

Total remuneration accrued by senior management staff who are not also executive directors:

JORGE MONDÉJAR LÓPEZ
Chief Risks Officer

JAVIER PANO RIERA
Chief Financial Officer

FRANCESC XAVIER COLL ESCURSELL
Chief Human Resources And Organisation Officer

JORGE FONTANALS CURIEL
Head Of Resources

MARÍA LUISA MARTÍNEZ GISTAU
Executive Director For Communication, Institutional Relations, Brand And CSR

ÓSCAR CALDERÓN DE OYA
General And Board Secretary

JUAN ANTONIO ALCARAZ GARCÍA
Chief Business Officer

MATTHIAS BULLACH
Head Of Financial Accounting, Control And Capital

IÑAKI BADIOLA GÓMEZ
Executive Director Of CIB And International Banking

MARISA RETAMOSA FERNÁNDEZ
Head Of Internal Audit

JAVIER VALLE T-FIGUERAS
Executive Director Of Insurance

This amount includes total fixed, in-kind and short-term variable remuneration, insurance premiums and discretionary pension benefits and other long-term benefits assigned to members of the Senior Management. He has also been awarded a provisional incentive of 245,975 shares under the Provisional Incentive relating to the first cycle of the Conditional Annual Incentives Plan pegged to the 2019-2021 Strategic Plan, which was approved by shareholders at the Annual General Meeting held on 5 April 2019.

The remuneration received in 2019 by CaixaBank's Senior Management for representing the Company on the boards of listed and other companies, both within and outside the consolidated group, amounted to 1,305 thousand euros, as shown in the statements of profit or loss of the respective companies.

TOTAL SENIOR MANAGEMENT REMUNERATION (THOUSAND EUROS) **10,234**

SHARES HELD BY MANAGEMENT COMMITTEE MEMBERS IN CAIXABANK:

Altos Directivos no miembros del Consejo de Administración	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto	% derechos de todo que pueden ser transmitidos a través de instrumentos financieros	
	Directo	Indirecto	Directo	Indirecto		Directo	Indirecto
Juan Antonio Alcaraz García	0,003 %	0,000 %	0,005 %	0,000 %	0,008 %	0,000 %	0,000 %
Iñaki Badiola Gómez	0,001 %	0,000 %	0,002 %	0,000 %	0,003 %	0,000 %	0,000 %
Matthias Bulach	0,000 %	0,000 %	0,001 %	0,000 %	0,001 %	0,000 %	0,000 %
Óscar Calderón de Oya	0,001 %	0,000 %	0,001 %	0,000 %	0,002 %	0,000 %	0,000 %
Francesc Xavier Coll Escursell	0,001 %	0,000 %	0,002 %	0,000 %	0,003 %	0,000 %	0,000 %
Jorge Fontanals Curiel	0,000 %	0,000 %	0,002 %	0,000 %	0,002 %	0,000 %	0,000 %
Mª Luisa Martínez Gistau	0,000 %	0,000 %	0,001 %	0,000 %	0,001 %	0,000 %	0,000 %
Jordi Modéjar López	0,001 %	0,000 %	0,002 %	0,000 %	0,003 %	0,000 %	0,000 %
Javier Pano Riera[1]	0,002 %	0,000 %	0,002 %	0,000 %	0,004 %	0,000 %	0,000 %
Marisa Retamosa Fernández	0,000 %	0,000 %	0,001 %	0,000 %	0,001 %	0,000 %	0,000 %
Javier Valle T-Figueras	0,000 %	0,000 %	0,000 %	0,000 %	0,000 %	0,000 %	0,000 %
% total de derechos de voto en poder de Altos Directivos no miembros del Consejo de Administraación	0,009 %	0,000 %	0,019 %	0,000 %	0,028 %	0,000 %	0,000 %

Board Committees (C.2)

EXECUTIVE COMMITTEE

Name	Post	Category
Jordi Gual Solé	Chairman	Proprietary
Tomás Muniesa Arantegui	Member	Proprietary
Gonzalo Gortázar Rotaeche	Member	Executive
María Verónica Fisas Vergés	Member	Independent
María Amparo Moraleda Martínez	Member	Independent
Francesc Xavier Vives Torrents	Member	Independent

% OF EXECUTIVE DIRECTORS
16.67

% OF PROPRIETARY DIRECTORS
33.33

% OF INDEPENDENT DIRECTORS
50

Brief description

Article 39 of the By-laws and articles 12 and 13 of the Regulations of the Board of Directors describe the organisation and operation of the Executive Committee.

Funtions. Organisation and operation (C.2.1)

The powers of the Executive Committee will be those that, in each case, are delegated by the Board, with the limitations set forth by Law, in the Company's Articles of Association and in these Regulations.

The composition of the Executive Committee, which reflects the composition of the Board and its internal rules, is determined by the Board of Directors.

The Chairman and Secretary of the Board of Directors will also be the Chairman and Secretary of the Executive Committee.

The designation of members of the Executive Committee and the Board's permanent delegation of powers to this particular committee will require the vote for of at least two thirds of Board members.

The Executive Committee meets whenever called by its Chairman or by the person substituting him if this is not possible – if the post is vacant or in cases of absence or impossibility, for example – and its meetings shall be taken to be quorate when the majority of its members are in attendance, either in person or by proxy.

The Executive Committee reports to the Board on the main business addressed and on the decisions reached at its meetings.

The Committee's resolutions are adopted by the majority of the members attending the meeting in person or by proxy and they are valid and binding with no need for subsequent ratification by the Board sitting in plenary, without prejudice to Article 4.5 of the Rules of the Board of Directors.

The Executive Committee has been delegated all of the responsibilities and powers available to it both legally and under the Company's By-laws. For internal purposes, the Executive Committee is subject to the limitations set forth in Article 4 of the Rules of the Board of Directors.

Activities during the year

In 2019, the committee addressed a number of recurring matters, plus various one-off business concerns, either making a decision on the matter or hearing and taking note of the information received. The following table contains a summary of the main matters addressed over the course of 2019:

- Monitoring of earnings, results and other accounting aspects.
- Aspects relating to products and services and other business matters.
- Indexes and other aspects related to quality and reputation.
- Credit and surety activity.
- Position regarding foreclosed real estate assets and non-performing assets.
- Sales of debt portfolio and other aspects related to non-performing loans.
- Supervisory activity and disclosures to regulators.
- Subsidiaries and other.
- Organisational changes and restructuring measures.

Regulation (C.2.3)

There are no specific regulations for the Board committees. The Executive Committee is governed by applicable legislation, the Company's By-laws and the Regulations of the Board of Directors. In aspects not specifically laid out for the Executive Committee, the operational rules governing the Board itself will be applied, by virtue of the Regulations of the Board available on the CaixaBank corporate website (www.caixabank.com).

There is no express mention in the Company's By-laws that the committee must draw up an activities report. However, the Executive Committee approved its annual activity report at a meeting held in December 2019, including the performance assessment for 2019.

AUDIT AND CONTROL COMMITTEE

Name	Post	Category
Koro Usarraga Unsain	Chairwoman	Independent
Eduardo Javier Sanchiz Irazu	Member	Independent
José Serna Masiá	Member	Proprietary

% OF EXECUTIVE DIRECTORS
0.00

% OF PROPRIETARY DIRECTORS
33.33

% DE CONSEJEROS INDEPENDIENTES
66.67

Brief description

Article 40 of the By-laws and article 14 of the Regulations of the Board of Directors and applicable legislation describe the organisation and operation of the Audit and Control Committee.

Functions. Organisation and operation

The Audit and Control Committee comprises exclusively non-executive directors, in the number determined by the Board of Directors, between a minimum of three (3) and a maximum of seven (7). Most of the members of the Audit and Control Committee shall be independent and one (1) of them shall be appointed on the basis of their knowledge and experience of accounting or auditing, or both.

The Board of Directors shall also ensure that members of the Audit and Control Committee, particularly its Chairperson, 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 of its duties.

Taken as a whole, members of the Audit and Control Committee, who are appointed based on the expertise and dedication to the matters entrusted to them, shall possess the pertinent technical knowledge in relation to the Entity's activity, and diversity will be encouraged wherever possible.

The Audit and Control Committee shall meet ordinarily on a quarterly basis in order to review the mandatory financial information to be submitted to the authorities, as well as the information that the Board of Directors must approve and include within its annual public documentation. In such cases, the committee will count on the presence and support of the internal auditor and of the external auditor if any type of review report is issued. At least a part of these meetings will take place without the presence of the management team, so that they can discuss specific issues that arise from the reviews conducted.

The Audit and Control Committee appoints a Chairman from among its independent directors. The Chairman must be replaced every four (4) years but may be re-elected once a period of one (1) year has transpired from his or her departure. The Chairman of the Committee will act as a spokesperson at meetings of the Board of Directors and, as the case may be, at the Company's General Shareholders' Meetings.

It shall also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need be a committee member. In the event that such appointments are not made, the Secretary to the Board shall act as Secretary. The Secretary shall assist the committee's Chairman in planning its meetings, and gathering and handing out the necessary information sufficiently in advance, while taking minutes of such meetings.

The Audit and Control Committee will establish an annual work plan to include the committee's main activities during the year.

Members of the Company's management team or other employees may be required to attend the meetings of the Audit and Control Committee and to lend their assistance and allow the committee to access any information they may have when the committee so requests. The committee may insist on this without the appearance of any other executive. The Committee may also require the Company's auditors to attend its meetings, along with other people, though only by invitation from the committee's Chairman, and only to deal with specific points of the agenda for which they have been convened.

The Audit and Control Committee has set up an effective and regular communication channel between the committee (normally acting through its chairman) and its usual stakeholders and contacts, such as the Company's management team and notably its finance department; the head of internal audits; and the main auditor responsible for account auditing. In particular, communication between the Audit and Control Committee and the external auditor must be smooth and continuous, in accordance with prevailing regulations on audit activity, and must not jeopardise the auditor's independence or the effectiveness with which it carries out audit work or processes.

The Audit and Control Committee must have adequate, relevant and sufficient access to any information or documentation held by the Company and may seek advice from external experts if it deems this necessary for the proper performance of its duties.

The Company provides the Audit and Control Committee with sufficient resources to fulfil its functions.

The committee will be validly convened when a majority of members are in attendance. Resolutions are carried by a majority of members physically in attendance or represented by proxy, and minutes are taken of the resolutions carried at each meeting. The minutes are then reported to the Board of Directors sitting in plenary and a copy sent out or delivered to all Board members.

The committee's chairman reports to the Board on its activities and work, doing so at meetings scheduled for that specific purpose or at the immediately following meeting if the chairman deems this necessary.

It draws up an annual report on its performance, highlighting the main incidents to have occurred when discharging its duties (if any). The findings contained in this report may be used as an input when evaluating the Board of Directors. Furthermore, if the committee deems it appropriate, it will include suggested improvements in the report.

In particular, the Audit and Control Committee's report discusses significant activities carried out during the period, while also discussing those carried out with the support of external experts, all of which are posted on the Company's website sufficiently in advance of the Annual General Meeting.

The committee will meet as often as needed to fulfil its duties, and will be convened by the committee's Chairman, either at his/her own initiative or when requisitioned by the Chairman of the Board of Directors, or by two (2) members of the committee itself.

Notwithstanding any other tasks that may be assigned to the committee from time to time by the Board of Directors, the Audit and Control Committee shall have the following basic remit:

- reporting to the Annual General Meeting about matters raised by shareholders that fall within the committee's remit and, in particular, 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.

- overseeing the process of compiling and presenting mandatory financial information regarding the Company and, where relevant, the Group, reviewing the Company's accounts, compliance with related regulatory requirements, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria.

- ensuring that the Board of Directors submits the annual financial statements to the General Shareholders' Meeting, without qualified opinions or reservations in the audit report and that, in the event that reservations do exist, ensuring that the committee's Chairman and the auditors clearly explain the content and scope of those qualified opinions or reservations to shareholders.

- reporting to the Board of Directors, in advance, on the financial information and related non-financial information that the Company must periodically release to the markets and its supervisory bodies;

- overseeing the effectiveness of internal control systems, and discussing any weaknesses found in the internal control system that may have been detected during the audit with the auditor, all this without compromising its independence. For such purposes, and if appropriate, it may submit recommendations or proposals to the Board of Directors and set a deadline for follow-up;

- overseeing the efficiency of the internal audit, establishing and supervising a mechanism that allows employees of the Company or of the group to which it belongs, confidentially and, if deemed appropriate, anonymously, to report any potentially significant irregularities or breaches —especially financial and accounting irregularities— they may observe within the Company, receiving periodical information on its functioning, and proposing any actions it deems relevant for improvement and reducing the risk of irregularities in the future.

Activities during the year

The committee analysed a number of recurring matters, such as those relating to the supervision of financial and non-financial reporting, supervision of internal auditing, compliance with corporate governance rules and fulfilment of the Treasury Shares Policy.

The committee paid particular attention to overseeing the process of drawing up the mandatory financial information and other relevant information for the year and releasing it to the market, as well as the non-financial information. The persons responsible for drawing up the information attended 15 of the 18 committee meetings held in 2019, enabling the committee to become fully familiar with the process of drawing up the interim financial information with sufficient prior notice, as well as the separate and consolidated annual financial statements.

The committee has heard about and approved the principles, assessment criteria, judgments and estimates and accounting practices applied by CaixaBank and has verified that all such matters are compliant with accounting regulations and criteria established by the competent regulatory and supervisory bodies. All this to ensure the integrity of the accounting and financial reporting systems, including financial and operational control, and compliance with prevailing legislation.

The committee set and pursued its objectives for 2019, as per its activities plan and focusing on the task of supervising the financial and non-financial information that the Entity is required to release; supervising the effectiveness of the internal control and risk control system, in coordination with the Risks Committee, especially the internal capital adequacy and liquidity assessment processes (ICAAP and ILAAP), the Recovery Plan, the confidential consulting and whistle-blowing channel; and monitoring the Entity's most significant subsidiaries.

In addition, and as part of its ordinary remit, the committee discussed, examined, and took decisions or issued reports on the following matters:

- Financial and non-financial information.
- Risk management and control.
- Regulatory compliance.
- Internal Audit.
- Relationship with the financial auditor:
  - Independence of the financial auditor.
  - Assessment of the work of the financial auditor.
- Related-party transactions
- Communications with regulatory bodies

All committee members have been selected on the merits of their knowledge and experience in relation to accounting and/or auditing.

KORO USARRAGA UNSAIN
Date of appointment of the chairperson:
05/04/2019

EDUARDO JAVIER SANCHIZ IRAZU
Member:
06/04/2018

JOSÉ SERNA MASIÁ
Member:
23/03/2017

Regulation (C.2.3)

There are no specific regulations for the Board committees. The organisation and duties of the Audit and Control Committee are detailed in the Regulations of the Board, which are available on the CaixaBank corporate website (www.caixabank.com), including matters relating to the composition and structure of the committee.

In accordance with article 14.3 (e) of the Regulations of the Board of Directors and prevailing legislation, the Audit and Control Committee approved the annual report on its operation at a meeting held in December 2019, which includes its performance assessment for 2019 (available on the corporate website).

APPOINTMENTS COMMITTEE

Name	Post	Category
John S. Reed	Chairman	Independent
María Teresa Bassons Boncompte	Member	Proprietary
Xavier Vives Torrents	Member	Independent

% OF EXECUTIVE DIRECTORS
0.00

% OF PROPRIETARY DIRECTORS
33.33

% OF INDEPENDENT DIRECTORS
66.67

Brief description

Article 40 of the By-laws and article 15 Regulations of the Board of Directors describe the organisation and operation of the Appointments Committee, which is also governed by applicable law and regulations.

Funtions. Organisation and operation

The Appointments Committee comprises a number of non-executive directors determined by the Board of Directors, from a minimum of three (3) to a maximum of five (5) members. All members must be non-executive and the majority must be independent. Members of the Appointments Committee are appointed by the Board of Directors, on the recommendation of the Audit and Control Committee, and the committee's chairman is appointed from among the independent directors who sit on the committee.

The Appointments Committee is self-governing. It is required to elect a Chairman and may appoint a Secretary if it so wishes. If no secretary is appointed, the Secretary to the Board of Directors shall act as Secretary, or otherwise one of the Deputy Secretaries.

It meets as often as considered appropriate to ensure the sound performance of its duties. Meetings will be called by the committee's Chairman, either on his/her own initiative, or when requisitioned by two (2) or more committee members. It must also meet whenever the Board or its Chairman requests that a report be issued or a resolution carried.

The meeting notice shall be given by letter, telegram, fax, e-mail, or any other means that provides acknowledgement of receipt.

The Secretary of each committee is responsible for calling meetings and for filing the minutes and documents laid before the committee.

Minutes are taken of the resolutions carried at each meeting and then reported to the Board sitting in plenary.

Committee meetings will be quorate and validly convened with the attendance, in person or by proxy, of the majority of its members and resolutions are carried by a majority of members who attend in person or by proxy.

It draws up an annual report on its operation and functioning, highlighting the main incidents to have occurred (if any) when discharging its duties. The findings contained in this report may be used as an input when evaluating the Board of Directors. Furthermore, if the committee deems it appropriate, it will include suggested improvements in the report.

Notwithstanding any other duties that the Board of Directors may ascribe to the committee, the Appointments Committee has the following core remit:

- Evaluating and proposing to the Board of Directors the assessment of skills, knowledge and experience required of Board members and key personnel at the Company.
- Submitting to the Board of Directors the proposals for the nomination of the independent Directors to be appointed by co-option or for submission to the decision of the Annual General Meeting, as well as the proposals for the reappointment or removal of such Directors by the Annual General Meeting;
- Reporting on the appointment and, as the case may be, dismissal of the Coordinating Director, the Secretary and the Deputy Secretaries for approval by the Board of Directors.
- Reporting on proposals for appointment or removal of senior executives, being able to effect such proposals directly in the case of senior managers which due to their roles of either control or support of the Board or its Committees, it is considered by the Committee that it should take the initiative. Proposing, if deemed appropriate, the basic terms of the contracts of senior executives other than their pay and remuneration, and reporting those terms once established.
- Examining and organising, under the supervision of the Coordinating Director and with the support of the Chairman of the Board of Directors, the succession of the latter and of the Company's chief executive officer and, as the case may be, sending proposals to the Board of Directors so that the succession process is suitably planned and takes place in orderly fashion.
- Reporting 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 as well as preparing guidelines on how this should be achieved. In any case, it must always 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 evaluating, at least once a year, the structure, size, composition and actions of the Board of Directors and of its committees, its Chairman, CEO and Secretary, making recommendations regarding possible changes to these. Here, the committee shall act under the direction of the Coordinating Director when appraising the Chairman's performance. Evaluating the composition of the Management Committee as well as its replacement lists to ensure proper coverage as members come and go.
- Periodically reviewing the Board of Directors selection and appointment policy in relation to senior executives and making recommendations.
- Supervising the Company's activities when it comes to corporate social responsibility and submitting to the Board any proposals it deems appropriate here.

Activities during the year

As part of its ordinary remit, the committee discussed, scrutinised and took decisions or issued reports on the following matters: size and composition of the Board; assessment of suitability; appointments of directors, committee members and key function holders at the Company; verification of director categories; gender diversity; the policy for selecting directors, senior management and other key function holders; matters relating to diversity and sustainability and the corporate governance documentation to be submitted in relation to 2019, in accordance with article 15 of the Regulations of the Board of Directors.

In 2019, the committee supervised and controlled the sound operation of the Company's corporate governance system by monitoring the different succession plans in place (key positions on the Board and within the management team), while also proposing the creation of the Innovation, Technology and Digital Transformation Committee. To round off its activities in the year, the committee focused its attention on the self-evaluation of the Board (individual and collective); the evaluation of the Board's structure, size and composition; the evaluation of the functioning of the Board and its Committees; and the monitoring of the recommendations contained in the Good Governance Code of Listed Companies and the annual planning of director training.

Regulation (C.2.3)

There are no specific regulations for the Board committees. The organisation and functions of the Appointments Committee are detailed in the Regulations of the Board, which are available on the CaixaBank corporate website (www.caixabank.com), including matters relating to the composition and structure of the committee.

In accordance with the provisions of article 15.4 (vi) of the Regulations of the Board and prevailing legislation, the Appointments Committee approved its annual activity report at a meeting held in December 2019. This report includes a performance assessment in 2019 and is available on the corporate website.

REMUNERATION COMMITTEE

Name	Post	Category
María Amparo Moraleda Martínez	Chairman	Independent
Verónica Fisas Vergés	Member	Independent
Alejandro García-Bragado Dalmau	Member	Proprietary

% OF EXECUTIVE DIRECTORS
0.00

% OF PROPRIETARY DIRECTORS
33.33

% OF INDEPENDENT DIRECTORS
66.67

Brief description

Article 40 of the By-laws and article 15 of the Regulations of the Board of Directors describe the organisation and operation of the Remuneration Committee, which is also governed by applicable law and regulations.

