

CaixaBank Group
Financial Statements

2020





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

## Independent auditor's report on the consolidated annual accounts

To the shareholders of CaixaBank, S.A.:

## Report on the consolidated annual accounts

## Opinion

We have audited the consolidated annual accounts of CaixaBank, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

#### Basis for opinion

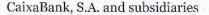
We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated 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 consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





## How our audit addressed the key audit matter

## Credit risk impairment and impairment arising from foreclosures

Determining impairment due to credit risk and foreclosed real estate assets is based on internal calculation models of expected loss. In the context of the COVID-19 crisis, the complexity in estimating impairment due to credit risk has increased, as a result of their adaptations to the internal models in order to include new assumptions and elements of judgement, such as the accounting flexibility measures in the application of the stage classification criteria of the operations subject to moratoriums, considering guarantees in government backed operations or considering adjustments to models for their adaptation to the new macroeconomic scenarios. This estimate requires a significant component of judgement by management and it is one of the most significant and complex estimates in the preparation of the accompanying consolidated annual accounts. It has, therefore, been considered as one of the key audit matters.

In addition to those already mentioned, the main judgements and assumptions made by management are the following:

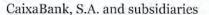
- Identification and classification criteria
  by stages of impaired assets or assets
  with a significant increase in risk,
  including the additional criteria
  established in the context of Covid-19,
  that, among others, affect those used in
  the evaluation of operations covered by
  moratorium measures and those granted
  with government endorsement.
- The building of parameters for the internal models of probability of default (PD) and loss given default (LGD).

Our work has included the participation of internal specialists in credit risk models and valuation of real estate assets arising from foreclosures and has focused on analyzing, evaluating and verifying internal control, as well as performing tests of details on impairment estimation.

With regard to the internal control system, we have carried out an understanding of the impairment estimation process due to credit risk and we have tested on the adequacy of controls along the process, paying special attention to the determination and adjustments' approval to the models for their adaptation to the new macroeconomic scenarios and the processes for granting moratoriums and government guarantees in the context of Covid-19. It has also been subject to revision the analysis of the periodic assessment of risks and follow-up alerts by Bank management, as well as the actual performance of the periodic review of borrower files to monitor classification and, where applicable, recognize impairment.

We have also performed the following tests of details:

Review of methodology and verification of the main internal models with respect to: i) calculation and segmentation methods; ii) loan staging criteria and classification of real estate assets based on their category; iii) estimation methodology of expected loss parameters (probability of default and realizable value of collateral); iv) data used and main estimates employed, especially those related to macroeconomic scenarios and their assumptions; and v) recalibration and back testing of the internal models.





- The use of hypothesis with a significant effect on the established credit risk provisions, such as the considered macroeconomic scenarios and their probability of occurrence (specifically with collective model's adjustment in the context of the Covid-19 crisis), the expected life of the operations and the existence of prepayments, among others.
- The realizable value of guarantees related to granted loans based on the information and/or appraisal value provided by different valuation firms or using statistical methodologies in cases of reduced exposure and risk.

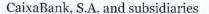
The real estate assets impairment estimation arising from the lending business, awarded to the Group by dation in payment, purchase or a court proceeding, is also based on internal models' calculations that evaluate the recoverable amount of these types of assets, estimating their fair value adjusted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

See Notes 2, 3.4.1, 14, 20, 21 and 40.2 to the accompanying consolidated annual accounts regarding credit risk and impairment arising from foreclosures and see Notes 36 and 39 to the accompanying consolidated annual accounts regarding profit and loss during the year.

## How our audit addressed the key audit matter

- Validating the additional criteria established in the context of Covid-19 for the assessment of the significant increase in risk.
- "Calculation engine" operations' analysis and re-execution of the calculation of collective provision of the impairment estimation models due to credit risk for certain loan portfolios of the constituted by the adjustment on the model due to the change of the macroeconomic scenario or the Covid-19 crisis, as well as that corresponding to estimation of real estate assets deterioration and contrast of results with those obtained by Group's management.
- Validation of a sample of borrower files analyzed individually in order to assess classification, their loss estimation methodologies and recognition, when appropriate, of the corresponding impairment.
- For a sample of operations subject to a moratorium or government guarantee, we have evaluated the adequacy of the documentation compiled by the Group.
- Analysis of the methodology used to estimate sales costs, sales periods and reductions of guarantees, to estimate impairment arising from foreclosures.
- Validation of a sample of appraisals to assess whether they comply with prevailing legislation, their reasonableness, and their degree of updating.

As a result of our testing, no differences have been identified, above a reasonable range, in the amounts recorded in the accompanying consolidated annual accounts.





### Recoverability of deferred tax assets

Evaluating recoverability of deferred tax assets is a complex exercise that requires high level of judgement and estimation and therefore we consider that assessing the ability to recover deferred tax assets, based on management assumptions, is a key audit matter.

The Group's policy is to recognise deferred tax assets, other than those that can be monetized, only when it is considered likely that enough taxable income will be obtained in the future to recover them.

In this process, management considers specific and complex aspects, regarding the consolidated Group for tax purposes, to assess both recognition and the subsequent capacity to recover the deferred tax assets recognised, based on the Group's financial projections and business plans, updated by the impact of Covid-19 and supported by defined assumptions that are projected over a time horizon and considering the applicable tax legislation.

Additionally, management submits the deferred tax asset recovery model to the review of an independent external expert and to periodic back testing to assess its predictability.

See Notes 2 and 25 to the accompanying consolidated annual accounts.

## How our audit addressed the key audit matter

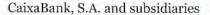
In collaboration with our tax experts, we have obtained an understanding of the estimation process carried out by management and controls designed and implemented on the following activities:

- Procedures on Group's financial projections to estimate the recoverability of deferred tax assets.
- Calculation of deductible temporary differences according to the applicable tax framework.

Additionally, we have carried out the following tests of details:

- Evaluation of cash flows considered in the financial projections and of the reasonableness and accuracy of the calculations made.
- Analysis of the economic and financial hypotheses employed in estimates made to calculate temporary differences, to assess whether they are complete, adequate and usable in the stipulated periods, with special attention to the impact of Covid-19.
- Review of the reasonableness of the amounts of deferred tax assets deemed to be monetizable

As a result of our tests of details, we have not identified exceptions above of a reasonable range, in the amounts recorded in the accompanying consolidated annual accounts.





## How our audit addressed the key audit matter

Tax, legal and regulatory provisions

In the ordinary course of business, the Group 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 and transparency with clients and their eventual compensation.

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 Group operates.

Group management, when deemed fit, recognizes 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 fiscal, legal and regulatory provisions is one of the areas requiring the highest degree of judgement and estimation is required, and for this reason, it has been considered a key audit matter.

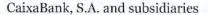
Refer to notes 2 and 23 to the accompanying consolidated annual accounts.

We have obtained an understanding and performed an assessment of the estimation process conducted by Group's management and of the controls designed and implemented on the following activities:

- Registration, accounting and updating of all the litigations in the Group's systems, as well as allocation of provisions, in accordance with the Group's policy.
- Evaluation of the criteria used to estimate and account for the provisions made associated with tax, legal or regulatory procedures.

Additionally, we have carried out the following test of details:

- Analysis of the main lawsuits, both individual and, where appropriate, collective.
- 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.
- With the support of our tax specialists: i)
  Follow-up of developments in tax inspections in progress and ii) analysis of the expected outcome of the most significant tax proceedings as well as possible contingencies related to the compliance of tax obligations for all periods open to inspection.
- Analysis of the registration, reasonableness and movement of accounting provisions associated with fiscal, legal and regulatory procedures.





## How our audit addressed the key audit matter

 Examination of communications with regulators and analysis of regulatory inspections carried out and in progress.

In performing our procedures, no differences have been identified, above a reasonable range, in the amounts recorded in the accompanying consolidated annual accounts.

#### Measurement of insurance contract liabilities

The Group engages in the life insurance business through its subsidiary VidaCaixa, S.A.U. de Seguros y Reaseguros, selling products basically in the Group's bank branch network.

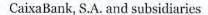
The Group recognizes the liabilities associated with these insurance policies in accordance with IFRS 4 "Insurance contracts" which, in some cases, requires the use of judgements and estimates by Group management to properly measure insurance contract liabilities, and has therefore been a key matter in our audit.

In particular, in the case of savings insurance, the Group's management calculates the mathematical reserve using actuarial techniques based on assumptions such as the technical interest rate, cost assumptions and biometric assumptions, in accordance with applicable accounting legislation.

See Notes 2 and 17 to the accompanying consolidated annual accounts.

We have gained an understanding of the process for estimating and recognizing insurance contract liabilities that has included an assessment of the design and effectiveness of internal control related to this area, including the most relevant information system controls. Our procedures carried out in association with our team of actuarial specialists focused on aspects such as:

- Understanding of the insurance contract liability calculation method, based on the nature of the products, as well as the consistent application of the method with respect to the previous year.
- Verification of the proper recognition of insurance contract liabilities and changes during the period.
- Analysis of the completeness and reconciliation of the basic data employed in the technical actuarial calculations supporting insurance contract liabilities.
- Verification of the application of interest rate, cost and biometric assumptions in line with applicable legislation and the Group's experience.
- Recalculation of the mathematical reserve for policies selected using sampling procedures.





## How our audit addressed the key audit matter

As a result of the insurance contract liability measurement procedures described, we have not identified any differences, above a reasonable range, in the amounts recognized in the accompanying consolidated annual accounts.

## Assessment of the control environment for information systems

The Group'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, and ensure the correct processing of information, and has therefore been considered a key audit matter.

Additionally, as the systems become more complex, the risks associated with information technologies, the organization and thus the information processed, increase.

In this regard, the Group's management has established the procedures deemed appropriate in the information system environment.

The effectiveness of the general internal control framework for the information systems is a key aspect to support the Group's operations, as well as the bookkeeping and accounts closing process.

In this context, it is necessary to assess aspects such as the organization and governance of the information systems area, controls of application maintenance and development, physical and logical security, and system operation.

Assisted by our information system and process specialists, our work has consisted of evaluating and checking the control environment associated with the information systems that support the Group's operations, and especially the accounts closing process.

In this context, procedures on internal control and tests of details performed to evaluate aspects such as: i) the organization and governance of the information systems area, ii) change management, development and applications maintenance, and iii) control access, physical and logical security on the applications, operating systems and database that support the relevant financial information.

Additionally, regarding the accounting and closing process, we have carried out the following additional procedures:

- Understanding and review of the process for generating accounting entries and financial information.
- Extracting, validating the completeness and filtering the entries booked in the accounting records, as well as analyzing the reasonableness of such entries.

The results of the above procedures have not revealed any relevant aspects on this matter.





## Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated 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 verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

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

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group'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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's Audit and Control Committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.





### Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts.
   We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





We communicate with the Parent 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 Parent 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 Parent company's Audit and Control Committee, we determine those matters that were of most significance in the audit of the consolidated 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

## European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of CaixaBank, S.A. and its subsidiaries for the 2020 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

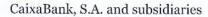
The directors of CaixaBank, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

### Report to the Parent company's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's Audit and Control Committee dated February 17, 2021.





## Appointment period

The General Ordinary Shareholders' Meeting held on April 6, 2017 appointed PricewaterhouseCoopers Auditores, S.L. as auditors of the Group for a period of 3 years, as from the year ended December 31, 2018.

Additionally, the General Ordinary Shareholders' Meeting held on May 22, 2020 appointed PricewaterhouseCoopers Auditores, S.L. as auditors of the Group for a period of one year, for the year ended December 31, 2021.

## Services provided

Services provided to the Group for services other than the audit of the accounts are indicated in Note 35 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by Raúl Ara Navarro (20210)

February 19, 2021

### CAIXABANK GROUP FINANCIAL STATEMENTS AT 31 DECEMBER 2020

- Consolidated balance sheet at 31 December 2020, 2019 and 2018, before appropriation of profit
- Consolidated statement of profit or loss for the years ended 31 December 2020, 2019 and 2018
- Consolidated statement of changes in equity for the years ended 31 December 2020, 2019 and 2018
  - Consolidated statement of other comprehensive income
  - Consolidated statement of total changes in equity
- Consolidated statement of cash flows for the years ended 31 December 2020, 2019 and 2018
- Notes to the consolidated financial statements for the year ended 31 December 2020



## CONSOLIDATED BALANCE SHEET

### **ASSETS**

(Millions of euros)				
	NOTE	31-12-2020	31-12-2019 *	31-12-2018 *
Cash and cash balances at central banks and other demand deposits	10	51,611	15,110	19,158
Financial assets held for trading	11	6,357	7,370	9,810
Derivatives		5,301	6,194	8,707
Equity instruments		255	457	348
Debt securities		801	719	755
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	12	317	427	704
Equity instruments		180	198	232
Debt securities		52	63	145
Loans and advances		85	166	327
Customers		85	166	327
Financial assets designated at fair value through profit or loss			1	
Debt securities			1	
Financial assets at fair value with changes in other comprehensive income	13	19,309	18,371	21,888
Equity instruments		1,414	2,407	3,565
Debt securities		17,895	15,964	18,323
Financial assets at amortised cost	14	267,509	244,702	242,582
Debt securities		24,670	17,389	17,060
Loans and advances		242,839	227,313	225,522
Central banks		4	6	5
Credit institutions		5,847	5,153	7,550
Customers		236,988	222,154	217,967
Derivatives - Hedge accounting	15	515	2,133	2,056
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	269	106	232
Investments in joint ventures and associates	16	3,443	3,941	3,879
Joint ventures		42	166	168
Associates		3,401	3,775	3,711
Assets under the insurance business	17	77,241	72,683	61,688
Tangible assets	18	6,957	7,282	6,022
Property, plant and equipment		4,950	4,915	3,210
For own use		4,950	4,915	3,210
Investment property		2,007	2,367	2,812
Intangible assets	19	3,949	3,839	3,848
Goodwill		3,051	3,051	3,051
Other intangible assets		898	788	797
Tax assets		10,626	11,113	11,264
Current tax assets		832	1,277	1,223
Deferred tax assets	25	9,794	9,836	10,041
Other assets	20	2,219	2,982	2,176
Inventories		75	54	57
Remaining other assets		2,144	2,928	2,119
Non-current assets and disposal groups classified as held for sale	21	1,198	1,354	1,239
TOTAL ASSETS		451,520	391,414	386,546
Memorandum items				
Loan commitments given	26	78,499	71,132	63,953
Financial guarantees given	26	6,360	5,982	5,735
Other commitments given	26	20,207	21,226	19,339
Financial instruments loaned or delivered as collateral with the right of sale or pledge				
Financial assets held for trading		789	165	469
Financial assets at fair value with changes in other comprehensive income		9,167	2,544	2,801
Financial assets at amortised cost		98,657	93,053	97,767
Tangible assets acquired under a lease	18	1,447	1.495	
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<sup>(\*)</sup> Presented for comparison purposes only (see Note 1)



## CONSOLIDATED BALANCE SHEET

### LIABILITIES

(Millions of euros)

(Williams of Caros)				
	NOTE	31-12-2020	31-12-2019 *	31-12-2018 *
Financial liabilities held for trading	11	424	2,338	9,015
Derivatives		151	1,867	8,616
Short positions		273	471	399
Financial liabilities designated at fair value through profit or loss			1	
Other financial liabilities			1	
Financial liabilities at amortised cost	22	342,403	283,975	282,460
Deposits		300,523	241,735	247,640
Central banks		50,090	14,418	29,406
Credit institutions		5,266	6,238	8,034
Customers		245,167	221,079	210,200
Debt securities issued		35,813	33,648	29,244
Other financial liabilities		6,067	8,592	5,576
Derivatives - Hedge accounting	15	237	515	793
Fair value changes of the hedged items in portfolio hedge of interest rate risk	15	1,614	1,474	1,244
Liabilities under the insurance business	17	75,129	70,807	61,519
Provisions	23	3,195	3,624	3,079
Pensions and other post-employment defined benefit obligations		580	521	458
Other long-term employee benefits		1,398	1,710	1,072
Pending legal issues and tax litigation		556	676	714
Commitments and guarantees given		193	220	355
Other provisions		468	497	480
Tax liabilities		1,231	1,296	1,351
Current tax liabilities		222	238	236
Deferred tax liabilities	25	1,009	1,058	1,115
Other liabilities	20	1,995	2,162	2,639
Liabilities included in disposal groups classified as held for sale		14	71	82
TOTAL LIABILITIES		426,242	366,263	362,182
Memorandum items				
Subordinated liabilities				
Financial liabilities at amortised cost	22	6,222	5,461	5,456

<sup>(\*)</sup> Presented for comparison purposes only (see Note 1).

### **EQUITY**

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	NOTE	31-12-2020	31-12-2019 *	31-12-2018 *
SHAREHOLDERS' EQUITY	24	27,118	26,247	25,384
Capital		5,981	5,981	5,981
Share premium		12,033	12,033	12,033
Other equity items		25	24	19
Retained earnings		8,719	7,795	7,300
Other reserves		(1,009)	(1,281)	(1,505)
(-) Treasury shares		(12)	(10)	(10)
Profit/(loss) attributable to owners of the Parent		1,381	1,705	1,985
(-) Interim dividends	6			(419)
ACCUMULATED OTHER COMPREHENSIVE INCOME	24	(1,865)	(1,125)	(1,049)
Items that will not be reclassified to profit or loss		(2,383)	(1,568)	(1,336)
Actuarial gains or (-) losses on defined benefit pension plans		(580)	(474)	(396)
Share of other recognised income and expense of investments in ioint ventures and associates		(70)	(83)	(75)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income		(1,733)	(1,011)	(865)
Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive				
income			0	
Fair value changes of equity instruments measured at fair value with changes other comprehensive				
income [hedged instrument]			(58)	
Fair value changes of equity instruments measured at fair value with changes in other comprehensive				
income [hedging instrument]			58	
Items that may be reclassified to profit or loss		518	443	287
Foreign currency exchange		(24)	4	2
Hedging derivatives. Reserve of cash flow hedges [effective portion]		73	(34)	22
Fair value changes of debt securities measured at fair value with changes in other comprehensive income		521	486	317
Share of other recognised income and expense of investments in joint ventures and associates		(52)	(13)	(54)
MINORITY INTERESTS (non-controlling interests)	24	25	29	29
Other items		25	29	29
TOTAL EQUITY		25,278	25,151	24,364
TOTAL LIABILITIES AND EQUITY		451,520	391,414	386,546
(*) Presented for comparison purposes only (see Note 1)				

<sup>(\*)</sup> Presented for comparison purposes only (see Note 1).



### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Millions of euros)				
	NOTE	31-12-2020	31-12-2019 *	31-12-2018 *
Interest income	28	6,764	7,055	6,946
Financial assets at fair value with changes in other comprehensive income (1)		1,812	1,966	1,856
Financial assets at amortised cost (2)		4,700	4,972	4,902
Other interest income		252	117	188
Interest expense	29	(1,864)	(2,104)	(2,039)
NET INTEREST INCOME		4,900	4,951	4,907
Dividend income	30	147	163	146
Share of profit/(loss) of entities accounted for using the equity method	16	307	425	826
Fee and commission income	31	2,911	2,940	2,898
Fee and commission expenses	31	(335)	(342)	(315)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit		(555)	(0 .2)	(010)
or loss, net	32	187	240	126
Financial assets at amortised cost		114	2	(25)
Other financial assets and liabilities		73	238	151
Gains/(losses) on financial assets and liabilities held for trading, net	32	127	139	40
Other gains or losses		127	139	40
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through				
profit or loss, net	32	(24)	(74)	61
Other gains or losses		(24)	(74)	61
Gains/(losses) from hedge accounting, net	32	(3)	45	39
Exchange differences (gain/loss), net		(49)	(52)	12
Other operating income	33	649	655	628
Other operating expenses	33	(1,005)	(1,041)	(1,152)
Income from assets under insurance and reinsurance contracts	33	1,107	884	939
Expenses from liabilities under insurance and reinsurance contracts	33	(509)	(328)	(388)
GROSS INCOME		8,410	8,605	8,767
Administrative expenses		(4,039)	(5,204)	(4,254)
Personnel expenses	34	(2,841)	(3,956)	(2,958)
Other administrative expenses	35	(1,198)	(1,248)	(1,296)
Depreciation and amortisation	18 and 19		(546)	(404)
Provisions or reversal of provisions	23	(221)	(186)	(441)
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	36	(1,943)	(425)	(126)
Financial assets at fair value with changes in other comprehensive income		(1)		(2)
Financial assets at amortised cost		(1,942)	(425)	(124)
Impairment/(reversal) of impairment on investments in joint ventures and associates.	16	(316)		(61)
Impairment/(reversal) of impairment on non-financial assets	37	(112)	(106)	(49)
Tangible assets		(110)	(80)	(17)
Intangible assets		(14)	(25)	(25)
Other		12	(1)	(7)
Gains/(losses) on derecognition of non-financial assets, net	16 and 38	3 27	55	(476)
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as				
discontinued operations	39	334	(116)	(149)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		1,600	2,077	2,807
Tax expense or income related to profit or loss from continuing operations	25	(219)	(369)	(712)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		1,381	1,708	2,095
Profit/(loss) after tax from discontinued operations	1			(55)
PROFIT/(LOSS) FOR THE PERIOD		1,381	1,708	2,040
Attributable to minority interests (non-controlling interests)		2,301	3	55
Attributable to owners of the parent		1,381	1,705	1,985
A COMMOND TO OTHER PARENT		1,301	1,703	1,303

<sup>(\*)</sup> Presented for comparison purposes only (see Note 1).

<sup>(1)</sup> Also includes the interest on available-for-sale financial assets (IAS 39) linked to the insurance business.

<sup>(2)</sup> Also includes interest on loans and receivables (IAS 39) of the insurance business.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART A) CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(Millions of euros)				
	NOTE	2020	2019 *	2018 *
PROFIT/(LOSS) FOR THE PERIOD		1,381	1,708	2,040
OTHER COMPREHENSIVE INCOME		(740)	(76)	(715)
Items that will not be reclassified to profit or loss		(815)	(232)	(517)
Actuarial gains or losses on defined benefit pension plans		(139)	(124)	(43)
Share of other recognised income and expense of investments in joint ventures and associates		13	(8)	(64)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	13	(719)	(145)	(455)
Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income				
Income tax relating to items that will not be reclassified		30	45	45
Items that may be reclassified to profit or loss		75	156	(198)
Foreign currency exchange		(29)	2	(87)
Translation gains/(losses) taken to equity		(29)	2	(229)
Transferred to profit or loss				142
Cash flow hedges (effective portion)		146	(54)	15
Valuation gains/(losses) taken to equity		130	9	(60)
Transferred to profit or loss		16	(63)	75
Debt instruments classified as fair value financial assets with changes in other comprehensive income		65	325	(114)
Valuation gains/(losses) taken to equity		101	523	7
Transferred to profit or loss		(36)	(198)	(121)
Share of other recognised income and expense of investments in joint ventures and associates		(39)	41	
Income tax relating to items that may be reclassified to profit or loss		(68)	(158)	(12)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		641	1,632	1,325
Attributable to minority interests (non-controlling interests)			3	76
Attributable to owners of the parent		641	1,629	1,249

<sup>(\*)</sup> Presented for comparison purposes only (see Note 1).

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B) CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY

		EQUITY ATTRIBUTABLE TO THE PARENT									MINORITY INT	ERESTS	
					SHAREHOL	DERS' EQUIT	Υ						
	NOTE	CAPITAL	SHARE PREMIUM	OTHER EQUITY ITEMS	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULAT ED OTHER COMPREHEN SIVE INCOME	ACCUMULAT ED OTHER COMPREHEN SIVE INCOME	OTHER ITEMS	TOTAL
BALANCE AT 31-12-2019		5,981	12,033	24	7,795	(1,281)	(10)	1,705		(1,125)		29	25,151
OPENING BALANCE AT 01-01-2020		5,981	12,033	24	7,795	(1,281)	(10)	1,705		(1,125)		29	25,151
TOTAL COMPREHENSIVE INCOME FOR THE								1,381		(740)			641
OTHER CHANGES IN EQUITY				1	924	272	(2)	(1,705)				(4)	(514)
Dividends (or remuneration to shareholders)	6				(418)							(4)	(422)
Purchase of treasury shares	24						(8)						(8)
Sale or cancellation of treasury shares	24						6						6
Transfers among components of equity					1,705			(1,705)					
Other increase/(decrease) in equity				1	(363)	272							(90)
BALANCE AT 31-12-2020		5,981	12,033	25	8,719	(1,009)	(12)	1,381		(1,865)		25	25,278

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (PART B) CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY

					EQUITY AT	TRIBUTABLE	TO THE PARE	NT			MINORITY INT	ERESTS	
	_				SHAREHOL	DERS' EQUIT	1						
	NOTE	CAPITAL	SHARE PREMIUM	OTHER EQUITY	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) ATTRIBUTABLE TO THE OWNERS OF THE PARENT	LESS: INTERIM DIVIDENDS	ACCUMULAT ED OTHER COMPREHEN SIVE INCOME	ACCUMULAT ED OTHER COMPREHEN SIVE INCOME	OTHER ITEMS	TOTAL
BALANCE AT 31-12-2017		5,981	12,033	10	6,038	(594)	(12)	1,684	(418)	(290)	(17)	451	24,866
Effects of changes in accounting policies						(538)				(23)	(4)	9	(556)
First application of IFRS 9	1					(538)				(23)	(4)	9	(556)
OPENING BALANCE AT 01-01-2018		5,981	12,033	10	6,038	(1,132)	(12)	1,684	(418)	(313)	(21)	460	24,310
TOTAL COMPREHENSIVE INCOME FOR THE								1,985		(736)	21	55	1,325
OTHER CHANGES IN EQUITY				9	1,262	(373)	2	(1,684)	(1)			(486)	(1,271)
Dividends (or remuneration to shareholders)					(478)				(419)			(5)	(902)
Purchase of treasury shares	24						(2)						(2)
Sale or cancellation of treasury shares	24						4						4
Transfers among components of equity					1,715			(1,684)	418			(450)	(1)
Other increase/(decrease) in equity				9	25	(373)						(31)	(370)
BALANCE AT 31-12-2018		5,981	12,033	19	7,300	(1,505)	(10)	1,985	(419)	(1,049)		29	24,364
OPENING BALANCE AT 01-01-2019		5,981	12,033	19	7,300	(1,505)	(10)	1,985	(419)	(1,049)		29	24,364
TOTAL COMPREHENSIVE INCOME FOR THE								1,705		(76)		3	1,632
OTHER CHANGES IN EQUITY				5	495	224		(1,985)	419			(3)	(845)
Dividends (or remuneration to shareholders)	6				(598)							(3)	(601)
Purchase of treasury shares	24						(8)						(8)
Sale or cancellation of treasury shares	24						8						8
Transfers among components of equity					1,566			(1,985)	419				
Other increase/(decrease) in equity				5	(473)	224							(244)
BALANCE AT 31-12-2019		5,981	12,033	24	7,795	(1,281)	(10)	1,705		(1,125)		29	25,151



## CONSOLIDATED STATEMENT OF CASH FLOWS (INDIRECT METHOD)

	NOTE	2020	2019 **	2018 **
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		37,562	(6,453)	(4,878
Profit (loss) for the period *		1,381	1,708	2,040
Adjustments to obtain cash flows from operating activities		3,062	4,495	3,518
Depreciation and amortisation		540	546	404
Other adjustments		2,522	3,949	3,114
Net increase/(decrease) in operating assets		(24,832)	(8,780)	(9,438
Financial assets held for trading		1,013	(1,743)	(169
Financial assets not designated for trading compulsorily measured at fair value through		2,020	(2), .0)	(100)
profit or loss		110	277	118
Financial assets designated at fair value through profit or loss			(1)	
Financial assets at fair value with changes in other comprehensive income		(1,488)	4,016	(1,056
Financial assets at amortised cost		(25,193)	(5,879)	(9,258
Other operating assets		726	(5,450)	927
Net increase/(decrease) in operating liabilities		58,101	(3,787)	(494)
Financial liabilities held for trading		(1,914)	1,333	410
Financial liabilities designated at fair value through profit or loss		( , ,	1	
Financial liabilities at amortised cost		59,369	(4,687)	1,996
Other operating liabilities		646	(434)	(2,900)
Income tax (paid)/received		(150)	(89)	(504)
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		484	(117)	5,301
Payments:		(776)	(822)	(1,219)
Tangible assets		(403)	(525)	(512)
Intangible assets		(287)	(232)	(224)
Investments in joint ventures and associates		(207)	(5)	(64)
Subsidiaries and other business units			(3)	(354)
Non-current assets and liabilities classified as held for sale		(86)	(60)	(65)
Proceeds:		1,260	705	6,520
Tangible assets		228	340	798
Intangible assets		220	8	730
Investments in joint ventures and associates		644	9	1,302
Non-current assets and liabilities classified as held for sale		388	348	4,415
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(1,540)	2,521	(1,416)
Payments:		(5,277)	(2,869)	(8,006)
Dividends	6	(418)	(602)	(902)
Subordinated liabilities	O	(410)	(602)	(2,072)
		(8)	(8)	
Purchase of own equity instruments  Other payments related to financing activities		(4,851)	(2,259)	(5,030)
Other payments related to financing activities  Proceeds:		3,737		6,590
	22	746	5,390	
Subordinated liabilities  Disposal of our positivinstruments	22		0	2,250
Disposal of own equity instruments		3.005	5 202	4 226
Other proceeds related to financing activities		2,985	5,382	4,336
D) EFFECT OF EXCHANGE RATE CHANGES		(5)	1 (4.042)	(4)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		36,501	(4,048)	(997)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,110	19,158	20,155
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)		51,611	15,110	19,158
Cash		2,339	2,700	2,468
Cash equivalents at central banks		48,535	11,836	15,783
Other financial assets		737	574	907
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR		51,611	15,110	19,158
(*) Of which: Interest received		7,413	7,080	7,057
Of which: Interest received		2,123	1,951	2,100

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**Index of explanatory notes** 

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CAIXABANK GROUP AT 31 DECEMBER 2020

As required by current legislation governing the content of consolidated financial statements, these notes to the consolidated financial statements complete, extend and discuss the balance sheet, statement of profit or loss, statement of changes in equity and the statement of cash flows, and form an integral part of them to give a true and fair view of the equity and financial position of CaixaBank group at 31 December 2020, and the results of its operations, the changes in equity and the cash flows during the year then ended.

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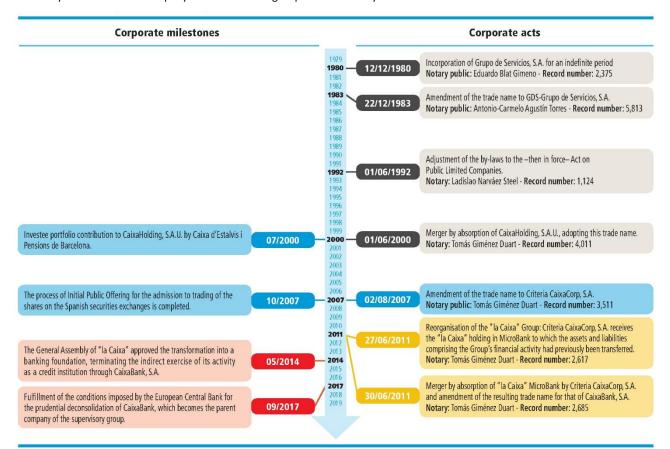
#### 1. Corporate information, basis of presentation and other information

#### 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 (NIF) 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 office and tax address of CaixaBank is Calle Pintor Sorolla, 2-4 in Valencia. The contact numbers for the shareholder service line are 902 11 05 82 / +34 935 82 98 03, and the one for institutional investors and analysts is +34 934 11 75 03.

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 and its subsidiaries comprise CaixaBank Group (hereinafter "CaixaBank Group" or "the Group").

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

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

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.

CaixaBank's corporate website is www.caixabank.com.