Funtions. Organisation and operation

The Remuneration Committee comprises a number of non-executive directors determined by the Board of Directors, from a minimum of three (3) to a maximum of five (5) members. All members must be non-executive and the majority must be independent. The committee's Chairman is appointed from among the independent directors who sit on the committee.

The Remuneration Committee is self-governing. It is required to elect a Chairman and may appoint a Secretary if it so wishes. If no secretary is appointed, the Secretary to the Board of Directors shall act as Secretary, or otherwise one of the Deputy Secretaries.

It meets as often as considered appropriate to ensure the sound performance of its duties. Meetings will be called by the committee's Chairman, either on his/her own initiative, or when requisitioned by two (2) or more committee members. It must also meet whenever the Board or its Chairman requests that a report be issued or a resolution carried.

The meeting notice shall be given by letter, telegram, fax, e-mail, or any other means that provides acknowledgement of receipt.

The Secretary of each committee is responsible for calling meetings and for filing the minutes and documents laid before the committee.

Minutes are taken of the resolutions carried at each meeting and are then reported to the Board and made available to all Board members via the Board's Secretary's Office. In the interests of privacy and confidentiality, minutes are not sent out or delivered unless the Chairman of the committee decides to do so.

Committee meetings will be quorate and validly convened with the attendance, in person or by proxy, of the majority of its members and resolutions are carried by a majority of members who attend in person or by proxy.

It draws up an annual report on its performance, highlighting the main incidents to have occurred when discharging its duties (if any). The findings contained in this report may be used as an input when evaluating the Board of Directors. Furthermore, if the committee deems it appropriate, it will include suggested improvements in the report.

Notwithstanding any other duties that the Board of Directors may ascribe to the committee, the Remuneration Committee has the following core remit:

- Drafting the resolutions related to remuneration and, particularly, reporting and proposing 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.
- Ensuring compliance with the remuneration policy for directors and Senior Managers and reporting on the basic terms set out in the contracts of those individuals and the compliance thereof.
- Reporting and preparing the general remuneration policy of the Company, particularly policies relating to the categories of staff whose professional activities have a significant impact on the Company's risk profile and also policies in place 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.

Activities during the year

The committee analyses recurring issues such as annual remuneration, salary policy and remuneration systems and corporate governance.

The committee also discussed, scrutinised, and took decisions or issued reports on the following matters that fall within its core remit:

- The remuneration policy, system and amount of annual remuneration for directors and senior managers, and the individual remuneration and other contractual terms and conditions of executive directors and senior managers.
- Reporting and recommending basic terms of contract for senior managers.
- General Remuneration Policy. Remuneration Policy for the Identified Staff.
- Analysing, drawing up and reviewing remuneration programmes.
- Advising the Board to submit remuneration reports or policies to the General Shareholders' Meeting. Reports to the Board on proposals and motions to be laid before the General Shareholders' Meeting.

Regulation (C.2.3)

There are no specific regulations for the Board committees. The organisation and duties of the Remuneration Committee are set out in the Regulations of the Board of Directors, which are available on CaixaBank's corporate website (www.caixabank.com), including matters relating to the composition and structure of the committee.

In accordance with article 15.4 (vi) of the Regulations of the Board and prevailing legislation, the Remuneration Committee approved its annual activity report at a meeting held in December 2019. This report includes a performance assessment in 2019 and is available on the corporate website.

RISKS COMMITTEE

Name	Post	Category
Eduardo Javier Sanchiz Irazu	Chairman	Independent
Koro Usarraga Unsain	Member	Independent
Fundación CajaCanarias representada por Doña Natalia Aznárez Gómez	Member	Proprietary

% OF EXECUTIVE DIRECTORS
0.00

% OF PROPRIETARY DIRECTORS
33.33

% OF INDEPENDENT DIRECTORS
66.67

HEAD OF RISK MANAGEMENT

JORDI MONDÉJAR LÓPEZ
Director General de Riesgos
22 de noviembre de 2016 [1]

[1] Miembro del Comité de Dirección desde 10 de julio de 2014.

Brief description

Article 40 of the By-laws and article 14 of the Regulations of the Board of Directors describe the organisation and operation of the Risks Committee.

Funtions. Organisation and operation

The Risks Committee comprises exclusively non-executive directors, all possessing the relevant knowledge, expertise and experience to fully understand and control the Company's risk strategy and appetite, in the number determined by the Board of Directors, between a minimum of three (3) and a maximum of six (6) members and with a majority of independent directors.

The committee meets as often as needed to fulfil its duties, and is convened by the committee's Chairman, either at his/her own initiative or when requisitioned by the Chairman of the Board of Directors, or by two (2) members of the committee itself.

The meeting notice shall be given by letter, telegram, fax, e-mail, or any other means that provides acknowledgement of receipt.

The Secretary is responsible for calling meetings and for filing the minutes and documents laid before the committee.

The committee will be validly convened when a majority of members are in attendance. Resolutions are carried by a majority of members physically in attendance or represented by proxy, and minutes are taken of the resolutions carried at each meeting. The minutes are then reported to the Board of Directors sitting in plenary and a copy sent out or delivered to all Board members.

The committee's Chairman reports to the Board on the activities and work performed by the committee, doing so at meetings specifically arranged for that purpose or at the immediately following meeting when the Chairman deems this necessary.

It draws up an annual report on its performance, highlighting the main incidents to have occurred when discharging its duties (if any). The findings contained in this report may be used as an input when evaluating the Board of Directors. Furthermore, if the committee deems it appropriate, it will include suggested improvements in the report.

The Entity shall ensure that the delegated Risks Committee is able to fully discharge its functions by having unhindered access to the information concerning the risk Entity's position and, if necessary, specialist outside expertise, including external auditors and regulators.

The Risks Committee may request the attendance of persons from within the organisation whose work is related to its functions, and it may obtain all necessary advice for it to form an opinion on the matters that fall within its remit. All such requests are channelled through the Secretary to the Board of Directors.

Notwithstanding any other tasks that the Board of Directors may ascribe to the committee from time to time, the Risks Committee shall have the following core remit:

- Advising the Board of Directors on the overall susceptibility to risk, current and future, of the Company and its strategy in this area, reporting on the risk appetite framework, assisting in the monitoring of the implementation of this strategy, ensuring that the Group's actions are consistent with the level of risk tolerance previously decided and implementing the monitoring of the appropriateness of the risks assumed and the profile established.

- Proposing to the Board the Group's risk policy.
- Working with the Board of Directors to determine the nature, quantity, format and frequency of the information concerning risks that the Board of Directors should receive and establishing the information that the committee should receive.
- Regularly reviewing exposures with its main customers and business sectors, as well as broken down by geographic area and type of risk.
- Examine the information and control processes of the Group's risk as well as the information systems and indicators.
- Appraising and making decisions in relation to regulatory compliance risk within the scope of its remit, broadly meaning the risk management of legal or regulatory sanctions, financial loss, material or reputational damage that the Company could sustain as a result of non-compliance with laws, rules, regulations, standards and codes of conduct, detecting any and monitoring risk of non-compliance and examining possible deficiencies in the principles of professional conduct.
- Reporting on new products and services or significant changes to existing ones.

Activities during the year

As part of its ordinary remit, the committee discussed, scrutinised and reached decisions or issued reports on matters relating to Strategic Risk Processes (Risk Assessment and Risk Catalogue), the Risk Appetite Framework (RAF), the Recovery Plan, the Group's Risk Policy, the risk scorecard, the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP), monitoring of regulatory compliance and the Global Risks Committee, among other matters.

Regulation (C.2.3)

There are no specific regulations for the Board committees. The organisation and functions of the Risks Committee are detailed in the Regulations of the Board, which are available on the CaixaBank corporate website (www.caixabank.com), including matters relating to the composition and structure of the committee.

In accordance with article 14.3 (e) of the Regulations of the Board of Directors and prevailing legislation, the Risks Committee approved the annual report on its operation at a meeting held in December 2019, which includes its performance assessment for 2019.

COMISIÓN DE INNOVACIÓN, TECNOLOGÍA Y TRANSFORMACIÓN DIGITAL

Name	Post	Category
Jordi Gual Solé	Chairman	Proprietary
Gonzalo Gortázar Rotaeche	Member	Executive
María Amparo Moraleda Martínez	Member	Independent
Marcelino Armenter Vidal	Member	Proprietary
Cristina Garmendia Mendizábal	Member	Independent

% OF EXECUTIVE DIRECTORS
20

% OF PROPRIETARY DIRECTORS
40

% OF INDEPENDENT DIRECTORS
40

Funtions. Organisation and operation

The Innovation, Technology and Digital Transformation Committee will comprise a minimum of three (3) and a maximum of five (5) members.

The Chairman of the Board of Directors and the Chief Executive Officer will always sit on the committee. The other members are appointed by the Board of Directors, on the recommendation of the Appointments Committee, paying close attention to the knowledge and experience of candidates on those subjects that fall within the committee's remit, such as technology and innovation, information systems and cybersecurity.

The Chairman of the Board of Directors also chairs the Innovation, Technology and Digital Transformation Committee.

Meanwhile, the Secretary to the Board of Directors serves as Secretary of the Innovation, Technology and Digital Transformation Committee.

It meets as often as considered appropriate to ensure the sound performance of its duties. Meetings will be called by the committee's Chairman, either on his/her own initiative, or when requisitioned by two (2) or more committee members. It must also meet whenever the Board or its Chairman requests that a report be issued or a resolution carried.

The committee will be quorate and validly convened when the majority of its members attend in person or by proxy. Resolutions are carried by a majority of members physically in attendance or represented by proxy, and minutes are taken of the resolutions carried at each meeting. The minutes are then reported to the Board of Directors sitting in plenary and a copy sent out or delivered to all Board members.

Without prejudice to any other functions ascribed to it by the Board of Directors, the committee has the following core remit:

- Assisting the Board of Directors in identifying, monitoring and analysing new competitors, new business models, technological advances and main trends and initiatives relating to technological innovation, while studying those factors that make certain innovations more likely to succeed and increase their transformation capacity.
- Advising 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, and so on, that may be developed.
- Fostering 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.
- Supporting the Board of Directors in analysing the impact of technological innovation on market structure, the provision of financial services and customer habits. Among others 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 protection of privacy and data usage.
- Stimulating discussion and debate on the ethical and social implications deriving from the use of new technologies within the banking and insurance business.
- Supporting the Risks Committee, on the latter's request, in monitoring technological risks and matters relating to cybersecurity.

NUMBER OF FEMALE DIRECTORS WHO WERE MEMBERS OF BOARD COMMITTEES AT THE CLOSE OF THE PAST FOUR YEARS (C.2.2)

	2019	2018	2017	2016
Audit and Control Committee	1 (33.33 %)	1 (25.00 %)	1 (33.33 %)	1 (33.33 %)
Appointments Committee	1 (33.33 %)	1 (33.33 %)	2 (66.67 %)	2 (66.67 %)
Remuneration Committee	2 (66.67 %)	1 (33.33 %)	2 (66.67 %)	1 (33.33 %)
Risks Committee	2 (66.67 %)	2 (40.00 %)	1 (25.00 %)	1 (25.00 %)
Executive Committee	2 (33.33 %)	2 (25.00 %)	2 (25.00 %)	1 (14.29 %)
Innovation Committee	2 (40.00 %)	-	-	-

With respect to the information on the participation of female directors on the Appointments Committee, the Remuneration Committee and the Risks Committee, it is important to note that up until 25 September 2014 there were just three committees attached to the Board of Directors, namely: the Appointments and Remuneration Committee, the Audit and Control Committee and the Executive Committee.

Thereafter, and pursuant to Act 10/2014 on the organisation, supervision and solvency of credit institutions, the CaixaBank Board of Directors resolved to change the Appointments and Remuneration Committee into an Appointments Committee, create a Remuneration Committee and a Risks Committee, and amend the Regulations of the Board of Directors accordingly to incorporate the provisions of the new Law and establish the duties of the new Board Committees. There are therefore a total of five Board committees, namely: the Appointments Committee, the Remuneration Committee, the Risks Committee, the Audit and Control Committee and the Executive Committee.

On 23 May 2019, the Board of Directors agreed to set up a new Innovation, Technology and Digital Transformation Committee. It also agreed that Amparo Moraleda, Cristina Garmendia and Marcelino Armenter would sit on that committee, in addition to the Chairman and Chief Executive Officer.

D. Related-Party And Intragroup Transactions

Procedure for approval of related-parties transactions (D.1)

The Board of Directors, as a plenary body, shall approve, subject to a report from the Audit and Control Committee, all transactions that the Company or companies in its group perform with directors, in accordance with the law, or when the authorisation of those transactions rests with the Board of Directors; with shareholders holding (individually or in concert with others) a significant stake, including shareholders represented on the Board of Directors of the Company or group companies; or with persons related to them (Related-Party Transactions).

The operations that simultaneously meet the following three characteristics will be exempt from the need for this approval:

a. where they are governed by standard-form agreements applied on an across-the-board basis to a large amount of clients;

b. where they are carried out at generally-established prices or rates by whoever is acting as the administrator of the good or service in question; and

c. where the amount involved is no more than 1% of the Company's annual revenue.

Therefore, the Board of Directors or, in its absence, other duly authorised bodies or persons (for reasons of urgency, duly justified and in the scope of the authorisation conferred. In these cases the decision must then be ratified at the first Board meeting held following its approval) shall approve related-party transactions subject to a favourable report from the Audit and Control Committee. Any directors affected by the approval of these transactions shall abstain from the debate and voting on the transactions. V

On the subject of relations with significant shareholders who hold an equity interest of over 30%, Act 26/2013, on savings banks and banking foundations, imposes the obligation on banking foundations to approve a financial participation management protocol, governing, among other matters, the general rules and criteria for performing transactions between the banking foundation and the investee credit institution, as well as the mechanisms for preventing possible conflicts of interest. Accordingly, "la Caixa" Banking Foundation approved its Protocol for managing its ownership interest in CaixaBank.

Following the decision reached by the Governing Council of the European Central Bank on 26 September 2017, confirming that CriteriaCaixa no longer exercises control or dominant influence over CaixaBank and therefore does not belong to the same group, and as per the terms of the Management Protocol, "la Caixa" Banking Foundation, as parent of "la Caixa" Group, CriteriaCaixa, as a direct shareholder of CaixaBank, and CaixaBank, as a listed company, entered into a new Internal Relations Protocol on 22 February 2018 (available on the corporate website), which, among other matters, sets out the general rules and procedure for performing transactions or providing services at arm's length, and identifies the services that companies of "la Caixa" Banking Foundation Group provide or may provide to companies of the

CaixaBank Group, and, likewise, those that companies of the CaixaBank Group provide or may provide to companies of "la Caixa" Banking Foundation Group. The Protocol describes the situations and terms for approving transactions, which generally rests with the Board of Directors. In certain cases stipulated in Clause 3.4 of the Protocol, certain intragroup transactions will be subject to prior approval from CaixaBank's Board of Directors, which will rely on a preliminary report from the Audit Committee. The same rules will apply for all other signatories of the Protocol.

Significant transactions with CaixaBank's significant shareholders (D.2)

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
CRITERIA CAIXA, S.A.U.	CAIXABANK, S.A.	Corporate	Dividends and other profit distributed	239,254
CRITERIA CAIXA, S.A.U.	CAIXABANK, S.A.	Commercial	Other instruments that might entail a transfer of resources or obligations between the Company and the related party	846,070

Significant transactions with CaixaBank directors or managers (D.3)

There are no significant transactions, either because of their amount or subject matter, entered into between the Company or entities within its group and directors or managers of the Company.

Note 41 to the consolidated financial statements shows all the balances held with managers and directors in 2019.

Material transactions carried out with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities (and transactions conducted with entities established in tax havens) (D.4)

There are no material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

Nor are there any intragroup transactions conducted with entities established in countries or territories which are considered to be tax havens.

Note 41 to the consolidated financial statements shows the balances with CaixaBank Group associates and joint ventures in aggregate form as well as additional breakdowns for 2019.

Significant transactions with other related parties (D.5)

There are no further transactions beyond those carried out in the ordinary course of business and on an arm's length basis.

Note 41 to the consolidated financial statements shows all the balances held with managers and directors in 2019.

Mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders (D.6)

Directors and managers

Article 29 of the Regulations of the Board of Directors regulates the non-compete duty of company directors. This non-compete prohibition can only be waived if the Company is not expected to incur damages or it is expected that it will be indemnified for an amount equal to the benefits expected to be obtained from the exemption or waiver. Any director granted such a non-compete waiver by the General Meeting must abide by the terms and safeguards contained in the waiver resolution and must invariably abstain from taking part in discussions and voting on matters in which they are caught by a conflict of interest, all the foregoing in accordance with applicable law and regulations.

Article 30 of the Regulations imposes the general obligation on directors to take the necessary steps to avoid situations that could generate a conflict of interest between the Company and the directors or their related parties. Directors must invariably inform the Board of Directors of any situation that might entail, whether directly or indirectly, a conflict between them and their related parties and the Company. Any such situation will be disclosed in the notes to the financial statements.

Further, article 3 of the Code of Conduct on Matters relating to the Securities Market of CaixaBank stipulates that Concerned Persons shall include members of the Board of Directors, and senior executives and members of the Company's Management Committee. Section VII of the Regulation establishes the Company's Policy on Conflicts of Interest, while article 43 states the duties in place in the event of personal or family-related conflicts of interest among those subject to the policy, including to always act with freedom of judgement, with loyalty to CaixaBank, its shareholders and customers, to abstain from intervening in or influencing decisions that may affect people or companies with which there are conflicts of interest, and to inform Regulatory Compliance of any such incidents.

With a view to strengthening transparency and good governance at the Company, and in accordance with the Management Protocol for the Financial Participation of "la Caixa" Banking Foundation, "la Caixa" Banking Foundation (as parent of its group), CriteriaCaixa (as the direct shareholder of CaixaBank) and CaixaBank (as a listed company) entered into a new internal relations protocol, which is available on the Company's corporate website.

Significant shareholders

The new Protocol, currently in force, pursues the following main objectives: managing related-party transactions derived from the execution of transactions or the provision of services; establishing mechanisms in a bid to avoid conflicts of interest; granting a right of first refusal in favour of "la Caixa" Banking Foundation in the event that CaixaBank decides to sell Monte de Piedad; governing the basic principles of a potential collaboration between CaixaBank and "la Caixa" Banking Foundation on matters relating to CSR; regulating the proper flow of information so that "la Caixa" Banking Foundation, Criteria and CaixaBank may draw up their financial statements and comply with their regular reporting and supervisory obligations. The Protocol lays down the procedures to be followed by CaixaBank and "la Caixa" Banking Foundation with regard to, inter alia, conflicts of interest, their relationship with significant shareholders, related-party transactions and the use of inside information, pursuant to prevailing legislation at all times.

Listed Group companies in Spain (D.7)

In Spain, the Bank is the only listed company belonging to the CaixaBank Group.

E. Risk Management and Control Systems

This section contains the information required under heading E in the form of a references table, providing direct access to relevant information on each of the issues raised.

Circular 2/2018, of 12 June, of the Spanish National Securities Market Commission (CNMV)	Location
And risk management and control systems	
E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.	See section **3.2. Risk governance, management and control** of Note 3 to the AFS.
E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.	See section **3.2. Risk governance, management and control - *3.2.1 Governance and organisation*** in Note 3 to the CFS; section C.2. Committees attached to the Board of Directors explained in this document and the section on **Tax transparency** in the CMR.
E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.	See section **3.2. Risk governance, management and control - *3.2.2 Strategic risk management processes*** - Corporate Risk Catalogue described in Note 3 to the CFS and sections on Responsible and ethical behaviour, Risk Management and Transparency – **Tax transparency** in the CMR.
E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.	See section**3.2. Risk governance, management and control - *3.2.2 Strategic risk management processes*** - Risk Appetite Framework and ***3.2.3. Risk culture*** described in Note 3 to the CFS.
E.5 State which risks, including tax compliance risks, have materialised during the year.	See Performance, results and activity and Risk management – Main milestones in 2019 in the CMR; sections **3.3** to **3.17** (description of each risk of the Corporate Risk Catalogue) in Note 3 and section **23.3. Provisions for procedural matters and disputes for taxes outstanding** in Note 23 to the CFS.
E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.	See section ***3.2. Risk governance, management and control - 3.2.4.*** **Internal control framework** and sections **3.3** to **3.17** (description of each risk in the Corporate Risk Catalogue) in Note 3 to the CFS, the section on ***Corporate governance*** (Code of Business Conduct and Ethics of CaixaBank), ***Responsible behaviour and ethics and Responsible practices and Tax transparency*** in the CMR.

CFS - Consolidated annual financial statements of the CaixaBank Group for 2019
CMR - Consolidated Management Report of the CaixaBank Group for 2019

F. Systems for Risk Management and Internal Control over financial reporting (ICFR)

Environment for internal control over financial reporting

Governance and bodies in charge

The CaixaBank **Board of Directors** has formally assumed responsibility for the existence of a suitable and effective ICFR system, and has delegated its design, implementation and functioning to the Bank's **Executive Division of Financial Accounting, Control and Capital.**

Article 40.3 of the CaixaBank Articles of Association establishes that the **Audit and Control Committee** is responsible for the following functions, inter alia:

- **Oversee the effectiveness of the Company's internal control,** the internal audit and risk management systems, and discuss any significant weakness in the internal control system detected during the audit with the accounts auditors.
- **Oversee the mandatory financial information preparation and presentation process.**

The **Audit and Control Committee** has taken on the role of overseeing the ICFR system. Its oversight activity seeks to ensure ICFR's continued effectiveness, gathering sufficient evidence of its correct design and operation.

The **Global Risk Committee** is responsible for knowing and analysing the most relevant events and changes in the policies and methodologies regarding the admission, monitoring, mitigation and management of impairment or incidents of all risks within the scope of monitoring and management (as well as the reliability of financial information, among others), approved by the corresponding committees, and for monitoring the impact on the Bank's different departments.

The **Risks Committee** is responsible for advising the Board of Directors on the global risk propensity, present and future, and its strategy, reporting on the framework of risk appetite, assisting in the surveillance of this strategy's application, ensuring that the Group's actions are consistent with the previously decided level of risk tolerance, and monitoring the level of suitability of the risks assumed with the established profile.

This allocation of responsibilities has been disseminated to the organisation through the **'Internal Control over Financial Reporting'** policy (hereinafter, ICFR Policy) and the related **Standard** (hereinafter, "ICFR Standard").

The **ICFR Policy** has been approved by the Board of Directors. It describes the most general aspects of ICFR such as the financial reporting to be covered, the applicable internal control model, policy supervision, custody and approval, etc.

For its part, the **ICFR Standard** has been approved by the Company's Management Committee. This establishes the **Function of Internal Control over Financial Reporting** (hereinafter, **ICFR**), responsible for:

- **Ensuring** that the practices and processes conducted by the Company to prepare the financial information **ensure its reliability** and compliance with applicable regulations.
- **Assessing whether the financial information** drawn up by the different companies of the CaixaBank Group **complies with the following principles:**

  i. The transactions, facts and other events presented in the financial information exist and were recorded at the right time (existence and occurrence).

  ii. The information includes all transactions, facts and other events in which the bank is the affected party (completeness).

  iii. The transactions, facts and other events are recorded and measured in accordance with applicable standards (valuation).

  iv. Transactions, facts and other events are classified, presented and disclosed in the financial information in accordance with applicable standards (presentation, disclosure and comparability).

  v. 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).

Both regulations allow for disseminating a common methodology in the Group. All CaixaBank Group entities that have an ICFR model act in a coordinated manner.

Following the takeover of BPI in 2017, a project was undertaken to standardise the methodology applied by BPI, leading to implementation of its own ICFR system in 2019.

Both the ICFR Policy and the ICFR Standard describe the **internal control model of the 3 lines of defence** applicable to the ICFR system, in line with regulatory guidelines and best practices in the industry:

>> **INTERNAL CONTROL MODEL OF THE 3 LINES OF DEFENCE**

First Line of Defence:

The **First Line of Defence** comprises the business units and their support functions, which are the risk-taking areas. They are responsible for developing and maintaining effective controls over their businesses, and for identifying, managing and measuring, controlling, mitigating and reporting the main risks regarding the Reliability of Financial Reporting.

Furthermore, they are responsible for the processes monitored by the ICFR Unit, helping to identify risks and controls and the formal establishment and descriptive documentation of the activities and controls which affect the generation of financial information.

Second Line of Defence:

The **Second Line of Defence** acts independently from the business units and support area, and performs risk identification, measurement, monitoring and reporting, establishes management policies and control procedures, and is responsible for reviewing application thereof by the First Line of Defence. The ICFR Function, which is focused on covering the risk in "Reliability of financial reporting", falls under this line.

Third Line of Defence:

The **Third Line of Defence,** which consists of the Internal Audit unit, is responsible for assessing the effectiveness and efficiency of risk management and the internal control systems, applying principles of independence and objectivity.

Organisational **Structure and Functions**

Review and approval of the organisational structure and lines of responsibility and authority are carried out by the CaixaBank **Board of Directors,** through the **Management Committee** and the **Appointments Committee.**

The **Organisation** area designs the organisational structure of CaixaBank and proposes to the Bank's governing bodies any suitable changes. Then, the **General Human Resources and Organisation Division** proposes the people to be appointed to carry out the duties defined.

The **lines of responsibility and authority** for drawing up the Bank's financial information are clearly defined. It also has a comprehensive plan which includes, amongst other issues, the allocation of tasks, key dates and the various revisions to be carried out by each of the hierarchical levels. Both the above-mentioned lines of authority and responsibility and planning have been duly documented and all of those people taking part in the financial reporting process have been informed of the same.

The Bank operates a **"Policy on disclosure and verification of financial information"** approved by the Board of Directors, the main objectives of which are:

- Define the **scope of information to disclose** and criteria related to control and verification of financial information.
- Provide the Bank with a **reference framework** that allows management of the reliability risk of the financial information to be disclosed, standardising control and verification criteria.
- Define the **governance framework** to be followed both for information to disclose and for verification of documentation.

Under this Policy, verification of information to be disclosed is structured around three main points:

- **Suitability and quality of information.** That is, when information is disclosed, it meets the specifications in current regulations with respect to criteria, content and type of information to be disclosed, and it is also subject to a control environment that can provide a reasonable degree of assurance with regard to quality.
- Compliance with internal **governance** prior to disclosure of information.
- Compliance with **periodicity and disclosure deadlines.**

Annual review of compliance with the Policy is conducted on the basis of attestations (within the ICFR system) by the persons in charge of drawing up and/or reviewing the information and by means of direct review by the Divisions of Financial Internal Control, Structural Risks and Regulated Models, and Non-Financial Risks. The results are reported to the relevant Governance Bodies.

Code of Ethics and Principles of Action and other internal policies

Code of Ethics and Principles of Action

CaixaBank has a **Code of Ethics and Principles of Action,** which is the highest-level standard in the Bank's internal regulations hierarchy, approved by its Board of Directors. This establishes the values (leadership, trust and social commitment) and ethical principles behind its actions, which must govern the activity of all employees, executives and members of the Board of Directors. These principles are as follows: compliance with laws and regulations at all times, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.

As the Code establishes, CaixaBank undertakes to provide its customers with accurate, truthful and understandable information on its operations, the terms and conditions of products and services, and fees and procedures for filing claims and resolving incidents.

Moreover, CaixaBank provides shareholders and institutional investors with all relevant financial and corporate information in accordance with current regulations and in compliance with CaixaBank's information, communication and contact policy for shareholders, institutional investors and proxy firms.

The Code of Ethics is available on CaixaBank's website (www.caixabank.com).

Derived from the values and ethical principles stipulated in the Code of Ethics, CaixaBank has put in place **Standards of Conduct** regarding specific issues. Some of the most relevant aspects of this are:

Penal Compliance Corporate Policy

Approved by the Board of Directors, this lays out the **CaixaBank Penal Prevention Model.** Its objective is to prevent and avoid crimes within the organisation, following the stipulations of the Criminal Code, in relation to the criminal responsibility of the corporate person. Through this Policy, the Bank strengthens its model of organisation, prevention, management and control, which is designed according to the culture of compliance that articulates decision-making at all tiers of CaixaBank.

Anticorruption Policy

As a policy approved by the CaixaBank Board of Directors, the Anticorruption Policy is designed to prevent the Bank and its external collaborators, directly or through intermediaries, from engaging in conduct **that may be against the law** or the core principles of CaixaBank as set out in the Code of Ethics.

The Policy sets rules on accepting and giving gifts, travel and entertainment expenses, relations with political and government institutions, sponsorships, donations, and at-risk suppliers. Furthermore, it details the types of conduct, practices and activities that are prohibited, in order to avoid situations that could constitute extortion, bribery, facilitation payments or influence peddling.

General Conflict of Interest Corporate Policy - CaixaBank Group

Approved by the Board, this Policy sets out to furnish a global benchmark framework for CaixaBank Group companies, stating, in a standard harmonised way, the general principles and procedures of action to be taken to **address any real or potential conflicts of interest** arising in the course of their respective activities and services.

Internal Regulation on Market Conduct (RIC)

This Regulation, approved by the CaixaBank Board of Directors, is designed to adapt the actions of CaixaBank and companies of the CaixaBank Group, along with their boards of directors and management, employees and agents, to the **standards of conduct** contained in Regulation 596/2014 of the European Parliament, the Law on the Securities Market and its implementing regulations, which are applicable to **activities related to the securities market.** The overall purpose is to promote transparency in markets and to protect, at all times, the legitimate interests of investors.

All covered persons must understand, comply with, and enforce this Regulation and the current legislation of the securities market related to their specific area of activity. Other stakeholders may also access it on the CaixaBank website.

Telematic Code of Conduct

The Code is designed to set clear and transparent rules on the use of resources provided by CaixaBank to its employees in the context of the performance of their job duties; ensure the **proper use of the technical and IT resources** owned by CaixaBank as regards information security; raise employee awareness of the need for proper use of the communications network and improved distribution of collective resources; and raise awareness regarding the security of IT and communications equipment inside and outside the Bank's premises.

In addition to these rules, CaixaBank has a **range of internal policies and standards** of various kinds, covering the corresponding areas. In Compliance, policies can be classified into risk-related categories:

CATEGORÍAS DE POLÍTICAS SEGÚN TAXONOMÍA DE RIESGO

- Customer **protection**
- **Markets**
- **Employee** activities
- **Data protection,** privacy and regulatory reporting
- **Internal governance**
- **Money laundering and terrorist financing**
- **Sanctions**
- **AEOI initiatives** (tax compliance)

In particular, we should highlight an internal standard on Regulatory Compliance, which describes the content and scope of application of a range of internal regulations that must be adhered to by CaixaBank employees. This includes matters regarding confidential query and whistleblowing channels.

The **degree of internal dissemination of the Code of Ethics and Standards of Conduct** is universal. Specifically:

- All **new employees** are given a document setting out the Code of Ethics and the main Standards of Conduct. Once the content is explained, the employee declares that /she has read, understands and accepts each of the terms thereof, manifesting his/her acceptance and undertaking to adhere to them.
- In addition, in 2019 we continued to run training events for new CaixaBank employees at head office, including time devoted to compliance matters.
- As with the Code of Ethics, the Standards of Conduct are available on the corporate **Intranet.**

  Some Standards of Conduct are also available on the Bank's corporate website.
- **Training** is also carried out each year on the Code of Ethics and the Standards of Conduct, specifically through CaixaBank's own e-learning platform, which includes a final test. This guarantees continual monitoring of courses taken by the Bank's employees.

  As in previous years, a range of training courses were defined for 2019 for employees, which are mandatory and regulatory, i.e. they are linked to the receipt of variable remuneration.

  Among planned training, we highlight the course on **"Code of Ethics, Anticorruption Policy and Conflicts of Interest".** The course was designed to explain the key points of the Code of Ethics, the Anticorruption Policy and the Conflict of Interest Policy from the standpoint of employees.
- In parallel to all the above, and in response to the needs at any given time to continue working on the dissemination of CaixaBank values and principles, **notices and briefing notes** are sent out. For example, in the framework of complying with the Code of Ethics, there is an annual notice regarding Gifts.

Meanwhile, depending on the area where there has been a breach to the Code of Ethics and/or Code of Conduct, the body responsible for analysing it and proposing corrective actions and potential sanctions varies. These include:

- **Corporate Penal Risk Management Committee:** A high-level body with autonomous powers of initiative and control, with the capacity to raise consultations, request information, propose measures, begin investigations or carry out any process required in relation to crime prevention and managing the Penal Prevention Model. The Committee analyses conduct reported in complaints of potential criminal offences. If disciplinary measures are required as a result of the analysis conducted, it is transferred to CaixaBank's Incidents Committee.

  The Corporate Penal Risk Management Committee reports to the Global Risk Committee, and, if relevant, to the Risk Committee.

- The **RIC Committee:** A collegiate body that analyses potential breaches, and proposes corrective actions and sanctions. Likewise, any queries regarding the content of the RIC can be forwarded to the RIC Committee Secretary or the Corporate Regulatory Compliance Division, depending on the issue.

Whistleblowing channel for reporting financial irregularities

CaixaBank has put in place a range of **confidential whistleblowing channels** for communications relating to the matters within the scope of the Code of Ethics, the Anticorruption Policy, the Penal Risk Prevention Model, the Internal Rules of Conduct on matters relating to the Stock Market and any other internal CaixaBank policy or standard.

A **query** is understood as a confidential request by an employee for clarification of specific questions, as a result of the interpretation or application of the concepts laid forth in the policies and standards mentioned earlier.

A **complaint** is a confidential notification by an employee to make the Bank aware of a potential breach of those rules, policies or standards.

In 2019, the channels specified above have been for the **exclusive use of the Bank's employees.** If the queries/complaints are put forward by customers, they must be processed through the customer services channels established by CaixaBank, whether internal or official.

Queries and complaints are personal, and can only be put forward by the interested parties themselves, and not on behalf of a group or third party.

Access to such channels is internal. They are available on the Corporate Intranet. We should also highlight the significant effort of the organisation in disseminating and raising awareness of the channels, including in the **training courses** that detail the mandatory use of said channels when the circumstances arise. One example is the course on "Code of Ethics, Anticorruption Policy and Conflicts of Interest".

Queries received through these channels are received and managed by **Regulatory Compliance,** apart from those relating to the Code of Telematic Conduct, which are handled by **Security and Governance.** As for complaints, they are managed by Regulatory Compliance. Periodically, Regulatory Compliance reports to the Audit and Control Committee.

The channels have established a range of guarantees. These include:

- **Confidentiality:** It is expressly forbidden to disclose to third parties any kind of information concerning the content of queries or complaints. This information will only be known to the individuals directly involved in handling the case.

- **Protection of the reporting party's identity:** The identity of the individual reporting or communicating the possible breach will be protected, and in no event will it be revealed to the party being reported.

  Regulatory Compliance will provide the name of the reporting party to other departments or areas only when this information is strictly necessary in order to investigate the report, and in all such cases the prior consent of the reporting party will be sought.

- **Prohibition on reprisals:** CaixaBank expressly prohibits and does not tolerate reprisals against individuals reporting a possible breach of the Bank's rules of conduct or against those aiding/involved in the investigation, provided they have acted in good faith and played no part in the reported event. CaixaBank will take appropriate measures to ensure that complainants and persons submitting queries are protected.

- **Sharing of the same workplace:** If a complainant and the person complained of share the same workplace, the Bank will determine whether or not steps should be taken accordingly.

- **Incompatibilities:** In the event that any individual involved in reporting a possible breach through the confidential channels is related by kinship, marriage, or consanguinity to any person tasked with handling, investigating, or deciding on the case, the latter will be barred from taking part and will be replaced with a person not under his or her authority.

- **Rights of person reported:** The person reported must be informed of the complaint against him or her as soon as suitable checks have been made and a case file has been opened for processing.

CaixaBank will notify the person reported of the complaint and its subject matter within one month.

In 2019, a project was undertaken to introduce best practices for whistleblowing channel access and management: a **new channel for enquiries and whistleblowing.** CaixaBank regards the channel as a key element of **preventing and rectifying breaches** and detecting and preventing criminal conduct.

The key features of the new channel are:

- **New environment:** implementation of the new tool accessible internally and over the Internet, 24 hours a day, 365 days a year, using corporate and personal devices.

- **Wider scope of users:** in addition to employees, the channel will be open to Directors of the Bank, temporary staff, agents and suppliers.

- **Anonymous whistleblowing:** whistleblowers can use the channel in their own name or anonymously.

- **Processing partly outsourced:** to ensure that the entire process is transparent and effective, examination of complaints is partly outsourced to an independent expert.

The launch of the new query and whistleblowing channel is planned for the **first quarter of 2020.**

Training

CaixaBank and its subsidiaries provide an **ongoing training plan** on accounting and financial topics, tailored to the job positions and duties of employees involved in preparing and reviewing financial information.

In 2019, training focused on the following topics:

- Accounting
- Audit
- Internal Control
- Legal/Tax
- Risk Management
- Regulatory Compliance

These training actions were aimed mainly at the staff of the Financial Accounting, Control and Capital Division, the Audit, Control and Compliance Division, the Non-Performing Loans, Recoveries and Assets Division, and members of the Bank's senior management. An estimated 67,939 hours of this type of training was provided.

With respect to **ICFR** training, an **online training course** was launched in the last quarter of 2019. 39 employees Intervention and Accounting, Corporate Information and Control of Investees, Planning and Capital and Risks, among others, have been certified in addition to the 87 who were trained in 2018 and the 498 between 2013 and 2017.

This course is intended to raise awareness among all employees either directly or indirectly involved in preparing financial information of the importance of establishing mechanisms which guarantee the reliability of the same, as well as their duty to ensure compliance with applicable regulations. The course is structured in two blocks:

- The **first section** covers ICFR standards, with particular reference to the CNMV's guidelines issued in June 2010.
- **Next,** the **second section** covers the methodology established at the CaixaBank Group to ensure compliance with all prevailing ICFR regulatory requirements.

Financial Accounting, Control and Capital (FACC) also subscribes to various national and international accounting and financial publications, journals and websites. These are checked regularly to ensure that the bank takes into account any developments when preparing financial information. FACC is also a member of and attends meetings of international and domestic bodies and working parties that discuss matters relating to accounting standards and financial issues. Other areas of the Bank are also present in these forums.

In the framework of the **CaixaBank Strategic Plan for 2019-2021,** announced on 27 November 2018, a new strategic element is to 'Encourage an agile, collaborative culture focused on people'. During this period, talent and diversity will take centre stage by ensuring that talent can develop its potential through meritocracy, diversity and empowerment. The Bank will also define and deploy the best value proposition for employees – improving the employee experience – and focus on the key attributes of agility and collaboration.

As in 2018, professional development programmes and courses for the various business areas were drawn up in accordance with **business segmentation** and the profiles and skills of potential participants and the objectives set.

In 2015, the **Risks School** was set up, in collaboration with the Instituto de Estudios Bursátiles (IEB), the Universidad Pompeu Fabra (UPF) and the Universitat Oberta de Catalunya (UOC). The main purpose of this initiative is to support the training of critical professional skills and promote a decentralised management model so that employees increasingly have the necessary skills to approve lending transactions.

The Risks School has four different levels and training is adapted to the various profiles of CaixaBank employees according to their professional functions and requirements. It offers virtual content on the Virtaula corporate platform which is complemented with classroom-based sessions with internal training staff. The training is accredited by external experts from UPF.

In 2019, 196 employees were certified within the basic programme, 739 people completed the retail postgraduate diploma course, and 285 staff members were awarded the first business banking postgraduate diploma. A further 600 employees are currently in training. Over the coming years it is expected that all CaixaBank employees will receive training in the four levels offered by the Risks School.

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empleados certificados sobre el SCIIF

Another important initiative is CaixaBank's agreement with the Universidad Pompeu Fabra (UPF) Barcelona School of Management and the CISI (Chartered Institute for Securities & Investment) whereby both institutions **certify the training taken by the Bank's employees** with a single demanding exam, in accordance with European regulations on specialist training for bank employees. This training initiative is aimed at branch managers and Premier Banking managers as well as CaixaBank Private banking advisers, directors and centre managers and so that they are able to **offer customers the best possible service.** With this, CaixaBank is anticipating the prevailing EU regulations and is also the first Spanish financial institution to certify employee training with a post-graduate university diploma in Financial Advice. In 2019, 165 employees, comprising branch managers, Premier Banking managers and Private Banking staff, completed the **postgraduate diploma in financial advice** in a new form: trainees must first complete the financial reporting and advice postgraduate course (CIAF), explained below, and then move on to the remainder of the programme to obtain the full diploma. 493 employees are currently taking this course. In addition, 7,458 employees obtained the qualification in its previous format as a postgraduate diploma via a single examination.

In 2016, the Group signed an agreement with the UPF Barcelona School of Management to accredit employees with the **postgraduate course in financial reporting and advice** (CIAF). This course is shorter than the last one, but meets the MiFID II advisory requirements, and is taken by Commercial Assistant Managers, as well as employees in the Business Banking segment. In its two editions, finished in 2019, 1,578 employees were certified. Currently, 2,214 employees are taking new editions that will end in late 2019 or early 2020.

As to the new **training** required by the Bank of Spain on the new **Property Lending Contracts Act,** CaixaBank has created a training programme in partnership with UPF consisting of 53 teaching hours. In 2019, the course was passed by 9,842 employees, and a further 7,534 employees are currently in training. The course has a wider scope than employees directly facing customers, embracing staff involved in any process touching on this type of product.

In 2019, specific training was also provided to executives in the **Rethink management development programme,** in three areas: C1 programme for junior executives and C2 programme for senior executives, with broader scope and greater dedication, and programmes focused on strengthening specific skills. Talent identification and management programmes were also available.

In 2019, **training provided to Directors of the Bank** involved a tighter focus on managing banking risk and new technologies, alongside single-topic sessions for some Board committees.