1.2. Basis of presentation

The Group's consolidated financial statements have been prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Group at 31 December 2020, which is set forth in the International Financial Reporting Standards adopted by the European Union (hereinafter, "IFRS-EU"). In preparing these statements, Bank of Spain Circular 4/2017 of 27 November has been taken into account, which constitutes the adaptation of the IFRS-EU to Spanish credit institutions, and subsequent amendments in force at the end of the financial year.

The financial statements, which were prepared from the accounting records of CaixaBank and the Group's companies, 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 Group's equity, financial position, results of operations and cash flows for the financial year. The accompanying financial statements include certain adjustments and reclassifications required to apply the policies and criteria used by the Group companies on a consistent basis with those of CaixaBank.

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.

Standards and interpretations issued by the International Accounting Standard Board (IASB) that became effective in the year

In 2020 the following accounting standards became effective:

#### STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE IN 2020

STANDARDS AND INTERPRETATIONS *	TITLE	DATE OF APPLICATION
Amendment to IFRS 3	Definition of a business	1 January 2020
Amendment to IAS 39, IFRS 9 and IFRS 7	Interest rate benchmark reform (phase 1)	1 January 2020
Amendment to IAS 1 and IAS 8	Definition of materiality	1 January 2020
Amendment to IFRS 16	Rental concessions related to COVID-19	1 June 2020
Amendment to Conceptual Framework	Amendment to the Conceptual Framework of the IFRS	1 January 2020

<sup>(\*)</sup> They have not had a significant effect on the Group.

## Amendment to IAS 39, IFRS 9 and IFRS 7

In the context of the global interest rate benchmark reform (IBORs), the IASB launched a project to review of the main IFRS standards affected, split into two phases. The first phase focused on the accounting impacts before the replacement of the interest rate benchmarks, and finished with the publication in September 2019 of the Amendments to IAS 39, IFRS 9 and IFRS 7, which were approved at European level on 17 January 2020. It came into effect on 1 January 2020.

These amendments provide exceptions so entities do not have to abandon their hedging ratios in an environment of uncertainty regarding the long-term feasibility of some interest rate benchmarks. These exceptions are based, inter alia, on the ability to assume that the interest rate benchmark on which the hedged risk or the cash flows of the hedged item or the hedging instrument is based is not altered as a consequence of the reform.

The Group decided to early adopt the amendments of phase one at the close of 2019, although due to the fact that the majority of its hedging ratios are based on the Euribor index and that the latter has not been subject to replacement – only its calculation methodology was changed – it has not had an impact through the global reform itself, and the broken down information considered in the amendments to phase one do not apply.

#### Amendment to IFRS 16

As a consequence of the COVID-19 pandemic, many lessors have provided rental reductions to their tenants. These rental reductions are particularly important for tenancies in retail real estate, and, in some cases, are encouraged or required by governments or court authorities. Rental reductions include rental 'holidays' or deductions for a period of time, potentially followed by an increase in the rental payments in future periods.

The IASB has reported that it may be practically difficult to apply the requirements of IFRS 16 to a potentially high volume of rental reductions related to COVID-19, particularly in light of the many challenges faced by those affected. Specifically, tenants have identified difficulties in the current environment in assessing whether rental reductions related to COVID-19 are modifications to their lease, for which the accounting processes required by the Standard is applicable.

In this context, as a practical solution, a modification of IFRS 16 has been approved to allow tenants to not have to evaluate whether specific rental reductions related to COVID-19 are modifications to their lease. Instead, tenants who apply this practical solution will account for said rental reductions as if they are not rental modifications. The amendment to the Standard, which does not propose any changes for lessors, is due to enter into force on 1 June 2020.

The Group has not identified any contracts that may be within the scope of this amendment, and thus it does not anticipate applying the aforementioned solution. Neither will there be an impact on assets nor on the presentation of financial statements derived therefrom.

#### Standards and interpretations issued by the IASB but not yet effective

At the date of authorisation for issue of these consolidated financial statements, following are the main standards and interpretations issued by the IASB but not yet effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been endorsed by the European Union:

#### STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET EFFECTIVE

		MANDATORY APPLICATION FOR ANNUAL PERIODS BEGINNING ON OR
STANDARDS AND INTERPRETATIONS	TITLE	AFTER:
Amendment to IAS 39, IFRS 9 and IFRS 7	Interest rate benchmark reform (phase 2)	1 January 2021
Amendment to IFRS 4	Scope of the temporary exemption for applying IFRS 9	1 January 2021
IFRS 17	Insurance contracts	1 January 2023

#### Amendment to IAS 39, IFRS 9 and IFRS 7 (phase 2)

The IASB has completed its response to the global interest rate benchmark reform (IBORs) with a series of amendments to IAS 39, IFRS 9 and IFRS 7 – the so-called phase 2 – which supplement those issued in 2019.

These amendments focus on cases in which entities replace the previous benchmark interest rate for an alternative benchmark rate and on the effects of the amendment on the financial statements. Specifically:

Changes in the contractual cash flows entities will not have to derecognise or adjust the carrying amount of financial instruments due to the changes required by the reform, but will have to update the effective interest rate in order to reflect the change to the alternative benchmark rate;

- Hedge accounting: entities will not have to abandon their hedge accounting simply because they have to apply the changes required by the reform if the hedging complies with other hedge accounting criteria; and
- Breakdowns: entities must publish information about any new risks that arise following the reform and how they will manage the transition to the alternative benchmark rates.

These amendments will become effective as of 1 January 2021, although early adoption is permitted.

#### IFRS 17 "Insurance contracts"

On 25 June 2020, the IASB issued a series of amendments to IFRS 17, with a view to help entities to implement the Standard and facilitate the explanation of their financial performance to users of their financial information. The main principles on which the original Standard is based, first issued in May 2017, are not affected. The newly published amendments are basically designed to: i) reduce costs by simplifying some requirements in the Standard, ii) make financial performance easier to explain, and iii) facilitate the transition by postponing the validity date of the Standard until 2023, whilst giving additional aids to reduce the effort required when applying IFRS 17 for the first time.

As specified in note 2.21 for insurance operations, the Group's insurance companies have made use of the temporary exemption of the application of IFRS 9, thus, this standard is no longer in force for the insurance business by virtue of the application of EU Regulation 2017/1988. This regulation allows for the deferral of IFRS 9 for insurance companies that form part of a financial conglomerate, as stated in article 2, section 14 of Directive 2002/87/EC. This option was adopted by CaixaBank Group for the financial investments of the Group's insurance companies (VidaCaixa and BPI Vida y Pensiones) from 1 January of 2018, as it fulfilled the conditions laid down by article 2 of the EU Regulation EU 2017/1988.

The Group continues to work intensively to implement this standard, in accordance with the plan approved in 2018, which was subject to an update in 2019; in particular, the work is currently focused on developing the actuarial engine and tools for drawing up accounting and management information, as well as testing the first partial results. The implementation of the standard and the assessment of the impact on the CaixaBank Group financial statements remains on-going.

Relevant changes to the project plan are not expected in 2021, despite the fact that the IASB has delayed the first application of IFRS 17 to 1 January 2023. Nevertheless, it is important to point out that the effects that the crisis resulting from COVID-19 will have on the project plan in the short term will be monitored closely.

1.3. Responsibility for the information and for the estimates made

The Entity's consolidated financial statements for 2020 were authorised for issue by the Board of Directors at a meeting held on 18 February 2021. They have not yet been approved by the Annual General Meeting, while it is expected that they will be approved without any changes.

In its meeting of 26 March 2020, the Board of Directors agreed to cancel the amount of the dividend contained in the 2019 profit allocation proposal included in the financial statements of said year, and drew up a new profit allocation proposal (see Note 1.8). The 2019 financial statements, as well as the proposal for distributing the income from 2019 in its new terms, were approved by the Annual General Meeting of 22 May 2020.

These consolidated financial statements have been prepared according to a going concern based on the solvency (see Note 4) and liquidity (see Note 3.3.3.) of the Group. The preparation of the consolidated 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 judgements and estimates mainly refer to:

- The measurement of goodwill and intangible assets (Note 2.15 and 19).
- The term of the lease agreements 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 judgments regarding: i) the consideration of "significant increase in credit risk" (SICR); ii) the definition of default; and iii) the inclusion of forward-looking information (Notes 2.7 and 3.4.1.).
- The measurement of investments in joint ventures and associates (Note 16).



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- Determination of the share of profit/(loss) of associates (Note 16).
- Actuarial assumptions used to measure liabilities arising from insurance contracts (Note 17).
- The classification, useful life of and impairment losses on tangible assets and intangible assets (Notes 18 and 19).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 21).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 23).
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 23).
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 25).
- The fair value of certain financial assets and liabilities (Note 40).

These estimates were made on the basis of the best information available at the date of authorisation for issue of the financial statements. However, considering the uncertainty at this time derived from the impact of COVID-19 on the current economic environment, it is possible that 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 changes in the scope of consolidation

The 2019 and 2018 figures presented in the accompanying 2020 Financial Statements are given for comparison purposes only. In some cases, in order to facilitate comparability, the comparative information is presented in a summarised way, and the full information is available in the 2019 and 2018 Financial Statements.

#### IFRS 16 - Leases

The Group applied IFRS 16 for the first time on 1 January 2019. Along these lines, it 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 the Group intervenes as lessee, previously classified as operational leases, the Group opted to apply the new leasing criteria retroactively through the modified retrospective approach, whereby enabling an estimation of the value of the right of use by referencing the financial liability in operations; generating no adjustment in reserves whatsoever at 1 January 2019. Additionally, the Group decided to exclude from the scope – in accordance with the simplifications considered in the new regulatory framework on financial information – lease agreements whose underlying asset is not real estate and 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), which were in connection with the operating activity.

For sale transactions with subsequent leasing carried out before 1 January 2019 in which the Group acted as a seller-lessee, the subsequent lease has been recorded as any other existing operating lease at 1 January 2019.

#### IFRS 9

The Group applied IFRS 9 for the first time on 1 January 2018. This led to changes to the classification and measurement modifications of certain items on the balance sheet at 31 December 2017. The breakdown and impacts of the application of IFRS 9 are covered in Appendix 7 and in the 2018 Financial Statements.

1.5. Seasonality of operations

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

1.6. Owenership interests in credit institutions

At year-end, the Group 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 and 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. Relevant COVID-19 information

The year 2020 has been marked by the impact of COVID-19 on the wider society and on the activity of the economy. This has required a special attention by CaixaBank and the various companies within its Group, in order to meet its goal of promoting financial services to its customers, while attending to the special needs arising from such a time. To do so, CaixaBank has taken the measures that are set out below:

- In order to curb the economic and social impact on society, both in Note 3.4.1 Credit risk COVID-19 impact, as well as throughout the 2020 Consolidated Management Report, descriptions are provided for certain activities carried out, chiefly with regard to moratoria and the granting of state-backed funding.
- In the areas of accounting judgements and estimates, both regarding credit risk (see Note 3.4.1 Credit risk Impact of COVID-19) and in the impairment exercises of other assets (see Notes 1.3, 16, 19 and 25) the recommendations from advisory and supervisory bodies have been observed. Other declarations considered notably feature the statement by the IASB on 27 March 2020 in relation to the application of IFRS 9 in the context of uncertainty arising from COVID-19.
- In order to accommodate the position of the Group to the environment arising from the spread of COVID-19 and to the measures rolled out by the authorities to slow the spread (see Note 3.1), in its sessions of 26 March and 16 April 2020, the Board of Directors agreed the following: i) to cancel the Ordinary Annual General Meeting, which was announced on 25 February 2020, and which was scheduled for 2 and 3 April 2020 at first and second call, respectively, and reschedule it for 21 and 22 May 2020 at first and second call, respectively; ii) to revoke the proposal to apply the profit agreed by the Board of Directors on 20 February 2020, which was included as point four of the agenda of the Annual General Meeting, published on the website of the Spanish national securities market regulator (Comisión Nacional del Mercado de Valores, CNMV) on 25 February 2020; and iii) to reduce the proposed cash dividend for 2019 to EUR 0.07 per share from EUR 0.15 per share, in an exercise of prudence and social responsibility; resulting in a payout of 24.6%. The dividend was paid on 15 April 2020 as a single interim dividend for 2019 (see Note 5).

The new agreed proposal for the distribution of the profits of 2019 included the corresponding declaration from the Entity's accounts auditor, pursuant to the provisions of Article 40.6 bis of Royal Decree-Law 8/2020, of 17 March, on the extraordinary urgent measures to address the economic and social impact of COVID-19, and is as follows:

## APPROPRIATION OF PROFITS OF CAIXABANK, SA - 2019

	2019
Basis of appropriation	
Profit/(loss) for the year	2,074
Appropriation:	
To dividends (1)	418
To reserves	1,656
To legal reserve (2)	0
To voluntary reserve (3)	1,656
NET PROFIT FOR THE YEAR	2,074



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(1) Amount corresponding to the payment of the dividend of EUR 0.07 per share in cash on 15 April 2020. Treasury stock on the date of the payment of the dividend have been excluded given that, pursuant to the requirements of the Corporate Enterprises Act, dividends cannot be paid to treasury stock.

(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.

As regards the dividend policy in force comprising the distribution of a cash dividend above 50% of the consolidated net profit, the Board of Directors agreed to exclusively amend it for 2020, limiting the distribution to a cash dividend of no more than 30% of the reported consolidated net profit (for further information on payments to shareholders in 2020, see Note 5).

In no case will the remuneration of preference shares eventually convertible into outstanding shares (Additional Tier 1) be affected by prior agreements, and it will continue to be paid in accordance with the regulatory and supervisory framework in force.

Following a principal of prudence in the variable remuneration, and as an act of joint responsibility between CaixaBank's Senior Management and the Institution in view of the economic impact expected from the exceptional economic and social situation created by COVID-19, the Chief Executive Officer and members of the Management Committee have decided to waive their variable remuneration for 2020 (see Note 9).

1.9. Significant operations

#### Merger by absorption of Bankia

On 17 September 2020, the Board of Directors of CaixaBank and Bankia, S.A. agreed to approve and enter the shared project involving the takeover merger of Bankia, S.A. by CaixaBank with an exchange ratio of 0.6845 shares of CaixaBank for each share of Bankia. The exchange will be carried out by means of newly issued CaixaBank shares.

This shared merger project was approved by the General Shareholders' Meetings of CaixaBank and Bankia, which were celebrated in the beginning of December 2020. The appointment of the new Directors for the post fusion era was approved by the General Shareholders' Meeting of CaixaBank.

The merger is expected to take place during the first quarter of 2021 —subject to obtaining the necessary regulatory and administrative clearance— while the process of operational integration between both banks will be carried out before the end of 2021.

As a result of this operation:

- The generation of annual synergy costs of approximately EUR 770 million and new annual revenue of around EUR 290 million is expected.
- The entity's adequacy targets will set a buffer between of 250 and 300 basis points over the regulatory SREP requirement and a CET1 ratio between 11.0% and 11.5%, without considering IFRS 9 transitional adjustments.

Once the merger has been completed, the stake in CaixaBank held by CaixaBank de Criteria Caixa, S.A.U. (and indirectly by Fundación Bancaria Caja de Ahorros y Pensiones de Barcelona, "la Caixa") will be equal to or above 30% of its share capital, the FROB (via BFA Tenedora de Acciones, S.A.) acquiring a significant stake in CaixaBank, approximately 16%.

## Agreement of sale to Lone Star



On 8 June 2018, CaixaBank reached an agreement with the company SH Findel, S.À.R.L. (subsidiary company of TPG Sixth Street Partners) to repurchase 51% of the share capital of Servihabitat at a price of EUR 176.5 million. After this purchase, which obtained the necessary authorisations and which was closed on 13 July 2018, the Group now holds 100% of the share capital of Servihabitat.

As a result of the combination of businesses, Servihabitat is now consolidated through the method of global integration, for accounting purposes, from 1 July 2018. The impact on equity and profit of the difference between the acquisition date and the date that control was effectively obtained (13 July 2018) was not significant. This operation involved the emergence of the following impacts on the Group's income statement:

- A review of the carrying amount of the prior stake in Servihabitat (49%) by virtue of the update of the valuation of this share, consistent with the sale offer accepted by the Group with regard to the operation announced on 28 June 2018 and described in the following section. It resulted in the recording of a EUR 52 million loss under the heading "Impairment/(reversal) of impairment on investments in joint ventures and associates" of the accompanying consolidated income statement.
- The recognition of a loss amounting to EUR 152 million under the heading "Provisions or reversal of provisions" in the accompanying consolidated income statement, corresponding to the difference between the transaction price (EUR 176.5 million) and the fair value of the share purchased in 51% of Servihabitat, estimated in the context of the sale of this share to Lone Star.

Similarly, the result generated by this stake as a consequence of its business combination in July 2018 until sold, after the implementation of the transaction described in the following section, was classified under "Profit/(loss) after tax from discontinued operations" in the consolidated income statement.

### 2 Agreement of sale to Lone Star

On 28 June 2018, CaixaBank arranged to sell 80% of its real estate portfolio to a company owned by Lone Star Fund X and Lone Star Real Estate Fund V. This transaction mainly includes the portfolio of real estate assets available for sale on 31 October 2017, as well as 100% of the share capital of Servihabitat. The gross value of the real estate assets at 31 October 2017 used for the sale was approximately EUR 12,800 million, the net carrying amount of which was approximately EUR 6,700 million.

The Group transferred the aforementioned portfolio, together with 100% of Servihabitat, to a new company (Coral Homes, S.L.), 80% of which was subsequently sold to Lone Star, retaining a 20% stake through BuildingCenter. The overall impact of the sale operation on the consolidated statement of profit or loss (including, expenses, taxes and other costs) was EUR -48 million after tax and +15 basis points in the fully-loaded CET1 ratio at 31 December 2018.

In July 2020, an arbitration was initiated at the request of Lone Star to undo the contribution of a small group of properties included in the portfolio transferred to Coral Homes, S.L. In the event of an unfavorable resolution of abovementioned arbitration, it is estimated that it will not produce a significant equity impact on the Group.



## 1. Corporate information

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1.10. Subsequent events

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 9 January 2021, CaixaBank completed an issuance of a green bond (senior non-preferred debt) amounting to EUR 1,000 million, maturing in 8 years and paying an annual return of 0.50% (equivalent to the midswap + 115 basis points).

#### 2. Accounting policies and measurement bases

#### 2. Accounting policies and measurement bases

The main accounting principles and policies, and measurement bases used in the preparation of the consolidated financial statements of the Group for 2020 were as follows:

2.1. Business combinations and basis of consolidation

In addition to data relating to the parent company, the consolidated financial statements contain information on subsidiaries, 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 Group 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).

The subsidiaries are consolidated, without exception, on the grounds of their activity, using the full consolidation method, which consists of the aggregation of the assets, liabilities, equity, income and expenses of a similar nature included in their separate financial statements. The carrying amount of direct and indirect investments in the share capital of subsidiaries is eliminated in proportion to the percentage of ownership in the subsidiaries held by virtue of these investments. All other balances and transactions between the consolidated entities are eliminated on consolidation.

The share of third parties in the equity and profit or loss is shown under "Minority interests (non-controlling interests)" in the balance sheet and in "Profit/(loss) attributable to minority interests (non-controlling interests)" in the statement of profit or loss.

The results of subsidiaries acquired during the year are consolidated from the date of acquisition. Similarly, the results of subsidiaries that are no longer classified as subsidiaries in the year are consolidated at the amount generated from the beginning of the year up to the date on which control is lost.

Acquisitions and disposals of investments in subsidiaries without a change of control are accounted for as equity transactions, with no gain or loss recognised in the statement of profit or loss. The difference between the consideration paid or received and the decrease or increase in the amount of minority interests, respectively, is recognised in reserves.

According to IFRS 10, on loss of control of a subsidiary, the assets, liabilities, minority interests and other items recognised in valuation adjustments are derecognised, and the fair value of the consideration received and any remaining investment recognised. The difference is recognised in the statement of profit or loss.

Regarding non-monetary contributions to jointly controlled entities, the IASB recognised a conflict in standard between IAS 27, under which on the loss of control, any investment retained is measured at fair value and the full gain or loss on the transaction is recognised in the statement of profit or loss, and paragraph 48 of IAS 31 and the interpretation SIC 13, which, for transactions under their scope, restrict gains and losses to the extent of the interest attributable to the other equity holders of the jointly controlled entity. The Group has elected to apply, in a consistent manner, the provisions of IAS 27 to transactions under the scope of these standards.

Relevant information on these entities is disclosed in Appendix 1. The above information is based on the most recent data available (actual or estimated) at the time of preparation of these Notes.

#### Joint ventures



#### 2. Accounting policies and measurement bases

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

Investments in joint ventures are accounted for using the "equity method", i.e. in the proportion to the Entity's share of the assets of the investee, after adjusting for dividends received and other equity eliminations.

Relevant information on these entities is disclosed in Appendix 2. The above information is based on the most recent data available (actual or estimated) at the time of preparation of these Notes.

#### **Associates**

Associates are companies over which the Group 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, those not considered associates are companies 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 Group lacks the power to govern the entity's financial and operation policies. Based on these criteria, at the end of the year, the Group 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".

Investments in associates are accounted for using the equity method, i.e. in the proportion to the share of the assets of the investee, after adjusting for dividends received and other equity eliminations. The profits and losses arising from transactions with an associate are eliminated to the extent of the Group's interest in the share capital of the associate.

The amortisation of intangible assets with a finite useful life identified as a result of a Purchase Price Allocation (PPA) is recognised with a charge to "Share of profit/(loss) of entities accounted for using the equity method" in the statement of profit or loss.

The Group has not used the financial statements of companies accounted for using the equity method that refer to a different date than that of the Group's Parent.

Relevant information on these entities is disclosed in Appendix 3. The above information is based on the most recent data available (actual or estimated) at the time of preparation of these Notes.

#### 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 (Erste, Erste Group Bank or Erste Bank. In this case, 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.

#### Structured entities

A structured entity is that which has been designed so that voting or similar rights are not the dominant factor in deciding its control, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. In any case, the Group also uses the percentage of voting rights as an indicator for the purpose of measuring the existence of control in entities of this nature.

Where the Group creates or holds ownership interests in entities to provide customers access to investments or transfer certain risks to third parties, it analyses whether it has control over the investee and, therefore, whether it should or should not be consolidated.

#### Consolidated structured entities:

To determine whether there is control over a structured entity and, therefore whether it should be consolidated, the Group analyses the contractual rights other than voting rights. For this, it considers the purpose and design of each entity and, inter



#### 2. Accounting policies and measurement bases

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alia, evidence of the ability to direct the relevant activities, potential indications of special relationships or the ability to affect the returns from its involvement.

With regard to securisation funds, the Group is highly exposed to variable returns and has decision-making power over the entity, directly or through an agent. Information on these funds, the financial support given to the vehicles and the reason are detailed in Note 28.2.

At year-end, there were no agreements to provide additional financial support to other types of consolidated structured entities than those described.

#### Unconsolidated structured entities:

The Group creates vehicles to provide its customers access to certain investments or to transfer risks or for other purposes. These vehicles are not consolidated, as the Group does not have control and as the criteria for consolidation set out in IFRS 10 are not met.

At year-end, the Group did not have any significant interests in or provide financial support to unconsolidated structured entities.

#### **Business combinations**

Accounting standards define business combinations as the combination of two or more entities within a single entity or group of entities. "Acquirer" is defined as the entity which, at the date of acquisition, obtains control of another entity.

For business combinations in which the Group obtains control, the cost of the combination is calculated. Generally, it will be the fair value of the consideration transferred. This consideration includes the assets transferred by the acquirer, the liabilities assumed by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

In addition, the acquirer recognises, at the acquisition date, any difference between:

- i) the aggregate of the fair value of the consideration transferred, of the minority interests and the previously held equity interest in the company or business acquired, and
- ii) the net amount of the identifiable assets acquired, and liabilities assumed, measured at their fair value.

The positive difference between i) and ii) is recognised under "Intangible assets – Goodwill" in the balance sheet provided it is not attributable to specific assets or identifiable intangible assets of the company or business acquired. Any negative difference is recognised under "Negative goodwill recognised in profit or loss" in the statement of profit or loss.



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:

Contractual cash flows	Business model		Classification of financial assets (FA)		
Solely principal and interest payments on the amount of	In order to receive contractual cash flows.		FA at amortised cost.		
principal outstanding on specified dates (SPPI test)	In order to receive contractual cash flows and sale.		FA at fair value with changes in other comprehensive income.		
Others - No SPPI test	Derivative instruments designated as accounting hedging instruments.		Derivatives - Hedge accounting.		
	They originate from or are acquired with the aim of realising them in the short term.				
	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.		FA at fair value through profit or loss.	FA held for trading.	
	They are derivative instruments that do not meet the definition of a financial guarantee contract and have not been designated as accounting hedging instruments.				
	Others.		FA not designated for trading compulsorily measured at fair value through profit or loss.		

Investments in equity instruments are an exception to the aforementioned general assessment criteria. In general, the Group irrevocably exercises the option in the initial recognition by including – in the portfolio of financial assets at fair value with changes in other comprehensive income – investments in equity instruments that are not classified as held for trading and that, in the event of not exercising this option, would be classified as financial assets compulsorily measured at fair value through profit or loss.

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.

It is important to underline that the sale of financial assets held in the amortised cost portfolio as a result of the Entity's change of view arising from the COVID-19 effects cannot be considered a change in the business model or does not involve an accounting reclassification of the securities held in this portfolio, as these were correctly reclassified when the business model was assessed without the global crisis caused by COVID-19 being a reasonably possible scenario. If the completed sales and those able to be made, where applicable, during the crisis are significant in terms of value or frequency, based on the exceptions foreseen in the regulatory framework, we consider that these would also be consistent with a business model of maintaining financial assets to obtain contractual cash flows, as the current conditions and the reasons that give rise to the need to sell classified assets in the amortised cost portfolio are and will be obviously extraordinary and transitory in nature and can be framed within an identifiable time frame.

More specifically, the fact that the Group 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.

As regards the assessment in relation to whether the cash flows of an instrument solely represent payments of principal and interest, the Group carries out a series of judgements when assessing such compliance (SPPI test), the following being the most significant:

Modified time value of money: in order to assess whether the interest rate of a particular operation incorporates some consideration other than that linked to the passage of time, the Group considers factors such as the currency in which the

financial asset is denominated and the term for which the interest rate is established. In particular, the Group performs a regular analysis for operations that present a difference between the holding period and the review frequency, whereby they are compared with another instrument that does not present such differences within a tolerance threshold.

- Exposure to risks inconsistent with a basic lending arrangement: an assessment is conducted on whether the contractual features of financial assets introduce exposure to risks or volatility in the contractual cash flows unrelated to a basic lending arrangement, such as exposure to changes in equity or commodity prices, in which case they would not be considered to pass the SPPI test.
- Clauses that amend the schedule or amounts of cash flows: the Group considers the existence of contractual conditions in virtue of which the timing or amount of the contractual flows of the financial asset can be modified. This applies to: i) assets whose contractual conditions allow for the total or partial early amortisation of the principal: ii) assets whose contracts allow for their duration to be extended, or iii) assets for which interest payments may vary according to a non-financial variable specified in the agreement. In these instances, the Entity evaluates whether the contractual cash flows that the instrument may generate over its life due to this contractual condition are solely payments of principal and interest on the principal amount outstanding and may include a reasonable additional compensation in the event of an early termination of the contract.
- Leverage: financial assets with leverage, i.e. those in which the variability of the contractual flows increases such that they do not have the economic characteristics of interest, cannot be considered financial assets that pass the SPPI test (e.g. derivative instruments such as simple option contracts).
- Subordination and loss of the right to receive payment: the Group evaluates any contractual clauses that may result in a loss of rights to receive payment of principal and interest on the principal amount outstanding.
- Currency: in analysing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Group takes into consideration the currency in which the financial asset is denominated in order to assess the characteristics of the contractual flows, for instance by assessing the component corresponding to the time value of money based on the benchmark used for setting the financial asset's interest rate.
- Contractually linked instruments: with respect to positions in contractually linked instruments, a 'look through to' analysis is performed, and on the basis of this analysis it is considered whether the flows derived from this type of asset consist solely of payments of principal and interest on the principal amount outstanding. Specifically, this is considered to be the case if:
  - the contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (for example, the interest rate on the tranche not linked to a commodity index);
  - the underlying pool of financial instruments comprises one or more instruments with contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and
  - the exposure to the credit risk inherent in the tranche is equal to or lower than the exposure to the credit risk of the underlying pool of financial instruments (for example, the credit rating of the tranche being assessed for classification is equal to or higher than the credit rating that would apply to a single tranche comprising the underlying pool of financial instruments). Therefore, if the rating of the tranche is equal to or greater than that of the vehicle, this condition will be considered to have been met.

The underlying group of instruments referred to in the previous section could also include instruments that reduce the variability of the flows of that group of instruments such that, when they are combined with these instruments, they generate flows that are solely payments of principal and interest on the principal amount outstanding (e.g. an interest rate ceiling or floor option or a contract that reduces the credit risk associated with the instruments). It could also include instruments that allow the flows from the tranches to be aligned with the flows from the group of underlying instruments in order to settle exclusively the differences in the interest rate, the currency in which the flows are denominated (including inflation) and the timing of cash flows.

- Assets without personal liability (non-recourse): the fact that a particular financial asset does not have any personal liability associated with it does not necessarily mean it must be considered a Non-SPPI financial asset. In these situations, the Group assesses the underlying assets or cash flows to determine whether they consist solely of payments of principal and interest on the principal amount outstanding, regardless of the nature of the underlying assets in question.
  - In particular, in the case of financing operations for projects that are repaid exclusively with the incomes from the projects being financed, the Group analyses whether the cash flows that are contractually determined to be principal and interest payments do indeed represent the payment of principal and interest on the principal amount outstanding.



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Negative compensation (symmetrical clauses): certain instruments incorporate a contractual clause whereby, if the principal amount outstanding is either fully or partially repaid early, the party that chooses to end the contract early – whether it is the debtor or the creditor – is able to receive fair additional compensation despite being the party choosing to end the contract early. This is the case, for instance, of so-called symmetrical clauses found in certain fixed-rate financing instruments. These clauses stipulate that when the creditor executes the option to make a repayment in advance, there must be compensation for the early termination of the contract, and this compensation will be in either the debtor's or the creditor's favour depending on how interest rates have fluctuated between the initial grant date and the date on which the contract is terminated early.

The fact that a financial instrument incorporates this contract term, known as negative compensation, does not necessarily mean that the instrument in question must be considered Non-SPPI. A financial instrument that would otherwise have met the conditions to be considered SPPI-compliant, had it not been for the incorporation of fair additional compensation for the early termination of the contract (to be either received or paid by the party that decides to terminate the contract early), will be eligible to be measured at amortised cost or at fair value with changes in another comprehensive income, as determined by the business model.

In cases where a characteristic of a financial asset is not congruous with a basic loan agreement, i.e. the asset has characteristics that give rise to contractual flows other than payments of principal and interest on the principal amount outstanding, the Group will assess the materiality and probability of occurrence in order to determine whether this characteristic or element should be taken into consideration when evaluating the SPPI test.

With respect to the materiality of a characteristic of a financial asset, the assessment performed by the Group involves estimating the impact it could have on the contractual flows. The impact of such an element is considered not material when it entails a change of less than 5% in the expected cash flows. This tolerance threshold is determined on the basis of the expected contractual flows, without any discounting.

If the characteristic of an instrument could have a significant impact on the contractual flows but that characteristic affects the contractual flows of the instrument solely if an event occurs that is considered to be extremely exceptional, highly anomalous and highly unlikely, the Group will not take that characteristic or element into consideration when assessing whether the contractual cash flows from the instrument are solely payments of principal and interest on the principal amount outstanding.

#### 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 Group had not made the transaction. These include fees paid to intermediaries (such as prescribers); mortgage arrangement expenses borne by the Group and part of the personnel expenses 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 Group 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.