This year, the Board of Directors discussed strategic issues regarding digitisation, business units and governance, and held an offsite event on banking risk and new technologies.

For their part, some of the Board committees held a range of **sessions and specific events** within their meetings to look at risk and solvency issues, as follows:

- Three joint single-topic sessions for the Audit and Control Committee and the Risks Committee, looking in detail at solvency issues (such as ICAAP, ILAAP and the CaixaBank Group's Recovery Plan) and key points relating to the Group's insurance business.

- Two work sessions run by the Audit and Control Committee to discuss **internal audit** topics, and a third session to provide training on the Group's **deferred tax assets.**

- A single-topic work session of the Risks Committee to provide members with training on **Credit Risk Models,** in addition to 15 single-topic presentations within the Risks Committee's agenda, with a special focus on catalogue risks.

Finally, in 2019 we provided 19 training sessions – with a total duration of 40 hours – to **newly appointed Directors,** so that they could acquire a clear understanding of the structure, business model, risk profile and internal governance of CaixaBank and its Group, with a special focus on the applicable regulatory framework. They were also given a file containing the key documents on the internal regulations of the Bank and the industry. Such training was in all cases internal, provided by Bank executives.

In addition, Financial Accounting, Control and Capital (FACC), the main area involved in the preparation of financial information, during 2019 provided training and classroom workshops on different topics that are relevant to the performance of their duties, mainly related to **developments in accounting standards,** and internal training sessions for sharing knowledge among different management teams.

Risk assessment in financial reporting

The **risk identification** process followed by the Company is as follows:

Determining the scope, including the selection of the financial information, relevant headings and entities of the Group generating it, using quantitative and qualitative criteria. In 2019, this activity was carried out at the beginning of the year using data at 31 December 2018 and revised in the second half using data at 30 June 2019.

Analysis and classification of key Group entities to determine the required standard of control for each entity.

Identification of the Group's material processes which are involved, directly or indirectly, in preparing financial information.

Identification of risks associated with each process and their mitigating controls.

Documentation of existing controls to mitigate identified risks.

Continual assessment of the effectiveness of ICFR.

Reporting to Governing Bodies.

As indicated in the ICFR Standard, the Bank has a methodology for **identifying processes, relevant areas and risks associated to financial reporting,** including error or fraud.

The ICFR Standard sets out the methodology to identify the key areas and significant processes associated with financial reporting relating to the identification of risks, based on:

- establishing specific guidelines for **responsibilities** and implementation and updating;
- establishing the **criteria** to be followed and **information sources** to be used in the identification process;
- establishing criteria to be followed to identify relevant **subsidiaries** with regard to ICFR.

The ICFR Function periodically, at least once a year, reviews all the risks within the ICFR scope and all control activities designed to mitigate these. This process is carried out in conjunction with all the areas involved. However, if, during the course of the year, unidentified circumstances arise that could affect the preparation of financial information, the ICFR function must evaluate the existence of risks in addition to those already identified.

Risks relate to potentially material errors (intentional or otherwise) in relation to financial reporting objectives, which must comply with the following principles:

- Transactions, facts and other events presented in the financial information in fact exist and were recorded at the right time (**existence and occurrence**).
- The information includes all transactions, facts and other events in which the Bank is an affected party (**completeness**).
- Transactions, facts, or other events are reported and measured in accordance with applicable standards (**measurement**).
- Transactions, facts and other events are classified, presented and disclosed in financial reporting in accordance with applicable standards (**presentation, disclosure and comparability**).
- Financial information shows, at the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (**rights and obligations**).

The risk identification process takes into account both routine transactions and less frequent transactions which are potentially more complex, as well as the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.). The Bank also has an analysis procedure in place implemented by the various business areas involved in corporate transactions and non-recurring or special transactions, with all accounting and financial impacts being studied and duly reported.

The impact of risks on the reliability of the reporting of financial information is analysed in each of the processes entailed in its preparation.

The governance and management bodies receive regular information on the main risks inherent in financial reporting, while the Audit and Control Committee monitors the generation, preparation and review of financial reporting via the Internal Audit function and the opinion of both External Audit and Supervisory Bodies.

Procedures and activities for control over financial reporting

Procedures for **reviewing and authorising financial reporting**

The preparation and review of financial information is carried out by the **Executive Division of Financial Accounting, Control and Capital,** which requests collaboration from all Bank departments and companies of the Group, in order to get further details on any information that it deems necessary.

Financial reporting is a key element of the process of oversight and decision-making by the highest Governance and Management Bodies of the Bank. Therefore, the preparation and review of financial reporting must be based on **suitable human and technical resources** that enable the Bank to provide true, accurate and clear information about its business in accordance with prevailing laws and regulations.

In particular, the professional experience of the personnel involved in reviewing and authorising the financial information is of a suitable standard and all are appointed in the light of their **knowledge and experience in accounting, auditing or risk management.** Likewise, by establishing control mechanisms, the technical measures and IT systems ensure that the financial information is reliable and complete.

Financial reporting is monitored by the various hierarchical levels within Financial Accounting, Control and Capital and, where applicable, double checked with other areas of the Bank. Finally, the key financial information disclosed to the market is examined and, if applicable, approved by the highest-ranking governing bodies (the Board of Directors and the Audit and Control Committee) and the bank's management.

With regard to activities and control procedures directly related to transactions which may have a material impact on the financial statements, the Bank has in place a process whereby it **constantly reviews all documentation concerning the activities** carried out, any risks inherent in financial reporting and the controls needed to mitigate critical risks. This ensures that all documentation is complete and up to date.

In this respect, the following information is detailed in the **documentation on critical processes and control activities** of financial information:

- Associated **processes and subprocesses.**
- **Risks** of financial information along with their Financial Assertions and the possibility of Risk due to Fraud. In this respect, we highlight that the risks are specified according to risk categories and models that form part of the Bank's **Corporate Risk Catalogue,** produced by the Executive Division of Corporate Risk Management Function & Planning.
- **Control activities** implemented to mitigate risk, with these characteristics:

>> **Classification**
Key / Standard

>> **Automation**
Manual / Automatic / Semiautomatic

>> **Evidence**
Evidence/proof that the control is working correctly

>> **System**
IT applications or programmes used in the control activity

>> **Financial assertions**
existence and occurrence; completeness; valuation; presentation, disclosure and comparability; rights and obligations.

>> **Control executor**
Person responsible for implementing the control

>> **Purpose**
Preventive / Detective / Corrective

>> **Frequency**
How often the control is executed

>> **Certification**
According to the frequency of control, the period(s) in the year when certification is conducted

>> **COSO Component**
Type of control activity according to COSO classification *(Committee of Sponsoring Organisations of the Treadway Commission)*

>> **Person responsible for the control**
Person who ensures the control is executed correctly

All activities and controls are designed to guarantee that all transactions carried out are correctly recorded, valued, presented and itemised.

To assess the effectiveness of existing controls, CaixaBank has an **internal bottom-up certification process of key controls.** The objective is to guarantee the reliability of financial reporting when made public to the market.

The persons responsible for each of the key controls submit attestations guaranteeing their **effective execution** during the period in question. The process is carried out at least quarterly although there are also ad-hoc non-standard attestations where controls of financial reporting are carried out during different periods.

The Financial Accounting, Control and Capital Executive Manager informs the **Management Committee** and the **Audit and Control Committee** of the outcome of this attestation process. This result is also passed on to the **Board of Directors.**

In 2019, the Bank conducted the **attestation process on a quarterly basis.** No material weaknesses were detected.

Attestations were also conducted at times other than standard quarter-ends for certain financial information to be made public to the markets. Again, no material weaknesses were detected.

Internal Audit performs supervisory functions, as described in section 5.

The preparation of the financial statements requires senior executives to make certain **judgements, estimates and assumptions** in order quantify assets, liabilities, income, expenses and obligations. These estimates are based on the best information available at the date the financial statements are prepared, using generally-accepted methods and techniques and observable and tested data and assumptions.

The procedures for reviewing and approving the judgements and estimates are outlined in the ICFR Policy and the ICFR Standard. The Board of Directors and the Management Committee are responsible for approving this information.

This year the Bank has addressed the following:

- The criterion to temporarily allocate income obtained from secondary activities provided to the profit and loss account.
- The measurement of goodwill and intangible assets.
- The term of the lease agreements and the discount rate used in the measurement of the lease liabilities.
- The fair value of assets, liabilities and contingent liabilities in the context of the purchase price allocation in business combinations.
- Impairment losses on financial assets, and of the fair value of guarantees associated thereto, according to their classification in accounts, which entail the need to make judgements regarding: i) the consideration of 'a significant increase in credit risk' (SICR), ii) the definition of default; and iii) the incorporation of forward-looking information.
- The measurement of investments in joint ventures and associates.
- The determination of share of the profit or loss of investments in associates.
- The actuarial assumptions used to measure liabilities under insurance contracts.
- The classification, useful life of and impairment losses on property, plant and equipment and intangible assets.
- Impairment losses on non-current assets and disposal groups classified as held for sale.
- The actuarial assumptions used to measure post-employment liabilities and obligations.
- The measurement of the provisions required to cover labour, legal and tax contingencies.
- The income tax expense determined based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets.
- The fair value of certain financial assets and liabilities.

Procedures for **IT systems**

The IT systems which give support to processes regarding the preparation of financial information are subject to internal control policies and procedures which guarantee completeness when preparing and publishing financial information.

Specifically these are policies regarding:

Information Security Management System

CaixaBank has an **Information Security** Management System (ISMS) based on international best practices. This ISMS has obtained, and each year renews, ISO 27001:2013 certification by the British Standards Institution (BSI). This system defines, amongst other policies, those for accessing IT systems and the internal and external controls which ensure all of the policies defined are correctly applied.

Operational and business continuity

The Bank has in place an **IT Contingency Plan** to deal with serious situations to guarantee its IT services are not interrupted. It also has strategies in place to enable it to recover information in the shortest time possible. This IT Contingency Plan has been designed and operates according to ISO 27031:2011. Ernst&Young has certified that the regulatory governance body for Technological Contingency at CaixaBank has been designed, developed and is operating in accordance with this regulation.

The British Standards Institution (BSI) has certified that CaixaBank's Business Continuity Management System is ISO 22301:2012 compliant. These certifications attest:

- CaixaBank management's commitment to business continuity and technological contingency.
- The existence of business continuity and technological contingency management best practices.
- A cyclical process based on continuous improvement.
- That CaixaBank has deployed and operates business continuity and technological contingency management systems which are compliant with international standards.

Which offer:

- **Assurance** to our customers, investors, employees and society in general that the Bank is able to respond to serious events that may affect business operations.
- **Compliance with the recommendations** of regulators, the Bank of Spain, MiFID and Basel III.
- **Advantages** in terms of the Bank's image and reputation.
- **Annual audits, both internal and external,** which ensure we keep our systems up to date.

Information technology (IT) governance

CaixaBank's information and technology (IT) governance model ensures that its **IT services are aligned with the Bank's business strategy** and comply with all regulatory, operational and business requirements. IT governance is an essential part of overall governance and encompasses organisational structures and guidelines to ensure that the IT services support and facilitate the fulfilment of strategic objectives. The Regulations on Information Technology (IT) Governance at CaixaBank is implemented on the basis of requirements specified in the standard 'ISO 38500:2008 - Corporate Governance of Information Technology', in accordance with the technical guide contained in the technical report 'ISO 38502:2014 - Governance of IT Governance - Framework and model'. The certification of the model was updated by Deloitte Advisory, S.L. in December 2018.

CaixaBank's IT services have been designed to meet the business' needs, guaranteeing the following:

- Segregation of duties;
- Change management;
- Incident management;
- IT quality management;
- Risk management; operational, reliability of financial reporting, etc.;
- Identification, definition and monitoring of indicators (scorecard);
- Existence of governance, management and monitoring committees;
- Regular reporting to management;
- Rigorous internal controls which include annual internal and external audits.

Procedures for overseeing the management of outsourced **activities and independent experts**

The CaixaBank Group has a **Cost, Budget Management and Purchasing Policy,** approved by the Management Committee on 18 June 2018, which defines the global reference framework for the companies of the Group, and details the general principles and procedures regarding the definition, management, execution and control of the budget for CaixaBank's operational and investment costs.

This policy is detailed in the **Group's internal regulations** which mainly regulate processes regarding:

- Budget drafting and approval
- Budget execution and demand management
- Procurement and commissioning
- Payment of invoices to suppliers

Most of the processes carried out between Group entities and suppliers are managed and recorded by programs which include all activities. The Efficiency Committee is responsible for ensuring that the budget is applied in accordance with internal regulations.

To ensure correct cost management, the CaixaBank Efficiency Committee has delegated duties to two committees:

- **Expenditure and Investments Committee (CGI):** reviews and ratifies all expenses and investment proposed by the various areas and subsidiaries in projects. It queries the need for and reasonableness of expenditure by means of a profitability and/or efficiency analysis from the standpoint of the Bank.

- **Purchasing Board:** oversees achieving maximum savings in contracting goods and services, encouraging equal opportunities among suppliers. The Bank's Code of Business Conduct and Ethics stipulates that assets must be purchased and services engaged objectively and transparently, avoiding situations that could affect the impartiality of the people involved. Hence all procurement must be based on at least 3 competing bids submitted by different suppliers. Purchases above a given threshold must be managed by the specialist team of buyers for the given category: IT, Professional Services, Marketing, Facilities or Building Works.

The CaixaBank Group has a **Suppliers' Portal** offering quick and easy communication between suppliers and Group companies. This channel allows suppliers to submit all the necessary documentation when bidding for contracts or processing their standard-approval for eligibility. This not only ensures compliance with internal procurement regulations but also makes management and control easier.

CaixaBank has an **Outsourcing Policy** which establishes the methodological framework and criteria to take into account when outsourcing services. The policy determines the roles and responsibilities of each activity and states that all outsourcing must be assessed according to its criticality and risk, as well as defining various control and supervision levels according to its classification. The policy was updated in 2019 to bring it into line with the new regulatory framework.

The wording of the new policy on outsourcing governance, in conjunction with the second line of defence for non-financial risks, ensures:

- CaixaBank senior management's **commitment** to outsourcing governance.

- Compliance with outsourcing management initiative **best practices.**

- A cyclical process based on **continuous improvement.**

Formalisation of this Policy means:

- Our customers, investors, employees and other stakeholders **trust** in the decision-making and control process for outsourcing initiatives.

- **Compliance** with the recommendations of regulators, such as the Bank of Spain, MiFID and Basel III.

- **Advantages** in terms of the Bank's image and reputation.

CaixaBank has increased its control efforts even further, and ensures that future outsourcing does not represent a loss of supervision, analysis and enforcement capacities of the service or activity in question.

The following procedure is followed when there is a new outsourcing initiative:

- **Analysis** of the applicability of the outsourcing model to the supplier.
- Assessment of the **outsourcing decision** by measuring criticality, risks and the outsourcing model.
- **Approval** of the risk inherent in the initiative by a collegial internal body.
- **Engagement** of the supplier.
- **Transfer of service to** external supplier.
- **Oversight and monitoring** of the activity or service rendered.

All outsourced activities are subject to controls largely based on **performance indicators.** Each person in charge of an outsourced activity shall request that the supplier report all indicators and keep these up-to-date. These are then reviewed internally on a periodical basis.

In **2019,** valuation and calculation **services** commissioned from independent experts mainly concerned the following:

- Certain internal audit and technology services
- Certain financial consultancy and business intelligence services
- Certain marketing and various procurement services
- Certain IT and technology services
- Certain financial services
- Certain financial, fiscal and legal advisory services
- Certain processes related to Human Resources and various procurement services
- Certain processes related to Information Systems

Reporting and communications

Accounting policies

Sole responsibility for specifying and communicating the Group's accounting principles rests with the **Accounting Policies and Regulation Department,** which reports to Financial Accounting, Control and Capital (FACC).

Its responsibilities include **monitoring and analysing regulations** applicable to the Group, for their interpretation and subsequent application in financial reporting, uniformly across all companies that comprise the Group; it also **continually updates** accounting criteria applied for any new kind of contract or operation, or any regulatory change.

Furthermore, the Department **analyses and studies the accounting implications** of individual transactions, to anticipate impacts and ensure the correct accounting process is applied in the consolidated financial statements, and resolves any questions or conflicts surrounding accounting matters that are not included in a cost sheet, or where there are any doubts regarding their interpretation. At least monthly, accounting queries that have been concluded by the Department are shared with the rest of the Financial Accounting, Control and Capital Division, explaining the technical arguments that support them or the interpretations made, as well as issues currently being analysed.

In the **process for creating new products,** through participation in the Groups' Product Committee, the Department analyses the accounting implications of the products, on the basis of their characteristics, whereby this analysis leads to the creation or update of a cost sheet, detailing all the potential events which a contract or transaction may involve. In addition, the main characteristics of administrative operation, tax regulations and accounting criteria and standards are described. Additions and amendments to the accounting circuits are notified immediately to the Organisation and most can be consulted on the Entity's intranet.

This Department also participates in and supports the **Regulation Committee of the CaixaBank Group** regarding accounting regulations. In the event of any regulatory change that must be implemented in the Group, the Department communicates this in writing to the Departments or Group subsidiaries affected, and participates or leads the implementation projects for such changes wherever relevant.

These activities prompted the **drafting and ongoing maintenance of a manual on accounting policies,** which establishes the accounting standards, principles and criteria adopted by the Group. This manual guarantees the comparability and quality of the financial information of all companies of the Group, and is complemented by the queries received by the Department.

Communication with operation managers is permanent and fluid.

Additionally, the Policies and Regulation Department is responsible for developing **training activities** in the organisation's relevant business departments, on accounting news and notifications.

Mechanisms for financial reporting

CaixaBank has internally-developed IT tools that ensure the completeness and homogeneity of **financial information capturing and elaboration processes.** All of these applications have IT contingency mechanisms which guarantee that the data is held and can be accessed in any circumstances.

We should emphasise that the Company is currently undergoing a project to improve the **architecture of accounting information,** with a view to increase quality, completeness, immediacy and access to data provided by business applications. The various IT applications are gradually being including in the scope of the project which currently includes a very significant materiality of balances.

For the purposes of preparing **consolidated financial reporting,** both CaixaBank and the companies that comprise the Group use specialised tools to deploy data capture, analysis and preparation mechanisms with standard formats. The accounts plan, which is incorporated in the consolidation application, has been defined to comply with requirements of the various regulators.

With respect to the Systems used for **ICFR management,** the Company has the **SAP Governance, Risk and Compliance (SAP GRC)** tool in place, in order to guarantee its completeness, reflecting the existing risks and controls. The application also supports the Corporate Risk Catalogue and Operational Risk Indicators (KRIs), for which the Executive Corporate Risk Management Function & Planning Division is responsible.

Oversight of the operation of the system for internal control over financial reporting

Notwithstanding the risk management and control functions of the **Board of Directors,** the **Audit and Control Committee** is entrusted with overseeing the **process for preparing and submitting regulated financial information** and the effectiveness of the Bank's internal control and risk management systems and discussing with auditors any significant weaknesses in the internal control system identified during the course of the audit.

The duties and activities of the Audit and Control Committee include those related to overseeing the process for preparing and submitting financial information as described in section 1.1.

As part of its duty to oversee the process for preparing and submitting regulated financial information, the Audit and Control Committee carries out, inter alia, the following activities:

- **Review of the Annual Internal Audit Plan** and assessment of whether the Plan has sufficient scope to provide appropriate coverage for the main risks to which the Bank is exposed. Subsequently, the Annual Plan is laid before the Board of Directors.
- **Review and assessment of the conclusions** of the audits carried out and the impact on financial reporting, where applicable.
- **Ongoing monitoring** of corrective action, prioritising each one.

The Internal Audit function, represented by the Management Committee's Executive Division for Audit, is governed by the principles contained in the Internal Audit Regulations of the CaixaBank Group, approved by the CaixaBank Board of Directors.

CaixaBank's internal audit is an **independent and objective activity** for assurance and enquiry designed to add value and improve operational performance. Internal audit contributes to achieving the strategic objectives of the CaixaBank Group by providing a systematic and disciplined approach to evaluating and improving risk control and management processes and corporate governance. Its objective is to guarantee effective and efficient supervision of the internal control system through ongoing assessment of the organisation's risks and controls. In addition, the Internal Audit function supports the Audit and Control Committee in its supervisory role by submitting regular reports on the outcome of internal audit engagements.

Internal Audit has **auditors working in various audit teams** which specialise in reviewing the main risks to which the Bank is exposed. One of these teams is the Financial Audit, Investees and Regulatory Compliance Division where specialists oversee processes at Financial Accounting, Control and Capital, which is responsible for preparing the bank's financial and accounting information. The Annual Internal Audit Plan takes a multiyear approach to review the risks and controls in financial reporting for all auditing engagements where these risks are relevant.

In each review Internal Audit:

- **Identifies the necessary controls** to mitigate the risks inherent in the process under review.
- Analyses the **effectiveness and efficiency** of the existing controls on the basis of their design.
- Verifies that these **controls are applied.**
- **Reports** the findings of the review and issues an opinion on the control environment.
- **Recommends** corrective actions.

Internal Audit has developed a **specific work programme to review ICFR,** focusing on the scheduled review of relevant processes (transversal and business) defined by the Internal Control over Financial Reporting team, which is complemented by a review of existing controls in audits of other processes. Currently, this work programme is completed by reviewing proper attestation and evidence of effective execution of a sample of controls, selected according to ongoing audit indicators. Based on this, the Internal Audit function publishes an annual global report that includes an assessment of the performance of ICFR during the year.

The annual assessment of ICFR at 31/12/2019 focused on:

- Review of **application of the Reference Framework** defined in the document "Internal Control over Financial Reporting in Listed Companies" published by the CNMV as a standard of best practices in this area.
- Verification of **application of the Internal Control over Financial Reporting Policy and Standard** to ensure that ICFR across the Group is suitable and effective.
- Assessment of the **internal bottom-up attestation of key controls.**
- Evaluation of the **specifications of the relevant processes, risks and controls** in financial reporting.

Furthermore, in 2019, Internal Audit carried out a range of reviews of the generation and presentation of financial information, focused on financial-accounting areas, corporate risk management, financial instruments, information systems, and the insurance business, among others.

The Audit and Control Committee and executive team will be informed of the results of the ICFR evaluation. The evaluation reports set out action plans specifying corrective measures and their criticality for mitigating risks in financial reporting, and deadlines for resolution.

The Bank has in place a **procedure for regular discussions with its statutory auditor.** Senior management is kept permanently informed of the conclusions reached during the review of the financial statements. The statutory auditor assists the Audit and Control Committee by reporting on the audit plan, the preliminary findings on publication of the financial statements and the final findings, as well as, if applicable, any weaknesses encountered in the internal control system, prior to authorisation for issue of the financial statements. Also, when reviewing the interim financial information, the Audit and Control Committee shall be informed of the work carried out and the conclusions reached.

In addition, and within its areas of activity, Internal Audit's reviews conclude with the issue of a report evaluating the relevant risks and the effectiveness of internal control of the processes and the transactions analysed. It also evaluates the possible control weaknesses and shortcomings and formulates recommendations to correct them. **Internal Audit reports** are sent to senior management. The Audit and Control Committee receives a monthly report on the activities carried out by Internal Audit, with specific information on all significant weaknesses identified in the course of reviews during the reporting period.

Internal Audit **constantly oversees the fulfilment of recommendations,** focusing particularly on high-risk weaknesses, with regular reports. This monitoring information, as well as the relevant incidents identified in the Audit reviews, are reported to the Audit and Control Committee and senior management.

External auditor report

In accordance with the recommendation concerning the Auditor's Report included in the guidelines on the information relating to Internal Control over Financial Reporting in Listed Companies published by the National Securities Market Commission on its website, the auditor of the financial statements of CaixaBank has reviewed the information on internal control over financial reporting system. The final report concludes that, as a result of the procedures applied regarding information on ICFR, there are no relevant inconsistencies or incidents.

This report is attached as an Appendix to this Annual Corporate Governance Report.

G. Extent of compliance with Corporate Governance Recommendations

1

That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies [X] Explanation [ ]

2

That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

This recommendation is not deemed to be applicable to CaixaBank, since the bank is the only listed company within its group.

3

That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one of more of the recommendations of the Code of Corporate Code and, if so, the alternative rules that were followed instead.

Complies [X] Complies partially [ ] Explanation [ ]

4

That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisers that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies [X] Complies partially [ ] Explanation [ ]

5

That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies [ ] Complies partially [X] Explanation [ ]

The Board of Directors, in its meeting dated 10 March 2016, agreed to propose at the Annual General Meeting on 28 April the ratification of an agreement to delegate powers in favour of the Board of Directors in order to issue bonds, preference shares and any other fixed income securities or instruments of a similar nature which are convertible into CaixaBank shares, or which directly or indirectly give the right to the subscription or acquisition of the company's shares, including warrants. The proposed delegation expressly included the power to disapply the pre-emptive subscription right of shareholders. This proposal was approved at the Annual General Meeting held on 28 April 2016.

The capital increases that the Board of Directors may approve under this authorisation to carry out the conversion of shares in whose issuance the pre-emptive subscription right has been disapplied are not subject to the maximum limit of 20% of the share capital that the Annual General Meeting of 23 April 2015 unanimously agreed for any capital increases that the Board of Directors may approve (the legal limit of 50% of the capital at the time of the approval does apply).

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment companies, and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, and Spanish Act 11/2015 of 18 June on the recovery and resolution of credit institutions and investment services companies, anticipate the need for credit entities to provide, in certain proportions, different instruments in the composition of their regulatory capital so that they can be considered suitably capitalised. Therefore, different capital categories are contemplated that must be covered by specific instruments. Despite the Company'sCompany's adequate capital situation, it was deemed necessary to adopt an agreement that allows instruments to be issued that may be convertible in certain cases. To the extent that the issuance of these instruments implies the need to have an authorised capital that, at the time of its issuance, covers a possible convertibility and in order to provide the company with greater flexibility, it was deemed suitable for the capital increases that the Board approves to be carried out under the delegation agreement in this report in order to address the conversion of shares in whose issuance the pre-emptive subscription right has been excluded, not being subject to the maximum limit of 20% of the capital which is applicable to all other capital increases that the Board is authorised to approve.

6

That listed companies which draft the reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions.

d) Report on the corporate social responsibility policy.

Complies [X] Complies partially [ ] Explanation [ ]

7

That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Cumple [X] Explique [ ]

8

That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meeting which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies [X] Complies partially [ ] Explanation [ ]

9

That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies partially [ ] Explanation [ ]

10

That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions items and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☐ Complies partially ☒ Explanation ☐ Not applicable ☐

With regard to section c), the Board agrees that there are different presumptions about the direction of the vote for proposals submitted by shareholders and those submitted by the Board (as established in the Regulations of the Company's General Meeting), opting for the presumption of a vote in favour of agreements proposed by the Board of Directors (because the shareholders absent for the vote have had the opportunity to record their absence so their vote is not counted and they can also vote early in another direction through the mechanisms established for that purpose) and for the presumption of a vote against agreements proposed by shareholders (since there is a probability that the new proposals will deal with agreements that are contradictory to the proposals submitted by the Board of Directors and it is impossible to attribute opposite directions for their votes to the same shareholder. Additionally, shareholders who were absent have not had the opportunity to assess and vote early on the proposal).

Although this practice does not reflect the wording of Recommendation 10, it does better achieve the final objective of Principle 7 of the Good Governance Code which makes express reference to the Corporate Governance Principles of the OECD, which outline that the procedures used in Shareholders' Meetings must ensure the transparency of the count and the adequate registration of votes, especially in situations of voting battles, new items on the agenda and alternative proposals, because it is a measure of transparency and a guarantee of consistency when exercising voting rights.

11

That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

12

That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies partially ☐ Explanation ☐

13

That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☐ Explanation ☒

At 31 December 2019, the Board of Directors comprised a total of 16 members.

In line with best corporate governance practices, the General Shareholders' Meeting held on 5 April 2019 resolved to reduce the number of Board members by two (2), thus bringing the total number of Board members to sixteen (16). This number is within the limits stipulated in the by-laws and is close to the recommendation contained in the Code of Good Governance (that Boards should have between five and fifteen members). Meanwhile, and given its status as a credit institution, CaixaBank has six (6) Board committees, four (4) of which are compulsory and two (2) voluntary. The most recent of these were set up in 2019. It is therefore believed that the Board's current composition is suited to its current workload.

It should also be noted that the Board's current size and composition is justified by the need to incorporate a certain number of independent directors and also to comply with the shareholders' agreement stemming from the merger with Banca Cívica, which will remain in force until August 2020.

With all this in mind, the Board is believed to have the right number of members to ensure its maximum effectiveness and involvement of directors, with a wide range of opinions.

14

That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

15

That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive.

Complies [X] Complies partially [ ] Explanation [ ]

16

That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explanation [ ]

17

That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [X] Explanation [ ]

18

That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies [X] Complies partially [ ] Explanation [ ]

19

That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

20

That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

21

That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X] Explanation [ ]

22

That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies [X] Complies partially [ ] Explanation [ ]

23

That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

24

That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

25

That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [ ] Explanation [ ]

(26)

That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X] Complies partially [ ] Explanation [ ]

According to the provisions of Article 7.2 of the Regulations of the Board of Directors, the Chairman is vested with ordinary powers to draw up the agenda for such meetings and steer discussions and deliberations.

However, any director may request that further items be included on the agenda.

(27)

That irector absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [ ] Complies partially [X] Explanation [ ]

To help prevent unavoidable absences leading to de facto changes in the balance of the Board of Directors, the law allows directors to grant a proxy upon a fellow director (for non-executive directors, the proxy must be granted to a fellow non-executive director), as set out in Principle 14 of the Good Governance Code and in the corporate By-laws (article 37) and the Regulations of the Board of Directors (article 17), which states that directors must personally attend Board meetings. However, when they are unable to do so in person, they shall endeavour to grant their proxy in writing, on a special basis for each meeting, to a fellow Board member, including the appropriate instructions therein. Non-executive directors may only delegate a proxy to a fellow non-executive director, while independent directors may only delegate to a fellow independent director.

It should also be noted that CaixaBank's Corporate Governance Policy states that in relation to the duty of directors to attend Board meetings, and in the event of their unavoidable absence, directors shall endeavour to grant their proxy in writing, and separately for each meeting, to a fellow Board member. Every attempt must be made to ensure that each and every director attends at least 80% of Board meetings. As such, proxies are a comparative rarity at CaixaBank.

The Board of Directors considers, as good corporate governance practice, that when directors are unable to attend meetings, proxies are not generally delegated with specific instructions. This does not amend, de facto, the balance of the Board given that delegations may only be made by non-executive directors to other non-executive directors, and independent directors may only delegate to other independent directors, while directors are always required to defend the company's corporate interest regardless of their director status.

Moreover, and reflecting the freedom of each director who may also delegate with the appropriate instructions as suggested in the Board's Regulations, the decision to delegate without instructions represents each director's freedom to consider what provides most value to their proxy, and they may finally decide on the grounds that they want to give their proxy freedom to adapt to the result of the Board meeting debate. This, in addition, is in line with the law on the powers of the Chairman of the Board of Directors, who is given, among others, the responsibility of encouraging a good level of debate and the active involvement of all directors, safeguarding their right to adopt any position or stance they see fit.

Therefore, the freedom to appoint proxies with or without specific instructions, at the discretion of each director, is considered good practice and, specifically, the absence of instructions is seen as facilitating the proxy's ability to adapt to the content of the debate.

28

That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

29

That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [ ] Explanation [ ]

30

That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X] Complies partially [ ] Explanation [ ]

31

That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies [X] Complies partially [ ] Explanation [ ]

32

That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explanation [ ]

(33)

That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies partially [ ] Explanation [ ]

(34)

That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

(35)

That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies [X] Explanation [ ]

36

That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X] Complies partially [ ] Explanation [ ]

37

That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

38

That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

39

That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies [X] Complies partially [ ] Explanation [ ]

40

That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [ ] Explanation [ ]

41

That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

42

That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X] Complies partially [ ] Explanation [ ]

43

That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X] Complies partially [ ] Explanation [ ]

44

That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

45

That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Means identified in order to minimise identified risks in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X] Complies partially [ ] Explanation [ ]

46

That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] Complies partially [ ] Explanation [ ]

47

That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X] Complies partially [ ] Explanation [ ]

48

That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies [X] Complies partially [ ] Explanation [ ]

49

That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [ ] Explanation [ ]

50

That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Complies partially [ ] Explanation [ ]

51

That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [X] Complies partially [ ] Explanation [ ]

52

That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

53

That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules

b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies [X] Complies partially [ ] Explanation [ ]

54

That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies ☒ Complies partially ☐ Explanation ☐

55

That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Complies partially ☐ Explanation ☐

56

That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☒ Explanation ☐

57

That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☒ Complies partially ☐ Explanation ☐

58

That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are llinked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the bench-marks used for evaluation are not comprised of one-off, seldom occu-rring or extraordinary events.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

59

That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

60

That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

61

That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

62

That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☐ Complies partially ☐ Explanation ☒ Not applicable ☐

The prohibition on directors transferring ownership of a number of shares equivalent to two times their fixed annual remuneration within three years of acquiring those shares is not applied as such at CaixaBank. There is no provision governing this matter, although executive directors (who are the only directors entitled to receive share-based remuneration) are expressly prohibited from transferring shares received under their remuneration package, no matter the amount, until 12 months have elapsed from receiving them.

The purpose established in Principle 25 that director remuneration be conducive to achieving business objectives and the company's best interests is also achieved through the existence of malus and clawback clauses, and via the remuneration structure for executive directors, whose remuneration in shares (corresponding to half their variable remuneration and in relation to long-term incentive plans) is not only subject to a lock-up period but is also deferred. Moreover, this variable remuneration constitutes a limited part of their total remuneration, thus complying fully with the prudential principles of not providing incentives for risk-taking while being suitably aligned with the Company's objectives and its sustainable growth.

The Annual General Meeting of 6 April 2017 approved the Remuneration Policy for the Board of Directors, extending the deferral period from three to five years applicable from 2018 onward (this change was made to comply with the EBA Guidelines on sound remuneration policies). The policy was maintained in the Amendments to the Remuneration Policy of the Board of Directors approved at the Annual General Meetings of 6 April 2018 and 5 April 2019. Meanwhile, the long-term incentive plans were ratified at the Annual General Meetings held on 23 April 2015 and 5 April 2019.

63

That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

64

That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies ☒ Complies partially ☐ Explanation ☐ Not applicable ☐

H. Further information of interest

Ethical principles or good practices to which CaixaBank adheres:

INTERNATIONAL

- Body responsible for promoting the principles of the United Nations. CaixaBank has held the presidency since 2012.
- Promotes sustainable finance and the integration of environmental and social aspects in the business (2018).
- Defines the role and responsibilities of the financial sector to guarantee a sustainable future (2019).
- The pension plan management company, VidaCaixa (2009), the management company of Group assets, CaixaBank Asset Management (2016) and BPI Gestão de Activos (2019), are signatories.
- Pursues achievement of the ODS goals through the promotion of impact investments. CaixaBank Asset Management holds the presidency of the Spanish National Board (2019).
- Promotes microfinances as a tool to fight against social and financial exclusion in Europe via self-employment and the creation of micro-businesses.
- Entity that represents savings banks and retail banking in Europe. CaixaBank teams participate in several committees.
- Public commitment to ensure that its policies promote gender equality (2013).
- Principles that promote integrity in the green and social bonds market (2015).
- Iniciativa del Financial Stability Board que promueve la divulgación de las exposiciones climáticas de las empresas (2018).
- Initiative that fosters the dialogue with worldwide companies that have the highest levels of greenhouse gas emissions (2018).
- Commitment to ESG* risk assessment in project financing of over 7 million euros (2007).
- Global and collaborative initiative of companies committed to using 100% renewable energy (2016).
- CaixaBank is the first European bank to become a member of this United Nations body responsible for promoting responsible, sustainable and universally accessible tourism (2019).

DOMESTIC

Partnership with the "la Caixa", the first Social Action Project in Spain and one of the largest foundations of the world.

Commitment to foster, promote and spread new CSR ideas (2008).

Chair to promote innovation and sustainability in the agrobusiness industry (2016).

Observatorio de los ODS

Monitors compliance with ODS by Spanish companies (2017). Created by "la Caixa " in collaboration with the Democratic Leadership and Governance Chair of ESADE (2017).

ceca

Company that represents to the savings banks in Spain. CaixaBank teams participate in several committees.

Grupo Español Crecimiento Verde

Promotes economic growth linked to a low-carbon economy through public-private partnerships, of which CaixaBank is a founding partner (2016).

These intend to ensure that enough private capital is allocated to sustainable investors. Subscribed to the United Nations' European network of centres for sustainability (2019).

Promotes the commitment of companies to improve society by acting responsibly. CaixaBank is on the Board of Trustees and the Advisory Board (2011).

Promotes the integration of social, environmental and governance issues in the management of companies (2010).

ICC International Chamber of Commerce

Defends the CSR and the fight against corruption of Spanish companies (2019).

Signatory to the Financial Education Plan promoted by the Bank of Spain and the Spanish Securities Market Regulator (CNMV), whose objective to improve society's knowledge of financial affairs (2010).

DIRSE

Spanish association of Social Responsibility professionals. CaixaBank is a member of the Board (2011).

Collaboration agreement to develop concrete proposals that aid the financing and full implementation of Smart City proposals: more inclusive and sustainable cities, both as regards society as a whole and the entire planet (2019).

RECOGNITION BY THE MAIN SUSTAINABILITY INDEXES AND RATING AGENCIES

		MSCI	SUSTAINALYTICS				
	(0-100)	(CCC-AAA)	(0-100)	(1-5)	(D-/A+)	(D-/A)	
2019	81	A	74	3,8	C	A-	Robust
2018	79	A	74	4	C	A-	Robust
	Only 25 banks are included worldwide		Outperformer		Prime	Leadership	

CaixaBank is also a signatory to the UN Women's Empowerment Principles (since 2014); the United Nations Global Compact (since 2012); the Diversity Charter (since 2011); "Más mujeres, mejores empresas ("More women, better companies") (renewed in 2019); "EJE&CON" (since February 2019); and the Generation and Talent Observatory (since 2016). Since 2015, CaixaBank has been compliant with and committed to the Code of Good Tax Practices drawn up within the framework of the Large Companies Forum in collaboration with the Spanish tax authorities. Furthermore, CaixaBank, through its London branch, has voluntarily subscribed to the Code of Practice on Taxation for Banks, organised and enforced by the tax authorities of the United Kingdom.

CaixaBank has been adhered to the programme of voluntary agreements to reduce greenhouse gas emissions since 2009. It also actively takes part in the carbon footprint and offsetting registry kept by the Spanish Ministry for the ecological transition and the demographic challenge and has voluntarily pledged to monitor its emissions and roll out measures to further reduce its footprint, beyond its minimum legal obligations.

CaixaBank also adheres to the OECD Guidelines for Multinational Enterprises, which foster sustainable and responsible business conduct.

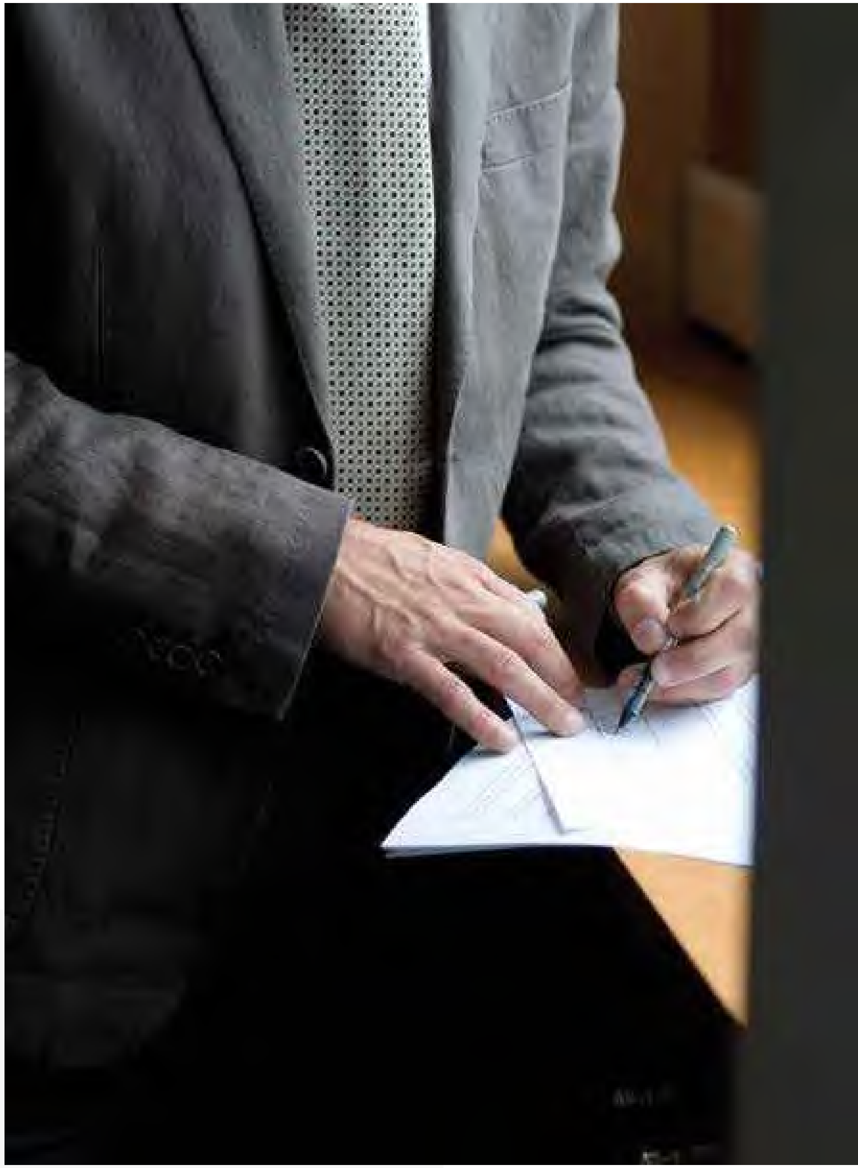
Last but not least, in 2015 CaixaBank signed the Code of Good Practices of the Spanish Government for the viable restructuring of mortgage debts on primary residences, which aims to protect families at risk of exclusion.