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#### Subsequent measurement of the financial assets

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

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 allowances for impairment as described in Note 2.7.

With regard to the conventional purchases and sales of fixed income and equities instruments, these are generally registered at the settlement date.

#### 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		
	At amortised cost	<ul> <li>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).</li> <li>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.</li> </ul>		
Financial assets	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 (*)	<ul> <li>Interests or dividends earned, in the statement of profit or loss. For interest, the same as assets at amortised cost.</li> <li>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.</li> <li>For the case of debt instruments, impairment losses or gains due to their subsequent recovery in the statement of profit or loss.</li> <li>The remaining changes in value are recognised in other comprehensive income.</li> </ul>		
	At amortised cost	<ul> <li>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.</li> <li>Other changes in fair value: income or expense when the financial instrument is derecognised from the balance sheet or reclassified.</li> </ul>		
Financial liabilities	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).

The effective interest rate is the rate that discounts future cash payments or charges estimated during the expected life of the financial asset or liability with respect to the gross book value of a financial asset or the amortised cost of a financial liability. To calculate the effective interest rate, the Group estimates the expected cash flows, taking into account all the contractual terms of the financial instrument, but without considering expected credit loss. The calculation includes all fee and commission income and

interest basis points, paid or received by the parties of the agreement, which make up the effective interest rate, transaction costs and any other premium or discount. In cases where the cash flows or remaining life of a financial instrument cannot be estimated reliably (e.g. advance payments), the Group uses the contractual cash flows throughout the full contractual period of the financial instrument.

In the particular case of the third series of targeted longer-term refinancing operations (known as 'TLTRO III' — see Note 3.3.3.), the Group considers that each of the operations falls under the scope of the IFRS 9 *Financial Instruments*, given that they are operations whose interest rate is not significantly below the market rate. Here, in its initial recognition, the Group considers whether the terms of each operation, in relation to market prices for other loans with similar guarantees available to the Group, and the rates of bonds and other relevant instruments of the money market, are close to market terms or whether they are significantly off market.

For TLTRO III, the effective interest rate determined in 2020 is calculated for each operation of this series and reflects the Group's estimation in the initial recognition with respect to the amount of final interest to charge upon its specific maturity, taking into account specific hypotheses of fulfilment of eligible volumes. This entails splitting the interest rate of each of the TLTRO III operations into time periods. Should there be a subsequent change in this estimation due to a change in the Group's expectations regarding compliance with the credit performance thresholds, this would be reflected as a recalculation of the operation's amortised cost (in application of paragraph B5.4.6 of IFRS 9).

#### Reclassifications between financial instrument portfolios

According to the provisions set out in IFRS 9, only in the event the Group decides to change its financial asset management business model, would all the affected financial assets be reclassified. 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. Accounting hedges

The Group uses financial derivatives as a financial risk management tool, mainly interest rate risk in the banking book (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 or instruments, and the hedged item or forecast transaction, the nature of the risk to be hedged and the way in which the Group 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:

- A 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:



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- 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 income statement, in symmetry with the forecast cash flow. However, if it is expected that the transaction will not be carried out, in, it will be recognised immediately in the statement of profit or loss. The hedged items are recognised using the methods described in Note 2.2, without any changes for their consideration as hedged instruments.

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:

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#### **OFFSETTING OF ASSETS AND LIABILITIES**

(Millions of euros)

	31-12-2020			31-12-2019			31-12-2018		
	GROSS AMOUNT RECORDED (A)	OFFSET AMOUNT (B)	NET AMOUNT IN BALANCE SHEET (C=A-B)	GROSS AMOUNT RECORDED (A)	OFFSET AMOUNT (B)	NET AMOUNT IN BALANCE SHEET (C=A-B)	GROSS AMOUNT RECORDED (A)	OFFSET AMOUNT (B)	NET AMOUNT IN BALANCE SHEET (C=B-A)
ASSETS									
FA held for trading - derivatives	10,323	5,022	5,301	10,382	4,188	6,194	8,707		8,707
FA at amortised cost - Loans and advances	248,137	5,298	242,839	231,247	3,934	4 227,313	226,944	1,422	225,522
Of which: Collateral	2,779	2,779	1	2,372	2,372	2			
Of which: Reverse repurchase agreement *	2,045	2,045		990	990	)	1,012	1,012	
Of which: Tax lease transaction	474	474	ļ	572	572	2	410	410	)
Derivatives - Hedge accounting	2,382	1,867	515	2,133		2,133	2,056		2,056
LIABILITIES									
LF held for trading	9,374	9,223	151	9,882	8,015	5 1,867	8,616		8,616
FL at amortised cost	345,074	2,671	342,403	284,082	107	7 283,975	283,882	1,422	282,460
Of which: Other financial liabilities	152	152			(1,455	) 1,455			
Of which: Repurchase agreement	2,045	2,045	i	990	990	)	2,595	1,012	1,583
Of which: Tax lease transaction	474	474		572	572	2	410	410	)
Derivatives - Hedge accounting	574	337	237	515		515	793		793

FA: Financial assets; FL: Financial liabilities

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.

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



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- 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.

According to the terms of the transfer agreements in place, virtually the entire portfolio of loans and receivables securitised by the Group does not need to be written off 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.

At the time of their initial recording, the Group accounts for financial guarantees provided in the liabilities of its balance sheet at fair value, which generally equates to the current value of fee and commission income and income to collect for said agreements throughout their duration, whereby the counterpart is the amount of fee and commission income and similar income charged at the start of the operations, and a credit in the assets of the balance sheet for the current value of commissions and yields not yet charged.

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 23, 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 Group's treasury activity (see Note 3.12).





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2.7. Impairment of financial assets

The Group 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 loan commitments given, financial guarantees given and other commitments given.

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:

A Credit losses: these correspond to the difference between all the contractual cash flows owed to the Group 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 loan commitments given, the contractual cash flows that would be owed to the Group 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 financial guarantees given, the payments that the Group expects to receive are taken into account, less the cash flows that are expected to be received from the guaranteed holder.

The Group 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.

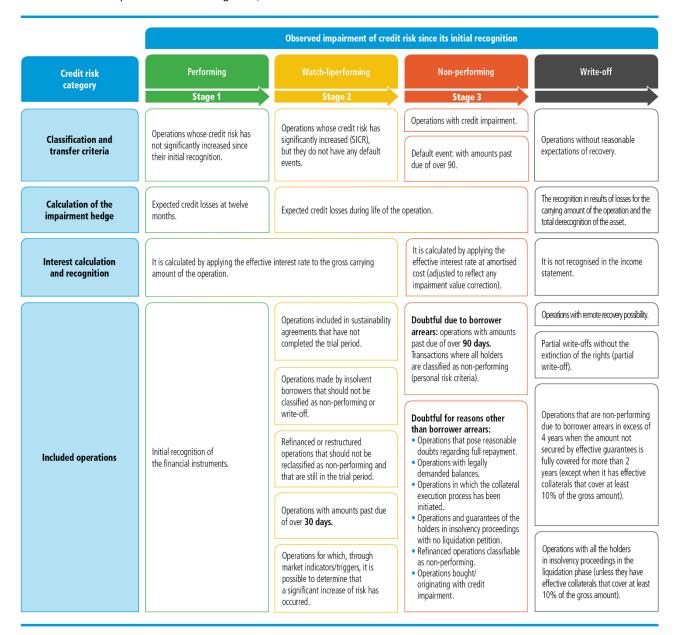
The cash flows taken into account include those deriving from the sale of collateral, taking into account the cash flows that would be obtained from the sale thereof, less the amount of the costs required to obtain them, maintenance and their subsequent sale, or other credit improvements that form an integral part of the contractual conditions, such as financial guarantees received. In addition, the Entity also takes into account any eventual income from the sale of financial instruments when measuring the expected loss.

If the Group's current non-performing asset reduction strategy expects loan sales and other accounts receivable whose credit risk has increased (exposure classified at Stage 3), then the Group will retain any asset affected by this strategy under the model for retaining assets to receive their contractual cash flows, thus they are measured and 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:



The Group 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



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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 operations to this category before these terms expire, the Group must demonstrate these operations' remote recuperability.

Based on the Group'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 Group 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 operations 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:

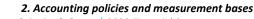
- A new transaction (refinancing operation) granted that fully or partially cancels other transactions (refinanced operations) previously granted by any Group company to the same borrower or other companies forming part of its economic group that become up-to-date on its payments for previously past-due loans.
- 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 received in lieu of payment 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 Entity. In turn, these terms must be adjusted to reflect the terms offered to borrowers with a similar risk profile.





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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 are 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, iii) operations that include amounts that have been removed from the balance sheet having been classified as unrecoverable that exceed the hedging applicable according to the percentages established for operations in the watch-list performing category, and iv) when pertinent restructuring or refinancing measures may result in a reduction of the financial obligation higher than 1% of the net present value of the expected cash flows. Additionally, adjustments have been made to the criteria for exit from default, thus, refinanced operations cannot be migrated to stage 2 until their repayment has been ongoing for 12 months.

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.

Furthermore, in relation to the accounting treatment of the moratoria, both legislative and sectoral, established in support of COVID-19, the entity considers them a relevant qualitative change that gives rise to a contractual modification, but not a recognition of the affected financial instrument (see Note 3.4.1 Credit risk – Impact of COVID-19).



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2.9. Foreign currency transactions

The Group'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 European Central Bank (ECB) at 31 December of each year.

The exchange differences arising on the translation of foreign currency balances and transactions to the reporting currency of the Group 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. Recognition of income and expenses

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

		Characteristics	Recognition			
Interest income, interest expenses,	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.  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.			
dividends and similar items	Dividends received					
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			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.			
income and expenses	Other income from ordinary a	activities:	• 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 receives the group receives the statement of the s			
			<ul> <li>The Group can transfer the control over time or at a specific time (see the phases in the following chart).</li> </ul>			

(\*) 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 Group 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

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 Group incurs to obtain a contract with a customer and which it would not have incurred if the Group had not entered into said contract.

According to the accounting framework applicable to the Group, all the incremental costs from obtaining and/or fulfilling a contract are proceeded to be activated, provided that:

- the costs are directly related to a contract or to an expected contract that the company can specifically identify (e.g. costs related to services that will be provided as a result of the renewal of an existing contract or design costs of an asset that will be transferred under a specific contract that has not yet been approved);
- the costs generate or improve the company's funds that will be used to pay (or to continue paying) for future execution obligations; and
- the costs are expected to be recovered.

The Group attributes these capitalised costs to the income statement based on the term of the framework agreement or the operations that give rise to the costs and additionally, at least on a half-yearly basis, conducts an impairment test to assess to what degree the future profits generated by these contracts bear the capitalised costs. In the event that the costs exceeded the current value of the future profits, these assets would be impaired by the appropriate proportion.



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2.11. Funds managed

Collective investment institutions and pension funds managed by Group companies are not presented on the face of the Group'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, based on the service provided by the Entity.

2.12. Employee benefits

Employee benefits include all forms of consideration given in exchange for services rendered to the Group 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 or 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



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Post-employment benefits are all those undertaken with employees, to be paid after completion of their employment with the Group. 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 the Group makes predetermined contributions to a separate entity or pension fund and has no legal or constructive obligation to make further contributions if the separate entity or 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 defined benefit post-employment obligations, net of the value of plan 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; those issued by an insurer that it is not a related part of the Group.

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

- Held by a fund that is legally separate from the Group and exists solely to pay or finance employee benefits, or
- They are solely available to pay or finance post-employment remuneration, they are not available to cover the debts of Group creditors (not even in the event of bankruptcy), and they cannot be returned to the Group unless (i) the remaining assets of the plan are sufficient to meet all the related employee benefit obligations of the plan or CaixaBank, or (ii) are used to reimburse it for post-employment benefits the Group has already paid to 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".

The assets and liabilities of subsidiaries that include the mathematical provisions of the policies taken out directly by CaixaBank are included on consolidation. Therefore, in this process the amount under "Liabilities under insurance contracts" is deducted and the investments in financial instruments under policies are registered.

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:



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- 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.

#### 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.

In the case of payments of over 12 months, the same treatment is applied as for the other long-term employee benefits.

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 or joint ventures are not recognised when the Group 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.



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2.14. Tangible assets

#### 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 an operating lease.

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

#### 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-à-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,

(rears)	
	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 Group 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, when they are incurred. 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".

2.15. Intangible assets

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



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#### 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 not amortised.

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 its recorded net cost 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.

Other intangible assets have an indefinite useful life when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group, and a finite useful life in all other cases.

Intangible assets with an indefinite life are not amortised. However, at the end of each reporting period, or whenever there is any indication of impairment, the remaining useful lives of the assets are reviewed in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets.

Any impairment losses on assets with either indefinite or finite useful lives are recognised with a balancing entry in "Impairment/(reversal) of impairment on non-financial assets – Intangible assets" in the statement of profit or loss. 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.

Almost all software recorded under this chapter of the balance sheet has been developed by third parties and is amortised with an average 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



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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. Assets and liabilities 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 Group's control may also classified as held for sale, when there is sufficient evidence that the Entity 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 Group has centralised the ownership of virtually all the real estate assets acquired or foreclosed in payment of debts in its subsidiary BuildingCenter, SAU, in a bid to optimise 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 Entity 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 exceeds the carrying amount, the Group 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 Group 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 Group. In line with the procedure followed in the initial recognition process, the Group 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 also in the 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.

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**2.18.** Leases

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



(\*) The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For any contracts that have a leasing component and one or more additional leasing components, or others that are not related to leasing, the contract payment will be distributed to each leasing component on the basis of the relative price, independent of the leasing component, and on the basis of aggregate price, independent of the components that are not related to leasing.

#### Financial leases Operating leases . Operations in which, substantially, all the risks and benefits that fall on the leased asset . Operations in which, substantially, all the risks and benefits that fall on the are transferred to the lessee leased asset, and also its property, are maintained by the lessor. Recording as a lessor These are registered as financing in the section entitled "Financial assets at amortised cost" of the balance sheet for the sum of the updated value of the charges receivable from the lessee during the term of the lease and any unguaranteed residual value These include fixed charges (minus the payments made to the lessee) and specific · The cost of purchasing the leased assets is recorded in the section "Tangible assets" of the balance sheet. variable charges subject to an index or rate, as well as the price of exercising the call option, if there is reasonable certainty that the lessee will indeed exercise this option, and the penalties for rescission by the lessee, if the term of the lease reflects the exercise of the option to rescind. According to the economic fund . These are amortised with the same criteria as those used for the rest of of the operation, Any financial income obtained as a lessor is registered in the profit and loss account in own-use tangible assets independent of its the section "Interest income" . Income appears in the section "Other operating income" of the profit legal form and loss account. 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. Term 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. of the contract The term of specific contracts can be affected as a result of possible restructuring plans undertaken by the Company. Subsequently At the beginning date of the contract A lease liability is valued based on the current value of any lease payments that have not been paid by said date, using, as It is valued at amortised cost using the effective interest Contracts with a term longer than 12 months rate method and is re-valued (with the corresponding adjustment in the relative right-of-use asset) when there is Lease liability a discount rate, the interest rate that the lessee would have to pay to borrow - with a similar term and guarantee - the funds Accounting ("Other financial a change in the future lease payments during renegotiation changes to an index or rate or a new evaluation of contract necessary to purchase an asset whose value is similar to that of the right-of-use asset in an similar economic climate. This liabilities") or contracts in which the options. rate is called "additional financing rate" underlying Accounting asset does It is amortised on a straight-line basis and is subject record not have a Right-of-use The asset is valued at cost and includes the amount of to any loss due to depreciation, where applicable, in the initial valuation of the lease liability, the payments made on or before the start date and the initial direct low value asset accordance with the procedure established for the rest of (set at ("Tangible assets the tangible and intangible assets. In particular, right-of-6.000 euros) - plots and buildings") costs, dismantling costs or restoring costs when there is obligation to bear the same. use assets are included in the bank CGU impairment test together with the corresponding lease liabilities. 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.

#### 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.

Sale and leaseback



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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. They are 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. Insurance transactions

#### **Financial instruments**

The Group's insurance companies (VidaCaixa and BPI Vida y Pensiones) have made use of the temporary exemption from IFRS 9, which is why its financial instruments are presented in accordance with IAS 39 in the heading "Assets under the insurance business" of the accompanying balance sheet (see Notes 1 and 17).

#### Classification of financial assets and liabilities

Financial assets are presented in the balance sheet, grouped in the section "Assets under the insurance business" in different categories in which they are classified for management and assessment purposes, and which are described below:

- "Financial assets and liabilities held for trading": This item mainly comprises financial assets or liabilities acquired or issued for the purpose of selling in the short term or which are part of a portfolio of identified financial instruments managed together and for which there is evidence of a recent pattern of short-term profit-taking. Financial liabilities held for trading also comprise short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities. Also included as financial assets or liabilities held for trading are derivative assets and liabilities that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments.
- "Financial assets and liabilities designated at fair value through profit and loss": includes, where applicable, financial instruments designated upon initial recognition, e.g. hybrid financial assets or liabilities mandatorily measured in full at fair value, or with financial derivatives, the purpose of which is to mitigate the exposure to changes in fair value, or managed as a group with financial liabilities and derivatives to mitigate the overall exposure to interest rate risk. In general, the category includes all financial assets and liabilities when such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatches) that would otherwise arise. Financial instruments in this category must be subject at all times to an integrated and consistent measurement system, management and control of risks and returns



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permitting verification that risk has effectively been mitigated. Financial assets and liabilities may only be included in this category on the date they are acquired or originated.

- "Available-for-sale financial assets": includes debt securities and equity instruments not classified under any of the preceding categories.
- Loans and receivables": includes financing granted to third parties through ordinary lending and credit activities carried out by said subsidiaries, their receivables from policyholders and for debt securities not quoted in an active market.

#### Measurement of the financial assets

All financial instruments are initially recognised at their fair value, which, unless there is evidence to the contrary, is the transaction price.

Subsequently, at a specified date, the fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market. Accordingly, the quoted or market price is used.

If there is no market price, fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, always taking into account the specific features of the instrument to be measured and, in particular, the various types of risk associated with it.

Any changes in fair value of financial instruments, except for trading derivatives, due to the accrual of interest and similar items, are recognised in the statement of profit or loss of the year of the accrual. Dividends received from other companies are recognised in the statement of profit or loss of the year in which the right to receive the dividend is established.

Changes in fair value after initial recognition for reasons other than those indicated in the preceding paragraph are treated as described below based on the category of financial asset or financial liability:

- Financial instruments classified as "Financial assets held for trading", "Financial assets designated at fair value through profit or loss", "Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss" are measured initially at fair value, with any changes in fair value recognised with a balancing entry in the statement of profit or loss.
- In turn, financial instruments classified as "Available-for-sale financial assets" are initially measured at fair value, with subsequent changes, net of the related tax effect, recognised with a balancing entry in "Equity Accumulated other comprehensive income Items that may be reclassified to profit or loss Available-for-sale financial assets" and "Equity Accumulated other comprehensive income Items that may be reclassified to profit or loss Foreign currency exchange" in the balance sheet.
- Derivatives are recognised in the balance sheet at fair value. When derivatives are entered into, in the absence of evidence to the contrary, fair value is the transaction price. The derivative is recognised as an asset if the fair value is positive and a liability if it is negative. For derivatives classified in Levels 1 and 2 of the fair value hierarchy (see section on "Fair value of financial instruments" of this Note), if the price differs from the fair value when the derivative is entered into, the difference is recognised immediately in the statement of profit or loss.
- Subsequent changes in fair value of derivatives are recognised in the statement of profit or loss, except with cash flow hedges, in which case they are recognised under "Equity Accumulated other comprehensive income Items that may be reclassified to profit or loss Hedging derivatives. Cash flow hedges.
- Derivatives embedded in other financial instruments or in other contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the instrument or host contract, provided a reliable fair value can be attributed to the embedded derivative taken separately.
- Financial instruments classified as "Loans and receivables" and "Financial liabilities at amortised cost" are measured at amortised cost. Amortised cost is acquisition cost, minus principal repayments and plus or minus the cumulative amortisation (as reflected in the statement of profit or loss by the effective interest rate method) of any difference between the initial amount and the maturity amount. And, in the case of assets, minus any allowances for impairment.



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The effective interest rate is the discount rate that exactly equates the initial value of a financial instrument to the estimated cash flows for all items until the instrument matures or is cancelled. For fixed-rate financial instruments, the effective interest rate coincides with the contractual interest rate plus any commission or transaction costs included in its yield. Where the fixed rate of interest is contingent, the Group includes it in the estimate of the effective interest rate only if it is highly probable that the triggering event will be reached. For floating-rate financial instruments, the effective interest rate is calculated as a fixed rate until the next reference rate reset.

#### Reclassifications between financial instrument portfolios

At the close of the financial year, the amounts of financial assets under IAS 39 processing reclassified in previous financial years were not significant.

#### Impairment of financial assets (IAS 39)

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

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net profit or loss due to a change" in the statement of profit or loss for the period in which the impairment becomes evident. The reversal, if any, of previously recognised impairment losses is recognised in the same item in the statement of profit or loss for the period in which the impairment no longer exists or has decreased.

For the case of debt instruments at amortised cost, the categories specified in section 2.7 remain, although the calculation of the hedges is based on the provisions of IAS 39. The calculated hedging or provision is defined as the difference between the gross carrying amount of the transaction and the estimated value of future expected cash flows, discounted at the original effective interest rate of the transaction. Effective guarantees received are taken into consideration. For the purposes of estimating hedging, the amount of the risk for debt instruments is the gross carrying amount, and for off-balance exposures, the estimated value of the disbursements.

Both transactions classified as not bearing appreciable risk and those that, due to their type of collateral, are classified as not bearing appreciable risk, could have 0% hedging. This percentage will only be applied to the hedged risk.

The accounting policy referring to the recognition of losses due to impairment of the categories of available-for-sale instruments is described below:

- Debt securities classified as available for sale: the market value of quoted debt securities is deemed to be a reliable estimate of the present value of their future cash flows.
- When there is objective evidence that the negative differences arising on measurement of these assets are due to impairment, they are removed from "Equity Accumulated other comprehensive income Items that may be reclassified to profit or loss Available-for-sale financial assets" and the cumulative amount considered impaired at that date is recognised in the statement of profit or loss. If all or part of the impairment loss is subsequently reversed, the reversed amount is recognised in the statement of profit or loss for the period in which the reversal occurs.
- Equity instruments classified as available for sale: When there is objective evidence of impairment, such as a fall of 40% of its fair value or a situation of continued losses over a period of more than 18 months, the unrealised losses are recognised in accordance with the impairment loss recognition criteria applied to debt securities classified as available for sale, with the exception that any recovery arising on these losses is recognised under "Equity Accumulated other comprehensive income Items that may be reclassified to profit or loss Available-for-sale financial assets".

When testing for impairment, the Group considers whether there are any legal, market, technological or other factors in the environment in which the assessed entity operates that could suggest the cost of the investment will not be recovered. The price volatility of each security is also individually considered to determine what share may be recovered through the sale thereof on the market. These considerations may result in different thresholds for certain securities or sectors to those mentioned in the previous paragraph.

Equity instruments measured at cost: the impairment loss on equity instruments measured at cost is the positive difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for



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similar securities. In estimating the impairment of this type of asset, account is taken of the equity of the investee, except for "Accumulated other comprehensive income" due to cash flow hedges, determined on the basis of the latest approved balance sheet, adjusted for the unrealised gains at the measurement date. Impairment losses are recognised in the statement of profit or loss for the period in which they arose, as a direct reduction of the cost of the instrument.

#### Assets under insurance and reinsurance contracts

Furthermore, the chapter "Assets under the insurance business – under insurance and reinsurance contracts" of the balance sheet also covers the amounts that the consolidated companies have the right to receive that originate from reinsurance contracts that they hold with third parties, and more specifically, the share of the reinsurance in the technical provisions constituted by the consolidated insurance companies.

#### Insurance contract liabilities

The chapter "Liabilities under the insurance business" of the balance sheet covers the technical provisions of the direct insurance and of the accepted reinsurance recorded by the consolidated companies to cover the obligations originating from insurance contracts that they hold that are in force at the close of the period. The main components of technical provisions are as follows:

- Unconsumed premiums and risk in progress:
  - The provision for unearned premiums includes the proportion of premiums written in the year that must be allocated to the period between the close of the reporting period and the expiry of the policy period.
  - The provision for unexpired risks is designed to complement the provision for unearned premiums by the amount which is not sufficient to cover the measurement of all the risks and expenses corresponding to the coverage period not elapsed at the end of the period.
- Life insurance provision: consists mainly of the mathematical provisions of the insurance contracts and the provision for unearned premiums of insurance contracts with a period of coverage equal to or less than one year. Mathematical provisions represent the excess of the current actuarial value of the future obligations of subsidiary insurance companies over that of the premiums which the policyholder must satisfy.

Relating to life insurance when the policyholder assumes the investment risk: they correspond to the technical provisions of insurance contracts where the investment risk is born by the policyholder.

- Claims: this represents the total amount of outstanding liabilities on claims occurring before the end of the reporting period. The Group calculates this provision as the difference between the total estimated or exact cost of the claims that have occurred and are pending declaration, settlement or payment, including external and internal expenses for handling and processing the files, and the combined amount of the amounts already paid as a result of the claims.
- Provisions for bonuses and rebates: these include the benefits accrued to the policyholders or beneficiaries and not yet assigned at the end of the reporting period. Not included is the effect of allocating part of the unrealised gains on the investment portfolio to policyholders.

Technical provisions linked to risks assigned to reinsurers are calculated on the basis of the reinsurance contracts entered into and by applying criteria similar to those used for direct insurance.

Additionally, the Group has applied the accounting option provided for in IFRS 4 named "shadow accounting", whereby the insurer is permitted to change its accounting policies so that a recognised but unrealised gain or loss on an asset related to insurance contracts affects those measurements of liabilities under insurance contracts in the same way as a realised gain or loss does. The related adjustment to the insurance liability (or deferred acquisition costs or intangible assets) shall be recognised in the statement of profit or loss in other comprehensive income if, and only if, the unrealised gains or losses are recorded in other recognised income and expense.

The Group carries out an annual liability adequacy test in order to identify any provision shortfall and to make the related provision. Otherwise, if the result of the liability adequacy test shows that the provisions recognised were adequate or that excess provisions were recognised, the Group adopts the principle of prudence as established in IFRS 4. The liability adequacy test consists of assessing liabilities under insurance contracts based on the most up-to-date estimates of future cash flows from their contracts in relation to the assets covered. In this respect, it determines:







- The difference between the carrying amount of the insurance contracts less any related deferred acquisition costs and any related intangible assets, and the present value of contractual cash flows from the insurance contracts and any related cash flows, such as claims handling costs, as well as cash flows resulting from embedded options and guarantees.
- The difference between the carrying amount and the present value of projected cash flows from the financial assets related to the insurance contracts.

The future estimated cash flows arising from insurance contracts and affected financial assets are discounted subject to a yield curve of assets with high credit quality (Spanish sovereign debt). In order to estimate future cash flows arising from insurance contracts, the surrender rates observed in the portfolio in accordance with the average over the last 3 years for Pensión 2000 and PPA, and the average observed over the last 5 years for other products are taken into consideration. In addition, sensitivity exercises are carried out with regard to the discount curve used. This sensitivity analysis consists of entering a drop in the interest rate of 100, 150 and 200 basis points of the discount curve used, and an increase of 80, 100 and 200 basis points.

The Group does not unbundle any deposit component of insurance contracts. This unbundling is voluntary. In addition, the fair value of the policyholders' option to surrender insurance contracts is estimated to be zero, otherwise it is measured as part of the value of the insurance contract liabilities.

2.22. Statements 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 retail market among our customers are classified as operating activities.

2.23. Statement of changes in equity. Part

A) Statement of comprehensive income

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

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

This statement presents all changes in the Group's consolidated equity, including those due to accounting policy changes and error corrections. 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.



# 2. Accounting policies and measurement bases CaixaBank Group | 2020 Financial Statements



Particularly, the headings 'Retained earnings' and 'Other reserves' contain:

- The shareholder equity heading, 'Retained earnings', includes, at year-end, undistributed gains from the appropriation of the profit/loss of the companies of the consolidated group, 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 application of the profit/(loss) of companies consolidated using the equity accounting method, net of the dividends distributed to companies of the consolidated group, the remuneration of issuances with certain characteristics, and gains/losses deriving from operations with own shares, among others.

#### 3. Risk management

3.1 Risk factors and environment

The following risk factors had a significant influence on the Group's management in 2020, due to their impact during the year and their long-term implications for the Group:

#### Macroeconomic environment

#### Global economy

In 2020, COVID-19 and the restrictions on activity needed to contain it plunged the world into an unusually abrupt and widespread recession (an estimated world GDP drop of 3.5%). Its economic impact was severely noticed throughout the first half of the year. Among the emerging countries, the Chinese GDP contracted -10.0% in quarter-on-quarter terms in the first quarter, whereas the advanced economies experienced severe drops in the second quarter (United States: -9.0% quarter-on-quarter; eurozone: -11.8%; Japan: -8.2%; United Kingdom: -19.8%). After these collapses, the loosening of mobility restrictions triggered an economic reactivation and, in the third quarter, the GDP of the main international economies had recovered significantly (United States: +7.4% quarter-on-quarter; eurozone: +12.7%; Japan: +5.0%; United Kingdom: +15.5%). However, the economic activity is still far from reaching its pre-pandemic levels (China being the exception), and, in fact, indicators suggest that its recovery slowed in the last stretch of 2020 as COVID-19 infections rose again. Even so, the recent outbreaks are being contained with restrictive measures, and the situation is better than the events of spring 2020. However, the world economy will continue to operate in a highly uncertain environment.

The evolution of the pandemic and the medical advances will continue to be the main determining factor of this scenario in the coming quarters. On the one hand, the uncertainty and the restrictions on mobility taken locally to control the outbreaks will limit the capacity of the economic activity's capacity to recover in upcoming months. On the other hand, the latest medical advances, and, in particular, the development of highly effective vaccinations should drive progressive vaccinations in significant segments of the population in the first half of 2021, which would improve investor sentiment and help the economic recovery gain traction. As a result, a substantial rebound of the economic activity is expected for 2021 (worldwide growth of 5.5%).

In this context, all spheres of the economic policy reacted strongly to this situation in 2020. The United States implemented a significant number of measures within the monetary and fiscal scopes, which will be active in the next quarters. Specifically, after aggressively cutting rates to between 0.00% and 0.25% and launching a broad range of measures (specifically, high asset purchases stand out), the Fed stated in August that it would maintain an accommodative policy for a long period of time (beyond the consolidation of the economy's reactivation). In fact, it modified its strategic framework and indicated that it will tolerate inflation rates above 2% in the future.

#### Eurozone

In the eurozone, after a considerable rebound to activity in the third quarter, the latest data suggest a downturn in the fourth quarter, thus, on the whole, there was a 6.8% drop in GDP in 2020. It is expected to rise by about 4% in 2021, although with significant differences between countries. Economies that have been affected by the pandemic to a lesser extent, those with an economic structure less sensitive to the restrictions on mobility and/or more able to take action with regard to fiscal policy, will better ride out this situation.

In light of the unequal impact among countries, the approval of the Recovery Plan proposed by the European Commission (NGEU – Next Generation EU), which will favour a synchronised reactivation at a European level, is particularly noteworthy. The funds (EUR 360,000 million in loans and EUR 390,000 in transfers) are a sufficiently significant amount to support the short-term economic recovery. In addition, the Plan provides incentives aimed at transforming and modernising the economies (paying special emphasis on the environmental and technological transitions) and includes elements, such as issuing a significant amount of common bonds, which could lay the foundations for a leap forward in building Europe.

#### Spain and Portugal

The Spanish economy has followed a dynamic that is similar to the rest of Europe, although due to the importance of sectors that are particularly sensitive to mobility restrictions, it has suffered somewhat more intense declines in activity (the tourism sector represents 12.3% of the GDP and, overall, sectors such as accommodation and food services, trade, leisure and transport represent around 25% of the GDP). Thus, in the whole of 2020, GDP contracted by 11.0%. From this point, it is expected that the recovery that began halfway through this year will gain traction in 2021, with a rebound of 6%. The fiscal stimulus measures, both domestic and EU, and the control of the pandemic thanks to the availability of a vaccine will contribute to this.

Portugal, which also has a significant dependence on tourism (this sector exceeds 14% of the GDP), is faced with a scenario similar to Spain's. Given the difficulties faced by tourism and the gradual recovery of activity, there was a fall in GDP in 2020 of 7.6%, which will be followed by a rebound of around 5% in 2021.

This scenario is subject to an unusually high degree of uncertainty, especially with regard to the evolution of the pandemic and the medical advances that must contribute to controlling it, as well as with respect to the implementation of the European recovery plan. On the one hand, rapid deployment of vaccinations and a swift implementation of the NGEU will contribute to accelerating the economic recovery and reducing the damage to the productive fabric. On the other hand, there is a possibility – particularly in the short term – that the pandemic's evolution will force the tightening of mobility restrictions. Furthermore, any delays in the distribution and administering of vaccinations, or their ratification by the EU, and the disbursement of the NGEU, could weaken or slow down the recovery.

#### Regulatory environment

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.

A large part of the regulatory and supervisory developments during 2020 are related to the range of relaxation measures put in place by financial authorities on a global, European and national level, in response to the COVID-19 crisis. These measures include both operational relief measures to enable the reorganisation of work (both from financial institutions and from the authorities themselves), and regulatory measures to enable financial institutions to support the economy in the face of the emergency closures generated by the health crisis.

These operational relief measures include the EBA stress test being deferred to 2021, the announcement of the GHOS (Governors and Heads of Supervision) of the Basel Committee on Banking Supervision (BCBS), the deferred implementation of the final agreements of Basel III, and the extension, by the EBA, ECB and other sectorial regulators, of the periods of public consultations, certain recurring reporting and other supervisory requirements established previously.

The regulatory measures include:

- On 18 June 2020, the European Parliament's approval of the legislative proposal of 'quick fix' amendments to the Capital Requirements Regulation ('CRR 2.5'), which included the early application of certain measures provided for in the CRR2.
- Capital: the European Central Bank (ECB) enabled the use of the capital conservation buffer and the countercyclical capital buffer, and brought forward the application of the amendments introduced in the first half of 2019 in the Capital Requirements Directive (CRD), in relation to the Pillar 2 requirements (Pillar 2R), which went from being 100% required in the form of CET1 capital to only needing to be 56% covered by CET1, 19% by Additional Tier 1 (AT1) and 25% by Tier 2.
- Liquidity: the ECB allowed banks to temporarily operate below the minimum liquidity coverage ratio (LCR) defined by the regulator in full.

#### Credit risk:

- The ECB provided flexibility in the classification of loans as non-performing (NPL) that are backed by public aid/guarantees, establishing preferential prudential treatment processing as regards the constitution of provisions.
- The ECB recommended that banks avoid using excessively procyclical assumptions in their estimate models, due to the pronounced volatility of the prospective scenarios. In this regard, of particular note is the publication of Circular 3/2020, which now includes the flexibility to avoid automation in the use of indicators and hypotheses that are not suitable in the context of COVID-19 or potential future scenarios.



- The EBA published Guidelines on the treatment of public and private moratoria applied before 30 June to loan repayments (period subsequently extended to 30 September 2020 and March 2021, the latter being the result of reactivating the guides in December). Its main aspects include the general criteria in order to apply a payment moratorium and the conditions under which moratoriums do not entail the direct classification as refinancing or forced restructuring.
- On 27 March 2020 the IASB issued educational material with regard to how to apply the standard IFRS 9 in terms of credit risk in the environment arising from COVID-19. This standard requires the application of professional judgement, but at the same time requires and allows entities to adjust their approach in order to determine expected losses in different circumstances.

In particular, it provides that entities should not continue applying its methodology to mechanically estimate expected losses. For example, the extension of grace periods on a certain type of loan for all customers should not automatically result in the conclusion that all such instruments have experienced a significant increase in credit risk. For the purpose of this evaluation, the Group is required to assess any changes in the risk of default that throughout the expected life of the instrument.

Both the evaluation of the significant increase in credit risk and the assessment of expected losses must be based on reasonable and sustainable information available without disproportionate cost or effort.

On this basis, the IASB provides that organisations must develop estimates based on the best available information with regard to past events, current conditions and future predictions of economic conditions. As regards the latter, both the effects of COVID-19 and governmental measures for support taken must be considered.

Lastly, the IASB also highlights that changes in future economic conditions must be reflected in the macroeconomic scenarios applied by organisations and in their weighting. If the effects of the COVID-19 cannot be reflected in proprietary models, post-model adjustments (PMA) are foreseen.

Of particular note in the national domain are the approval and entry into force of different Royal Decree-Laws (RDL) on urgent extraordinary measures to address the economic and social impact of COVID-19. These include the extension to the suspension of evictions for vulnerable debtors and the broadening of the 'vulnerable group' concept, the mortgage debt moratorium for primary home purchases, and the extension of public guarantees of the Spanish Official Credit Institute (ICO) for affected companies and self-employed workers. Other RDLs were also approved, adopting urgent measures to support economic and employment reactivation, with a special focus on tourism, the automobile sector, transport and housing, as well as other measures to support business solvency and the energy sector.

As well as regulatory and supervisory development in response to the crisis caused by the COVID-19 pandemic, the authorities made progress with regulatory initiatives that had been initiated previously, established their strategies and proposed initiatives in priority areas.

It is worth noting the following developments that relate to banking activity:

- Sustainable finance and environmental, social and corporate governance (ESG) factors:
  - The consultation and final publication, on 27 November 2020, of the ECB guide on climate-related and environmental risks, which establishes expectations in terms of the supervision of financial institutions, with respect to the cross-disciplinary integration of these risks, as well as the dissemination and consultation of the EBA, published on 3 November, on the Management and supervision of ESG risks for credit institutions and investment firms.
  - Additionally, it is worth noting the application of the Low Carbon Benchmark on 30 April 2020 (Regulation (EU) 2019/2089, which amends Regulation (EU) 2016/1011 in terms of climate-related reference rates); as well as efforts to implement other standards, such as the first phase of Regulation (EU) 2019/2088 of the European Parliament and of the Council, of 27 November 2019, on the dissemination of information related to sustainability in the financial services sector, applicable as of 10 March 2021.
- Digital Transformation of the economy and the financial sector:
  - ▲ The European Commission published its Strategy on Digital Finance and its European Data Strategy, and, in line with both initiatives, proposed a Regulation on digital operational resilience for the financial sector, and a Regulation on markets in crypto-assets. Additionally, various initiatives were put forward for public consultation, the final proposal

for which will be presented in 2021. These include the regulation of responsible artificial intelligence, the regulation of digital services and digital markets, which will impose obligations and modify competition rules that will affect bigtech companies, the revision of the eIDAS (electronic IDentification Authentication and trust Services) Regulation, which will be extended to the private sector, and the strategy for retail payments, which will promote the use of immediate payments.

Meanwhile, the ECB published a Report on a Digital Euro, whose initial considerations on the possibility of creating a Digital Euro were put forward for public consultation.

#### Other:

- Publication, on 29 May 2020, of the final version of the *EBA guidelines on loan origination and monitoring*. Effective as of 30 June 2021, the Guidelines establish the requirements in terms of internal governance for the origination and risk control of loans and advances throughout their life cycle.
- On 1 July, the ECB submitted to consultation, until 1 October, guidelines that clarify the ECB's approach towards consolidation operations in the banking sector. These guidelines seek to provide clarity on the criteria employed to analyse mergers and thus eliminate any uncertainty that may hinder them.
- Furthermore, in order to prevent the disappearance of the LIBOR from causing financial instability in the European Union, on 24 July 2020, the European Commission published a series of legislative changes to the Benchmarks Regulation (BMR), including granting new powers to the Commission to designate replacement rates if a critical rate has no substitutions.
- On 24 September, the European Commission proposed a new Action Plan to promote the European Union's Capital Markets Union, with a view to achieve a better flow of capital through the EU that can benefit consumers, investors and enterprises, regardless of their location.
- On 16 December, the European Commission presented its reviewed Action Plan to tackle non-performing loans in the aftermath of the COVID-19 pandemic, to face their potential increase in the short and medium term as a result of the pandemic.

#### On the national level:

- On 5 February, Royal Decree Law 3/2020 was published in the Official State Gazette, transposing the EU insurance distribution directive (IDD), and, in part, the institutions for occupational retirement provision (IORP II).
- On 27 July, Order ETD/699/2020 was published in the Official State Gazette, which modifies several Ministerial Orders to strengthen revolving credit protection.
- On 16 October, Act 5/2020, of 15 October, on Financial Transactions Tax (FTT), was published in the Official State Gazette.
- The public consultation, which ended on 21 September, on the regulations that will complete the transposition of the CRD V (Capital Requirements Directive) and the BRRD II (Bank Recovery and Resolution Directive) to the Spanish legal system by the Spanish Ministry of Economic Affairs and Digital Transformation, which will become effective on 28 December 2020.

#### Strategic events

Strategic Events are the most relevant occurrences that may result in a medium—long-term material impact on the Group. Only events that are not yet materialised and do not form part of the Catalogue, but which the organisation 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. If a strategic event occurs, the impact may be on one or more of the risks of the Catalogue simultaneously.

The most relevant strategic events currently identified are detailed here, with a view to better anticipate and manage their effects:

#### Uncertainties in relation to the geopolitical and macroeconomic environment

Significant and persistent impairment of macroeconomic perspectives. For example, this could be the result of: a prolongation of the pandemic, global geopolitical shocks, domestic political factors (such as territorial tensions, populist governments and social protests), or the reappearance of tensions in the eurozone that rekindle the risks of fragmentation. Possible consequences: rise of the country risk premium (cost of financing), reduction of business volume,

a worsening of credit quality, deposit withdrawals, material damages to offices or impeded access to corporate centres (due to protests or sabotage).

Mitigating factors: The Group understands that such risks are sufficiently managed by its capital and liquidity levels, validated by compliance with both external and internal stress exercises, and reported in the annual internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP, respectively).

#### New competitors with the possibility to disrupt

There is an expectation that the competition of newcomers will increase, such as fintech companies, Agile NeoBanks, Global Asset Managers and bigtech companies with the potential to disrupt in terms of competition or services. This could lead to the disaggregation and disintermediation of part of the chain of value, which in turn would lead to an impact on margins and cross-selling, 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.

By way of example, the potential issuance of a Digital Euro could lead to the emergence of agents other than banks in the European banking system (e.g. payment institutions and digital money institutions), should intermediation be authorised in the management of digital euro wallets (e-wallets). Furthermore, insofar that payment methods associated to the digital euro could replace current electronic means, banks may lose information provided by customer transactions in terms of their end operator.

Mitigating factors: the Group considers new entrants a potential 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. For this reason, the Group periodically monitors the evolution of the main newcomers and the bigtech movements within the industry. Furthermore, an internal sandbox space has been developed in 2020 to technically analyse – in a streamlined and secure way – the solutions of certain fintech companies with which there are partnership opportunities.

The Group also has *Imagin* as a first-rate value proposal that it will continue to leverage. With respect to the competition from bigtech companies, 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).

#### Cybercrime and data protection

The pandemic has considerably increased the volume and severity of cybersecurity events. There have been campaigns to impersonate different businesses and official bodies, where remote working to keep the country productive has made it possible for cybercriminals to develop certain cyber-security events. In parallel, regulators and supervisors have escalated the priority of this field.

Taking into account the existing threats regarding cybersecurity and recent attacks received by other organisations, these events on the Group's digital environment could pose serious impacts of a different kind, notably including breaches of confidential information, mass data corruption, the unavailability of critical services or fraud on digital service channels. Should these impacts directly related to banking operations occur, they could entail significant sanctions by the competent organisations and potential reputational damage for the Group.

Mitigating factors: the Group is also well aware of the importance and extent of the existing threat at this time, and thus it constantly reviews the technological environment and applications relating to the integrity and confidentiality of information, in addition to systems availability and business continuity, through planned reviews and ongoing auditing by monitoring the risk indicators defined. Additionally, the Group has reviewed its security protocols to adapt them to the threats of the current context, continually monitoring these threats in case the protocol needs to be changed again. All the actions will be in line with the strategic plan for information security, so that it can remain on the cutting edge of information protection in accordance with the best market standards.

#### Changes to the legal, regulatory or supervisory framework

The risk of increased pressure from the legal, regulatory or supervisory environment is one 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 continue to uphold constant monitoring of new regulatory proposals and their implementation, given the high activity of legislators and regulators in the financial sector.



Mitigating factors: the control and monitoring of regulations by the Digital Regulation, Retail and Markets divisions, as well as controlling effective regulatory implementation within the Group companies.

#### Pandemics and other extreme operational events

It is not known what the exact impact of extreme operational events will be, such as future pandemics, for each of the risks of the Catalogue, which will depend on future events and developments that are as yet unknown, including actions to contain or treat the event and curb its impact on the economies of affected countries. Taking COVID-19 as a reference, there may be high volatility in the financial markets, with significant crashes. Furthermore, macroeconomic perspectives may get significantly worse and with notable volatility in the prospective scenarios.

Mitigating factors: capacity for effective implementation of management initiatives to mitigate the effect on the risk profile caused by the deterioration of the economic environment in case of an extreme operational event, as is the specific case of COVID-19.

#### Merger with Bankia (see Note 1.9)

The execution of the merger is not guaranteed or may not be effective, given that it requires certain approvals and administrative authorisations. Additionally, it should be considered that during the merger process, CaixaBank may be incapable of successfully integrating the business of Bankia from an operational perspective and that, following the merger, there could be hidden or unknown liabilities and defects. All of this could impede the benefits identified when drawing up the joint merger project from materialising. Finally, should the Merger not take place, this could entail certain economic and regulatory costs, and, where relevant, reputational damage for the participating companies. In turn, this could have a material and adverse effect on share value, future expansion plans, the business, perspectives, operating income, financial situation and cash flows of these companies.

Mitigating factors: CaixaBank's successful track record of merger projects, in which it has managed to materialise the savings and synergies foreseen. Additionally, the compatibility of the business models of both organisations and a shared origin and corporate values, as well as solid financial strength in asset solvency and quality, allow them to face the risks of the merger with a significant margin.



3.2. Risk governance, management and control

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

#### Strategic risk management system

#### Identifying and assessing risks: Risk Assessment

Half-year exercise of self-assessment of the profile risk of the Group. Incorporates a process of identification of strategic events that affect to one or more risks that, due to their potential impact in the medium or long term, it is convenient to monitor in a specific way.

#### Risk definition and classification: Risk Taxonomy

An annually-reviewed list and description of the material risks identified in the Risk Assessment. Facilitates monitoring and reporting of risks, both internally and externally.

#### Monitoring of Risks: Risk Appetite Framework (RAF)

A comprehensive and forward-looking tool used by the Board of Directors to determine the types and thresholds it is willing to assume in achieving the Group's strategic objectives as regards all risks included in the Catalogue.

### Governance and organisation

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

#### Risk culture

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

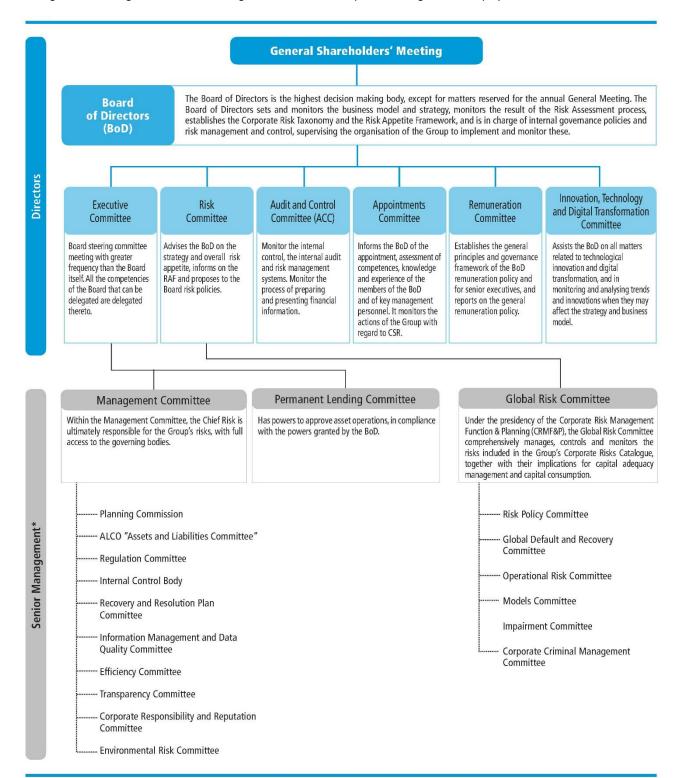
#### Internal Control Framework

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



#### 3.2.1. Governance and organisation

The organisational diagram in relation to the governance of the Group's risk management is displayed below:



<sup>\*</sup> 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.



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

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

The Risk Management Function, as the element responsible for the development and implementation of the risk management and control framework (see Note 3.2.4), acts independently of 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 Group's risk profile and any expected changes thereof.

#### 3.2.2. Strategic risk management system

The Group has a system of risk governance, management and control, including elements such as strategic risk management processes. Their objective is to identify, measure, monitor, control and report on the risks, constituting one of the fundamental pillars of the management strategy.

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

#### Risk Assessment

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

- Identify and assess inherent risks assumed by the Group 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 Risk Assessment is one of the main sources for identifying the following:

- **Emerging risks**: risks with an increasing materiality or importance.
- Strategic events: the most relevant occurrences that may result in a medium—long-term material impact on the Group. Only events that are not yet materialised and do not form part of the Catalogue, but which the organisation 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.

#### Corporate Risk Catalogue

The Corporate Risk Catalogue is the list of the Group's material risks. It facilitates internal and external monitoring and reporting, and is subject to review at least once per year. This update process also assesses the materiality of emerging risks previously identified in the Risk Assessment process.

The most relevant amendments of this year's review are:

- The inclusion of Model Risk to reflect the relevance of the models in the Group's decision-making processes and align with the regulator's recommendations and sector practices.
- The extension of the scope of Information Reliability Risk (previously called Reliability of Financial Information) to cover both financial and non-financial reporting.



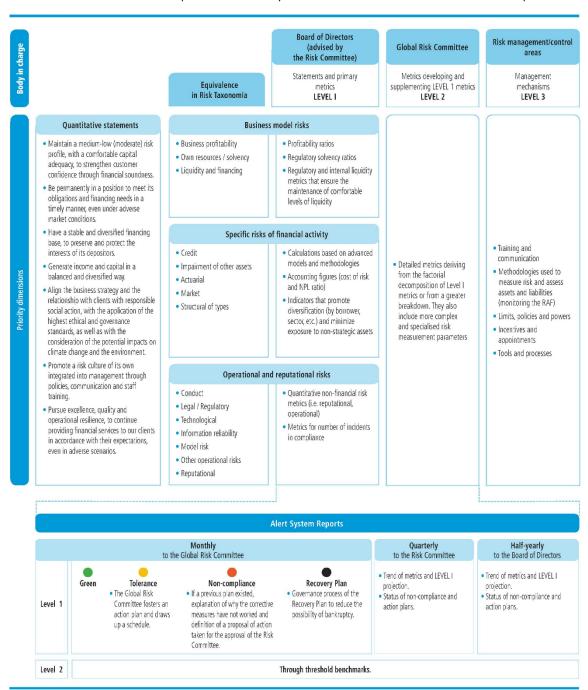
### Each of the risks and its definition is set out below:

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.
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.
Structural 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 and liability instruments and those outside of the Group's balance sheet not recorded in financial assets held for trading.
Market	Loss of value, with an impact on results or solvency, of a portfolio (set of assets and liabilities), due to unfavorable movements in prices or market rates.
	Reputation and Operational risks
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.
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.
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.
Reliability of information	Deficiencies in the accuracy, integrity and criteria for preparing the data and information necessary for the evaluation of the financial and equity situation of the CaixaBank Group, as well as the information made available to stakeholders and published on the market that offers a holistic view of positioning in terms of sustainability with the environment and that is directly related to environmental, social and governance aspects (ESG principles).
Model Risk	Possible adverse consequences for the Group that could arise as a consequence of decisions based mainly on the results of internal models with errors in the construction, application or use of the models.
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.
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).



#### **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 (risk appetite) it is willing to assume in achieving the Group's strategic objectives.<sup>1</sup>. These objectives are formalised through qualitative statements in relation to the risk appetite, expressed by the Board of Directors, and the metrics and thresholds that allow for the development of the activity to be monitored for the different risks of the Corporate Catalogue.



<sup>&</sup>lt;sup>1</sup> It is worth noting that 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 Catalogue.



### 3.2.3. Risk Culture

#### **Training**

In the area of Risks, the Entity 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 Group structures its training programme through the Risk School. It sees training as a strategic tool to provide support to business areas, whilst providing a conduit for disseminating the Group's risk policies, providing training, information and tools for all of the personnel. 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 figures for the Group's main training initiatives in the field of promoting risk culture are as follows:

### RISK CULTURE AND TRAINING

RISK COLTURE AND TRAINING			
COURSE	TITLE	GROUP TRAINED	NUMBER OF INDIVIDUALS
Basic Banking Risk course  (fifth 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	2,259
,			, ,
Postgraduate diploma in Banking Risk Analysis	University University  Business network branch deputy managers and managers and other stakeholders who, given their role, may be involved in approving loans		288 in 2020 (221 in progress)
	diploma	or may require in-depth knowledge of risk	5,156 (accumulated)
Specialist training in risks for AgroBank branches	Speciality	Employees that make up the AgroBank branch network	1,957 (accumulated)
			77 in 2020
Specialist training in risks for BusinessBank branches	Speciality	Employees that make up the BusinessBank branch network	354 (accumulated)
Specialist training in risks for Private Banking branches	Speciality	Employees that make up the Private Banking network	552 (accumulated)
New training in Property Credit Contract Act 5/2019	University	A refresher course on the new act 5/2019 intended for employees that	17,413
(first and second edition)	qualification	comprise the Retail, Business and Risk network	(accumulated)
Training in Document Compliance and data quality	Internal training	Aimed at all employees to improve awareness of risk aspects such as document integrity and the quality of data entered into the systems	22,900

## Communication

Promoting the corporate risk culture is a key element for maintaining a robust and coherent framework in line with the Group's risk profile. In this respect, it is worth noting the creation of the Risk Culture project, with the aim of fostering risk culture throughout the organisation. Various actions intended to raise awareness of the risk culture among all CaixaBank employees within the framework of this project, by publication on the intranet, as well as other places, of news related to risk projects.

Furthermore, the Company and Retail corporate risk intranets comprise a dynamic environment for directly communicating key updates in the risk environment. They are notable for their content on news, institutional information, sector information, training and FAQs.

#### Performance assessment and remuneration

The Group seeks to keep the motivation of its employees in line with the risk culture, and with compliance of the risk levels 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 internal control framework is the set of strategies, policies, systems and procedures that exist within CaixaBank Group to ensure prudent business management and effective and efficient operations. This is carried out via:

- the suitable identification, measurement and mitigation of risks that the Group is or could be exposed to,
- the existence of comprehensive, pertinent, reliable and relevant financial and non-financial information,
- the adoption of solid administrative and accounting procedures, and
- compliance with regulations and requirements in terms of supervision, codes of ethics and internal policies, processes and standards.

This is integrated into the Group's internal governance system, is aligned with the business model and is in line with: i) the regulations applicable to financial institutions; ii) the EBA Guidelines on Internal Governance, of 21 March 2018, which develops the internal governance requirements established in Directive 2013/36/EU of the European Parliament; iii) the recommendations of the CNMV in this respect and iv) other guidelines on control functions applicable to financial institutions.

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.

## First line of defence

Comprising the business lines (together with the supporting functions) that bring about the Group's exposure to risks during the course of its activity. They take on risks taking into account the bank's risk appetite, the authorised risk limits and policies and procedures in force, and is responsible for managing these risks. They are therefore responsible for developing and maintaining effective controls over their businesses, and for identifying, managing, measuring, controlling, mitigating and reporting the main risks that arise throughout their activity.

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

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

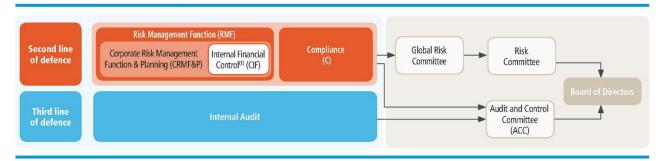
#### Second line of defence

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, as well as controls that allow for compliance with external and internal regulations in the area of risk management and control.
- Regular monitoring of the effectiveness of first line of defence indicators and controls, as well as second line of defence indicators and controls.
- Following up control weaknesses that are identified, as well as establishing and implementing Action Plans.
- Issuing an opinion on the suitability of the risk control environment.



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



(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.

## Risk Management Function (RMF)

The RMF, coordinated by the Executive Division of Corporate Risk Management Function & Planning (CRMF&P), as well as performing the identification, definition of lines of assumption, measurement, monitoring, management and reporting of risks under its area of responsibility, i) ensures that all risks that the Group is or could be exposed to our identified, assessed, monitored and controlled adequately; ii) provides the Governing Bodies with an aggregated vision of all the risks that the Group is or could be exposed to; iii) monitors compliance with the risk appetite approved by the Board of Directors and ensures that this translates into specific risk limits, and iv) monitors the risk generating activities, assessing their alignment with the approved risk tolerance and ensuring the prospective planning of the corresponding capital and liquidity needs in normal and adverse circumstances.

The CRMF&P includes the risk management and control function of the models used, both for internal management purposes and regulatory reasons. The Internal Validation department, following the guidelines established in the model's framework of risk management and control, will carry out the control procedures and activities needed, in line with the regulatory requirements of the various supervisory authorities, to issue an independent expert opinion on the internal models, ensuring that they i) are developed under the minimum requirements established in the standards; ii) are implemented and used effectively; iii) produce results for their use in different management processes and, in particular, in regulatory capital processes and provision calculations; iv) have suitable control and technological environments, and v) have appropriate governance associated with the modifications process.

The RMF is completed by the department of Financial Internal Control (hierarchically located within the Executive Division of Intervention, Management Control and Capital), which, reporting to the CRMF&P, performs the functions of the second line of defence for risks of i) Business Profitability; ii) Own funds/Capital adequacy; iii) Impairment of other assets; and iv) The reliability of information.

## Compliance

The Compliance function is responsible for ensuring that the Group operates with integrity and in compliance with the regulation, internal rules and codes of conduct applicable. It also manages, monitors and inspects compliance risk, which includes Conduct, Legal/Regulatory and Reputational Risk.

The Compliance Sub-directorate is a function that is dependent upon the CEO and reports directly, within the scope of its activities, to Senior Management, to Governing 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 procedures are determined with a risk-based approach; iii) Monitoring of gaps (control deficiencies or breaches of regulations) identified and of the Action Plans to mitigate the detected weaknesses, 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 foster the Compliance "culture" throughout the organisation. This is done by redesigning technology-based processes, awareness-raising and communication plans conducted throughout the organisation, and training activities (compulsory regulatory training plan which is linked to the annual bonus). It also ensures that best practices in integrity and rules of conduct are followed. To do this, it has, among other resources, a confidential consultation and whistle-blowing channel.

#### Third line of defence

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

In order to 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 Group's activities;
- Compliance with the legislation in force, with special attention to the requirements of supervising bodies and the suitable application of the Global Management and Risk Appetite Frameworks defined.
- Compliance with internal policies and regulations, and alignment with best practices and uses in the sector, for adequate internal governance of the Group.
- The reliability and integrity of financial and operational information, including the effectiveness of the established control systems, which include those in terms of financial reporting and non-financial reporting.

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 shortcomings detected in reviews and monitoring their implementation by the appropriate centres.

3.3. Business model risks

#### 3.3.1. Business profitability risk

Business profitability risk refers to obtaining results lower than market expectations or the Group'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.

The Group has a corporate Policy for Business Profitability risk management. Management of this risk is founded on visions of management:

Group vision: the overall aggregated return at the level of CaixaBank Group.



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- 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.

The risk management strategy for business profitability is closely integrated with the capital adequacy and liquidity management strategy of the Group, and is supported by the strategic risk processes (Corporate Risk Catalogue, risk assessment and RAF).

#### 3.3.2. Risk of own funds and capital adequacy

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

The Group 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 Regulation 575/2013 (CRR) and Directive 2013/36/EU of the European Parliament and of the Council (CRD 4), which implemented the Basel III regulatory framework (BIS III) in the European Union. Whereas the CRR was directly applied in Spain, CRD 4 was transposed to Spanish law through Act 10/2014 on the arrangement, monitoring and solvency of credit institutions and its subsequent regulatory development through Royal Decree 84/2015 and Bank of Spain Circular 2/2016. Regulatory capital is the metric required by regulators and 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 Group continuously adapts its processes and systems to ensure the calculation of capital consumption and deductions from own funds are fully aligned with the new established requirements.

In 2016, an amendment process was undertaken on the CRR and CRD 4, which led to the entry into force, in 2019, of CRR 2 and CRD 5. The generalised applicability of CRR 2 is planned for June 2021.

Meanwhile, the economic capital measures the internal criteria for own funds and capital requirements for all risks derived from its activity. This measure complements the regulatory vision of capital adequacy, allows for it to better offset the risk assumed by the Entity and includes risks that have not been factored in at all or only partially by the regulatory measures. This vision is used for i) the self-assessment of capital, subject to presentation and periodical review in the Group's corresponding bodies; ii) as a control and monitoring tool; iii) risk planning and iii) calculating Risk-Adjusted Return (RAR) and Pricing. In contrast with regulatory capital, economic capital is an internal estimate which is adjusted according to the level of tolerance to risk, volume, and type of business activity.

In addition to the risks referred to in Pillar I (credit, market and operational risk), it includes others also included in the Corporate Risk Catalogue, (e.g. interest rate risk in the banking book, and liquidity, business and actuarial risk, etc.).

In addition, the regime under Directive 2014/59/EU (BRRD) and Regulation 806/2014/EU (SRM) of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, implemented in Spain through Act 11/2015 and Royal Decree 1012/2015, requires that banks must have minimum eligible capital and liabilities (MREL). The application of this regulatory reform has led the MREL requirement to be expressed as a percentage of risk-weighted assets and of exposure for the calculation of the leverage ratio.

The Group has a Corporate Policy for Own Funds and Capital Adequacy Risk that covers a broad concept of own funds, including both eligible own funds under prudential regulations and eligible instruments for hedging MREL minimum requirements, the purpose of which is to lay down the principles on which capital objectives are determined in CaixaBank Group, as well as to lay down a common set of guidelines in relation to the monitoring, control and management of own funds that allow this risk to be mitigated, among other aspects. Similarly, the main processes comprising the management and control of capital adequacy and own funds risk are as follows: i) ongoing measurement and internal and external reporting on regulatory capital and economic capital through relevant metrics; ii) capital planning in different scenarios (standardised and stress scenarios, including ICAAP, EBA Stress Test and Recovery Plan), integrated in the corporate financial planning process, which includes the projection of the Group's balance sheet, income statement, capital requirements and own funds and capital adequacy. All of this is accompanied by monitoring of the capital regulations applicable at present and over the coming years.

For further information on the risk management of own funds and capital adequacy, see Note 4 - Capital Adequacy Management.