This annual corporate governance report was authorised for issue by the company's Board of Directors at a meeting held on:

20/02/2020

State if any directors have voted against or abstained from approving this report.

Yes ☐ No ☒



The English version is a translation of the original in Spanish and is provided for information purposes only. In case of discrepancy, the original version in Spanish shall prevail.

pwc

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

Auditor's report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of CaixaBank, S.A. for the 2019 financial year

To the Board of Directors of CaixaBank, S.A.,

In accordance with the request of the Board of Directors of CaixaBank, S.A. ("the Company") and our engagement letter dated 8 November 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in Annual Corporate Governance Report in section "*F. Internal control and risk management systems in relation to the process of issuing financial information (ICSFR)*" of CaixaBank, S.A. for the 2019 financial year, which includes a summary of the Company's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Company in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Company's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Company's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission (hereinafter NSMC) on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Company's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, provided that this special work neither constitutes an account audit it is not even submitted to the Law of Account audit, we do not express an opinion of audit in the terms foreseen in the mentioned regulation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Company in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 5/2013 of the NSMC, dated June 12, 2013, as modified by Circular nº 7/2015 of the NSMC dated December 22, 2015 and in Circular nº 2/2018 of the NSMC dated June 12, 2018.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Company.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the Audit and Control Committee.

4. Comparison of the information described in point 1 above with our knowledge of the Company´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the Board of Directors, Audit and Control Committee and other committees of the Company, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the NSMC, dated June 12, 2013, as modified by Circular nº 7/2015 of the NSMC, dated December 22, 2015 and by Circular nº 2/2018 of the NSMC dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Ramón Aznar Pascua

21 February, 2020

ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES

ISSUER IDENTIFICATION

Year-end date: 31/12/2019

Tax Identification No. [C.I.F.]: A-08663619

Company Name:

CAIXABANK, S.A.

Registered Office:

CL. PINTOR SOROLLA N.2-4 (VALENCIA)

A. OWNERSHIP STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last amendment	Share capital (Euros)	Number of shares	Number of voting rights
14/12/2016	5,981,438,031.00	5,981,438,03	5,981,438,031

Please state whether there are different classes of shares with different associated rights:

[ ] Yes
[√] No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of the shareholder	% voting rights attributed to shares		% voting rights through financial instruments		total % of voting rights
	Direct	Indirect	Direct	Indirect	
INVESCO LIMITED	0.00	2.02	0.00	0.00	2.02
BLACKROCK, INC	0.00	3.00	0.00	0.07	3.07
LA CAIXA BANKING FOUNDATION	0.00	40.00	0.00	0.00	40.00

Breakdown of the indirect holding:

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial assets	total % of voting rights
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	1.95	0.00	1.95
INVESCO LIMITED	INVESCO ADVISER, INC	0.01	0.00	0.01
INVESCO LIMITED	INVESCO MANAGEMENT, S.A.	0.05	0.00	0.05
BLACKROCK, INC	OTHER CONTROLLED ENTITIES	3.00	0.07	3.07

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial assets	total % of voting rights
	BLACKROCK, INC GROUP			
LA CAIXA BANKING FOUNDATION	CRITERIA CAIXA, SAU	40.00	0.00	40.00
INVESCO LIMITED	INVESCO CAPITAL MANAGEMENT LLC	0.00	0.00	0.00

A.3. In the following tables, list the members of the Board of Directors with voting rights in the company:

Name of the director	% of voting rights attributed to shares		% of voting rights through financial assets		total % of voting rights	% voting rights that can be transmitted through financial assets	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
IGNACIO GARRALDA RUIZ DE VELASCO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JOSÉ SERNA MASIÁ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
KORO USARRAGA UNSAIN	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EDUARDO JAVIER SANCHIZ IRAZU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA VERÓNICA FISAS VERGÉS	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOMÁS MUNIESA ARANTEGUI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ALEJANDRO GARCÍA-BRAGADO DALMAU	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JORDI GUAL SOLÉ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FRANCESC XAVIER VIVES TORRENTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Name of the director	% of voting rights attributed to shares		% of voting rights through financial assets		total % of voting rights	% voting rights that can be transmitted through financial assets	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MARÍA AMPARO MORALEDA MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GONZALO GORTÁZAR ROTAECHE	0.02	0.00	0.00	0.00	0.02	0.00	0.00
CAJA CANARIAS FOUNDATION	0.64	0.00	0.00	0.00	0.64	0.00	0.00
JOHN S. REED	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARÍA TERESA BASSONS BONCOMPTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARCELINO ARMENTER VIDAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CRISTINA GARMENDIA MENDIZÁBAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.67

Breakdown of the indirect holding:

Name of the director	Name or company name of the direct owner	% of voting rights attributed to shares	% of voting rights through financial assets	% of total voting rights	% rights of vote that can be transmitted through financial assets
JOSÉ SERNA MASIÁ	MARÍA SOLEDAD GARCÍA CONDE ANGOSO	0.00	0.00	0.00	0.00

A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociededades de Capital ("Corporate Enterprises Act or "LSC"). If so, describe these agreements and list the party shareholders:

[√] Yes
[ ] No

Shareholders bound by agreement	Percentage of affected shares	Brief description of the agreement	Maturity date of the agreement, if there is one
CAJA NAVARRA BANKING FOUNDATION, CAJACANARIAS FOUNDATION AND CAJA DE BURGOS FOUNDATION, LA CAIXA BANKING FOUNDATION	40.63	After the merger by takeover of Banca Cívica by CaixaBank, the shareholders: "la Caixa" Banking Foundation, and Caja Navarre (currently Caja Navarra Banking Foundation), Cajasol (currently Cajasol Foundation), CajaCanarias (currently CajaCanarias Foundation) and Caja de Burgos (currently Caja de Burgos Banking Foundation), ("the Foundations", hereinafter) entered into a Shareholders' Agreement on 1 August 2012 in order to regulate relations between the Foundations and "la Caixa" Banking Foundation, as CaixaBank shareholders, and their reciprocal duties to cooperate, including their relationship with CaixaBank. For further information, please see the section titled Shareholders' Agreement of the free-format Annual Corporate Governance Report.	The agreement will expire on 3 August 2020.

State whether the company is aware of any concerted actions among its Shareholders. If so, provide a brief description:

[ ] Yes
[√] No

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

[ ] Yes
[√] No

A.9. Complete the following tables with details of the company's treasury shares:

At the close of the year:

Number of shares held directly	Number of shares held indirectly(*)	& of total share capital
2,705,936	423,157	0.05

(*) through:

Name or corporate name of direct shareholder	Number of direct shares
VIDACAIXA, S.A. DE SEGUROS Y REASEGUROS	19,528
MICROBANK	5,635
BANCO BPI, S.A.	393,716
CAIXABANK PAYMENT & CONSUMER	4,278
Total	423,157

A.11. Estimated working capital:

	%
Estimated working capital	54.16

A.14. State if the company has issued shares which are not traded on an EU regulated market.

[ ] Yes
[√] No

B. GENERAL SHAREHOLDERS' MEETING

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

Date of General Shareholders' Meeting	Attendance details				
	% attending in person	% present by proxy	% Distance voting: Electronic voting	% Distance voting: Other	Total
06/04/2017	42.54	24.43	0.03	1.25	68.25
Of which, working capital	1.89	17.12	0.03	1.25	20.29
06/04/2018	41.48	23.27	0.03	0.23	65.01
Of which, working capital	3.78	19.57	0.03	0.23	23.61
05/04/2019	43.67	20.00	0.09	1.86	65.62
Of which, working capital	3.02	15.96	0.09	1.86	20.93

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:

[ ] Yes
[√] No

B.6. State whether the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[√] Yes
[ ] No

Number of shares required to attend General Shareholders' Meetings	1,000
Number of shares required for distance voting	1

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	22
Minimum number of directors	12
Number of directors set by the general meeting	16

C.1.2 Complete the following table with board members' details.

Name of the director	Representative	Category of the director	Position on the board	Date first appointed to Board	Last re-election date	Method of selection to Board
IGNACIO GARRALDA RUIZ DE VELASCO		Proprietary	DIRECTOR	06/04/2017	06/04/2017	AGM RESOLUTION
JOSÉ SERNA MASIÁ		Proprietary	DIRECTOR	30/06/2016	06/04/2017	AGM RESOLUTION
KORO USARRAGA UNSAIN		Independent	DIRECTOR	30/06/2016	06/04/2017	AGM RESOLUTION
MR. EDUARDO JAVIER SANCHIZ IRAZU		Independent	DIRECTOR	21/09/2017	06/04/2018	AGM RESOLUTION
MARÍA VERÓNICA FISAS VERGÉS		Independent	DIRECTOR	25/02/2016	04/28/2016	AGM RESOLUTION
TOMÁS MUNIESA ARANTEGUI		Proprietary	DEPUTY CHAIRMAN	01/01/2018	06/04/2018	AGM RESOLUTION

Name of the director	Representative	Category of the director	Position on the board	Date first appointed to Board	Last re-election date	Method of selection to Board
ALEJANDRO GARCÍA-BRAGADO DALMAU		Proprietary	DIRECTOR	01/01/2017	06/04/2017	AGM RESOLUTION
JORDI GUAL SOLÉ		Proprietary	CHAIRMAN	30/06/2016	06/04/2017	AGM RESOLUTION
FRANCESC XAVIER VIVES TORRENTS		Independent	INDEPENDENT COORDINATING DIRECTOR	06/05/2008	23/04/2015	AGM RESOLUTION
MARÍA AMPARO MORALEDA MARTÍNEZ		Independent	DIRECTOR	24/04/2014	05/04/2019	AGM RESOLUTION
GONZALO GORTÁZAR ROTAECHE		Executive	CHIEF EXECUTIVE OFFICER	30/06/2014	05/04/2019	AGM RESOLUTION
CAJA CANARIAS FOUNDATION	NATALIA AZNÁREZ GÓMEZ	Proprietary	DIRECTOR	23/02/2017	06/04/2017	AGM RESOLUTION
JOHN S. REED		Independent	DIRECTOR	11/03/2011	05/04/2019	AGM RESOLUTION
MARÍA TERESA BASSONS BONCOMPTE		Proprietary	DIRECTOR	06/26/2012	05/04/2019	AGM RESOLUTION
CRISTINA GARMENDIA MENDIZÁBAL		Independent	DIRECTOR	05/04/2019	05/04/2019	AGM RESOLUTION
MARCELINO ARMENTER VIDAL		Proprietary	DIRECTOR	05/04/2019	05/04/2019	AGM RESOLUTION

Total number of directors	16

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of the director	Director category at the time of termination	Date of last appointment	Date director left	Specialised committees of which s/he was a member	State whether the withdrawal took place before the end of the mandate
ALAIN MINC	Independent	24/04/2014	05/04/2019	Audit and Control Committee. Appointments Committee.	NO
JUAN ROSELL LASTORTRAS	Independent	24/04/2014	05/04/2019	Remuneration Committee.	NO
ANTONIO SÁINZ DE VICUÑA Y BARROSO	Independent	24/04/2014	05/04/2019	Risks Committee Executive Committee	NO
JAVIER IBARZ ALEGRÍA	Proprietary	06/26/2012	05/04/2019	Executive Committee.	NO

C.1.3 Complete the following tables on board members and their respective categories.

EXECUTIVE DIRECTORS		
Name or held profile of the director	Position in the company of the company	Social
GONZALO GORTAZAR ROTAECHE	Chief Executive Officer	Gonzalo Gortázar, born in Madrid in 1965, is CEO of CaixaBank since June 2014. Graduated in Law and in Sciences Business studies by the Comillas Pontifical University (ICADE) and Master's degree in Business Administration with distinction for INSEAD. He is currently Chairman of VidaCaixa and a director at Banco BPI. He was Managing Director of Finances of CaixaBank until his appointment as CEO in June 2014. He was previously Chief Executive Officer of Criteria CaixaCorp between 2009 and June 2011. From 1993 to 2009 he worked in Morgan Stanley in London and in Madrid, where he held several positions in the Investment Banking división, leading the Financial Institutions Group in Europe until the middle of 2009, when he began his work with Criteria. Previously, he held several positions in Bank of America, in Corporate and Investment Banking. He has been First Deputy Chairman of Repsol and Director of the Ibursa Financial Group, Erste Bank, SegurCaixa Adeslas, Abertis, Port Aventura and Saba.

Total number of executive directors	1
Percentage of Board	6.25

PROPRIETARY DIRECTORS		
Name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
IGNACIO GARRALDA RUIZ DE	MUTUA MADRILEÑA AUTOMOVILISTA SOCIEDAD DE SEGUROS A PRIMA FIJA	Ignacio Garralda Ruiz de Velasco, born in Madrid in 1951, has been a director at CaixaBank since 2017. He holds a degree in law from the Complutense University of Madrid. He has been a notary public on leave of absence since 1989. He began his professional career as Notary for Commercial Matters, from 1976 to 1982, the year in which he became a Licensed Stock Broker of the Ilustre Colegio de Agentes de Cambio y Bolsa de Madrid until 1989. He was a founding member of AB Asesores Bursátiles, S.A, where he was Vice-Chairman until 2001, Vice-Chairman of Morgan Stanley Dean Witter, SV, S.A. from 1999 to 2001 and Chairman of Bancoval, S.A. from 1994 to 1996. Between 1991 and 2009 he was on the Board of the Governing Body of the Madrid Stock Exchange. He is currently Chairman and CEO of Mutua Madrileña Automovilista. He has been a board member since 2002 and a member of the Executive Committee since 2004. He presently serves as its Chairman and also chairs the Investments Committee. He is First Deputy Chairman of Spanish Stock Exchanges and Markets (BME), member of the Board of Directors of Endesa S.A. and has been Chairman of its Audit Committee since 2016. He is also Chairman of Fundación Mutua Madrileña and sits on the Board of Trustees of Fundación Princesa de Asturias, of Museo Reina Sofía, of Pro Real Academia Española and of the Drug Addiction Help Foundation.
JOSÉ SERNA MASIÁ	LA CAIXA BANKING	José Serna Masiá (Albacete, 1942) has been a member of CaixaBank's Board of Directors since July 2016. He graduated in Law at the Complutense University of Madrid in 1964, and began his career in legal counselling with Butano, S.A. (1969/70). In 1971 he became a State Attorney, providing services at the State Attorney's Office for Salamanca and at the Ministries for Education and Science and Finance. He then joined the Adversary Proceedings Department of the State at the Audiencia Territorial de Madrid (now the Tribunal Superior de Justicia - High Court of Justice), before taking leave of absence in 1983. From 1983 to 1987 he was legal counsel to the Madrid Stock Exchange. In 1987, he became a stockbroker at Barcelona Stock Exchange and was appointed secretary of its Governing Body. He took part in the stock market reform of 1988 as Chairman of the company that developed the new Barcelona Stock Exchange and also as a member of the Advisory Committee to the recently created Comisión Nacional del Mercado de Valores,

Name of the director	Name or corporate name of the significant shareholder represented or proposing	Profile
		of the Spanish Securities Market Commission. In 1989, he was elected Chairman of the Barcelona Stock Exchange, a role that he held for two consecutive terms until 1993. From 1991 to 1992, he was Chairman of the Spanish Sociedad de Bolsas (Stock Exchange Company), which groups the four Spanish stock exchanges together, and Deputy Chairman of the Spanish Financial Futures Market, in Barcelona. He was also Deputy Chairman of the Barcelona Centro Financiero Foundation and of Sociedad de Valores y Bolsa Interdealers, S.A. In 1994, he became a stockbroker and member of the Association of Chartered Trade Brokers of Barcelona. He was on the Board of Directors of ENDESA from 2000 to 2007. He was also a member of the Control and Auditing Committee, chairing it from 2006 to 2007. He was also a director of the companies ENDESA Diversificación and ENDESA Europa. He worked as a notary in Barcelona from 2000 through to 2013.
TOMÁS MUNIESA ARANTEGUI	LA CAIXA BANKING FOUNDATION	Tomás Muniesa, born in Barcelona in 1952; he has been the Vice-chairman of CaixaBank since April 2018. He holds a degree in Business Studies and a Master of Business Administration from the ESADE Business School. He joined 'La Caixa' in 1976, and was appointed Assistant Managing Director in 1992. In 2011, he was appointed Managing Director of CaixaBank's Insurance and Asset Management Group, where he remained until November 2018. He was the Executive Vice-chairman and CEO of VidaCaixa from 1997 to November 2018. He currently holds the positions of Vice-chairman of CaixaBank, VidaCaixa and SegurCaixa Adeslas. He is also a member of the Trust of the ESADE Foundation and Director of Allianz Portugal. Previously, he was Chairman of MEFF (Managing Company of Derivatives), Deputy Chairman of BME (Spanish Stock Exchanges and Markets), Second Deputy Chairman of UNESPA, Board Member and Chairman of the Audit Committee of the Insurance Compensation Consortium, Board Member of Vithas S.L. and Alternate Board Member of the Inbursa Financial Group in Mexico.
ALEJANDRO GARCÍA-BRAGADO DALMAU	LA CAIXA BANKING FOUNDATION	Born in Girona in 1949, he has sat on CaixaBank's Board of Directors since January 2017. He graduated in law from the University of Barcelona. After becoming a State Attorney in 1974 he first worked in Castellón de la Plana before moving to Barcelona in late 1975. In 1984 he requested an extended leave of absence to become the Barcelona Stock Exchange’s legal advisor and in 1989, once the stock exchange became a company, was appointed Secretary to the Board of Directors while continuing to practice law. In 1994 he left the Barcelona Stock Exchange to concentrate on his legal profession and to provide legal advice to ”la Caixa”. In 1995 he was appointed Deputy Secretary to the Board of Directors

PROPRIETARY DIRECTORS		
Name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		in 1995 and then Secretary in 2003. He was appointed Deputy Manager in 2004 and Executive Manager in 2005. He served as Deputy Chairman and Deputy Secretary to the Board of Trustees of Fundación Bancaria Caixa d’Estalvis i Pensions de Barcelona ”la Caixa” from June 2014 through to December 2016. At CaixaBank, he was Secretary (non-director) of the Board of Directors from May 2009 to December 2016, and General Secretary from July 2011 through to May 2014. He was also Secretary to the Board of Directors of La Maquinista Terrestre y Marítima, SA; Intelhorce; Hilaturas Gossipyum; Abertis Infraestructuras, SA; Inmobiliaria Colonial, SA; and Sociedad General de Aguas de Barcelona, SA. He served on the Board of Gas Natural SDG, S.A. from September 2016 up to May 2018. He has been First Vice Chairman at CriteriaCaixa since June 2014 and has sat on the Board of Directors of Saba Infraestructuras since September 2018.
JORDI GUAL SOLÉ	LA CAIXA BANKING FOUNDATION	Jordi Gual, born in Lleida in 1957. He has been CaixaBank's Chairman since 2016. He holds a PhD in Economics (1987) from the University of California at Berkeley and is a professor of Economics at the IESE Business School and a Research Fellow at the Centre for Economic Policy Research (CEPR) in London. He currently sits on the Board of Directors of Telefónica and on the Supervisory Board at Erste Group Bank. He is Chairman of FEDEA and Vice Chairman of Círculo de Economía and of Fundación Cotec para la Innovación, while also sitting on the Boards of Trustees of Fundación CEDE, Real Instituto Elcano and Fundación Barcelona Mobile World Capital. Prior to his appointment as Chairman of CaixaBank, he was the Chief Economist and Head of Strategic Planning and Research for CaixaBank and Director General of Planning and Strategic Development for CriteriaCaixa. He joined the “la Caixa” group in 2005. He has been a member of the Board of Directors of Repsol and served as an Economics Advisor for the European Commission’s Directorate-General for Economic and Financial Affairs in Brussels and as a Visiting Professor at the University of California at Berkeley, the Université Libre de Bruxelles and the Barcelona Graduate School of Economics. Jordi Gual's work on banking, European integration, regulation and competition policy has been widely published. In 2019 he was awarded the Gold Badge by the Spanish Institute of Financial Analysts, having previously received the research prize from the European Investment Bank in 1999 and the special award as part of his degree in economic and business sciences back in 1979. He was also a Fullbright Scholar.