#### 3.3.3. Liquidity and funding risk

#### **Overview**

Liquidity and financing 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 Group manages this risk in order to ensure liquidity is maintained at levels that allow it to comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, operating at all times within the Risk Appetite Framework (RAF). The strategic principles to achieve the liquidity management objectives are as follows:

- A decentralised liquidity management system across three units (the CaixaBank subgroup, the BPI subgroup and CaixaBank Wealth Management Luxembourg, S.A.), 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.
- Active management of liquidity through ongoing monitoring of liquid assets and the balance sheet structure.
- Sustainability and stability as 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 and financing risk involves:

- Identifying material liquidity risks for the Group and its liquidity management units;
- Formulating the strategic principles the Group must observe in managing each of these risks;
- Establishing the relevant metrics for each of these risks;
- 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 Liquidity risk can be appropriately managed in moderate and severe crisis situations;
- And a Recovery Planning framework, in which scenarios and measures are devised for stress conditions.

In particular, the Group 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 Group 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.

## 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:

Delegation of the Annual General Meeting or, where applicable, of the Board of Directors for issuance, depending on nature of the type of instrument.



Availability of several facilities open with i) the ICO, under credit facilities – mediation, ii) the European Investment Bank (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)

	31-12-2020	31-12-2019	31-12-2018
Value of guarantees delivered as collateral	72,139	51,455	53,652
CaixaBank	66,498	46,001	46,698
BPI	5,641	5,454	6,954
Drawn down	(49,725)	(12,934)	(28,183)
TLTRO II – CaixaBank		(3,409)	(26,819)
TLTRO III – CaixaBank *	(45,305)	(8,145)	
TLTRO II – BPI		(500)	(1,364)
TLTRO III – BPI *	(4,420)	(880)	
Interest on drawn guarantees	122	49	279
Interest on drawn guarantees - CaixaBank	122	44	268
Interest on drawn guarantees - BPI		6	11
TOTAL AVAILABLE BALANCE IN ECB FACILITY	22,536	38,571	25,748

(\*) Interest accrued from the borrowing from TLTRO III on 31 December 2020 amounts to EUR 288 million. This interest is calculated for each operation of this series and reflects the Group's estimation in the initial recognition with respect to the amount of final interest to charge upon its specific maturity, taking into account specific hypotheses of fulfilment of eligible volumes. The value "interest on drawn guarantees" is the calculation carried out by the Bank of Spain to assess the guarantees drawn in the facility. In the calculation of the balance available in the facility at 31 December 2020, Bank of Portugal does not calculate the interest on guarantees drawn.

In TLTRO III fixed-term monetary policy financing operations, there are preferential financing interest rates on condition of fulfilling variations in the admissible credit during certain periods. There are two periods in which it is close finalising (from 1 April 2019 to 31 March 2021 and 1 March 2020 to 31 March 2021) for those that have produced growth above the required threshold. In the period that recently began (ranging from 1 October 2020 to 31 December 2021), growth is expected above the established threshold to obtain the preferential rate.

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



## **DEBT ISSUANCE CAPACITY - 31-12-2020**

(Millions of euros)

	TOTAL ISSUANCE CAPACITY	TOTAL ISSUED
CaixaBank promissory notes programme (CNMV 09-07-2020) (1)	1,000	0
CaixaBank fixed-income programme (CNMV 09-07-2020)	15,000	0
CaixaBank EMTN ("Euro Medium Term Note") programme (Ireland 23-04-2020)	25,000	14,629
BPI EMTN ("Euro Medium Term Note") programme (Luxembourg 21-07-2020)	7,000	1,025
CaixaBank ECP ("Euro Commercial Paper") programme (Ireland 15-12-2020)	3,000	650
BPI mortgage covered bonds programme (CMVM Portugal 02-07-2020)	9,000	7,300
BPI public sector covered bonds programme (CMVM Portugal 20-08-2020)	2,000	600

<sup>(1)</sup> Programme extendible to EUR 3,000 million

Capacity to issue backed bonds

# **COVERED BOND ISSUANCE CAPACITY - 31-12-2020**

	ISSUANCE CAPACITY	TOTAL ISSUED
Mortgage covered bonds	3,063	48,233
Public sector covered bonds	5,159	3,500

- 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, BME Madrid and EUREX Frankfurt).
- The Contingency Plan and Recovery Plan contain a wide range of measures that allow for liquidity to be generated in a wide range of 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.



#### **Liquidity situation**

The following table presents a breakdown of the Group's liquid assets based on the criteria established for determining high-quality liquid assets to calculate the LCR (HQLA) and assets available in facility not considered HQLAs:

## **LIQUID ASSETS \***

(Millions of euros)

	31-12-2020		31-12-2019		31-12-2018	
	MARKET	APPLICABLE WEIGHTED	MARKET	APPLICABLE WEIGHTED	MARKET	APPLICABLE WEIGHTED
	VALUE	AMOUNT	VALUE	AMOUNT	VALUE	AMOUNT
Level 1 assets	94,315	94,280	53,098	53,021	54,841	54,771
Level 2A assets	344	292	42	36	51	43
Level 2B assets	1,590	795	3,670	1,960	4,308	2,279
TOTAL HIGH-QUALITY LIQUID ASSETS (HQLAS) (1)	96,249	95,367	56,810	55,017	59,200	57,093
Assets available in facility not considered HQLAs		19,084		34,410		22,437
TOTAL LIQUID ASSETS		114,451		89,427		79,530

<sup>(\*)</sup> 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 Group's liquidity and financing ratios are set out below:

#### **LCR AND NSFR**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
High-quality liquid assets - HQLAs (numerator)	95,367	55,017	57,093
Total net cash outflows (denominator)	34,576	30,700	28,602
Cash outflows	42,496	36,630	33,819
Cash inflows	7,920	5,931	5,217
LCR (LIQUIDITY COVERAGE RATIO) (%) (1)	276%	179%	200%
NSFR (NET STABLE FUNDING RATIO) (%) (2)	145%	129%	117%

<sup>(1)</sup> LCR: regulatory ratio whose objective is to maintain an adequate level of high-quality assets available to cover 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 (and its amendment in Delegated Regulation (EU) 2018/1620 of July 2018), supplementing 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%.

(2) NSFR – regulatory balance sheet structure ratio that measures the ratio 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. Calculations at 31-12-2020 and 31-12-2019, applying the regulatory criteria established in Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, which will come into force in 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 RATINGS**

	LONG-TERM DEBT	SHORT-TERM DEBT	OUTLOOK	SENIOR PREFERRED DEBT	REVIEW DATE	MORTGAGE COVERED BONDS
S&P Global Ratings	BBB+	A-2	Stable	BBB+	23-09-2020	AA
Fitch Ratings	BBB+	F2	Negative	A-	29-09-2020	
Moody's Investors Service	Baa1	P-2	Stable	Baa1	22-09-2020	Aa1
DBRS Morningstar	А	R-1(low)	Stable	А	30-03-2020	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 / repos (CSA / GMRA / GMSLA agreements) (*)	0	6	6
Deposits taken with credit institutions (*)	0	667	667

 $<sup>(\</sup>mbox{\ensuremath{^{\ast}}})$  The balances presented are accumulated for each rating reduction.

## 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

(IVIIIIIONS OJ EULOS)						
	31-12-2020		31-12-2	2019	31-12-2018	
	CARRYING	CARRYING	CARRYING	CARRYING	CARRYING	CARRYING
	AMOUNT OF	AMOUNT OF	AMOUNT OF	AMOUNT OF	AMOUNT OF	AMOUNT OF
	COMMITTED	NON-	COMMITTED	NON-	COMMITTED	NON-
	ASSETS	COMMITTED	ASSETS	COMMITTED	ASSETS	COMMITTED
		ASSETS		ASSETS		ASSETS
Equity instruments	0	1,849	0	3,063	0	4,144
Debt securities *	8,040	35,377	5,248	28,887	8,314	27,969
Of which: covered bonds	6	3	2	9	5	4
Of which: asset-backed securities	0	70	0	92	0	0
Of which: issued by public administrations	6,802	31,152	4,584	24,161	7,222	24,564
Of which: issued by financial corporations	910	1,451	417	1,396	906	1,272
Of which: issued by non-financial corporations	323	2,701	245	3,228	181	2,129
Other assets **	90,339	249,081	54,217	236,942	74,123	221,102
Of which: loans and receivables	84,841	207,968	49,146	191,368	69,543	173,810
TOTAL	98,379	286,307	59,465	268,892	82,437	253,215

 $<sup>\</sup>begin{tabular}{ll} \textbf{(*) Mainly corresponds to assets provided in repurchase agreements and ECB financing transactions.} \end{tabular}$ 

<sup>(\*\*)</sup> Mainly corresponds to assets pledged for securitisation bonds, mortgage covered bonds and public sector covered bonds. These issuances are chiefly used in operations of issuances to market and as a guarantee in ECB funding operations.



The following table presents the assets received under guarantee, segregating those unencumbered from those that are pledged guaranteeing funding operations:

## ASSETS SECURING FINANCING OPERATIONS AND UNENCUMBERED ASSETS

(Millions of euros)

	31-12-2020		31-12-2	2019	31-12-2018	
	FV OF COMMITTED ASSETS	FV OF NON- COMMITTED ASSETS	FV OF COMMITTED ASSETS	FV OF NON- COMMITTED ASSETS	FV OF COMMITTED ASSETS	FV OF NON- COMMITTED ASSETS
Collateral received *	2,631	13,573	1,790	15,841	2,097	13,323
Equity instruments	0	0	0	0	0	0
Debt securities	2,627	12,240	1,780	14,737	2,085	11,977
Other guarantees received	5	1,333	10	1,103	12	1,346
Own debt securities other than covered bonds or own asset-backed securities **	0	249	0	12	0	251
Own covered bonds and asset-backed securities issued and not pledged ***	0	25,815	0	53,787	0	42,821
TOTAL	2,631	39,637	1,790	69,640	2,097	56,395

<sup>(\*)</sup> Mainly corresponds to assets provided in reverse repurchase agreements, securities lending transactions and guarantees received through derivatives.

The asset encumbrance ratio is as follows:

# ASSET ENCUMBRANCE RATIO

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Encumbered assets and collateral received (numerator)	101,010	61,255	84,534
Debt securities	10,667	7,027	10,399
Loans and receivables	84,846	49,156	69,555
Other assets	5,498	5,071	4,580
Total assets + Total assets received (denominator)	400,891	345,988	351,071
Equity instruments	1,849	3,063	4,144
Debt securities	58,285	50,652	50,345
Loan portfolio	292,814	240,524	243,364
Other assets	47,944	51,748	53,218
ASSET ENCUMBRANCE RATIO	25.20%	17.70%	24.08%

During 2020, the asset encumbrance ratio has increased by 7.50 percentage points with respect to the 2019 ratio, mainly due to higher policy encumbrance (use of TLTRO III).

Secured liabilities and the assets securing them are as follows:

<sup>(\*\*)</sup> Senior debt treasury shares.

<sup>(\*\*\*)</sup> Corresponds to treasury shares issued in the form of securitisations and covered bonds (mortgage / public sector).

FV: Fair value



#### **SECURED LIABILITIES**

(Millions of euros)

	31-12-2020		31-12-2	2019	31-12-2018		
		ASSETS,		ASSETS,		ASSETS,	
	LIABILITIES	GUARANTEES	LIABILITIES	GUARANTEES	LIABILITIES	GUARANTEES	
	HEDGED,	RECEIVED AND	HEDGED,	RECEIVED AND	HEDGED,	RECEIVED AND	
	CONTINGENT	TREASUREY	CONTINGENT	TREASUREY	CONTINGENT	TREASUREY	
	LIABILITIES OR	INSTRUMENTS	LIABILITIES OR	INSTRUMENTS	LIABILITIES OR	INSTRUMENTS	
	SECURITIES CEDED	ISSUED *	SECURITIES CEDED	ISSUED *	SECURITIES CEDED	ISSUED *	
Financial liabilities	81,018	96,135	49,543	57,063	69,819	81,472	
Derivatives	6,216	6,491	5,653	5,945	5,197	5,592	
Deposits	58,621	70,457	26,281	30,322	45,517	51,321	
Issuances	16,181	19,187	17,609	20,796	19,105	24,559	
Other sources of charges	4,379	4,876	3,861	4,192	2,697	3,062	
TOTAL	85,397	101,011	53,404	61,255	72,517	84,534	

<sup>(\*)</sup> Excluding encumbered covered bonds and asset-backed securities

#### Residual maturity periods

The breakdown by contractual term to maturity of the balances of certain items on the balance sheets, without taking into account, where applicable, the value adjustments or value corrections, in a scenario of normal market conditions, is as follows

#### **RESIDUAL MATURITY PERIODS - 31-12-2020**

(Millions of euros)

	DEMAND		3-12			
	DEPOSITS <	3 MONTHS	MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Interbank assets	96	53,492	2,328	2,514	5	58,435
Loans and advances - Customers	1,041	16,403	40,842	91,521	81,115	230,922
Debt securities	0	2,062	7,078	21,459	9,297	39,896
FA under the insurance business - Debt securities		598	544	947	724	2,813
TOTAL ASSETS	1,137	71,957	50,248	115,494	90,417	329,253
Interbank assets	1	5,575	2,520	51,999	316	60,411
FL - Customer deposits	17,606	36,810	55,305	60,397	72,489	242,607
FL - Debt securities issued	0	2,558	1,352	24,186	10,090	38,186
Liabilities under the insurance business		298	548	2,307	1,200	4,353
TOTAL LIABILITIES	17,607	44,943	59,177	136,582	82,895	341,204
Of which are wholesale issues net of treasury shares and multi-						
issuers	0	2,541	100	16,329	16,040	35,010
Of which are other financial liabilities for operating lease	0	0	14	120	1,334	1,468
Drawable by third parties	0	3,685	11,527	28,750	34,537	78,499

FA: Financial assets; FL: Financial liabilities

The transaction maturities are projected according to their contractual and residual maturity, irrespective of any assumption that the assets or liabilities will be renewed. In the case of demand accounts, with no defined contractual maturity, the Entity's internal behaviour models are applied. In order to assess the negative gap in the short term, the following aspects must be considered:

- The Group 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- 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.

As regards issuances, the Group's policies take into account a balanced distribution of maturities, preventing concentrations and diversifying financing instruments. In addition, its reliance on wholesale markets is limited.



3.4. Risks affecting financial activity

## 3.4.1. Credit risk

#### **Overview**

Credit risk corresponds to a decrease in the value of the Group's assets due to uncertainty about a customer's or counterparty's ability to meet its obligations to the Group. It is the Group's most significant risk financial activity, based on banking and insurance marketing, treasury operations and long-term equity instruments.

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)

	31-12-2	.020	31-12-2	.019	31-12-2	018
	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING
Financial assets held for trading (Note 11)	1,056		1,176		1,103	
Equity instruments	255		457		348	
Debt securities	801		719		755	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 12)	317		427		704	
Equity instruments	180		198		232	
Debt securities	52		63		145	
Loans and advances	85		166		327	
Financial assets at fair value with changes in other comprehensive income (Note 13)	19,309		18,371		21,888	
Equity instruments	1,414		2,407		3,565	
Debt securities	17,895		15,964		18,323	
Financial assets at amortised cost (Note 14)	273,129	(5,620)	249,408	(4,706)	248,299	(5,717)
Debt securities	24,681	(11)	17,395	(6)	17,064	(4)
Loans and advances	248,448	(5,609)	232,013	(4,700)	231,235	(5,713)
Central banks	4		6		5	
Credit institutions	5,847		5,155	(2)	7,550	
Customers	242,597	(5,609)	226,852	(4,698)	223,680	
Trading derivatives and hedge accounting	4,120		3,854		3,906	
Assets under the insurance business (Note 17)	77,241		72,683		61,688	
TOTAL ACTIVE EXPOSURE	375,172	(5,620)	345,919	(4,706)	337,588	(5,717)
TOTAL GUARANTEES GIVEN AND CONTINGENT	105,066	(193)	98,340	(220)	89,027	(355)
TOTAL	480,238	(5,813)	444,259	(4,926)	426,615	(6,072)

<sup>(\*)</sup> CCF (Credit Conversion Factors) for guarantees given and credit commitments amount to EUR 75,560, 71,818 and 59,416 million respectively, at 31 December 2020, 2019 and 2018.

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.

Regarding its ordinary business, the Group gears its lending activity towards meeting the finance needs of households and businesses and providing value-added services to the large corporates segment, within the medium—low risk profile set as a target in the RAF.

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

- Clear definition and allocation of responsibilities to the different areas participating in the cycle of granting, managing, monitoring and controlling credit risk.
- Agile and open dialogue with customers.
- Granting based on the borrower's repayment capability, with an adequate relationship between the income and expenses they assume.
- Uniformity regarding the analysis criteria and tools used for management and monitoring.
- Adequate assessment both of guarantees and of assets that are foreclosed or received in payment of debt.
- The existence of a monitoring framework that ensures that the information regarding the exposure to credit risk, the borrowers and the collateral is relevant and remains updated throughout the entire life cycle of the credit exposure.
- Accounting classification criteria of operations and for the quantitative assessment of expected losses and capital requirements for credit risk that accurately reflect the credit quality of the assets.
- Foresight, objectification, effectiveness and guidance for the customer in the process of recovering impaired assets.

## 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.

## **Approval and granting**

The process for admitting and granting new loans is based on the analysis of the solvency of the parties involved and characteristics of the transaction.

The power system assigns an approval level to certain employees holding a position of responsibility established as standard associated with their position.

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

- **Amount**: financial 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 Policies: raft of criteria identifying and assessing the relevant variables of each type of transaction, and which involve specific processing. These include, among others, NPL alerts, scoring/rating diagnosis, debt ratio, ratings resulting from monitoring activity or the fact that the operation is for a reduced amount.
- **Term:** the duration of the operations requested, which must be coherent with the purpose of the loan. 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 facilitate agility in granting, there are Risk Approval Centres according to the type of holder, individuals and selfemployed workers in a centralised Individuals Approval Centre in Corporate Services, and legal entities in Approval Centres distributed throughout the country, which manage the applications within their power levels, and transfer them to specialised Corporate 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. Credit pre-granting is also conducted for legal entities and individuals in the micro-enterprise and small enterprise segments for certain products and in accordance with defined risk limits and criteria.

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 customer segment:

- Corporate Risk: centralises business groups with an annual turnover above EUR 200 million in the Corporate centre and in the International Branches.
- **Business Risk**: legal entities or business groups with turnover up to EUR 200 million and those with turnover over EUR 200 million not managed by Corporate centres or the International Branches nor those that belong to specialised sectors (Property, Agro-food, Tourism or Project Finance).
- Real Estate Risk: covers developers in any segment, regardless of turnover, and real estate investment companies.
- Tourism and Agri-food Risk: covers all companies and business groups that operate in the tourism and food and agriculture sectors. It also includes self-employed professionals in the farming sector.
- Project Finance: includes all operations presented through the project finance scheme and asset finance operations.
- Institutional Banking: comprises public autonomous or central government institutions, town councils and local institutions, and members of economic groups or management groups whose representative/parent meets the aforementioned criteria. It also includes private institutions (foundations, universities, NGOs, religious orders, etc.) managed by the Institutions' Centres.
- Sovereign, Country and Financial Institution risk: responsible for granting and managing country risk and financial institution risk inherent in funding transactions for the various segments.

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 and expected loss of the operation. Furthermore, 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 on establishing margins according to different businesses.

## Mitigation of the risk

The Group'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 to be valid as risk mitigators, according to the time necessary for their execution and the capability of realising the guarantees, among other aspects. The different types of guarantees and collateral, along with the policies and procedures in their management and assessment, are as follows:

Personal guarantees or those constituted due to the solvency of holders and guarantors: 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:
  - Pledged collateral: 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 on properties. Internal policies for these establish the following:
    - the procedure for approval of guarantees and the requirements for drawing up operations, e.g., the documentation that must be supplied by the holders 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. Regular processes are also carried out to check and confirm the appraisal values, in order to detect any anomalies in the procedures used by the valuation companies supplying the Group.
    - The 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 the value shown on the official deed or the accredited value of the property. IT systems calculate the level of approval required for each type of transaction.
- Credit derivatives: guarantors and counterparty. The Group 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 in the approval of the Group's lending transactions is provided below, specifying the maximum amount of the collateral that can be considered for the purposes of calculating impairment: the estimated fair value of property according to the latest appraisal available or an update on the basis of the provisions of applicable regulations in force. In addition, the remaining collateral is included as the current value of the collateral that has been pledged to date, not including personal guarantees:



#### CATEGORISATION BY STAGE OF THE CREDIT INVESTMENT AND AFFECTED GUARANTEES\*

(Millions of euros)

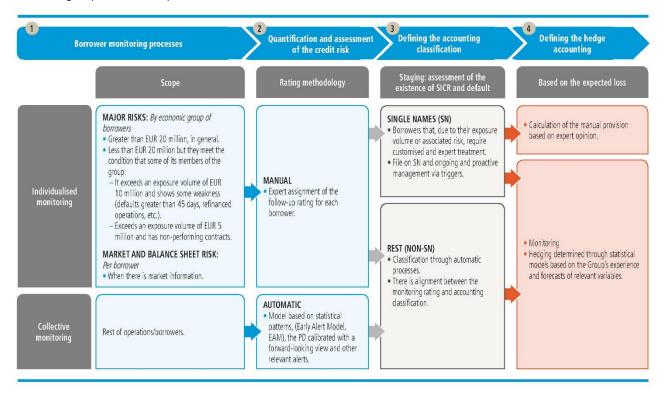
		31-12-2020			31-12-2019			31-12-2018	
		ALLOWANCES	VALUE OF		ALLOWANCES	VALUE OF		ALLOWANCES	VALUE OF
	GROSS	FOR	COLLATERAL	GROSS	FOR	COLLATERAL	GROSS	FOR	COLLATERAL
	AMOUNT	IMPAIRMENT	**	AMOUNT	IMPAIRMENT	**	AMOUNT	IMPAIRMENT	**
Stage 1:	212,834	(920)	276,360	201,419	(574)	288,563	194,618	(688)	290,246
Unsecured loans	102,733	(606)	0	85,640	(374)	0	78,459	(320)	0
Real estate collateral	103,520	(280)	269,795	108,317	(116)	281,058	110,276	(201)	284,512
Other collateral	6,581	(34)	6,565	7,462	(84)	7,505	5,883	(167)	5,734
Stage 2:	20,066	(1,064)	25,846	15,541	(708)	21,552	16,328	(741)	24,636
Unsecured loans	8,299	(606)	0	5,140	(379)	0	4,883	(339)	0
Real estate collateral	11,183	(411)	25,004	9,833	(248)	21,109	10,856	(302)	24,099
Other collateral	584	(47)	842	568	(81)	443	589	(100)	537
Stage 3:	8,256	(3,625)	9,761	8,387	(3,416)	9,929	10,733	(4,292)	15,605
Unsecured loans	2,334	(1,869)	0	2,251	(1,658)	0	2,614	(1,550)	0
Real estate collateral	5,787	(1,698)	9,572	5,961	(1,656)	9,831	7,897	(2,630)	15,527
Other collateral	135	(58)	189	175	(102)	98	222	(112)	78
TOTAL	241,156	(5,609)	311,967	225,347	(4,698)	320,044	221,679	(5,721)	330,487

<sup>(\*)</sup> Includes loans and advances to customers under the headings "Financial assets at amortised cost" (Note 14) and "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" (Note 12)

On the other hand, counterparty risk mitigation measures are specified in section 3.4.1.

## Monitoring and measurement of credit risk

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



<sup>(\*\*)</sup> Reflects the maximum amount of the effective collateral that can be considered for the purposes of the impairment calculation, i.e. the estimated fair value of real estate properties based on their latest available valuation or an update of that valuation based on the applicable standard in force. In addition, the remaining collaterals are included as the current value of the collateral that has been pledged to date, not including personal guarantees.

## 1 Borrower monitoring processes

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. All borrowers have a monitoring rating which classifies them into one of five categories<sup>2</sup>: insignificant risk, low risk, moderate risk, high risk or doubtful; 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 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.

The Group defines individually significant borrowers (Single Names) as those that meet the following thresholds or characteristics<sup>3</sup>:

- Exposure of greater than EUR 20 million for two consecutive months or greater than EUR 24 million for one month.
- Exposure of greater than EUR 10 million for two consecutive months or greater than EUR 12 million for one month, which meet at least one of the following criteria: expected loss of greater than EUR 200 thousand, with refinanced operations, with early non-performing loans (>45 days) or those that form part of the Entity's consolidated group through the equity consolidation method.
- Exposure of greater than EUR 5 million with doubtful operations (objective or subjective) representing more than 5% of the total risk of the borrower.
- Borrowers that form part of the Group (due to global integration), with the exception of BPI.
- 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.

Additionally, the EAM and PD models are subject to the Group's Credit Risk Model Framework.

# (2) Quantifying and assessing 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

- Insignificant risk: all customer operations are performing correctly and there are no indications that call the repayment capacity into question.
- Low risk: the payment capacity is adequate, although the customer or one or more of their operations shows some minor indication of weakness.
- Medium risk: there are indications of customer impairment, nonetheless, these weaknesses do not currently put at risk the debt repayment capacity.
- Medium-high risk: the customer's credit quality has been seriously weakened. If the customer impairment continues, the customer may
  not have the capacity to repay the debt.
- Doubtful: there is evidence of sustained impairment or non-performance as regards the customer capacity to meet their obligations.
- No rating: there is insufficient information to assign a monitoring rating.

<sup>&</sup>lt;sup>2</sup> The monitoring rating is an assessment of each customer's situation and risks. The different monitoring ratings are as follows:

<sup>&</sup>lt;sup>3</sup> In addition to these borrowers, an individual assessment of the credit loss will be required for operations with a low credit risk, qualified as such as a result of having no appreciable risk, that are nevertheless in a doubtful situation. Applying materiality criteria, the individual estimate of expected losses will be performed whenever a borrower represents an exposure of more than EUR 1 million and more than 20% is considered doubtful.

debtors. Unexpected losses have a low probability and large amount, and should be absorbed by 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 Group uses management tools covering virtually all of its lending business to help predict the probability of default associated with each borrower.

These tools, implemented in the branch network and the risk monitoring and granting channels, were developed on the basis of NPL experience and include the measurements required to fine-tune the results both to the business cycle, with a view to securing relatively stable measures in the long term and to recent experience and future projections. The models can be classified according to their orientation toward the product or customer:

- Product-oriented tools are used mainly within the scope of authorisation of new retail banking 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 corporates, the Group 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 corporates, which is updated at least annually or if significant events arise 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 corporates, loss given default also includes elements of expert judgement, coherent with the rating model.

It is worth noting that the Group considers, through severity, the income generated in the sale of defaulted contracts as one of the possible future flows generated to measure the expected impairment losses of the value of loans and advances. This income is calculated on the basis of the internal information of the sales carried out in the Group<sup>4</sup>. The sale of these assets is considered to be reasonably predictable as a method of recovery, thus, as part of its strategy for reducing doubtful balances, the Group considers portfolio sales as one of the recurring tools. In this regard, an active market for impaired debt exists,

<sup>&</sup>lt;sup>4</sup> See Note 2.7, in reference to cases of sales with a significant increase in credit risk not compromising the business model of maintaining assets to receive contractual cash flows

which ensures with a high probability the possibility to make future sales of debt (see Note 27.4, detailing the sales of the non-performing and defaulted loan portfolio).

In addition to regulatory use to determine the Group's minimum capital requirements and the calculation of hedges, the credit risk parameters (PD, LGD and EAD) are used in a number of management tools, such as in the risk-adjusted return calculation tool, the pricing tool, the customer pre-qualification tool, monitoring tools and alert systems.

## 3 <u>Defining the accounting classification</u>

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 from the first recognition, whereby these operations are 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 it, the Group has the monitoring and rating processes described in ②. Specifically, when the operations meet any of the following qualitative or quantitative criteria, unless they must be classified as Stage 3:

- 1) Refinanced exposures that do not classify as Stage 3.
- 2) Operations involving borrowers that are in administration which do not classify as Stage 3, because:
  - The borrower has paid at least 25% of the company's loans affected by the administration situation after discounting the agreed write-off, where applicable.
  - Two years have passed since the deed of approval of the creditors' agreement was registered in the Companies Register, provided that this agreement is being faithfully complied with and the company's equity and financial situation eliminates any doubts over the amounts owed being fully reimbursed, unless interest charges that are clearly below market rates have been agreed.
- 3) Operations with amounts that are more than 30 days overdue (but less than 90, in which case they would be classified as Stage 3).
- 4) Operations which can be identified as having registered a significant increase in credit risk on the basis of market indicators/triggers.
- 5) Operations for which there has been an SICR since the date of initial recognition on the basis of any of the following two criteria (the fulfilment of one of these two criteria is sufficient for classification as Stage 2), unless, for exposures with individually significant or Single Name borrowers, the individual analysis determines that there has not been any significant increase in risk: a deterioration in its monitoring rating or a relative increase in PD (see in further detail below).

There have not been any changes since the prior year in the criteria for identifying a significant increase in credit risk. Without prejudice to the above, in the context of COVID-19, the Company has applied certain prudent adjustments that are covered in the "COVID-19 impact" section.

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-á-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 holders does not hold any other operations with amounts more than 30 days overdue at the end of the probationary 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 as Stage 3 due to the customer being non-performing will be reclassified to Stage 1 or Stage 2 when, as a result of charging part of the overdue amounts, the reasons that caused their classification as Stage 3 disappear and there remain no reasonable doubts regarding their full repayment by the holder for other reasons.

In addition, 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 of holders who, after an individualised study, pose reasonable doubts regarding full repayment (principal and interest) on the contractually negotiated 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 on 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, the borrower complies with other objective criteria that demonstrate their payment capacity, and iv) one of the holders does not have any other operations with amounts overdue by more than 90 days.

The exposures of borrowers declared subject to bankruptcy proceedings without an application for liquidation will 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, where applicable, has been deducted), or if two years have elapsed since the order approving the creditors' agreement was registered with the Commercial Register, provided that this agreement is being faithfully performed and the equity and financial situation of the corporation dispels any doubts regarding full repayment of its debts, all unless interest has been agreed that is noticeably lower than the market rate.

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

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

In order to help with the proactive management of evidence and indications of impairment and a significant increase in risk, triggers have been developed – for borrowers and for operations – that 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 changes of variables indicative of the impairment. The abovementioned triggers are based on available internal and external information that may affect the borrower, as well as automatic alerts that can alert of a significant risk event. The triggers gather, among other aspects, changes in the price of financial assets, and actual or expected significant changes in the external and internal credit rating of the financial instruments in question. 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:
  - External or internal rating that indicates either default or near to default (Level 6 rating as defined in the CRR).
  - Significant downgrading of the borrower's credit rating by the Entity
  - Automatic rating downgrading
  - External Rating below CCC+
  - Relative change in the CDS compared to a reference index (iTraxx)
  - Significant downgrading in the external rating of the issuer with respect to when the operation was initially granted
  - Non-payment event other than those mentioned in the ISDA definition of default
  - Decrease in the price of the borrower's bond issues of > 30% or quoted price below 70%
  - Suspension of the listing of the borrower's shares
- 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 monthly, taking into account that the fulfilment of any of the two conditions below will determine that a SIRC exists:
  - ◆ A deterioration of the monitoring rating: it will be considered that there has been an SICR if, on the date of classification for accounting purposes (each month-end close), the borrower has exacerbated their monitoring rating, to a moderate risk or worse, since the operation's initial recognition.
  - ◆ A relative increase in PD: it will be considered that there has been an SICR if the regulatory PD of the operation on the accounting classification date exceeds a certain absolute threshold and there has been a relative increase in the regulatory PD<sup>5</sup> (also exceeding a certain threshold) of the operation in question since its initial recognition (in the case of exposures with individuals, a comparison is made with the first and oldest live risk PD of the operation). It must therefore be classified as Stage 2, if the following conditions are met:
    - o Master scale<sup>6</sup> greater than or equal to 4. Contract with a Master Scale of 4, i.e. PD greater than 0.4205%.
    - The contract's current PD is more than 3.75 times its original PD.
    - The difference between the current Master Scale and the original Master Scale is equal to or greater than two degrees.

<sup>&</sup>lt;sup>5</sup> Regulatory PD: probability of default estimated as the average PD expected through-the-cycle, in accordance with the CRR requirements for its use for the effect of calculating risk-weighted assets under the internal-ratings-based (IRB) approach.

<sup>&</sup>lt;sup>6</sup> The Master Scale is a table of correlation between probability of default (PD) ranges and a scale between 0 and 9.5, 0 being the score associated with the best PDs and 9.5 being the score associated with the highest PDs of the performing portfolio. The use of this Master Scale is linked to the use in management of probabilities of default, since elements such as cut-off points or levels of power are expressed in terms of Master Scale score instead of PD.



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The most recent monitoring rating and PD classification, which are updated at least monthly. All other classification criteria in Stage 2 or Stage 3 are also revised monthly.

## 4 <u>Defining the accounting hedge</u>

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 Group 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;
- B 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.<sup>7</sup>.

- 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<sup>8</sup>, the allowances for the non-performing operations will be estimated through a detailed analysis of the status the borrower and their capacity to generate future flows.
- In all other cases, hedging is estimated collectively using internal methodologies, subject to the Credit Risk Model Framework 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); as well as adjustments to include lifetime or forward-looking effects, according to the agreement's accounting classification. We must emphasise that the set of models of haircuts, LGL and PNC are models of LGD or severity.

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)

<sup>&</sup>lt;sup>7</sup> The existence of the collateral, particularly for the individual analysis, is not used to assess the credit quality of borrowers, however, for activities that are closely related to the collateral, such as Real Estate Developments, the reduced value of said collateral is analysed to assess the increase or reduction of the borrower's risk level.

As indicated in (3) the collective analysis, the automatic rating is generated using a combination of i) a risk-model rating and ii) an alert-based rating. Considering that the Entity's policy in relation to granting asset operations follows the customer's repayment capacity as a criterion, and not recovery via the allocation of guarantees, the collective analysis is focused on assessing the credit quality of borrowers and not the assessment of collateral provided. In this regard, the main guarantees (or collateral) of the Group are mortgage-related, with no significant value fluctuations that could be considered evidence of a significant risk of credit risk in mortgages.

<sup>&</sup>lt;sup>8</sup> As indicated in (3) the Single Names portfolio analysis is carried out individually in its totality, determining the stage in an expert manner for each of the instruments analysed, on the basis of the knowledge of the borrowers and experience. When required, the coverage calculation also uses this individualised approach.

The credit loss of the instruments of the portfolio that are monitored individually, and which are classified individually in stage 1, is calculated collectively on the basis of the knowledge of the borrowers and experience. This way of estimating expected losses would not have led to material differences in their totality, compared with an estimate using individual estimates. This is due to the fact that, in general, the information to be considered in performing the collective calculation would have been equivalent to that used for individual estimates.



# 3. Risk management CaixaBank Group | 2020 Financial Statements

12-month Euribor; and iv) changes in property prices. Following on from this, the Group generates a baseline scenario, as well as a range of potential scenarios that make it possible to perform a weighted adjustment of the estimated expected loss, based on its probability. Without prejudice to the above, in the context of COVID-19, the Company has applied a prudential approach to constitute a generic provision fund that is covered in the "COVID-19 impact" section.

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 and offbalance 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 default coverage rates established in the current national regulations may be used.

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 model

Other subsidiaries also have additional internal models. Banco BPI has a total of 70 and CaixaBank Payments & Consumer has a total of 51.

The amount of the operations of holders that have not been classified as Stage 3 despite there being amounts more than 90 days overdue with the same debtor



Operations by holders that have not been classified as Stage 3 despite there being amounts overdue by more than 90 days with the same debtor are not of a significant amount.

Inclusion of forward-looking information into the expected loss models

The projected variables considered are as follows:

# FORWARD-LOOKING MACROECONOMIC INDICATORS - 31-12-2020 (\*)

(% Percentages)

		SPAIN			RTUGAL	
	2021	2022	2023	2021	2022	2023
GDP growth						
Baseline scenario	6.0	4.4	2.0	4.9	3.1	1.8
Upside range	7.7	5.0	1.9	6.9	3.5	2.0
Downside range	1.7	5.5	2.8	(0.3)	4.2	3.3
Unemployment rate (**)						
Baseline scenario	17.9	16.5	15.4	9.1	7.7	6.9
Upside range	16.9	14.9	14.1	8.3	7.0	6.3
Downside range	20.8	18.4	16.7	10.1	8.3	7.3
Interest rates						
Baseline scenario	(0.47)	(0.40)	(0.21)	(0.47)	(0.40)	(0.21)
Upside range	(0.44)	(0.32)	(0.08)	(0.44)	(0.32)	(0.08)
Downside range	(0.55)	(0.50)	(0.42)	(0.55)	(0.50)	(0.42)
Evolution of property prices						
Baseline scenario	(2.0)	0.8	1.8	(6.1)	(1.0)	1.6
Upside range	0.0	2.6	2.2	(3.3)	0.8	2.1
Downside range	(5.2)	(1.3)	1.3	(9.0)	(3.2)	1.5

<sup>(\*)</sup> Source: CaixaBank Research

## FORWARD-LOOKING MACROECONOMIC INDICATORS - 31-12-2019 (\*)

(% Percentages)

		SPAIN			RTUGAL	
	2020	2021	2022	2020	2021	2022
GDP growth						
Baseline scenario	1.5	1.5	1.4	1.7	1.6	1.4
Upside range	2.3	2.6	1.9	2.8	2.4	1.9
Downside range	0.6	0.3	0.9	0.1	0.2	0.3
Unemployment rate						
Baseline scenario	12.6	11.5	10.3	6.1	6.0	5.8
Upside range	12.1	10.0	8.4	5.4	4.6	4.5
Downside range	13.6	13.7	12.9	7.9	8.3	8.3
Interest rates (**)						
Baseline scenario	(0.3)	(0.1)	0.3	(0.3)	(0.1)	0.4
Upside range	(0.3)	0.1	0.5	(0.2)	0.2	0.7
Downside range	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.1)
Evolution of property prices						
Baseline scenario	3.2	3.0	2.9	6.1	3.8	2.7
Upside range	4.7	5.8	4.9	8.5	6.1	3.2
Downside range	1.2	(0.4)	0.9	1.3	0.3	1.3

<sup>(\*)</sup> Source: CaixaBank Research

<sup>(\*\*)</sup> For models for default frequency projection in Spain, the unemployment rates shown in this table have increased, including 10% of the workers included in Temporary Redundancy Plans

<sup>(\*\*)</sup> The 12-month Euribor is used in the case of Spain (average for the period) and the 6-month Euribor for Portugal (end of the period).



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

#### WEIGHTING OF OCCURRENCE OF THE CONSIDERED SCENARIOS

(% percentages)

	<u> </u>	31-12-2020			31-12-2019	
	BASELINE SCENARIO	UPSIDE SCENARIO	DOWNSIDE SCENARIO	BASELINE SCENARIO	UPSIDE SCENARIO	DOWNSIDE SCENARIO
Spain	60	20	20	40	30	30
Portugal	60	20	20	40	30	30

The modification to the macroeconomic scenario and the application of a prudent approach as a consequence of the impacts of COVID-19 has entailed constituting hedging within the Group of EUR 1,252 million at 31 December 2020. The combination of scenarios gives us better projection in the context of the current uncertainty, although said provisions will be reviewed periodically in the future as new information becomes available.

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 (12 months for Stage 1 and life-time for Stages 2 and 3).

The relationship between the various variables that measure or quantify the economic situation, such as gross domestic product growth and the unemployment rate, is well known. These interrelationships make it difficult to establish clear causality relationships between a specific variable and an effect (e.g. expected credit losses), as well as making it difficult to interpret the sensitivities to calculations performed using expected credit loss models when these sensitivities are applied to various variables simultaneously.

Interest rates, which also form part of the group of forward-looking indicators, have only a minor impact on the calculation of expected credit losses and apply only to the portfolio of consumer loans, among the significant portfolios.

The table below shows the estimated sensitivity to a loss of 1% of gross domestic product, as well as a 10% drop in real estate prices in the expected losses due to credit risk at 2020 year-end, broken down by portfolio type for business in Spain:

## **SENSITIVITY ANALYSIS - SPAIN**

	INCREASE IN EX	PECTED LOSS
	1% DROP IN GDP	10% DROP IN REAL ESTATE PRICES
Credit institutions	0	0
Public administrations	0	0
Other financial institutions	1	0
Non-financial corporations and individual entrepreneurs	40	176
Project finance	10	47
For financing real estate construction and development, including land	5	36
For financing civil engineering work	3	10
Rest of specialised lending	2	1
Purposes other than project finance	30	129
Large corporates	11	13
SMEs	15	96
Individual entrepreneurs	4	20
Households (excluding individual entrepreneurs)	69	343
Home purchases	50	253
For the purchase of a main residence	49	248
For the purchase of a second residence	1	5
Consumer credit	9	23
Consumer credit	9	23
Credit card debt	0	0
Other purposes	10	67
TOTAL	110	519

The table below shows the estimated sensitivity to a loss or gain of 1% of gross domestic product for business in Portugal:

#### **SENSITIVITY ANALYSIS - PORTUGAL**

(Millions of euros)

	INCREASE IN EXP	ECTED LOSS *
	1% GDP GROWTH	1% FALL IN GDP
TOTAL	(13)	13

<sup>(\*)</sup> GDP-focused sensitivity calculation which, by its nature, enables the effect of rest of the macroeconomic indicators to be gathered jointly, given 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.

#### **NPL** management

The recovery and NPL management function is aligned with the Group's risk management guidelines. The activity to monitor non-payment and recovery becomes especially relevant in the current unfavourable economic context as a result of the pandemic due to COVID-19, with the main goal being to minimise the impact on the volume of non-performing positions.

On one hand, the governance model and the operational framework of problematic asset management has been advanced, maintaining the comprehensive approach to the overall life cycle and strengthening the specialised management according to the moment of non-payment of the debt. Responsibility for the management is broken down into two different fields:

- Flow management: comprises early NPL management of customers with between 1 and 90 days of non-payment. From the business field, the Solutions & Collections area centrally coordinates the branch network and recovery agencies in managing the recovery prior to entering accounting arrears. In the current economic outlook, the capillarity of the branch network and its proximity to customers continues to be key to identifying the situation and needs of customers, especially situations of social vulnerability.
- Stock management: concentrates the management of customers who are in accounting arrears, with non-payments in excess of 90 days. This is the responsibility of the Risk Area, with management differentiated into the individual customer and business customer segments. The team specialists is geared towards seeking concluding solutions in more advanced situations of non-payment.

On the other hand, the overall management of recovery and NPLs has been adapted to the measures adopted by CaixaBank to support the economy in order to combat the pandemic. In terms of non-performing assets, it has collaborated in identifying and providing support with sustainable solutions for customers whose debt is still structurally viable, ensuring that the financing needs of customers arising from a temporary reduction of their income are covered. All this management has been subject to the application of the policies and procedures in force in the Company which, in accordance with accounting and regulatory standards, lay down the guidelines for the suitable classification of borrowings and estimation of hedges.

A noteworthy key line of work is the accompaniment throughout the management cycle of the moratoria and ICO-backed loans granted by the Company, especially through active monitoring of the maturity of the measures granted.

#### Foreclosed assets

BuildingCenter is the Group's company responsible for the ownership of property assets in Spain, which basically originate from streamlining of the Group's credit activity through any of the following ways: i) acquisition at auctions held after assets have been foreclosed, mainly in relation to mortgage loans; ii) acquisition of mortgaged real estate assets of individuals, with the subsequent subrogation and cancellation of the debts; and iii) acquisition of real estate assets of companies, mainly 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 Group takes into account institutional operations of sales of asset portfolios to other specialised companies.
- Completion of housing developments: a number of minor measures to improve some of these developments are made to ensure they can be sold. These measures are performed using the synergies of the Group.
- Rental: it is a means of benefiting from rising demand and generating recurring income, as well as creating added value on the property in the event of its future sale.

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

## FORECLOSED REAL ESTATE ASSETS - 31-12-2020 \*

	GROSS CARRYING	ALLOWANCES FOR	OF WHICH: FROM	NET CARRYING
	AMOUNT	IMPAIRMENT (**)	FORECLOSURE	AMOUNT
Real estate acquired from loans to real estate constructors	1 224	(424)	/210)	903
and developers	1,324	(431)	(218)	893
Buildings and other completed constructions	1,188	(371)	(189)	817
Homes	1,042	(313)	(159)	729
Other	146	(58)	(30)	88
Buildings and other constructions under construction	29	(16)	(9)	13
Homes	14	(8)	(3)	6
Other	15	(8)	(6)	7
Land	107	(44)	(20)	63
Consolidated urban land	41	(18)	(7)	23
Other land	66	(26)	(13)	40
Real estate acquired from mortgage loans to homebuyers	2,218	(611)	(314)	1,607
Other real estate assets or received in lieu of payment of				
debt	417	(141)	(53)	276
TOTAL	3,959	(1,183)	(585)	2,776

<sup>(\*)</sup> Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 1,748 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 98 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 8 million, as this is not included in business in Spain.

<sup>(\*\*)</sup> Cancelled debt associated with the foreclosed assets totalled EUR 4,792 million and total write-downs of this portfolio amounted to EUR 2,114 million, EUR 1,183 million of which are impairment allowances recognised in the balance sheet.



#### FORECLOSED REAL ESTATE ASSETS 31-12-2019 \*

(Millions of euros)

1				
	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT **	OF WHICH: FROM FORECLOSURE	NET CARRYING AMOUNT
Real estate acquired from loans to real estate constructors				
and developers	1,534	(438)	(199)	1,096
Buildings and other completed constructions	1,396	(376)	(174)	1,020
Buildings and other constructions under construction	29	(16)	(8)	13
Land	109	(46)	(17)	63
Real estate acquired from mortgage loans to homebuyers	2,322	(542)	(237)	1,780
Other real estate assets or received in lieu of payment of				
debt	462	(143)	(46)	319
TOTAL	4,318	(1,123)	(482)	3,195

<sup>(\*)</sup> Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 2,094 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 142 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 4 million, as this is not included in business in Spain.

#### 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	1,787	(494)	(215)	1,293
Buildings and other completed constructions	1,646	(435)	(193)	1,211
Buildings and other constructions under construction	29	(16)	(9)	13
Land	112	(43)	(13)	69
Real estate acquired from mortgage loans to homebuyers	2,314	(496)	(201)	1,818
Other real estate assets or received in lieu of payment of				
debt	468	(146)	(46)	321
TOTAL	4,569	(1,136)	(462)	3,432

<sup>(\*)</sup> Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 2,479 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 213 million, net. Excludes foreclosed assets of Banco BPI, with a gross carrying amount of EUR 27 million, as this is not included in business in Spain.

## **Refinancing policies**

The Group has a detailed customer debt Refinancing and Recovery Corporate 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 accounting classification and provision for impairment at the date of the change is made. Therefore, as these transactions are correctly classified and valued according to the Group's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

#### Refinancing

The breakdown of refinancing by economic sector is as follows:

<sup>(\*\*)</sup> Cancelled debt associated with the foreclosed assets totalled EUR 5,450 million and total write-downs of this portfolio amounted to EUR 2,257 million, EUR 1,124 million of which are impairment allowances recognised in the balance sheet.

<sup>(\*\*)</sup> Cancelled debt associated with the foreclosed assets totalled EUR 5,852 million and total write-downs of this portfolio amounted to EUR 2,420 million, EUR 1,136 million of which are impairment allowances recognised in the balance sheet.



## **REFINANCING OPERATIONS - 31-12-2020**

(Millions of euros)

(IVIIIIIONS OJ EUROS)	_						
	WITHOUT	COLLATERAL		WITH CO	LLATERAL		
		GROSS		GROSS	MAXIMUM AM		IMPAIRMENT DUE TO
	NO. OF OPS.	CARRYING AMOUNT	NO. OF OPS.	CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	CREDIT RISK (*)
Public administrations	16	161	340	47	43	0	0
Other financial corporations and individual							
entrepreneurs (financial business)	38	3	6	1	1	. 0	(1)
Non-financial corporations and individual							
entrepreneurs (non-financial business)	4,422	1,418	8,741	1,302	962	19	(816)
Of which: Financing for real estate construction and development (including land)	155	30	2,507	454	355	0	) (99)
Other households	35,826	325	70,445	3,617	2,947	' 6	(831)
TOTAL	40,302	1,907	79,532	4,967	3,953	25	(1,648)
Of which: in Stage 3							
Public administrations	13	2	147	0	C	0	0
Other financial corporations and individual							
entrepreneurs (financial business)	31	1	6	1	1	. 0	(1)
Non-financial corporations and individual							
entrepreneurs (non-financial business)	3,318	796	7,575	839	606	12	(758)
Of which: Financing for real estate construction							
and development (including land)	121	28	2,033	223	171	. 0	(71)
Other households	22,006	221	52,538	2,936	2,312	. 5	(805)
TOTAL STAGE 3	25,368	1,020	60,266	3,776	2,919	17	(1,564)

Memorandum items: Financing classified as non-current assets held for sale (\*)

## **REFNANCING OPERATIONS - 31-12-2019**

(Millions of euros)	WITHOUT	COLLATERAL					
		GROSS		GROSS	DLLATERAL MAXIMUM AM COLLAT	IMPAIRMENT DUE TO	
	NO. OF OPS.	CARRYING AMOUNT	NO. OF OPS.	CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	CREDIT RISK (*)
Public administrations	23	179	415	68	47	' (	) (5)
Other financial corporations and individual entrepreneurs (financial business)	36	3	7	1	1	. (	) (1)
Non-financial corporations and individual entrepreneurs (non-financial business)	4,387	1,741	10,665	1,660	1,269	) 36	5 (1,007)
Of which: Financing for real estate construction and development (including land)	256	69	3,062	587	438	3 (	) (153)
Other households	37,144	350	86,261	4,521	3,816	5 8	8 (847)
TOTAL	41,590	2,273	97,348	6,250	5,133	3 44	(1,860)
Of which: in Stage 3							
Public administrations	13	3	137	12	7	' (	(5)
Other financial corporations and individual							
entrepreneurs (financial business)	26	1	6	1	1	. (	(1)
Non-financial corporations and individual entrepreneurs (non-financial business)	2,604	917	7,086	887	637	<b>7</b> 13	3 (917)
Of which: Financing for real estate construction and development (including land)	175	55	1,905	277	194	<b>.</b> (	) (118)
Other households	19,218	212	50,986	2,854	2,259	) 4	1 (770)
TOTAL STAGE 3	21,861	1,133	58,215	3,754	2,904	17	(1,693)

Memorandum items: Financing classified as non-current assets held for sale (\*)

<sup>(\*)</sup> Corresponds to "Non-current assets and disposal groups classified as held for sale".

<sup>(\*)</sup> 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					
		GROSS		GROSS	MAXIMUM AM COLLAT	DUE TO			
	NO. OF OPS.	CARRYING AMOUNT	NO. OF OPS.	CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	CREDIT RISK (*)		
Public administrations	51	145	445	73	40	0	(10)		
Other financial corporations and individual entrepreneurs (financial business)	42	19	7	2	2	0	(13)		
Non-financial corporations and individual entrepreneurs (non-financial business)	5,360	2,004	11,483	2,547	1,748	17	(1,531)		
Of which: Financing for real estate construction and development (including land)	416	113	3,288	894	628	2	(294)		
Other households	37,914	360	92,879	5,013	4,235	10	(947)		
TOTAL	43,367	2,528	104,814	7,635	6,025	27	(2,501)		
Of which: in Stage 3									
Public administrations	13	6	144	15	3	0	(10)		
Other financial corporations and individual entrepreneurs (financial business)	29	13	6	1	1	0	(13)		
Non-financial corporations and individual entrepreneurs (non-financial business)	3,207	1,174	7,481	1,661	957	8	(1,430)		
Of which: Financing for real estate construction and development (including land)	289	78	2,007	559		2			
Other households	20,507	235	53,896	3,094	2,432	5	(868)		
TOTAL STAGE 3	23,756	1,428	61,527	4,771	3,393	13	(2,321)		

Memorandum items: Financing classified as non-current

assets held for sale (\*)

# **Concentration risk**

In the Corporate Risk Catalogue, 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 Group has developed mechanisms to systematically identify its overall exposure. Wherever it is considered necessary, limits on relative exposures have been defined, under the RAF.

## Concentration in customers or in "major risks"

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

# Geographical and counterparty concentration

The Group monitors a full perspective of accounting positions, segregated by product and issuer/counterparty, classified under loans and advances, debt securities, equity instruments, derivatives and guarantees given, that complement the other positions of the Group and of the secured investment and pension funds.

Risk by geographic area is as follows:

<sup>(\*)</sup> Corresponds to "Non-current assets and disposal groups classified as held for sale".



## **CONCENTRATION BY GEOGRAPHICAL LOCATION**

(Millions of euros)

(Willions of Euros)						
				REST OF THE		DECE OF THE
				EUROPEAN		REST OF THE
	TOTAL	SPAIN	PORTUGAL	UNION	AMERICA	WORLD
Central banks and credit institutions	64,791	49,317	5,187	5,000	906	4,381
Public administrations	110,306	93,049	5,431	11,131	269	426
Central government	88,336	75,509	1,220	11,131	95	381
Other public administrations	21,970	17,540	4,211	0	174	45
Other financial corporations and individual entrepreneurs						
(financial business)	18,346	8,484	561	6,105	2,038	1,158
Non-financial corporations and individual entrepreneurs						
(non-financial business)	122,939	86,853	11,743	12,423	6,911	5,009
Real estate construction and development (including						
land)	5,484	5,319	164	0	0	1
Civil engineering	5,852	4,274	732	146	659	41
Other	111,603	77,260	10,847	12,277	6,252	4,967
Large corporates	70,269	43,957	4,991	11,379	5,603	4,339
SMEs and individual entrepreneurs	41,334	33,303	5,856	898	649	628
Other households	113,811	99,122	13,385	335	153	816
Homes	88,739	75,701	11,850	304	135	749
Consumer lending	16,184	14,718	1,399	21	8	38
Other purposes	8,888	8,703	136	10	10	29
TOTAL 31-12-2020	430,193	336,825	36,307	34,994	10,277	11,790
TOTAL 31-12-2019	367,845	282,852	30,650	41,021	9,119	4,203
TOTAL 31-12-2018	364,807	285,656	29,774	38,070	7,143	4,164

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



# CONCENTRATION BY AUTONOMOUS COMMUNITY

			BALEARIC	CANARY	CASTILE-LA					VALENCIAN	BASQUE	
	TOTAL	ANDALUSIA	ISLANDS	ISLANDS	MANCHA CA	STILE-LEON	CATALONIA	MADRID	NAVARRE C	OMMUNITY	COUNTRY	REST*
Central banks and credit institutions	49,317	47			1		813	46,980		261	845	370
Public administrations	93,049	2,352	911	1,333	827	315	2,166	4,458	491	1,841	675	2,171
Central government	75,509											
Other public administrations	17,540	2,352	911	1,333	827	315	2,166	4,458	491	1,841	675	2,171
Other financial corporations and individual entrepreneurs (financial business)	8,484	172	2	9	2	28	1,534	6,373	11	95	183	75
Non-financial corporations and individual entrepreneurs (non-financial business)	86,853	6,866	3,272	2,730	1,510	1,925	18,856	32,369	1,548	5,718	4,340	7,719
Real estate construction and development												
(including land)	5,319	576	152	196	34	182	1,367	1,965	109	333	233	172
Civil engineering	4,274	349	90	125	86	97	850	1,655	125	245	173	479
Other	77,260	5,941	3,030	2,409	1,390	1,646	16,639	28,749	1,314	5,140	3,934	7,068
Large corporates	43,957	1,180	1,784	1,016	367	432	7,549	23,326	481	2,058	2,699	3,065
SMEs and individual entrepreneurs	33,303	4,761	1,246	1,393	1,023	1,214	9,090	5,423	833	3,082	1,235	4,003
Other households	99,122	16,146	3,865	5,624	2,431	3,411	29,112	14,833	2,979	7,936	3,261	9,524
Homes	75,701	11,674	3,035	4,496	1,892	2,724	21,546	11,910	2,437	6,045	2,663	7,279
Consumer lending	14,718	2,668	537	865	341	402	4,800	1,672	331	1,251	383	1,468
Other purposes	8,703	1,804	293	263	198	285	2,766	1,251	211	640	215	777
TOTAL 31-12-2020	336,825	25,583	8,050	9,696	4,771	5,679	52,481	105,013	5,029	15,851	9,304	19,859
TOTAL 31-12-2019	282,852	24,366	6,849	8,569	4,063	5,574	52,526	68,108	4,809	15,040	9,204	17,257
TOTAL 31-12-2018	285,656	24,970	6,339	8,818	4,143	5,573	52,736	70,338	5,026	15,266	8,713	17,642

<sup>(\*)</sup> 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 31-12-2020

		OF WHICH:	OF WHICH:				JNT BASED OI AN TO VALUE	
	TOTAL	MORTGAGE COLLATERAL	OTHER COLLATERAL	≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	16,169	401	565	372	200	158	156	80
Other financial corporations and individual entrepreneurs (financial business)	2,392	479	236	495	169	49	1	1
Non-financial corporations and individual entrepreneurs (non-financial business)	103,534	21,622	5,488	11,023	7,750	3,830	2,312	2,195
Real estate construction and development (including land)	5,298	4,816	50	1,408	1,660	1,002	351	445
Civil engineering	5,226	499	212	220	172	60	161	98
Other	93,010	16,307	5,226	9,395	5,918	2,768	1,800	1,652
Large corporates	52,723	4,966	3,613	4,014	1,866	1,193	688	818
SMEs and individual entrepreneurs	40,287	11,341	1,613	5,381	4,052	1,575	1,112	834
Other households	113,452	95,600	872	31,478	34,769	23,095	4,580	2,550
Homes	88,729	87,638	261	27,512	32,298	21,760	4,163	2,166
Consumer lending	16,182	3,027	378	1,685	956	487	183	94
Other purposes	8,541	4,935	233	2,281	1,515	848	234	290
TOTAL	235,547	118,102	7,161	43,368	42,888	27,132	7,049	4,826
Memorandum items: Refinancing, refinanced and restructured operations	5,226	4,065	80	695	1,084	1,654	396	316



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

(Millions of euros)

		OF WHICH:	OF WHICH:				JNT BASED O	
	TOTAL	MORTGAGE COLLATERAL	OTHER COLLATERAL	≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	11,066	415	498	275	184	212	167	75
Other financial corporations and individual entrepreneurs (financial business)	2,504	437	844	1,022	162	64	4	29
Non-financial corporations and individual entrepreneurs (non-financial business)	88,801	21,425	5,582	10,662	7,876	3,848	2,517	2,104
Other households	118,278	99,814	1,014	30,709	36,351	25,758	5,201	2,809
TOTAL	220,649	122,091	7,938	42,668	44,573	29,882	7,889	5,017
Memorandum items: Refinancing, refinanced and restructured operations	6,663	5,275	123	1,003	1,288	1,971	640	496

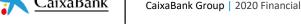
# ONCENTRATION BY ACTIVITY OF LOANS TO CUSTOMERS - 31-12-2018

(Millions of euros)

(IVIIIIOIIS OJ EUIOS)								
		OF WHICH:	OF WHICH:				UNT BASED O	
	TOTAL	MORTGAGE COLLATERAL	OTHER COLLATERAL	≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	11,425	438	387	107	223	254	148	93
Other financial corporations and individual entrepreneurs (financial business)	1,540	363	583	617	239	79	9	2
Non-financial corporations and individual entrepreneurs (non-financial business)	81,844	21,578	4,267	9,247	7,922	3,995	2,243	2,438
Other households	121,149	103,516	1,078	30,286	37,734	28,046	6,001	2,527
TOTAL	215,958	125,895	6,315	40,257	46,118	32,374	8,401	5,060
Memorandum items: Refinancing, refinanced and restructured operations	7,662	6,195	200	1,156	1,547	2,279	797	616

# BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE

	31-12-2020			31-12-2019			31-12-2018		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Loan type and status									
Public administrations	15,784	371	22	10,625	413	40	11,042	358	48
Other financial corporations	2,279	120	3	2,447	62	3	1,525	21	16
Loans and advances to companies and individual entrepreneurs	93,160	9,943	3,035	82,074	6,010	2,971	73,437	6,788	4,696
Real estate construction and development (including land)	8,878	1,472	565	8,711	1,020	680	8,351	1,211	1,147
Other companies and individual entrepreneurs	84,282	8,471	2,470	73,363	4,990	2,291	65,086	5,577	3,549
Other households	101,611	9,632	5,196	106,273	9,056	5,373	108,614	9,161	5,973
Homes	80,177	6,743	3,347	83,794	6,148	3,434	86,065	6,491	3,943
Other	21,434	2,889	1,849	22,479	2,908	1,939	22,549	2,670	2,030
TOTAL	212,834	20,066	8,256	201,419	15,541	8,387	194,618	16,328	10,733



# BREAKDOWN OF HEDGES OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE

(Millions of euros)

	3:	1-12-2020	)	3	1-12-2019		31-12-2018		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Public administrations	(2)		(6)	(6)		(6)	(10)		(13)
Other financial corporations	(4)	(4)	(2)	(5)	(1)	(2)	(1)		(21)
Loans and advances to companies and individual entrepreneurs	(566)	(495)	(1,543)	(257)	(328)	(1,669)	(350)	(410)	(2,317)
Real estate construction and development (including land)	(47)	(91)	(253)	(34)	(65)	(264)	(41)	(69)	(503)
Other companies and individual entrepreneurs	(519)	(404)	(1,290)	(223)	(263)	(1,405)	(309)	(341)	(1,814)
Other households	(348)	(565)	(2,074)	(306)	(379)	(1,739)	(327)	(331)	(1,941)
Homes	(67)	(250)	(1,221)	(152)	(152)	(1,000)	(164)	(162)	(1,212)
Other	(281)	(315)	(853)	(154)	(227)	(739)	(163)	(169)	(729)
TOTAL	(920)	(1,064)	(3,625)	(574)	(708)	(3,416)	(688)	(741)	(4,292)
Of which: identified individually		(109)	(913)		(92)	(1,165)		(148)	(1,256)
Of which: identified collectively	(920)	(955)	(2,712)	(574)	(616)	(2,251)	(688)	(593)	(3,036)

# BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS ACCORDING TO ARREARS STATUS

	31-12-2020	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	235,855	219,934	215,198
Of which: default on payment between 30 and 60 days	470	789	725
Of which: default on payment between 60 and 90 days	383	267	304
Of which: default on payment between 90 days and 6 months	468	614	608
Of which: default on payment between 6 months and 1 year	786	800	764
Of which: default on payment of more than 1 year	3,194	2,943	4,080
By interest rate type			
Fixed	87,427	65,265	55,625
Floating	153,729	160,082	166,054

#### Concentration by economic activity

The breakdown of loans and advances to non-financial companies by economic activity is set out below:

# CONCENTRATION BY ECONOMIC ACTIVITY OF NON-FINANCIAL COMPANIES - 31-12-2020

(Millions of euros)

	GROSS CARRYING		
	AMOUNT	OF WHICH: STAGE 3	HEDGING
Agriculture, livestock, forestry and fishing	2,013	100	(59)
Mining and quarrying	565	6	(10)
Manufacturing industry	14,547	293	(299)
Electricity, gas, steam and air conditioning supply	7,797	55	(94)
Water supply	899	6	(15)
Buildings	10,142	475	(314)
Wholesale and retail trade	13,507	368	(324)
Transport and storage	8,744	195	(156)
Accommodation and food service activities	7,025	141	(127)
Information and communication	2,444	61	(51)
Financial and insurance activities	9,773	160	(176)
Real estate	11,061	280	(196)
Professional, scientific and technical activities	4,774	191	(153)
Administrative and support service activities	2,997	39	(52)
Public administration and defence; compulsory social security	947	0	(5)
Education	457	46	(40)
Human health services and social work activities	1,420	94	(83)
Arts, entertainment and recreation	820	50	(42)
Other services	1,709	170	(231)
TOTAL	101,641	2,730	(2,427)

## 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. In this context, for example, on 31 December 2020 and 2019, the rating of Spanish sovereign debt was A. In 2018 it was A-.
- Loan portfolio: certification of the internal classifications to the Standard & Poor's methodology.