PROPRIETARY DIRECTORS		
Name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
CAJA CANARIAS	SIGNATORY FOUNDATION S OF THE SHAREHOLDE	Natalia Aznárez Gómez, born in Santa Cruz de Tenerife in 1964, has represented Fundación CajaCanarias on CaixaBank's Board of Directors since February 2017. She holds a degree in Business and Commercial Management from Universidad de Málaga and Diploma in Business (specialising in accounting and finance) from Universidad de La Laguna. She has taught accounting and finances at Universidad de La Laguna. She began her career by collaborating with the General Management of REA METAL WINDOWS, to launch the distribution of their products in Spain. In 1990, she joined the CajaCanarias marketing department. In 1993 she headed the Individuals Segment at CajaCanarias, being involved in the development of financial products and the launching of campaigns, the development and implementation of CRM, a Personal and Private Banking service. Following, she became Director of the Marketing Area. In 2008, she was appointed as Deputy Director of CajaCanarias, in charge of human resource management for the entity and, in 2010, she was appointed as Vice General Director of CajaCanarias. After Banca Cívica acquired all the assets and liabilities of CajaCanarias, Ms Aznárez Gómez became General Manager at CajaCanarias as the financial institution indirectly carrying out the financial activity. Following the entity's transformation into a banking foundation, she served as General Manager until 30 June 2016. She has actively served on several committees in the savings bank sector, including the executive committee of the Savings Bank Association for Labour Relations (Asociación de Cajas de Ahorros Para Relaciones Laborales, ACARL), the Euro6000 Marketing Committee, and the marketing committee and the human resources committee of the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, CECA). She has also held several positions at foundations. She is currently chair of the CajaCanarias employee pension plan control committee, vice-chair of the Cristino de Vera Foundation, secretary of the CajaCanarias Business Learning and Development Foundation, and director of the CajaCanarias Foundation.
MARÍA TERESA BASSONS BONCOMPTE	LA CAIXA BANKING	Maria Teresa Bassons Boncompte was born in Cervelló in 1957. She has been a member of the CaixaBank Board of Directors since June 2012. She graduated with a Bachelor Degree in Pharmacy from the University of Barcelona (1980) and she is a Specialist in Hospital Pharmacy. She also holds a pharmacy licence. She was a member of the Barcelona Chamber of Commerce's Executive Committee from 2002 to May 2019, and the Chair of its Enterprise Commission for the Health Sector. She has also been Deputy Chairwoman of the Col'legi Officer of Farmacèutics of Barcelona (1997-2004) and General Secretary for the Consell de Col'legis

PROPRIETARY DIRECTORS		
Name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		of Farmacèutics de Catalunya (2004-2008). She is a member of the Board of Directors of Bassline, S.L. and has been an Administrator of TERBAS XXI, S.L. and a member of the Board of Laboratorios Ordesa since January 2018, as well as a member of the Oncolliga Scientific Committee. She was a member of the Board of Directors of Criteria CaixaHolding from July 2011 to May 2012, a board member of Caixa d'Estalvis i Pensions de Barcelona "la Caixa" from April 2005 to June 2014, Trustee of the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa" from June 2014 to June 2016 and a member of the Consultative Committee of Caixa Capital Risc until June 2018. She has also been a member of the Advisory Council on Smoking of the Health Department of the Catalan Government (1997-2006) and of the Advisory Committee on Bioethics of the Catalan Government (2005-2008) and director of the INFARMA Conference and Exhibition at the Fira in Barcelona in the 1995 and 1997 events, and director of the publications "Circular Farmacéutica" and "l'Informatiu del COFB" for twelve years. In 2008 she was awarded the Medal of Professional Merit by the General Council of Pharmacists in Spain. In June 2018 she was named Academician of the Catalan Royal Academy of Pharmacy.
MARCELINO ARMENTER VIDAL	LA CAIXA BANKING	Marcelino Armenter Vidal was born in Las Palmas de Gran Canaria in 1957. He has been a member of the CaixaBank Board of Directors since June 2019. He holds a Bachelor's degree and a Master's degree in Business Administration and Management from ESADE Business School. His current roles are CEO and member of the Executive Committee of Criteria Caixa, S.A.U. He has held both of these posts since March 2019. Other positions he currently holds are: Director of Naturgy Energy Group, S.A. since September 2016, Chairman of Mediterranea Beach & Golf Community, S.A.U. since February 2017 and CEO since September 2017, Director of Inmo CriteriaCaixa, S.A.U. since October 2017, CEO of the management company Caixa Capital Risc, S.G.E.I.C., S.A. since February 2002 and Executive Deputy Chairman since October 2018, and Director of Saba Infrastructures, S.A. since September 2018. He began his career at Arthur Andersen, before joining Hidroeléctrica de Cataluña. He has worked with "la Caixa" since 1985 holding various positions and responsibilities. From 1985 until 1988 he was the Director of Internal Audit and Control of the Caixa Group. From 1988 to 1995 he was the Manager of the Investee Area. From 1995 to 2001 he held the role of Chief Executive Officer of Banco Herrero. From 2001 to 2007 he was the Chief Executive Officer of Caixa Holding. From 2007 to 2011 he held the post of Assistant Chief Executive Officer of "la Caixa". From 2011 to 2013, he was Managing Director of

PROPRIETARY DIRECTORS		
Name of the director	Name or corporate name of the significant shareholder represented or proposing appointment	Profile
		CaixaBank Risks. From 2013 up to the end of March 2019 he was Chief Executive Officer of Criteria Caixa, S.A.U. and from 2017 up to the end of November 2019 was a Director of the Inbursa Financial Group.

Total number of proprietary directors	8
Percentage of Board	50.00

INDEPENDENT DIRECTORS	
Name of the director	Profiel
KORO USARRAGA UNSAIN	Koro Usarraga Unsain (San Sebastián, 1957) has been a member of CaixaBank's Board of Directors since 2016. She has a degree in Business Administration and a Masters in Business Management from ESADE, took the PADE (Senior Management Programme) at IESE and is a qualified chartered accountant. She was an independent Director of NH Hotel Group from 2015 to October 2017. She worked at Arthur Andersen for 20 years and in 1993 was appointed partner of the audit division. In 2001 she assumed responsibility for the General Corporate Management of Occidental Hotels & Resorts, a group with significant international presence and specialising in the holiday sector. She was responsible for the finance, administration and management control departments, as well as IT and human resources. She was General Manager of Renta Corporación, a real estate group specialising in the purchase, refurbishment and sale of properties. She is a Director of Vocento, S.A. and has been a shareholder and Administrator of 2005 KP Inversiones, S.L. since 2005, which is engaged in investing in companies and management consultancy. She is also an Administrator of Vehicle Testing Equipment, S.L.
EDUARDO JAVIER SANCHIZ IRAZU	Eduardo Javier Sanchiz Irazu was born in Vitoria in 1956. He has been a member of the CaixaBank Board of Directors since 2017. He holds a degree in economics the University of Deusto, San Sebastián campus, and a Master's Degree in Business Administration from the Instituto Empresa in Madrid. He was CEO of Almirall from July 2011 until 30 September 2017. During this period, the company underwent a significant strategic transformation with the aim of becoming a global leader in skin treatment. Previously, after jointing Almirall in May 2004, he was executive director of Corporate Development and Finance and Chief Financial Officer In both positions, Eduardo led the company's international expansion through a number of alliances with other companies, and through licensing of external products, in addition to five acquisitions of companies and product portfolios. He also coordinated the IPO process in 2007. He was a member of the Almirall Board of Directors from January 2005 and member of the Dermatology Committee from its creation in 2015. Before his arrived at Almirall, he worked during 22 years, of which 17 were abroad, in the American Eli Lilly & Co pharmaceutical company, in

INDEPENDENT DIRECTORS	
Name of the director	Profile
	positions of finances, marketing, sales and general management. He was able to live in six different countries and some of his significant positions include General Manager in Belgium, General Manager in Mexico and, in his last position in the company, Executive Officer for the business area that encompasses countries in the centre, north, east and south of Europe. He was a member of the American Chamber of Commerce in Mexico and of the Association of Pharmaceutical Industries in a number of countries in Europe and Latin America. He currently sits on the Strategic Committee of Laboratorio Pierre Fabre and has also sat on its board of directors since May 2019.
MARÍA VERÓNICA FISAS VERGÉS	Born in Barcelona in 1964, Verónica Fisas has served on the Board of Directors of CaixaBank since February 2016. She holds a degree in Law and a Master in Business Administration. She joined Natura Bissé very early in her career, thus acquiring extensive knowledge of the company and of all its departments. She has been the CEO of the Board of Directors of Natura Bissé and the General Director of the Natura Bissé Group since 2007. Since 2008, she has also been a trustee of Ricardo Fisas Natura Bissé Foundation. In 2001, as the CEO of the United States subsidiary of Natura Bissé, she was responsible for the expansion and consolidation of the business, and obtained outstanding results in product distribution and brand positioning. In 2009 she joined the Board of Directors of Stanpa, Asociación Nacional de Perfumería y Cosmética, becoming Chair of Stanpa in 2019 and, in turn, Chair of Fundación Stanpa. She received the Work-Life Balance Award at the 2nd Edition of the National Awards for Women in Management in 2009, and the IWEC Award (International Women's Entrepreneurial Challenge) for her professional career, in 2014. In November 2017, Emprendedores magazine named Verónica Fisas as 'Executive of the Year'.
FRANCESC XAVIER VIVES TORRENTS	Xavier Vives Torrents was born in Barcelona in 1955. He has been a member of the CaixaBank Board of Directors since 2008 and the Lead Director from 2017. He is a Professor of Economics and Finance at the IESE Business School. He also holds a PhD in Economics from the University of California, Berkeley. He was Professor of European Studies at INSEAD from 2001-2005; Director of the Institute of Economic Analysis at the Consejo Superior de Investigaciones Científicas between 1991-2001; and Visiting Professor in the universities of California (Berkeley), Harvard, New York (lectureship King Juan Carlos I in 1999-2000) and Pennsylvania, as well as in the Universitat Autónoma of Barcelona and in the Universitat Pompeu Fabra. He has been advisor to, among others institutions, the World Bank, the Inter-American Development Bank, the Bank of New York Federal Reserve, the European Commission – being Special Adviser of the Deputy Chairman of the EU and Commissioner of Competition, Mr. Joaquín Almunia, the Government of Catalonia as a member of the CAREC (Council Assessor per a Reactivació Economic i the Creixement), and international enterprises. Mr Vives also served as Chairman of the Spanish Economic Association in 2008; and Deputy Chairman of the Spanish Energy Economics Association in 2006-2009 and was a Duisenberg Fellow at the European Central Bank in 2015. He is currently a member of the Academy Europaea; Research Fellow of the Center for Economic Studies (CESifo) and the Centre for Economic Policy Research; Fellow of the European Economic Association since 2004 and of the Econometric Society since 1992, and Chairman of EARIE (European Association for Research in Industrial Economics) from 2016 to 2018. He has published numerous articles in international journals and directed the publication of various books. He received the King Juan Carlos I National Award for Research into Social Sciences in 1988; Prize

INDEPENDENT DIRECTORS	
Name of the director	Profile
	"Societat Catalan d´Economia", 1996; the Narcís Monturiol Medal from the Government of Catalonia in 2002; and the "Premi Catalunya d'Economia" (Catalonia Economics Award), 2005; The IEF Award for academic excellence for his professional career in 2012; beneficiary of the European Research Council Advanced Grant, 2009-2013 and 2018-2023, and the Rey Jaime I
MARÍA AMPARO MORALEDA MARTÍNEZ	María Amparo Moraleda (Madrid, 1964) has been a member of CaixaBank's Board of Directors since 2014. She graduated in Industrial Engineering from the ICAI and holds an MBA from the IESE Business School. She is an independent director at several companies: Solvay, S.A. (from 2013), Airbus Group, S.E. (since 2015) Vodafone Group (since 2017). She is also a member of the Supervisory Board of the Spanish High Council for Scientific Research (since 2011) and a member of the advisory boards of SAP Ibérica (since 2017) and of Spencer Stuart (since 2017). Between 2012 and 2017, she was a member of the board of directors of Faurecia, S.A. and member of the Advisory Board of KPMG España (since 2012). Between January 2009 and February 2012 she was Chief Operating Officer of Iberdrola SA's International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. She was Executive Chairman of IBM Spain and Portugal between July 2001 and January 2009, responsible for Greece, Israel and Turkey from July 2005 to January 2009. Between June 2000 and 2001 she was assistant executive to the President of IBM Corporation. From 1998 to 2000 she was General Manager at INSA (a subsidiary of IBM Global Services). From 1995 to 1997 she was Head of HR for EMEA at IBM Global Services and from 1988 to 1995 she held various offices and management positions at IBM España. She is also a member of various boards and trusts of different institutions and bodies, including the Academy of Social Sciences and the Environment of Andalusia, the Board of Trustees of the MD Anderson Cancer Center in Madrid and the International Advisory Board of Instituto de Empresa. In December 2015 she was named full academic member of Real Academia de Ciencias Económicas y Financieras. In 2005 she was inducted into the Women in Technology International (WITI) organisation's Hall of Fame, which recognises, honours, and promotes the outstanding contributions women make to the scientific and technological communities that improve and evolve society. Her numerous accolades include: the Values Leadership Award (FIGEVA Foundation – 2008), the Javier Benjumea Prize (Engineering Association of the ICAI – 2003) and the Award for Excellence (Spanish Federation of Female Directors, Executives, Professionals and Entrepreneurs – Fedepe – 2002).
JOHN S. REED	John Reed (Chicago, 1939) has been a member of CaixaBank's Board of Directors since 2011. He was raised in Argentina and Brazil. completed his university studies in the United States. In 1961, he earned a degree in Philosophy and Arts and Sciences from Washington and Jefferson College and the Massachusetts Institute of Technology under a double degree programme. He was a lieutenant in the US Army Corps of Engineers from 1962 to 1964 and again enrolled at MIT to study a Master in Science. John Reed worked in Citibank/Citicorp and Citigroup for 35 years, the last 16 of which as Chairman, retiring in April 2000. From September 2003 to April 2005, he began working again as Chairman of the New York Stock Exchange, and was Chairman of the MIT Corporation from 2010 to 2014. He was appointed Chairman of the Board of American Cash Exchange in February 2016. He is the Chairman of the Boston Athanaeum and a trustee of the NBER. He is a Fellow of the American Academy of Arts and Sciences and of the American Philosophical Society.

INDEPENDENT DIRECTORS	
Name of the director	Profile
CRISTINA GARMENDIA MENDIZÁBAL	Cristina Garmendia Mendizábal was born in San Sebastian in 1962. She has been a member of the CaixaBank Board of Directors since June 2019. She has a degree in Biological Sciences, specialising in Genetics, an MBA from the IESE Business School of the University of Navarra and a PhD in Molecular Biology from the Severo Ochoa Molecular Biology Centre of the Autonomous University of Madrid. She is currently a Director of Compañía de Distribución Integral Logista Holdings, S.A., Mediaset, Ysios Capital and Satlantis Microsats. She has been Executive Deputy Chairwoman and Chief Financial Officer of the Amasua Group, Chairwoman of the Association of Biotechnological Companies (ASEBIO) and member of the Board of directors of the Confederación Española de Organizaciones Empresariales (CEOE) as well as member of the governing bodies of, among others companies, Science & Innovation Office Link, S.L., Naturgy Energy Group, S.A. (previously Gas Natural, S.A.), Financial Corporation Alba, Pelayo Insurance and Chairwoman of Genetrix S.L. She has been Minister for Science and Innovation of the Government of Spain during the entire IX Legislative period from April 2008 to December 2011. She is Chairwoman of the COTEC Foundation, member of the España Constitutional Foundation, SEPI and member of the Advisory Board of the Women for Africa Foundation, as well as member of the Social Board of the University of Sevilla.

Number of independent directors	7
Percentage of Board	43.75

State whether any independent director receives from the company or any group company any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company which has or has had such a relationship.

Should this be the case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of director	Description of the relationship	Grounded statement
CRISTINA GARMENDIA MENDIZÁBAL	She is a member of the Advisory Board of CaixaBank Private Banking.	Ms. Cristina Garmendia Mendizábal is member of the Advisory Board of CaixaBank Private Banking. Since being appointed as director of the Advisory Board Advisor in 2019, she received a remuneration of eight thousand euros, which is not considered significant.

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:			
Name of the director	Reason	Company, executive or shareholder with whom the relationship is	Profile
No information given			

Total number of other external directors	N/A
Percentage of Board	N/A

State any changes in status that have occurred during the period for each director:

Name or corporate name of the director	Date of change	Previous category	Current category
No information given			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of total Directors of each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	1	25.00	25.00	28.57	16.67
Independent	4	3	3	3	57.14	33.33	33.33	37.50
Other external					0.00	0.00	0.00	0.00
Total	6	5	5	4	37.50	27.78	27.78	25.00

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name or corporate name of the director	Company name of the listed company	Post
IGNACIO GARRALDA RUIZ DE VELASCO	Endesa, S.A.	DIRECTOR
IGNACIO GARRALDA RUIZ DE VELASCO	BME Holding, S.A.	1st DEPUTY CHAIRMAN
JORDI GUAL SOLÉ	Erste Group Bank, AG.	DIRECTOR

Name or corporate name of the director	Company name of the listed company	Post
JORDI GUAL SOLÉ	Telefónica, SA	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	Vodafone Group PLC	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	Solvay, S.A.	DIRECTOR
MARÍA AMPARO MORALEDA MARTÍNEZ	Airbus Group, S.E.	DIRECTOR
CRISTINA GARMENDIA MENDIZÁBAL	Mediaset España Comunicación, S.A.	DIRECTOR
CRISTINA GARMENDIA MENDIZÁBAL	Compañía de Distribución Integral Logistica Holdings, S.A.	DIRECTOR
KORO USARRAGA UNSAIN	Vocento, S.A.	DIRECTOR
MARCELINO ARMENTER VIDAL	Naturgy Energy Group, S.A.	DIRECTOR

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[√] Yes
[ ] No

C.1.13 State total remuneration received by the Board of Directors:

Board compensation in financial year (thousand euros)	6,831
Cumulative amount of rights of current Directors in pension schemes (thousands of euros)	5,546
Cumulative amount of rights of current Directors in pension schemes (thousands of euros)	

C.1.14 List any members of senior management who are not executive Directors and indicate total remuneration paid to them during the year:

Name	Position
JORGE MONDÉJAR LÓPEZ	CHIEF RISKS OFFICER
JAVIER PANO RIERA	CHIEF FINANCIAL OFFICER
FRANCESC XAVIER COLL ESCURSELL	CHIEF HUMAN RESOURCES AND ORGANISATION OFFICER
JORGE FONTANALS CURIEL	HEAD OF RESOURCES
MARÍA LUISA MARTÍNEZ GISTAU	EXECUTIVE DIRECTOR FOR COMMUNICATION, INSTITUTIONAL RELATIONS, BRAND AND CSR
ÓSCAR CALDERÓN DE OYA	GENERAL AND BOARD SECRETARY

Name	Position
JUAN ANTONIO ALCARAZ GARCIA	CHIEF BUSINESS OFFICER
MATTHIAS BULLACH	HEAD OF FINANCIAL ACCOUNTING, CONTROL AND CAPITAL
IGNACIO BADIOLA GÓMEZ	EXECUTIVE DIRECTOR OF CIB AND INTERNATIONAL BANKING
MARÍA LUISA RETAMOSA FERNÁNDEZ	HEAD OF INTERNAL AUDIT
FRANCISCO JAVIER VALLE T-FIGUERAS	EXECUTIVE DIRECTOR OF INSURANCE

Total senior management remuneration (thousand euros)	10,234

C.1.15 Indicate whether any changes have been made to the Board Regulations during the year:

[√] Yes
[ ] No

C.1.21 Indicate whether there are any specific requirements other than those relating to the Directors, to be appointed chairperson of the board of directors:

[ ] Yes
[√] No

C.1.23 State whether the Articles of Association or the Board regulations establish any stricter term limits or other requirements for independent directors other than those required by law:

[ ] Yes
[√] No

C.1.25 Indicate the number of board meetings held during the year, and how many times the board has met without the Chairman’s attendance. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	12
Number of Board meetings without the attendance of the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	4

Please specify the number of meetings held by each Board committee during the year:

Number of meetings of the AUDIT AND CONTROL COMMITTEE	18
Number of meetings of the INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE	1
Number of meetings of the APPOINTMENTS COMMITTEE	8
Number of meetings of the REMUNERATION COMMITTEE	9
Number of meetings of the RISKS COMMITTEE	15
Number of meetings of the EXECUTIVE COMMITTEE	19

C.1.26 State the number of meetings held by the Board of Directors during the year and the information on member attendance:

Number of meetings with the physical attendance of at least 80% of directors	12
% of attendance over total votes during the year	97.89
Number of meetings with the physical attendance, or proxies with with specific instructions, of all directors	8
% of issued votes, attending in person and proxies carried out with specific instructions, over the total of votes cast during the year	97.89

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[ ] Yes
[√] No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior for their authorisation for issue by the Board.

C.1.29 Is the Secretary of the Board also a Director?