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

100

# **CONCENTRATION ACCORDING TO CREDIT QUALITY 31-12-2020**

(Millions of euros)

				(	GROUP (EXC. INSURANCE GROUP)							INSURANCE GROUP ***		
	F	A AT AMORTIS	ED COST				FA AT FV W/	FINANC	CIAL GUARANTEE	S, LOAN				
	LOANS AND AD	VANCES TO CUS	STOMERS		FA HELD FOR	FA NOT HELD FOR TRADING			MITMENTS AND MMITMENTS GI		FA HELD FOR	AVAILABLE-	LOANS AND RECEIVABLES	
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.	TRADING *	**	INCOME	STAGE 1	STAGE 2	STAGE 3	TRADING *	FOR-SALE FA *	*	
AAA/AA+/AA/AA-	29,541	86		394	10	)	61	14,684	24			1,083		
A+/A/A-	26,560	757		16,272	458	3	13,788	9,629	116		463	53,921	15	
BBB+/BBB/BBB-	29,818	1,125		5,641	256	5 1	3,876	22,818	251		82	6,393	61	
INVESTMENT GRADE	85,919	1,968		22,307	<b>72</b> 4	1 1	. 17,725	47,131	391		545	61,397	76	
Allowances for impairment	(292)	(73)					(1)	(7)	(3)					
BB+/BB/BB-						46	124					211		
B+/B/B-	40,931	5,047	1					18,975	1,407					
CCC+/CCC/CCC-	11,935	6,235	19	47				4,708	1,186	5				
No rating	75,490	6,816	8,236	2,327	77	7 5	47	29,974	635	654		35	113	
NON-INVESTMENT GRADE	128,356	18,098	8,256	2,374	77	7 51	. 171	53,657	3,228	659		246	113	
Allowances for impairment	(628)	(991)	(3,625)	(11)			·	(50)	(27)	(106)				
TOTAL	213,355	19,002	4,631	24,670	801	L 52	17,895	100,788	3,619	659	545	61,643	189	

#### **CONCENTRATION ACCORDING TO CREDIT QUALITY - 31-12-2019**

(ivillions of euros)													
					GROUP (EXC. IN	ISURANCE GROU	UP)				INS	JRANCE GROUP	***
	F	A AT AMORTIS	ED COST			FA AT FV W/ FINANCI			CIAL GUARANTEE	S, LOAN			
						FA NOT HELD CHANGES IN OTHER			MITMENTS AND	OTHER			LOANS AND
	LOANS AND AD	LOANS AND ADVANCES TO CUSTOMERS			<b>FA HELD FOR</b>	FOR TRADING	COMPREHENSIVE	CO	MMITMENTS GI	VEN	FA HELD FOR AVAILABLE-		RECEIVABLES
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.	TRADING *	**	INCOME	STAGE 1	STAGE 2	STAGE 3	TRADING *	FOR-SALE FA *	*
AAA/AA+/AA/AA-	29,717	26			7	7	932	14,108	10		8	3 1,026	
A+/A/A-	26,237	108		10,209	369	9	9,774	10,105	23		927	7 52,118	15
BBB+/BBB/BBB-	28,108	261		4,139	246	5 1	1 4,919	19,726	286		13:	1 5,413	161
INVESTMENT GRADE	84,062	395		14,348	622	2 1	1 15,625	43,939	319		1,060	5 58,557	176
Allowances for impairment	(257)	(3)					-2	(13)					
BB+/BB/BB-	39,130	2,565	1	300	7	7 56	5 29	16,965	597			133	
B+/B/B-	12,439	6,279	10					6,002	1,190	1			
CCC+/CCC/CCC-	527	2,281	70	5				310	326	56			
No rating	66,766	4,021	8,306	2,742	90	) (	5 312	27,637	447	551		73	174
NON-INVESTMENT GRADE	118,862	15,146	8,387	3,047	97	7 62	2 341	50,914	2,560	608		206	174
Allowances for impairment	(317)	(705)	(3,416)	(6)				(33)	(16)	(158)			
TOTAL	202,350	14,833	4,971	17,389	719	9 63	3 15,964	94,853	2,879	608	1,060	5 58,763	350

<sup>(\*)</sup> DEBT SEC.: Debt securities

<sup>(\*\*)</sup> Compulsorily measured at fair value through profit or loss

<sup>(\*\*\*)</sup> Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder (Unit-links).



# **CONCENTRATION ACCORDING TO CREDIT QUALITY - 31-12-2018**

				G	ROUP (EXC. IN	SURANCE GROL	IP)				INSURANCE GROUP ***		
	F	A AT AMORTIS	ED COST				FA AT FV W/		L GUARANTEES,				
	LOANS AND AD	VANCES TO CU	STOMERS			FA NOT HELD	OTHER	COMMITMENTS	GIVEN	MMITMENTS			LOANS AND
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.	FA HELD FOR TRADING *	FOR TRADING **	VE INCOME	STAGE 1	STAGE 2	STAGE 3	FA HELD FOR TRADING *	AVAILABLE- FOR-SALE FA *	RECEIVABLES *
AAA/AA+/AA/AA-	29,414	67					880	13,121	14			918	
A+/A/A-	27,146	262		10,191	623	3	10,187	7 10,386	33		392	45,452	
BBB+/BBB/BBB-	26,595	318		3,269	121	. 1	7,183	15,640	41	1	553	4,744	264
INVESTMENT GRADE	83,155	647		13,460	744	1	18,248	39,147	88	1	945	51,114	264
Allowances for impairment	(262)	(6)						(10)					
BB+/BB/BB-	39,503	1,504	1	575		54	37	7 16,493	194	1		192	
B+/B/B-	15,011	4,064	7	30				5,902	611	3			8
CCC+/CCC/CCC-	621	2,791	71					278	308	53			
No rating	58,344	7,322	10,639	3,000	11	90	38	3 24,109	1,174	665		39	382
NON-INVESTMENT GRADE	113,479	15,681	10,718	3,605	11	144	7!	46,782	2,287	722		231	390
Allowances for impairment	(433)	(735)	(4,277)	(5)				(59)	(27)	(259)			
TOTAL	195,939	15,587	6,441	17,060	755	145	18,323	85,929	2,375	723	945	51,345	655

<sup>(\*)</sup> DEBT SEC.: Debt securities
(\*\*) Compulsorily measured at fair value through profit or loss
(\*\*\*) Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder (Unit-links).

#### Concentration according to sovereign risk

The Group's position in sovereign debt is subject to the 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 risk associated with exposures to sovereign risk, whether direct exposure or assets with sovereign backing, is continuously monitored in view of publicly available information, which includes the ratings of public agencies. At the close of 2020, all these exposures are backed by sovereign states whose credit rating is investment grade (BBB— or higher), and no hedging is deemed to be required for these exposures.

Furthermore, as specified in the table "Maximum exposure to credit risk" in section 3.3.1 of the notes to the consolidated financial statements, at 31 December 2020, 2019 and 2018, and during the financial years ended on these dates, there are no material impairments of sovereign debt securities.

The carrying amounts of the main items related to sovereign risk exposure for the Group are set out below:



# **SOVEREIGN RISK EXPOSURE - 31-12-2020**

		GROU	P (EXC. INSURA	ANCE GROUP)			INSURANCE O	ROUP (***)
				FA AT FV W/				
				CHANGES IN	EA NOT HELD	FL HELD FOR		
		FA AT AMORTISED	EA HELD FOR	COMPREHENSI	FA NOT HELD FOR	TRADING - SHORT	AVAILABLE-	FA HELD FOI
OUNTR	YRESIDUAL MATURITY	COST	TRADING	VE INCOME	TRADING*	POSITIONS	FOR-SALE FA	TRADING
	Less than 3 months	2,059	1				140	213
	Between 3 months and	_,						
	1 year	5,185	221	1,198		(8)	1,689	132
	Between 1 and 2 years	4,500	53	5,008		(52)	1,358	
pain	Between 2 and 3 years	7,593	44	3,537	84	(49)	631	
	Between 3 and 5 years	4,298	36	1,688		(37)	5,166	
	Between 5 and 10 years	7,397	62	775		(53)	11,092	
	Over 10 years	1,151	25			(25)	31,537	
	TOTAL	32,183	442	13,966	84	(224)	51,613	345
	Between 3 months and							
	1 year	100	2				200	
	Between 1 and 2 years					(3)	30	
	Between 2 and 3 years		17			(11)	647	
taly	Between 3 and 5 years	438		266		(2)	318	
	Between 5 and 10 years	550	3	1,225		(4)	998	
	Over 10 years			61			4,080	
	TOTAL	1,088	22	1,552		(20)	6,273	
	Less than 3 months	7	20	50				128
	Between 3 months and							
	1 year	541	85	151			2	4
	Between 1 and 2 years	332	1	132			34	47
Portugal	Between 2 and 3 years	617	8				23	
	Between 3 and 5 years	451	6	321			53	
	Between 5 and 10 years	834	32			(5)	262	
	Over 10 years	529						
	TOTAL	3,311	152	654		(5)	374	179
	Less than 3 months	370						
	Between 3 months and							
	1 year						9	
	Between 1 and 2 years	5		1			1	
Other **	Between 2 and 3 years	4					2	
	Between 3 and 5 years	101					2	
	Between 5 and 10 years	25					14	
	Over 10 years	78					33	
	TOTAL	583					61	
OTAL CO	OUNTRIES	37,165	616	16,172	84	(249)	58,321	524
	Debt securities	21,165	616	16,172	84		58,321	524

FA: Financial assets; FL: Financial liabilities; FV: Fair value

<sup>(\*)</sup> Compulsorily measured at fair value through profit or loss

<sup>(\*\*)</sup> Exposure to the United Kingdom is not significant (\*\*\*) Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder (Unit-links).



## **SOVEREIGN RISK EXPOSURE - 31-12-2019**

(Millions of euros)

		GR	OUP (EXC. INSURANCE)			INSURANCE GROUP (***)		
COUNTRY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE D INCOME	FA NOT ESIGNATED FOR TRADING*	FL HELD FOR TRADING - SHORT POSITIONS	AVAILABLE-FOR- SALE FA	FA HELD FOR TRADING	
Spain	22,255	365	10,173	112	(348)	49,977	487	
Italy	501	108	2,509		(53)	5,501		
Portugal	1,871	6	590			166	506	
US			923					
Other **	472		1			65		
TOTAL COUNTRIES	25,099	479	14,196	112	(401)	55,709	993	
Of which: Debt securities	17,389	479	14,196	63		55,709	993	

FA: Financial assets; FL: Financial liabilities; FV: Fair value

## **SOVEREIGN RISK EXPOSURE - 31-12-2018**

		GROUF	(EXC. INSURANCE GRO	UP)		INSURANCE GR	OUP (***)
COUNTRY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE D INCOME	FA NOT ESIGNATED FOR TRADING*	FL HELD FOR TRADING - SHORT POSITIONS	AVAILABLE-FOR- SALE FA	FA HELD FOR TRADING
Spain	22,106	605	14,194	273	(331)	44,262	393
Italy	502	17	1,342		(16)	3,959	2
Portugal	1,093	8	791			17	547
US			880				
Other **	380		1			67	
TOTAL COUNTRIES	24,081	630	17,208	273	(347)	48,305	942
Of which: debt securities	17,060	630	17,208	273	(347)	48,305	942

FA: Financial assets; FL: Financial liabilities; FV: Fair value

<sup>(\*)</sup> Compulsorily measured at fair value through profit or loss

<sup>(\*\*)</sup> Exposure to the United Kingdom is not significant
(\*\*\*) Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder (Unit-links).

<sup>(\*)</sup> Compulsorily measured at fair value through profit or loss

<sup>(\*\*)</sup> Exposure to the United Kingdom is not significant

<sup>(\*\*\*)</sup> Financial assets designated at fair value through profit or loss are not included, since they mainly include investments linked to life insurance products where the investment risk is borne by the policyholder (Unit-links).

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 CONSTRUCTION AND REAL ESTATE DEVELOPMENT

(Millions of euros)

	31-12-	2020	31-12-2	2019	31-12-2018 OF WHICH: NON-		
		OF WHICH: NON-		OF WHICH: NON-			
	<b>TOTAL AMOUNT</b>	PERFORMING	TOTAL AMOUNT	<b>PERFORMING</b>	TOTAL AMOUNT	PERFORMING	
Gross amount	5,46	7 380	5,766	5 442	6,004	862	
Allowances for impairment	(234	l) (142)	(208	) (135)	(428)	(347)	
CARRYING AMOUNT	5,23	3 238	5,558	307	5,576	515	
Excess gross exposure over the maximum recoverable value of effective collateral	85	8 125	848	3 148	897	354	
Memorandum items: Asset write-offs	1,96	9	2,38	7	2,784	!	
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying							
amount)	193,66	7	186,64	5	185,670	ı	

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)

	GF	ROSS AMOUNT	
	31-12-2020	31-12-2019	31-12-2018
Without mortgage collateral	548	562	477
With mortgage collateral	4,919	5,204	5,527
Buildings and other completed constructions	3,294	3,370	3,774
Homes	2,250	2,277	2,556
Other	1,044	1,093	1,218
Buildings and other constructions under construction	1,251	1,370	1,185
Homes	1,158	1,306	1,056
Other	93	64	129
Land	374	464	568
Consolidated urban land	193	351	346
Other land	181	113	222
TOTAL	5,467	5,766	6,004

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 Group could have to pay if the guarantee is called on).



# 3. Risk management

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### **FINANCIAL GUARANTEES**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Financial guarantees given related to real estate construction and development	105	107	93
Amount recognised under liabilities			0

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

## **GUARANTEES RECEIVED FOR REAL ESTATE DEVELOPMENT TRANSACTIONS \***

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Value of collateral *	12,454	13,362	13,471
Of which: Guarantees non-performing risks	738	810	1,383

<sup>(\*)</sup> Reflects the maximum amount of the effective collateral that can be considered for the purposes of the impairment calculation, i.e. the estimated fair value of real estate properties based on their latest available valuation or an update of that valuation based on the applicable standard in force. In addition, the remaining collaterals are included as the current value of the collateral that has been pledged to date, not including personal guarantees.

## 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

## **HOMES**

(Millions of euros)

	2020	2019	2018
Financing granted in the year	166	190	527
Average percentage financed	94%	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 \***

(minoria d) curdo)							
	31-12-	-2020	31-12-	31-12-2019		2018	
		OF WHICH:		OF WHICH:		OF WHICH:	
	GROSS	NON-	GROSS	NON-	GROSS	NON-	
	AMOUNT	PERFORMING	AMOUNT	PERFORMING	AMOUNT	PERFORMING	
Not real estate mortgage secured	639	8	662	11	762	12	
Real estate mortgage secured, by LTV ranges **	73,220	2,775	76,658	2,719	79,917	3,103	
LTV ≤ 40%	21,989	221	21,717	207	21,374	224	
40% < LTV ≤ 60%	26,826	386	28,491	367	30,022	412	
60% < LTV ≤ 80%	17,441	560	18,964	543	20,668	595	
80% < LTV ≤ 100%	3,747	520	4,002	519	4,348	591	
LTV > 100%	3,217	1,088	3,484	1,083	3,505	1,281	
TOTAL	73,859	2,783	77,320	2,730	80,679	3,115	

<sup>(\*)</sup> Includes financing for home purchases granted by subsidies Unión de Créditos para la Financiación Inmobiliaria, EFC, SAU (Credifimo) and Corporación Hipotecaria

<sup>(\*\*)</sup> LTV calculated according to the latest available appraisals. The ranges for non-performing transactions are updated in accordance with prevailing regulations.





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

### 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 the Group is subject to an internal framework that enables rapid decision-making about assuming such risk, for both financial and other counterparties. In the case of business with financial institutions, the Group has a credit approval system in place under an internal framework approved by the Global Risk Committee, 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. The abovementioned framework also includes the model for determining limits and calculating consumer risk with central counterparties (CCPs). 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.

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, since the amount owed by the counterparty must be calculated by reference to the market value of the contracts and their related potential value (possible changes in their future value under extreme market price conditions, based on known historical patterns of market prices). Similarly, the equivalent credit exposure for derivatives is understood as the maximum potential loss over the life of 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 asset and all of the characteristics of the operations.

Counterparty risk exposure for repos and securities lending is calculated in the Group 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 Group for financial counterparties is controlled through an integrated system that provides real-time data on the available exposure limit for any counterparty, product and maturity. For the remaining counterparties, counterparty risk is controlled through corporate applications, which contain both the limits of the lines of derivatives risk (if any) and credit exposure of derivatives and repos.

# Mitigation techniques for counterparty risk

The main risk mitigation policies and techniques employed for counterparty risk with financial institutions 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 against payment in the case of simultaneous collection and payment flows in different currencies.
- Central Counterparties (CCP). 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.

The Group applies collateral agreements, mainly with financial institutions. 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 the Group's rating would not be significant as most of the collateral agreements do not include franchises related to its rating.

#### 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 Catalogue 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: i) 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 ii) 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 approached is used whenever possible. If the requirements for applying the aforementioned methods are not met or there is not sufficient information, the simple risk-weight approach is applied in accordance with current regulations. Without prejudice to the foregoing, for certain cases laid down in the regulation corresponding to financial investments, the capital consumption will be subjected to deductions from own funds or a fixed weighting of 250%.

As regards management, a financial analysis and control is conducted on the main investees by 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 analysts also interact with the Investor Relations departments of the listed investees and compile the information needed, including third-party reports (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 net 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.

### **COVID-19** impact

In the specific context of COVID-19 (see Note 3.1), the Group is responding to the public sector's funding needs, arising from an exceptional context, while continuing to monitor the Group's level of exposure and risk appetite in this segment.

Furthermore, in relation to the private sector in Spain, CaixaBank adds to the legislative moratoria through other chiefly sector-based agreements. The Group has also made efforts to ensure the deployment of new ICO (Spanish Official Credit Institute) guarantee facilities under Royal Decree-Law 8/2020 and 25/2020, which CaixaBank also extends using working capital facilities and special funding facilities, among others<sup>9</sup>.

<sup>&</sup>lt;sup>9</sup> The existence of collateral, backers or other guarantees is not grounds to avoid the classification of the operation as Stage 2, if it is deemed that it has been impaired applying the absolute and relative thresholds that the Group has established for identifying SICRs. However, these collateral, backers or other guarantees will be considered when estimating the expected losses, based on the nature and amount of the collateral or the credit quality of the backers.





Other extraordinary provisions implemented by the Group are those arising from Royal Decree-Law 25/2020 and Royal Decree-Law 26/2020 on adopting urgent measures to support economic and employment reactivation, with the former having a special focus on the tourism and automobile sector, and the latter concentrating on transport and housing. They provide economic measures covering a new line of guarantees for companies and self-employed workers aimed at specific moratoria and investments (financing of property pertaining to tourist activity, of vehicles used for public transportation of bus passengers and public transportation of goods, and others). Furthermore, Royal Decree-Law 26/2020 extends the application period for mortgage and non-mortgage moratoria (Royal Decree-Law 8/2020 and Royal Decree-Law 11/2020) up to 29 September 2020, provided that the debtor is in an unexpected situation of vulnerability.

Originally, the period established for granting these guarantees ended on 31 December 2020, in accordance with the initial provisions of European Union regulations on State Aids. However, in the fourth amendment to the Temporary Framework of State Aid, the European Union extended the availability period of guarantees released under the scheme until 30 June 2021, having aligned the Spanish regulation to this new term through RDL 34/2020, which establishes the same date of 30 June 2021 as the deadline for granting public guarantees to meet the liquidity needs of self-employed workers and businesses, thus amending the provisions of RDL 8/2020, of 17 March, and RDL 25/2020, of 3 July. Furthermore, RDL 34/2020 foresees the extension, for debtors that meet certain requirements, of up to 3 additional years on the maximum maturity term of the loans with public guarantees granted under RDL 8/2020, which will be accompanied by an extension for the same term of the public guarantee (provided that the guaranteed operation total does not exceed 8 years from the operation's initial formalisation date). The new loans granted subsequently under this scheme will also have an extended maximum term of up to 8 years. With respect to the loans with guarantees released under RDL 8/2020 and RDL 25/2020, it also extends the grace period on the payment of the guaranteed loan's principal for a maximum of 12 months, thus establishing a total grace period of 24 months.

In the case of Portugal, BPI has also applied its own extraordinary measures to handle the impact of COVID-19, approved under the scope of Decree-Law 10-J/2020, issued by the Portuguese government. These measures cover actions of a similar nature to the foregoing in the Spanish context.

The government-backed financing has been subject to a similar accounting treatment as any other financing covered by a financial guarantee; this guarantee has been considered solely for purposes of calculating the operation's expected loss. The financial guarantee has been considered an incremental cost directly attributable to the operations, which involves the accrual of a lower effective interest rate in the operation. No grant or public aid or any tax effects have been recognised under IAS 12.

The breakdown of government-backed financing operations and current moratorium applications is provided below:

#### MORATORIUM BREAKDOWN - 31-12-2020 \*

(Millions of euros)

(Millions of euros)									
			AMOUNT		CLASSIFIC	CATION BY S	TAGES	MATU	RITY
	NO. OF OPERATIONS	OI TOTAL		OF WHICH: PORTUGAL	STAGE 1	STAGE 2	STAGE 3	< 6 MONTHS	6-12 MONTHS
Public administrations	4	32		32	32				32
Non-financial corporations and individual entrepreneurs (non-financial									
business)	37,774	3,667	904	2,763	2,800	758	109	422	3,245
Real estate construction and development (including land)	277	212	54	158	174	32	6	16	196
Civil engineering	1,554	106	1	105	82	23	1	1	105
Other	35,943	3,349	849	2,500	2,544	703	102	405	2,944
Large corporates	1,192	559	156	403	398	161		1	558
SMEs and individual entrepreneurs	34,751	2,790	693	2,097	2,146	542	102	404	2,386
Other households	183,129	10,658	7,834	2,824	6,371	3,720	567	8,867	1,791
Homes	110,830	8,968	6,473	2,495	5,530	3,042	396	7,226	1,742
Consumer lending	45,418	409	80	329	278	116	15	408	1
Other purposes	26,881	1,281	1,281		563	562	156	1,233	48
TOTAL CURRENT OPERATIONS	220,907	14,357	<i>8,738</i>	5,619	9,203	4,478	676	9,289	5,068
MORATORIUMS UNDER ANALYSIS	21	1	1						
TOTAL MORATORIUMS	220,928	14,358	8,739	5,619					

<sup>(\*)</sup> Including the operations of Royal Decree-Law 8/2020, Royal Decree-Law 11/2020, Royal Decree-Law 25/2020, Royal Decree-Law 26/2020, Decree-Law 10-J/2020 (Portugal) and the Sector Understanding.

# **BREAKDOWN OF GOVERNMENT-BACKED FINANCING - 31-12-2020**

(Millions of euros)

	SPAIN (ICO)	PORTUGAL	TOTAL
Public administrations	6		6
Non-financial corporations and individual entrepreneurs (non-financial business)	12,634	551	13,185
Real estate construction and development (including land)	41	1	42
Civil engineering	974	36	1,010
Other	11,619	514	12,133
Large corporates	2,686	26	2,712
SMEs and individual entrepreneurs	8,933	488	9,421
TOTAL	12,640	551	13,191

In this context, as regards the principles for measuring expected credit losses for the purpose of defining the credit risk loss hedges, the following considerations are noteworthy:

## Processing the significant increase in credit risk (SICR):

The recurring criteria for determining the significant increase in credit risk have been strengthened, taking into account additional criteria besides those of the recurring framework. Specifically, additional criteria have been included in customers in which the company and family support mechanisms (chiefly general moratoria and state-backed financing) may have affected their classification under general criteria, either due to the lower financial burden born by the borrowers from the individuals sector, or for other reasons such as the gap between the effect of the COVID-19 and the formulation and presentation of companies' annual account. It is a temporary overlay on SIRC criteria, which will be reviewed with the evolution of the environment.

Under no circumstances has the granting of financial aid involved an improvement in the accounting classification of the exposure, and the ordinary accounting management procedures of credit impairment have not been suspended or relaxed.

#### Processing of the planned moratoria:

The abovementioned regulatory moratoria require financial institutions to suspend the loan payment (repayment of capital and payment of interest) for a specific period.





The government authorities have defined requirements which, in the event that they are met by the beneficiary, involve the granting of moratoria by the Group on the payment of capital or interest on the various credit operations that customers may have contracted. The specific characteristics of these programmes vary depending between Spain and Portugal:

♦ In Spain the government authorities set objective criteria to grant moratoria between 3 and 6 months, depending on the operation, on the payment of capital and interest on loans with mortgage collateral, and non-mortgage credit (including credit cards). Customers that requested the application of the measure, and met and demonstrated said criteria, were provided an automatic deferral without accruing interest on the payments due during the period of suspension. Following the aforementioned period, the contract's obligations again become effective. In the case of mortgage loans, the maturity date agreed upon in the contract has been extended as a consequence of the suspension for the duration thereof, and in the case of non-mortgage credit (including credit cards), the amount of the monthly payments that were suspended will be payable once the suspension period ends.

For accounting purposes, the application of the government measures has been considered by the Group as a relevant qualitative change that has given rise to a contractual modification. In accordance with the IFRS 9 accounting framework, if the entity reviews its collection estimates (excluding changes in expected losses), it must adjust the carrying amount of the financial asset to reflect the reviewed contractual cash flows, discounting the original effective interest rate of the financial instrument. The adjustment's impact is recognised as gains or losses in the profit/(loss) for the period. Therefore, the Group has calculated this impact (generally known as modification gain and loss and including the best estimate of the operation's economic loss) and immediately recognised it in the income statement, which at 31 December 2020 amounted to EUR 48 million. This adjustment in the carrying amount of the affected financial assets is reversed throughout the 3-month or 6-month moratorium in the net interest income.

In Portugal the government measures have also involved granting moratoriums on the capital and interest, or solely on capital, at the customer's request, to individuals (loans for home purchases) and businesses, but with two main differences with respect to Spain. Firstly, the moratoriums extend over a maximum period of 12 months, until 31 March 2021. Once this period has ended, the new payment schedule will be reviewed with the customers, extending the term of the operations by the number of months granted as moratorium. Secondly, the measures adopted in Portugal have not involved an economic loss for the Group, as interest on the deferred payments (capital and/or interest) was accrued; therefore, for accounting purposes, the contractual modification does not entail the adjustment of the financial assets' carrying amount or the recognition of any modification gain and loss.

# Identification of refinanced transactions:

At the close of 31 December, the bulk of operations that underwent contractual amendments are those applying in the scope of moratoria, both legislative and sectoral, whose objective is to prevent a prolonged economic impact beyond the COVID-19 health crisis.

Given that these regulatory and sectoral moratoriums are based respectively on the application of national law and an agreement that are applied in a broad and homogeneous way in the sector, the conditions are in place in order to refrain from marking the operation as refinancing or restructuring in operations where the borrower, still having liquidity difficulties, did not have impaired capital adequacy prior to COVID-19.

The foregoing operations continue to be classified as normal (Stage 1), inasmuch as there was no reasonable doubt regarding their repayment and they would not have experienced a material increase in credit risk.

# Update on the macroeconomic scenarios:

The accounting and prudential authorities have issued recommendations in relation to upholding an adequate provision level agreement considering the macroeconomic environment of heightened uncertainty generated due to COVID-19.

In this regard, the Group has taken into account different levels of severity of macroeconomic scenarios, consistent with internal planning processes (see Note 3.4.1 - Inclusion of forward-looking information in the expected loss models). These stages have been contrasted and they are aligned with those issued by public bodies, following the recommendation of the European Central Bank in its letter of 1 April 2020.

This update has involved constituting an accounting adjustment (Post Model Adjustment) in the Group – based on existing provisions models and a prudent approach – with a value of EUR 1,252 million at 31 December 2020 in the form of a generic fund. This estimate methodology is intended to be temporary (associated with the uncertainty and effects of the pandemic), it is covered under the guidelines issued by the supervisors and regulators in the environment of the pandemic, and it is backed by duly documented processes and subject to strict governance. Following on from this, this generic fund will be reviewed in the future with newly available information and reduced uncertainties regarding the real impact of the health crisis.

#### 3.4.2. Risk of impairment of other assets

Risk of impairment of other asserts is defined as the risk of a reduction in the carrying amount of shareholdings and in non-financial assets of the Group, specifically:

- Investee risk: positions in the Group's investee portfolio, except those over which it exercises control. These positions may arise from explicit management decisions on position-taking or from the integration of other entities, or they may result from the restructuring or execution of guarantees within what was initially a credit transaction (see note 3.4.1).
- Tangible assets: this mainly comprises real estate assets, both from own use and foreclosed assets available for sale and rental. A majority of these foreclosed assets are owned by the Group's real estate subsidiary, BuildingCenter, S.A.U. In terms of appraisal of the foreclosed assets, prevailing sector regulations are fulfilled.
- Intangible assets: mainly includes goodwill generated in business combination processes, assigned to one of the Group's cash-generating units, the software, as well as to other intangible assets with a defined useful life.
- Tax assets: mainly deferred tax assets generated by the time differences between the balance sheet entry criteria for accounting and tax results, as well as tax credits through deductions and tax loss carryforwards generated both in the Group and in integration processes (including those that come from the integrated company itself, as well as those generated in Purchase Price Allocation exercises).

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.

#### 3.4.3. Actuarial risk

#### **Overview**

The European regulatory framework of reference for insurance companies, known as Solvency II, is transposed into to the Spanish legal system through Act 20/2015 and Royal Decree 1060/2015, which are known, respectively, as LOSSEAR and ROSSEAR. This framework is supplemented by the technical standards approved by the European Commission (ITS), which are directly applicable, and guidelines published by EIOPA, which have been adopted by the Directorate General for Insurance and Pension Funds (DGSFP) as their own.

Actuarial risk is inherent to the activity relating to the subscription of insurance products which, within CaixaBank Group, is centralised in the subgroup of companies headed by VidaCaixa.

In line with the European Solvency II Directive, actuarial risk is defined in the Corporate Risk Catalogue as the risk of loss or adverse modification of the value of commitments taken on via insurance contracts or pensions with customers or employees, derived from the divergence between the estimate for actuarial variables employed in pricing and reserves and their real evolution.

Besides the subscription activity, actuarial risk also derives from the defined benefit pension commitments of Group companies with their employees. At CaixaBank, the risks inherent to these agreements are managed in VidaCaixa Group through the formalising of insurance contracts, whereas in Banco BPI they are implemented through a Pension Fund managed by BPI Vida e Pensões, also within VidaCaixa Group.

In general, actuarial risk management seeks to uphold the payment capacity of commitments to borrowers, optimise the technical margin and preserve the economic value of the balance sheet, within the limits established in the Risk Appetite Framework.

## Actuarial risk cycle

## Actuarial risk monitoring and measurement

Actuarial risk assumed in commitments is managed and controlled jointly with financial assets acquired in order to hedge them. Thus, the consideration of financial risks associated with these assets is included in the consideration of actuarial risk in a way that is consistent with the overall management of the balance sheet (asset-liabilities).





In order to ensure an adequate risk management, CaixaBank has a Corporate Financial-Actuarial Risk Management Policy in place, which sets out the corporate principles, governance framework, control framework and information reporting framework applicable to all the Group companies exposed to these risks. Furthermore, the VidaCaixa Group companies have management policies and frameworks for proprietary financial-actuarial risks that serve to implement that Corporate Policy.