[ ] Yes
[√] No

Complete if the Secretary is not also a Director:

Name or corporate name of the secretary	Representative
ÓSCAR CALDERÓN DE OYA	

C.1.31 Indicate whether the company has changed its external audit firm during the year. If so, please identify the incoming and outgoing auditor:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditor, please provide an explanation:

[ ] Yes
[√] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or group:

[√] Yes
[ ] No

	Company	Company of the group	Total
Amount of non-audit work (thousand euros)	532	625	1,157
Amount invoiced for non-audit / amount of audit work (in %)	32.00	29.00	30.00

C.1.33 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated financial statements of the company. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Individual	Consolidated
Number of consecutive years	2	2

	Individual	Consolidated
No. of financial years audited by the current auditing company / No. of years that the company or the group has been audited (in %)	10.00	10.00

C.1.35 Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

[√] Yes
[ ] No

Details of procedure

There is a procedure for directors to have the necessary information to prepare meetings of the governing bodies with enough time.

Pursuant to article 22 of the Regulations of the Board of Directors, directors have the duty to demand and the right to obtain from the company any information they may need to discharge their duties. For such purpose, the director should request information on any aspect of the Company and examine its books, records, documents and further documentation. The right to information extends to investee companies provided that this is possible.

Requests for information must be directed to the Chairman of the Board of Directors, if he holds executive status, and, otherwise, to the Chief Executive Officer, who will forward the request to the appropriate party in the Company. If the Chairman deems that the information is confidential, he will notify the Director [...] as well as of the director’s duty of confidentiality.

However, documents must be approved by the Board. In particular, documents that cannot be fully analysed and discussed during the meeting due to their size are sent out to Board members ahead of the Board meeting in question.

C.1.39 Identify individually, for directors, and collectively, in other cases, and provide details of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of operation.

Number of beneficiaries	32
Type of beneficiary	**Description of agreement**
Chief Executive Officer and three members of the Management Committee, five executive officers and 23 middle managers.	Chief Executive Officer: One year of the fixed components of his remuneration. Management Committee members: indemnity clause equivalent to one annual payment of the fixed components of their remuneration, or the amount payable by law, whichever is higher. Currently there are 3

Type of beneficiary	Description of agreement
	which legal compensation is still lower than 1 annuity. Similarly, the CEO and the members of the Management Committee have established an annuity of the fixed components of the remuneration package, payable in monthly payments, to remunerate the agreement of non-competition. This payment would be discontinued were this covenant to be breached. Executive officers and middle managers: 28 executives and middle managers: between 0.1 and 1.5 annual payments of their fixed remuneration above that provided for at law. Executives and middle managers of Group companies are included in the calculation.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group, beyond the cases stipulated by regulations. If so, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?	√	

C.2. Board Committees

C.2.1. Give details of all the board committees, their members and the proportion of proprietary and independent Directors.

AUDIT AND CONTROL COMMITTEE		
Name	Post	Category
JOSÉ SERNA MASIÁ	MEMBER	Proprietary
KORO USARRAGA UNSAIN	CHAIRMAN	Independent
EDUARDO JAVIER SANCHIZ IRAZU	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Names of the directors with experience	KORO USARRAGA UNSAIN
Date of appointment of the chairman	05/04/2019

INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE		
Name	Post	Category
JORDI GUAL SOLÉ	CHAIRMAN	Proprietary
GONZALO GORTÁZAR ROTAECHE	MEMBER	Executive
MARÍA AMPARO MORALEDA MARTÍNEZ	MEMBER	Independent
CRISTINA GARMENDIA MENDIZÁBAL	MEMBER	Independent
MARCELINO ARMENTER VIDAL	MEMBER	Proprietary

% of executive directors	20.00
% of proprietary directors	40.00
% of independent directors	40.00
% of other external directors	0.00

APPOINTMENTS COMMITTEE		
Name	Post	Category
JOHN S. REED	CHAIRMAN	Independent
MARÍA TERESA BASSONS BONCOMPTE	MEMBER	Proprietary
FRANCESC XAVIER VIVES TORRENTS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

REMUNERATION COMMITTEE		
Name	Post	Category
ALEJANDRO GARCÍA-BRAGADO DALMAU	MEMBER	Proprietary
MARÍA AMPARO MORALEDA MARTÍNEZ	CHAIRMAN	Independent
MARÍA VERÓNICA FISAS VERGÉS	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

RISKS COMMITTEE		
Name	Post	Category
KORO USARRAGA UNSAIN	MEMBER	Independent
EDUARDO JAVIER SANCHIZ IRAZU	CHAIRMAN	Independent
CAJA CANARIAS FOUNDATION	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

EXECUTIVE COMMITTEE		
Name	Post	Category
MARÍA VERÓNICA FISAS VERGÉS	MEMBER	Independent
TOMÁS MUNIESA ARANTEGUI	MEMBER	Proprietary
JORDI GUAL SOLÉ	CHAIRMAN	Proprietary
FRANCESC XAVIER VIVES TORRENTS	MEMBER	Independent
MARÍA AMPARO MORALEDA MARTÍNEZ	MEMBER	Independent
GONZALO GORTÁZAR ROTAECHE	MEMBER	Executive

% of executive directors	16.67
% of proprietary directors	33.33
% of independent directors	50.00
% of other external directors	0.00

C.2.2 Complete the following table with information regarding the number of female directors who were members of board committees at the close of the past four years:

	Number of female directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	1	33.33	1	25.00	1	33.33	1	33.33
COMMITTEE OF INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION	2	40.00	0	0.00	0	0.00	0	0.00
APPOINTMENTS COMMITTEE	1	33.33	1	33.33	2	66.67	2	66.67

	Number of female directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
APPOINTMENTS REMUNERATION	2	66.67	1	33.33	2	66.67	1	33.33
RISKS COMMITTEE	2	66.67	2	40.00	1	25.00	1	25.00
EXECUTIVE COMMITTEE	2	33.33	2	25.00	2	25.00	1	14.29

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.2. List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name of significant significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
CRITERIA CAIXA, S.A.U.	CAIXABANK, S.A.	Corporate	Dividends and other profit distributed	239,254
CRITERIA CAIXA, S.A.U.	CAIXABANK, S.A.	Commercial	Other instruments that might entail a transfer of resources or obligations between the Company and the related party	846,070

D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or senior managers of the company:

Name of name of the administrators or managers	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousand euros)
No information given				N/A

D.4. List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any event, note any intragroup transactions conducted with entities established in countries or territories which are considered to be tax havens:

Corporate name of the company in its group	Brief description of the transaction	Amount (thousand euros)
No information given		N/A

D.5. State any significant transactions conducted between the company or other companies in its group with other related parties, which have not been reported in the previous sections:

Name company related party	Brief description of the transaction	Amount (thousand euros)
No information given		N/A

D.7. Is there more than one company in the group listed in Spain?

[ ] Yes
[√] No

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Code of Good Governance of listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to assess the company's actions. General explanations are unacceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

   Complies [X]   Explain [ ]

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

   a) The activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

Compliant [ ]   Partially compliant [ ]   Explain [ ]   Not applicable [X]

This recommendation is not deemed to be applicable to CaixaBank, since the bank is the only listed company within its Group.

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.

   b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

   Complies [X]   Partially compliant [ ]   Explain [ ]

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisers that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

   And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

   Complies [X]   Complies partially [ ]   Explanation [ ]

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

   And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

   Complies [ ]   Complies partially [x]   Explanation [ ]

The Board of Directors, in its meeting dated 10 March 2016, agreed to propose at the Annual General Meeting on 28 April the ratification of an agreement to delegate powers in favour of the Board of Directors in order to issue bonds, preference shares and any other fixed income securities or instruments of a similar nature which are convertible into CaixaBank shares, or which directly or indirectly give the right to the subscription or acquisition of the company's shares, including warrants. The proposed delegation expressly included the power to disapply the pre-emptive subscription right of shareholders. This proposal was approved at the Annual General Meeting held on 28 April 2016.

The capital increases that the Board of Directors may approve under this authorisation to carry out the conversion of shares in whose issuance the pre-emptive subscription right has been disapplied are not subject to the maximum limit of 20% of the share capital that the Annual General Meeting of 23 April 2015 unanimously agreed for any capital increases that the Board of Directors may approve (the legal limit of 50% of the capital at the time of the approval does apply).

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment companies, and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, and Spanish Act 11/2015 of 18 June on the recovery and resolution of credit institutions and investment services companies, anticipate the need for credit entities to provide, in certain proportions, different instruments in the composition of their regulatory capital so that they can be considered suitably capitalised. Therefore, different capital categories are contemplated that must be covered by specific instruments. Despite the Company's adequate capital situation, it was deemed necessary to adopt an agreement that allows instruments to be issued that may be convertible in certain cases. To the extent that the issuance of these instruments implies the need to have an authorised capital that, at the time of its issuance, covers a possible convertibility and in order to provide the company with greater flexibility, it was deemed suitable for the capital increases that the Board approves to be carried out under the delegation agreement in this report in order to address the conversion of shares in whose issuance the pre-emptive subscription right has been excluded, not being subject to the maximum limit of 20% of the capital which is applicable to all other capital increases that the Board is authorised to approve.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

   a) Report regarding the auditor's independence.

   b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

   c) Report by the audit committee regarding related-party transactions.

   d) Report on the corporate social responsibility policy.

   Complies [X] Complies partially [ ] Explanation [ ]

7. The company should broadcast its general meetings live on the corporate website.

   Complies [X] Explanation [ ]

8. The audit committee should strive to ensure that the Board of Directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

   Complies [X] Complies partially [ ] Explanation [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

   And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

   Complies [X] Complies partially [ ] Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Compliant [ ] Partially complies [X] Explain [ ] Not applicable [ ]

With regard to section c), the Board agrees that there are different presumptions about the direction of the vote for proposals submitted by shareholders and those submitted by the Board (as established in the Regulations of the Company's General Meeting), opting for the presumption of a vote in favour of agreements proposed by the Board of Directors (because the shareholders absent for the vote have had the opportunity to record their absence so their vote is not counted and they can also vote early in another direction through the mechanisms established for that purpose) and for the presumption of a vote against agreements proposed by shareholders (since there is a probability that the new proposals will deal with agreements that are contradictory to the proposals submitted by the Board of Directors and it is impossible to attribute opposite directions for their votes to the same shareholder. Additionally, shareholders who were absent have not had the opportunity to assess and vote early on the proposal).
Although this practice does not reflect the wording of Recommendation 10, it does better achieve the final objective of Principle 7 of the Good Governance Code which makes express reference to the Corporate Governance Principles of the OECD, which outline that the procedures used in Shareholders' Meetings must ensure the transparency of the count and the adequate registration of votes, especially in situations of voting battles, new items on the agenda and alternative proposals, because it is a measure of transparency and a guarantee of consistency when exercising voting rights.

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

    In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

    Complies [X]   Partially compliant [ ]   Explain [ ]

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

    Compliant [ ]   Explanation [X]

At 31 December 2019, the Board of Directors comprised a total of 16 members.
In line with best corporate governance practices, the General Shareholders' Meeting held on 5 April 2019 resolved to reduce the number of Board members by two (2), thus bringing the total number of Board members to sixteen (16). This number is within the limits stipulated in the by-laws and is close to the recommendation contained in the Code of Good Governance (that Boards should have between five and fifteen members). Meanwhile, and given its status as a credit institution, CaixaBank has six (6) Board committees, four (4) of which are compulsory and two (2) voluntary. The most recent of these were set up in 2019. It is therefore believed that the Board's current composition is suited to its current workload.
It should also be noted that the Board's current size and composition is justified by the need to incorporate a certain number of independent directors and also to comply with the shareholders' agreement stemming from the merger with Banca Cívica, which will remain in force until August 2020.
With all this in mind, the Board is believed to have the right number of members to ensure its maximum effectiveness and involvement of directors, with a wide range of opinions.

14. That the Board of Directors approves a selection policy for directors that:

    a) Is concrete and verifiable;

    b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

    c) Favours diversity in knowledge, experience and gender.

    That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

    And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

    The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

    Complies [X] Partially compliant [ ] Explain [ ]

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive.

    Complies [X] Partially compliant [ ] Explain [ ]

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

    This criterion may be relaxed:

    a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

    b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

    Complies [X] Explain [ ]

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [X] Explain [ ]

18. Companies should post the following Director particulars on their websites, and keep them permanently updated:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies [X] Partially compliant [ ] Explain [ ]

19. Following verification by the nomination committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary Directors at the request of shareholders controlling less than 3 percent of capital; It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

    The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

    Complies [X] Explain [ ]

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

    And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

    Complies [X] Partially compliant [ ] Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

    Complies [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [ ] Explanation [ ]

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X] Complies partially [ ] Explanation [ ]

As established in Article 7.2 of the Regulations of the Board, the Chairman has the authority to set the agenda of the meetings of the Board, directing the discussions and deliberations in its debates.
However, any director may request that further items be included on the agenda.

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [ ] Complies partially [x] Explanation [ ]

To help prevent unavoidable absences leading to de facto changes in the balance of the Board of Directors, the law allows directors to grant a proxy upon a fellow director (for non-executive directors, the proxy must be granted to another non-executive director), as set out in Principle 14 of the Good Governance Code and in the corporate By-laws (article 37) and the Regulations of the Board of Directors (article 17), which states that directors must personally attend Board meetings. However, when they are unable to do so in person, they shall endeavour to grant their proxy in writing, on a special basis for each meeting, to a fellow Board member, including the appropriate instructions therein. Non-executive directors may only delegate a proxy to a fellow non-executive director, while independent directors may only delegate to a fellow independent director.

It should also be noted that CaixaBank's Corporate Governance Policy states that in relation to the duty of directors to attend Board meetings, and in the event of their unavoidable absence, directors shall endeavour to grant their proxy in writing, and separately for each meeting, to a fellow Board member. Every attempt must be made to ensure that each and every director attends at least 80% of Board meetings. As such, proxies are a comparative rarity at CaixaBank.

The Board of Directors considers, as good corporate governance practice, that when directors are unable to attend meetings, proxies are not generally delegated with specific instructions. This does not amend, de facto, the balance of the Board given that delegations may only be made by non-executive directors to other non-executive directors, and independent directors may only delegate to other independent directors, while directors are always required to defend the company's corporate interest regardless of their director status.
Moreover, and reflecting the freedom of each director who may also delegate with the appropriate instructions as suggested in the Board's Regulations, the decision to delegate without instructions represents each director's freedom to consider what provides most value to their proxy, and they may finally decide on the grounds that they want to give their proxy freedom to adapt to the result of the Board meeting debate. This, in addition, is in line with the law on the powers of the Chairman of the Board of Directors, who is given, among others, the responsibility of encouraging a good level of debate and the active involvement of all directors, safeguarding their right to adopt any position or stance they see fit.

Therefore, the freedom to appoint proxies with or without specific instructions, at the discretion of each director, is considered good practice and, specifically, the absence of instructions is seen as facilitating the proxy's ability to adapt to the content of the debate.

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [ ] Explanation [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X] Explanation [ ] Not applicable [ ]

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly drawn up in the minutes, of the majority of directors present.

Complies [X] Complies partially [ ] Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explanation [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies partially [ ] Explanation [ ]

34. When a lead independent director has been appointed, the Articles of Association or Regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

35. The Board Secretary should strive to ensure that the Board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies [X]   Explanation [ ]

36. The Board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X]   Complies partially [ ]   Explanation [ ]

37. When an executive committee exists, its membership mix by Director class should resemble that of the Board. The Secretary of the Board should also act as Secretary to the Executive Committee.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies [X] Complies partially [ ] Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [ ] Explanation [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

   a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

   b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

   c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

   a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

   b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

   c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

   d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

   e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X]   Partially compliant [ ]   Explain [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X]   Partially compliant [ ]   Explain [ ]

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Means identified in order to minimise identified risks in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X] Complies partially [ ] Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] Complies partially [ ] Explanation [ ]

47. Members of the Appointments and Remuneration Committee - or of the Appointment Committee and Remuneration Committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to perform. The majority of their members should be independent Directors.

Complies [X] Complies partially [ ] Explanation [ ]

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Complies [X] Explain [ ] Not applicable [ ]

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [X] Partially compliant [ ] Explain [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Partially compliant [ ] Explain [ ]

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive Directors and senior officers.

Complies [X] Partially compliant [ ] Explain [ ]

52. The terms of reference of supervision and control committees should be set out in the Regulations of the Board, and aligned with those applicable to legally mandatory Board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies [X] Complies partially [ ] Explanation [ ]

54. The corporate social responsibility policy should state the principles or commitments that the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [ ] Explanation [ ]

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [X] Complies partially [ ] Explanation [ ]

56. That the remuneration package of directors be sufficient to attract and retain directors with the desired profile and to reward the dedication, qualification and accountability that the position demands, but not so high as to compromise the independence of criterion of non-executive directors.

Complies [X] Explanation [ ]

57. Variable remuneration linked to the company and the Director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive Directors.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [ ] Explanation [ ]

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor’s report which would diminish said results.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

61. A major part of executive Directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies [ ] Complies partially [ ] Explanation [X] Not applicable [ ]

The prohibition on directors transferring ownership of a number of shares equivalent to two times their fixed annual remuneration within three years of acquiring those shares is not applied as such at CaixaBank. There is no provision governing this matter, although executive directors (who are the only directors entitled to receive share-based remuneration) are expressly prohibited from transferring shares received under their remuneration package, no matter the amount, until 12 months have elapsed from receiving them. The purpose established in Principle 25 that director remuneration be conducive to achieving business objectives and the company's best interests is also achieved through the existence of malus and clawback clauses, and via the remuneration structure for executive directors, whose remuneration in shares (corresponding to half their variable remuneration and in relation to long-term incentive plans) is not only subject to a lock-up period but is also deferred. Moreover, this variable remuneration constitutes a limited part of their total remuneration, thus complying fully with the prudential principles of not providing incentives for risk-taking while being suitably aligned with the Company's objectives and its sustainable growth.
The Annual General Meeting of 6 April 2017 approved the Remuneration Policy for the Board of Directors, extending the deferral period from three to five years applicable from 2018 onward (this change was made to comply with the EBA Guidelines on sound remuneration policies). The policy was maintained in the Amendments to the Remuneration Policy of the Board of Directors approved at the Annual General Meetings of 6 April 2018 and 5 April 2019. Meanwhile, the long-term incentive plans were ratified at the Annual General Meetings held on 23 April 2015 and 5 April 2019.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

State if any directors have voted against or abstained from approving this report.

[ ] Yes
[√] No

I declare that the details included in this statistical annex coincide and are consistent with the descriptions and details included in the Annual Corporate Governance Report published by the company.

TIMBRE DEL ESTADO

0,03 EUROS

TRES CÉNTIMOS DE EURO

ON9637228

CLASE 8.ª

DECLARACIÓN DE RESPONSABILIDAD SOBRE EL CONTENIDO DEL INFORME FINANCIERO ANUAL INDIVIDUAL DE CAIXABANK, S.A. CORRESPONDIENTE AL EJERCICIO 2019

Los abajo firmantes declaran que, hasta donde alcanza su conocimiento, las cuentas anuales elaboradas con arreglo a los principios de contabilidad aplicables ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados de CaixaBank, S.A. y que el informe de gestión incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de CaixaBank, S.A., junto con la descripción de los principales riesgos e incertidumbres a que se enfrenta.

Las Cuentas Anuales, propuesta de aplicación del resultado e Informe de Gestión de CAIXABANK, S.A., correspondientes al ejercicio 2019, formulados por el Consejo de Administración en su reunión del día 20 de febrero de 2020, constan en el reverso de 394 hojas de papel timbrado de clase 8ª del nº ON1284501 al nº ON1284710 ambas inclusive, del nº ON1285214 al nº ON1285251 ambas inclusive, del nº ON2831295 al nº ON2831440 ambas inclusive y en el anverso y reverso de la hoja de papel timbrado de clase 8ª nº ON9637228 que contiene las firmas de los miembros del Consejo que los suscriben.

Valencia, 20 de febrero de 2020

Don Jordi Gual Solé Presidente	Don Tomás Muniesa Arantegui Vicepresidente
Don Gonzalo Gortázar Rotaeche Consejero Delegado	Don Francesc Xavier Vives Torrents Consejero Coordinador
Don Marcelino Armenter Vidal Consejero	Doña María Teresa Bassons Boncompte Consejera

Fundación Bancaria Canaria Caja General de Ahorros de Canarias – Fundación CajaCanarias
Representada por:
Doña Natalia Aznárez Gómez
Consejera

Doña María Verónica Fisas Vergés
Consejera

Don Alejandro García-Bragado Dalmau
Consejero

Doña Cristina Garmendia Mendizábal
Consejera

Don Ignacio Garralda Ruíz de Velasco
Consejero

Doña María Amparo Moraleda Martínez
Consejera

Don John Shepard Reed
Consejero
No firma por no haber asistido presencialmente, sino mediante videoconferencia. El Secretario,

Don Eduardo Javier Sanchiz Irazu
Consejero

Don José Serna Masiá
Consejero

Doña Koro Usarraga Unsain
Consejera