Actuarial risk management established in these policies seeks the long-term stability of the actuarial factors that affect the technical evolution of subscribed insurance products. The actuarial risk factors notably feature mortality and longevity risk in the field of life insurance, where VidaCaixa includes in its management a partial internal model that provides a more adapted vision of the risk profile of the insured group, and the accident rate ratio in the fields of insurance policies other than life insurance.

On this note, and for each line of business, the VidaCaixa policy of underwriting and provision of reserves identifies various parameters for risk approval, measurement, rate-setting and, lastly, to calculate and set aside reserves covering underwritten policies. General operating procedures are also in place for underwriting and the provision of reserves.

Systems for measuring actuarial risk, from which the sufficiency of the technical provisions are quantified and assessed policy-by-policy, are integrated into the management of the insurance business. In this sense, production operations, irrespective of the channel, are recorded in the systems using the various contracting, benefits management and provision calculation applications (e.g. TAV for individual and ACO or Avanti for group insurance). Investment management software is used to manage and control the investments backing the company's insurance activity. All of the applications are accounted for automatically in the accounting support software.

There is a series of applications that perform management support tasks within these integrated and automated systems. It is worth noting applications for data processing that are used for the preparation of reporting information and risk management. In addition, there is a solvency and risk datamart, which serves as a support tool for compliance with all the requirements of the Solvency II Directive.

In relation to interest rate risk, the Group – through its insurance company VidaCaixa – manages risk jointly considering insurance contract commitments and the affected assets, using financial immunisation techniques envisaged in the provisions of the DGSFP.

For credit and liquidity risk incurred in the insurance business, the Group has risk management frameworks that establish credit quality and diversification levels (see the risk structure of the insurance business in these fields, presented in a segmented way in Notes 3.3 and 3.5).

#### Mitigation of actuarial risk

One of the Group's elements used to mitigate the assumed actuarial risk consists of transferring part of the risk to other companies, through reinsurance contracts. To do so, the Group – and specifically its insurance company – has a Reinsurance Policy which is updated at least annually, which identifies the extent to which risk is passed on, taking into account the risk profile of direct insurance contracts, and the type, suitability and effectiveness of the various reinsurance agreements.

By doing so, an insurance company can reduce risk, stabilise solvency levels, use available capital more efficiently and expand its underwriting capacity. However, regardless of the reinsurance taken out, the insurance company is contractually liable for the settlement of all claims with policyholders.

Through VidaCaixa Group, the Group establishes the following via this Reinsurance Policy:

- The disclosure of the reinsurance types.
- The risk management and reporting process.
- The criteria in order to select reinsurance companies.

#### 3.4.4. Market risk

#### **Overview**

The Group identifies market risk as the loss in value of assets or the increase in value of liabilities included 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.





Market risk encompasses almost all the Group'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.

#### Market risk cycle

#### 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 undertaken, 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-fortrading 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 or returns 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.



# 3. Risk management



#### PARAMETRIC VaR BY RISK FACTOR

(Millions of euros)

								INTEREST	EXCHANGE	
		INTEREST EX	CHANGE	SHARE		COMMODITY	CREDIT	RATE	RATE	<b>SHARE PRICE</b>
	TOTAL	RATE	RATE	PRICE INFLA	TION	PRICE	SPREAD	VOLATILITY	VOLATILITY	VOLATILITY
Average VaR 2020	2.44	1.27	0.16	0.15	0.31	0.00	0.88	0.11	0.16	0.55

The highest levels, up to a maximum of EUR 6.2 million, were reached in March, due to the sharp increase of volatility in the markets as a result of the start of the health crisis arising from COVID-19 in Europe, which affected all the portfolio risk factors.

At BPI, the standard measurement for market risk is 10-day parametric VaR at 99%. In 2020, the average 1-day VaR and maximum 1-day VaR at 99% for BPI trading activities was EUR 0.06 million and EUR 0.35 million, respectively.

#### Additional measures to VaR

As an analysis measurement, the Group completes the VaR measurements with the following risk metrics, updated weekly:

- Stressed VaR indicates the maximum loss on adverse movements in market prices based on a stressed historical period of one year, with a 99% confidence level and a daily time horizon (subsequently extrapolated to the regulatory horizon of 10 market days, multiplying by the root of 10). The stressed VaR calculation is leveraged by the same methodology and infrastructure as the historical VaR, with the only significant difference being the historical window selected.
- The incremental default and migration risk reflects the risk related to changes in credit ratings or 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	AVERAGE	LAST
1-day VaR	6.5	0.8	2.4	3.6
1-day Stressed VaR	11.8	1.8	4.6	5.6
Incremental risk	22.0	8.0	15.3	17.7

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

	LAST VALUE	60-DAY AVERAGE	EXCEEDED	MULTIPLIER	CAPITAL
10-day VaR	11.2	8.3	1	3	25.0
10-day Stressed VaR	17.7	15.3	1	3	46.0
Incremental risk	17.7	14.8	-	-	17.7
TOTAL (*)			•		88.7

<sup>(\*)</sup> 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.

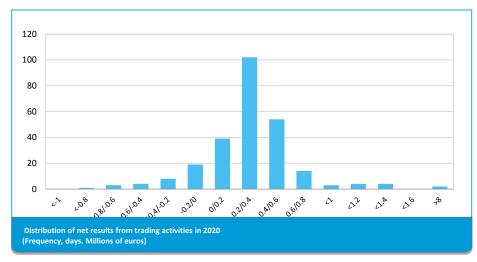
#### **Backtesting**

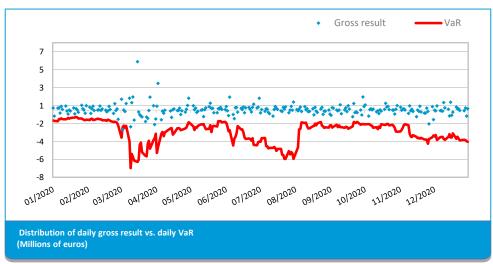
To confirm the suitability of the estimates of the internal model, daily results are compared against the losses estimated under the VaR technique, which is what is referred to as backtesting. The risk estimate model is checked in two ways:

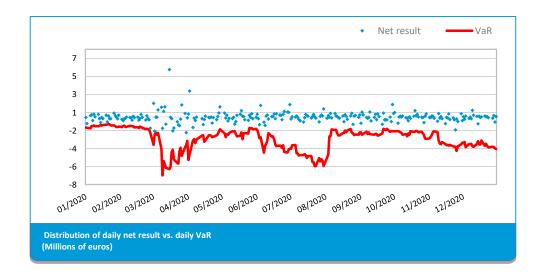
- Through net or hypothetical backtesting, which relates the portion of the daily marked-to-market result of open positions at the close of the previous session to estimated VaR over a one-day time horizon, calculated on the basis of the open positions at the close of the previous session. This backtesting 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.

An excess has been produced in gross and net backtesting during the year, due to adverse results in the equity and linear IRD desks caused by movements in the markets due to the crisis arising from COVID-19:







#### 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; and 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.

#### 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.

#### 3.4.5. Risks in the banking book

#### Interest rate risk in the banking book

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 Group 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 Group 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 Group's positioning and its risk situation. These include:

- Static gap: it shows the contractual distribution of maturities and interest rate reviews for applicable balance sheet 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 stress scenarios considered by the Group. The difference between this value and the economic value calculated at current market rates gives us a numeric representation of the sensitivity of economic value to the various scenarios 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 interest rate revaluations and maturities of sensitive items on the Group's balance sheet, without taking into account, where applicable, the value adjustments or value corrections at the year-end:

## MATRIX OF MATURITIES AND REVALUATIONS OF THE BALANCE SHEET SENSITIVE TO INTEREST RATES

(Millions of euros)

	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	>5 YEARS	TOTAL
ASSETS							
Interbank and Central Banks	55,927	1,601	833	10	59	5	58,435
Loans and advances to customers	167,290	21,902	10,194	6,856	4,613	20,067	230,922
Fixed income portfolio	11,257	8,977	6,109	3,031	1,754	8,769	39,897
TOTAL ASSETS	234,474	32,480	17,136	9,897	6,426	28,841	329,254
LIABILITIES							
Interbank and Central Banks	59,212	784	123	72	46	174	60,411
Customer deposits	109,718	26,152	15,289	10,537	8,420	72,492	242,608
Issuances	7,249	2,416	6,050	5,497	7,201	9,773	38,186
TOTAL LIABILITIES	176,179	29,352	21,462	16,106	15,667	82,439	341,205
ASSETS LESS LIABILITIES	58,295	3,128	(4,326)	(6,209)	(9,241)	(53,598)	(11,951)
HEDGES	(24,135)	7,089	5,613	3,204	5,897	2,434	102
TOTAL DIFFERENCE	34,160	10,217	1,287	(3,005)	(3,344)	(51,164)	(11,849)

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)	6.7%	0.2%
Economic value of equity for sensitive balance sheet aggregates (2)	7.1%	-6.5%

- (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 rate levels that this curve could reach, in the shock of -100 basis points, is -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 interest rate risk in the banking book, the Group actively manages risk by arranging additional hedging transactions on financial markets to supplement the natural hedges generated on its own balance sheet as a result of the complementarity between the sensitivity to fluctuations in interest rates on deposits and on lending transactions arranged with customers or other counterparties.

The interest rate risk in the banking book assumed by the Group is substantially below levels considered significant under current regulations.

No events with a material impact on interest rate in the banking book risk occurred during 2020. The effects arising from the loans in arrears, as a result of the economic measures taken due to the effects of the pandemic, do not have a material impact for risk purposes.

## Exchange rate risk in the banking book

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

The Group 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 Group's measures to mitigate exchange rate risk.

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

## **FOREIGN CURRENCY POSITIONS**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Cash and cash balances at central banks and other demand deposits	538	419	524
Financial assets held for trading	391	2,314	1,852
Financial assets with changes in other comprehensive income	393	1,352	1,458
Financial assets at amortised cost	13,494	11,206	8,573
Equity Investments	87	108	94
Other assets	115	1,060	1,612
TOTAL FOREIGN CURRENCY ASSETS	15,018	16,459	14,113
Financial liabilities at amortised cost	8,729	8,878	7,899
Deposits	7,773	7,857	7,009
Central banks	652	1,385	1,402
Credit institutions	1,807	1,469	1,269
Customers	5,314	5,003	4,338
Debt securities issued	867	945	847
Other financial liabilities	89	76	43
Other liabilities	(244)	2,489	1,919
TOTAL FOREIGN CURRENCY LIABILITIES	8,485	11,367	9,818

The Group hedges its foreign currency risk by arranging cash transactions of financial derivatives, which mitigate the risk of asset and liability positions on the balance sheet. However, the nominal amount of these instruments is not reflected directly on the balance sheet but rather as memorandum items for financial derivatives. This risk is managed by seeking to minimise the level of exchange rate risk assumed in commercial activity, which explains why the Group's exposure to this market 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 breakdown by currency of the main headings of the balance sheet are set out below:

#### **MAIN BALANCE SHEET ITEMS BY CURRENCY - 31-12-2020**

(Millions of euros)

	CASH *	FA HELD FOR TRADING	FA WITH CHANGES IN OCI	FA AT AMORTISED COST		OTHER LIABILITIES
USD	184	(418)	53	9,024	6,951	(1,121)
JPY	12	1		383	138	1
GBP	36	724	4	1,862	820	836
PLN (Polish Zloty)	155			718	391	1
CHF	21	11		203	111	1
CAD	25	133		735	69	87
Other	105	(60)	336	569	249	(49)
TOTAL	538	391	393	13,494	8,729	(244)

FA: Financial assets; FL: Financial liabilities

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.

3.5. Reputation and Operational risks

#### 3.5.1. Operational risk

#### **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. Given the heterogeneity of the nature of operational events, CaixaBank does not record operational risk as a single element in the Corporate Risk Catalogue, but rather it has included the following risks of an operational nature: legal/regulatory, conduct, technology, reliability of information, model and other operational risks. For each of these risks in the Catalogue, the Group upholds the corresponding specific management frameworks, without prejudice to the additional existence of a comprehensive operational risk management framework.

The purpose of this comprehensive framework 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, the optimisation of processes and the quality of both internal and external customer service. To achieve this, various lines of work have been established:

- To identify and anticipate existing or emerging operational risks.
- To adopt measures to sustainably mitigate and reduce operational losses.
- 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.

## Operational risk management cycle

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

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.

<sup>(\*)</sup> Cash and cash balances at central banks and other demand deposits

- Tier 3: Internal Group level based on identification of the risks detailed.
- 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.

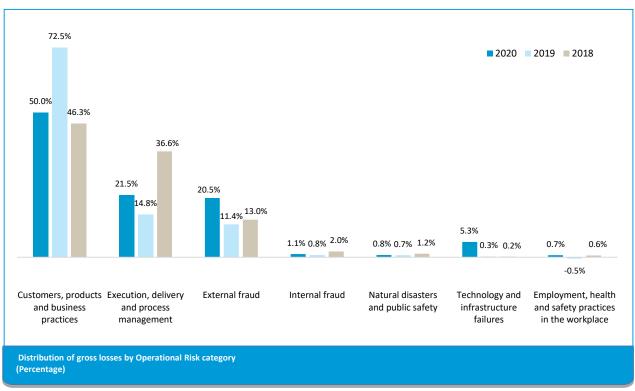
A series of expert workshops and meetings are also held to generate hypothetical extreme operational loss scenarios. The purpose is for these scenarios to be used to detect areas of improvement in the management and to supplement the available external and internal historical data on operational losses.

#### Quantitative measurement

The internal operational loss database is one of the foundations for managing operational risk (and the future calculation of 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:



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, and 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.

### 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 by i) decreasing the frequency at which the events occur, as well as their impact; ii) holding a solid structure of sustained control in policies, methodologies, processes and systems and iii) integrating – into the everyday management of the Group – the information provided by operational risk management levers.

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.

Lastly, an operational loss budgetisation exercise is carried out annually that covers the entire scope of management, and enables monthly monitoring to analyse and correct, where applicable, any deviations.

#### Risk of an operational nature

The risks of an operational nature in the Corporate Catalogue are set out below

#### **Conduct risk**

Insofar as operational risk is concerned, according to the regulatory definition, conduct risk is defined as the Group's risk arising from the application of conduct criteria that run contrary to the interests of its 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. The objective of the Group is: i) to minimise the probability of this risk occurring and ii) if it does, to detect, report and address the weaknesses promptly.

The management of conduct risk is not limited to any specific area, but rather the entire Group. All employees must ensure compliance with prevailing regulations, applying procedures that capture regulations in their activity.

In order to manage conduct risk, CaixaBank Group drives the awareness-raising and promotion of the values and principles set out in the Code of Business Conduct and Ethics, and its employees and other members of its governing bodies must ensure that they are compliant as a core criterion guiding their day-to-day activities. Therefore, as the first line of defence, the 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.

## Legal and regulatory risk

Legal and regulatory risk is defined as the potential loss or decrease in the profitability of the Group as a result of changes in the legislation, of the incorrect implementation of this legislation in the 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.

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 Group conducts actions for the appropriate implementation of standards, and constantly monitors and tracks regulatory changes, in pursuit of better legal security and legitimate interests, chiefly those described in Note 3.1 in relation to the regulatory environment. The activities are coordinated in the Regulation Committee, the body responsible for defining the Group's strategic stance in financial-regulation-related matters, driving the representation of the Entity's interests and coordinating the regular assessment of the regulatory initiatives and proposals that may affect the Group.

Along these lines, a group of committees is coordinated (Transparency Committee, Privacy Committee), with the purpose of monitoring – in all the bank's initiatives – adaptation with consumer protection and privacy standards, highlighting the precision when developing a friendly style of contractual clarity in the language and layout of the contents to communicate the rights and obligations of customers in a more understandable way, without diminishing technical rigorousness and emphasising the design of





transparent marketing processes, that feature new tools intended to help customers to understand the products offered, their economic consequences and their risks.

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.

In relation to the claims filed with the Customer Service Office, as well as the sustained flow of existing litigiousness, the Group has policies, criteria, analysis and monitoring procedures for these judicial claims and processes. These enable the Group to gain better knowledge of the activities that it develops, to identify and establish ongoing improvement in contracts and processes, to implement measures to raise awareness on regulations and leadership in transversal projects in order to quickly adapt to current jurisprudential matters, early restoration of customers' rights in the event of any incidents, through agreements and establishing the appropriate accounting hedges, in the form of provisions, in order to cover hypothetical financial damages whenever they are deemed to be likely to occur as a result of unfavourable judgments, both in or out of court (i.e. customer complaints) administrative sanctions, brought against the Group in the civil, criminal, tax, administrative and labour jurisdictions.

#### **Technology risk**

Also within the framework of regulatory operational risk, technology risk in the Corporate Risk Catalogue is defined as the risk of losses due to the inadequacy or failures of the hardware or software of technological infrastructure, due to cyber attacks or other circumstances that may compromise the availability, integrity, accessibility and security of infrastructure 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 incorporated into a RAF monthly monitoring indicator, calculated on the basis of individual indicators linked to the different areas comprising technology risk. Regular reviews are carried out by sampling, which make it possible to check the quality of the information and the methodology used in creating the indicators reviewed.

The internal governance frameworks associated with different fields of technology risk have been designed according to renowned international standards and/or they are aligned with the guidelines published by different supervisors:

- 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.
- Information governance and data quality, designed and developed under the standard BCBS 239

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. In this field, CaixaBank has developed a Business Continuity Management System, designed and developed under the Standard ISO 22301.

With the different frameworks of governance and management systems, CaixaBank guarantees:

- Compliance with recommendations issued by regulators: Bank of Spain, European Central Bank, etc.
- Maximum security in its operations, both in regular processes and in one-off situations.

And it also demonstrates to its customers, investors, and other stakeholders:

- Its commitment to the governance of information technologies, and business security and continuity; and
- The implementation of management systems according to most renowned international standards; and
- The existence of different cyclical processes based on ongoing improvement.

Similarly, CaixaBank has been designated a critical infrastructure operator by virtue of the provisions of Act 8/2011 and is under the supervision of the National Centre for the Protection of Critical Infrastructures dependent on the State Secretary of Home Office Security.

Furthermore, CaixaBank 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.

## **Information Reliability Risk**

During 2020, Non-Financial Information Reliability Risk has been added to the Corporate Risk Catalogue. In consequence, the current Financial Information Reliability Risk is now known as Information Reliability Risk, therefore accommodating financial and non-financial information reliability risk management.

Information Reliability Risk is defined in the Corporate Risk Catalogue as the risk stemming from possible deficiencies in the accuracy, integrity and approach to compiling the data and information needed to evaluate the financial position and assets of CaixaBank Group, as well as information provided to stakeholders and published to market that offers a holistic view of the stance in terms of environment sustainability and that is directly related to environmental, social and governance (ESG principles) aspects.

The Group has Corporate Policies approved by the CaixaBank Board of Directors that establish the risk management and control framework, notably including:

- The Corporate Risk Management Policy on the reliability of financial information, the purpose of which is to establish and define:
  - a benchmark framework that enables the Group to manage risk related to the reliability of financial information in respect of the disclosure of information, both individual and consolidated, generated by CaixaBank, unifying the criteria on control and verification activities;
  - the scope of the financial reporting to be covered;
  - the governance framework to be followed both for information to disclose and for verification of documentation, and;
  - the criteria related to the control and verification of information to be disclosed in order to guarantee the existence, design, implementation and correct operation of an internal control system on financial reporting, that mitigates risk related to the reliability of financial information, and a description of the governance and the review process established in relation to the Statement of Non-financial Information included in the Management Report.
  - In relation to non-financial information reliability risk, work has been carried out in 2020 on the arrangement and implementation of governance and the review processes established in relation to the Statement of Non-financial Information included in the Management Report.
    - The scope of the Corporate Risk Management Policy on the reliability of financial information is set to be extended in 2021, with the goal of expanding the scope of information and to provide coverage to non-financial information, among others. Along these lines, in the update to the abovementioned policy carried out in 2020, both the governance and the review processes established are already described relation to the abovementioned information.
- Corporate Policy on Information Governance and Data Quality, that regulates data governance and filing of reports.

This risk is mainly managed by assessing whether the group's information complies with the following principles:

- The transactions, facts and other events presented in the financial information actually exist and were recorded at the right time (existence and occurrence).
- The information includes all transactions, facts and other events in which the Group is the affected party (completeness).
- The transactions, facts and other events are recorded and valued in accordance with applicable standards (valuation).
- The transactions, facts and other events have been classified, presented and disclosed in the financial and non-financial information in accordance with applicable standards (presentation, disclosure and comparability).
- The financial information shows, at the corresponding date, the entity's rights and obligations through the corresponding assets and liabilities, in accordance with applicable standards (rights and obligations).

#### **Model risk**

In the Corporate Policy of Model Risk Management, model risk is defined as the possible adverse consequences for the Group that may arise from decisions founded chiefly on the results of internal models, due to errors in the construction, application or use of these models.

In particular, the subrisks identified under model risk that are subject to management and control are as follows:

- Quality risk: the potential detrimental impact due to unpredictable models, either due to defects under construction or for not having being updated over time.
- Governance risk: the potential detrimental impact due to the inadequate governance of Model Risk (e.g. models not formalised by committees, relevant models with no opinion on second line of defence, incorrectly inventoried models).
- Control environment risk: the potential detrimental impact due to weaknesses in the control environment of models, (e.g. models with expired recommendations, and breached mitigation plans).

The general model risk strategy is based on the following pillars:

- Identification of the model risk, using the Corporate Inventory of Models as a key element to set the scope of the models. In order to be able to manage model risk, it is necessary to identify the existing models, their quality and how they are used in the Group. It is necessary to have a single model registry, that unifies the model concept and defines a homogenous taxonomy that features among other attributes their relevance and assessment.
- Model governance, addressing key aspects including, but not limited to:
  - Identifying the most relevant phases within a model's life cycle, defining the minimum functions and standards to carry out these activities.
  - ◆ The concept of tiering-based management, in other words, the way in which the control framework of models can be modulated according to the relevance of the model, generally speaking. This attribute will condition the model's control environment, such as the type and frequency of validation, the type and frequency of the model's monitoring, the body that must approve the use of a model, the level of internal supervision and the level of involvement of senior management.
  - Governing and processing changes to models from a transversal perspective, offering the various owners of models the necessary flexibility and agility to change the affected models, in line with the most suitable governance in each case.
  - Laying down Internal Validation standards that guarantee the suitable application of controls for an independent unit to assess a model.
- Monitoring, using a control framework with a preemptive approach to model risk, which makes it possible to keep the risk within parameters laid down in the Group's Risk Appetite Framework, by regularly calculating appetite metrics and other indicators specific to model risk.

In 2021, Model Risk management is expected to be gradually deployed, proportionally in the subsidiaries subject to its implementation.

#### Other operational risks

Within the Corporate Risk Catalogue, this means 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 custody of securities or external fraud.

All of the Group's areas and companies are responsible for the set of other operational risks that arise within their respective remits. This means identifying, assessing, managing, controlling and reporting the operational risks of their activity and helping CaixaBank's Operational Risk Division to implement the management model throughout the Group.

#### 3.5.2. Reputational risk

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

Some areas of risk identified by the Group in which such trust could be impaired are, among others, those related to the design and marketing of products, to systems and information security, to the need to promote ESG aspects (Environmental, Social and Corporate Governance) in the business, including due to its increasing relevance the risks related to climate change, talent development, the work–life balance, 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.

Another instrument that enables formal monitoring of reputational risk management is the Reputational Risk taxonomy. This enables the main risks that can diminish the Group's reputation to be identified and the preventive and mitigating measures to be coordinated with the responsible areas.

A number of policies that cover different scopes of the Group 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 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 or contingency plans to be activated if the various risks arise.

## 4. Capital adequacy management

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

#### **ELIGIBLE OWN FUNDS**

(Millions of euros)

	31-12-2020		31-12-2019		31-12-201	31-12-2018	
	AMOUNT	AS %	AMOUNT	AS %	AMOUNT	AS %	
Net equity	25,278		25,151		24,058		
Shareholders' equity	27,118		26,247		25,384		
Capital	5,981		5,981		5,981		
Profit/(loss)	1,381		1,705		1,985		
Reserves and other	19,756		18,561		17,418		
Minority interests and OCI	(1,840)		(1,096)		(1,326)		
Other CET1 instruments	268		(1,037)		(801)		
Adjustments applied to the eligibility of minority interests and							
OCI	(107)		6		(43)		
Other adjustments (1)	375		(1,043)		(758)		
CET1 Instruments	25,546		24,114		23,257		
Deductions from CET1	(5,892)		(6,327)		(6,457)		
Intangible assets	(3,873)		(4,232)		(4,250)		
Deferred tax assets	(1,789)		(1,875)		(1,977)		
Other deductions from CET1	(230)		(220)		(230)		
CET1	19,654	13.6%	17,787	12.0%	16,800	11.5%	
AT1 instruments (2)	2,984		2,236		2,233		
AT1 Deductions							
TIER 1	22,638	15.7%	20,023	13.5%	19,033	13.0%	
T2 instruments	3,407		3,224		3,295		
T2 Deductions							
TIER 2	3,407	2.4%	3,224	2.2%	3,295	2.3%	
TOTAL CAPITAL	26,045	18.1%	23,247	15.7%	22,328	15.3%	
Other eligible subordinated instruments MREL (3)	6,664		5,680		2,303		
SUBORDINATED MREL	32,709	22.7%	28,927	19.6%	24,631	16.9%	
Other eligible instruments. MREL (4)	5,111		3,362		2,943		
MREL (5)	37,820	26.3%	32,289	21.8%	27,574	18.9%	
RISK WEIGHTED ASSETS (RWA)	144,073		147,880		145,942		

- (1) Mainly includes the forecast for dividends, and IFRS 9 transitional adjustment.
- (2) An AT1 issue of EUR 750 million was completed in October.
- (3) An issue of EUR 1,000 million of Senior non-preferred debt was made in November.
- (4) Two issues of EUR 1,000 million each of Senior preferred debt were made in 2020 (in January and July).
- (5) In relation to the MREL requirement, the new recovery and resolution directive (BRRD2) provides that as from 1 January 2022, at consolidated level, CaixaBank must comply with a total MREL requirement of 22.09% of RWAs (16.26% with subordinated instruments) and 6.09% of leverage ratio exposure (LRE). In December 2020, the total MREL ratio reached 9.4% of LRE.

At individual level, at 31 December 2020, CaixaBank has the following ratios: CET1 15.1%, Tier 1 capital 17.4% and Total Capital 20.0%, with RWAs of EUR 132,806 million.

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

#### MINIMUM REQUIREMENTS

(Millions of euros)

(						
	31-12-202	31-12-2020		31-12-2019		.8
	AMOUNT	AS %	AMOUNT	AS %	AMOUNT	AS %
BIS III minimum requirements						
CET1 (*)	11,670	8.10%	12,983	8.78%	12,770	8.75%
Tier 1	14,236	9.88%	15,201	10.28%	14,959	10.25%
Total capital	17,658	12.26%	18,159	12.28%	17,878	12.25%

<sup>(\*)</sup> For 2020, and taking into account the anticipation by the ECB of article 104 of DRC V in relation to Pilar 2R, the ECB required CaixaBank to maintain – at consolidated level – a CET1 ratio of 8.10%. This comprised the general minimum requirement for Pillar 1 of 4.5%, a specific Pillar 2R requirement of 1.5% (0.84% of which must comply with CET1), a capital conservation buffer of 2.5%, an O-SII buffer of 0.25%, and a specific countercyclical capital buffer of 0.01%.

The same requirements for 2020 are upheld in 2021, but it must be borne in mind that the countercyclical capital buffer must be updated quarterly.

The following chart provides a breakdown of the leverage ratio:

#### **LEVERAGE RATIO**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Exposure	403,659	341,681	344,485
Leverage ratio (Tier 1/Exposure)	5.6%	5.9%	5.5%

The changes in eligible own funds are as follows:

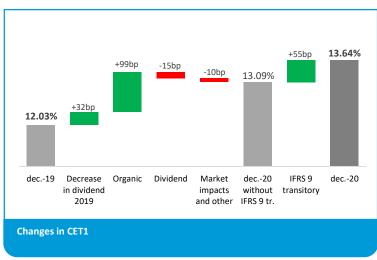
# **CHANGES IN ELIGIBLE OWN FUNDS**

(Millions of euros)

	31-12-2020		31-12-2019	
	AMOUNT	AS %	AMOUNT	AS %
CET1 AT THE START OF THE YEAR	17,787	12.0%	16,800	11.5%
Changes in CET1 instruments	1,432		856	
Benefit	1,381		1,705	
Expected dividends	(216)		(897)	
Reserves	386		303	
Valuation adjustments and other (1)	(119)		(255)	
Changes in deductions from CET1	435		131	
Intangible assets	359		18	
Deferred tax assets	85		102	
Other deductions from CET1	(9)		11	
CET1 AT THE END OF THE YEAR	19,654	13.6%	17,787	12.0%
ADDITIONAL TIER 1 AT THE START OF THE YEAR	2,236	1.5%	2,233	1.5%
Changes in AT1 instruments (2)	748		3	
ADDITIONAL TIER 1 AT THE END OF THE YEAR	2,984	2.1%	2,236	1.5%
TIER 2 AT THE START OF THE YEAR	3,224	2.2%	3,295	2.3%
Changes in Tier 2 instruments	183		(71)	
TIER 2 AT THE END OF THE YEAR	3,407	2.4%	3,224	2.2%

<sup>(1)</sup> Includes IFRS 9 transitional adjustment

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



<sup>(2)</sup> An AT1 issue of EUR 750 million was completed in October 2020.

The increase of +161 basis points in the year, includes +32 basis points from the extraordinary impact of reducing the established dividend against 2019 earnings, as one of the measures adopted by the Board of Directors due to COVID-19, plus +55 basis points due to the adoption of the transitional period of IFRS 9.

The remaining accumulated performance is explained by +99 basis points due to the organic variation, -15 basis points from the forecast of dividends for the year and -10 basis points caused by the performance of the markets and other, which includes the impact of the partial sale of Comercia, the provision established on the interest held in Erste Group Bank and the new treatment of software coming into effect.<sup>10</sup>.

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

#### **BREAKDOWN OF RISK-WEIGHTED ASSETS BY METHOD**

(Millions of euros)

	31-12-2020	31-12-2020		31-12-2019		31-12-2018	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Credit risk (1)	111,827	77.6%	113,947	77.1%	111,740	76.6%	
Standardised approach	63,832	44.3%	62,069	42.0%	60,612	41.5%	
IRB approach	47,995	33.3%	51,878	35.1%	51,128	35.0%	
Shareholder risk	16,729	11.6%	18,309	12.4%	19,177	13.1%	
PD/LGD method	4,056	2.8%	5,915	4.0%	7,436	5.1%	
Simple method	12,673	8.8%	12,394	8.4%	11,709	8.0%	
VaR method	0	0.0%	0	0.0%	32	0.0%	
Market risk	2,267	1.6%	2.224	1.5%	1,916	1.3%	
Standardised approach	1,158	0.8%	1,232	0.8%	1,177	0.8%	
Internal models (IMM)	1,109	0.8%	992	0.7%	739	0.5%	
Operational risk	13,250	9.2%	13,400	9.1%	13,109	9.0%	
Standardised approach	13,250	9.2%	13,400	9.1%	13,109	9.0%	
TOTAL	144,073	100.0%	147,880	100.0%	145,942	100.0%	

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

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<sup>&</sup>lt;sup>10</sup>The European Commission approved in December the RTS on the treatment of software to calculate the CET1.

# 5. Appropriation of profit

## 5. Appropriation of profit

The appropriation of profits of CaixaBank, SA from the 2020 financial year, which the Board of Directors agrees to propose to the Annual General 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)

	2020
Basis of appropriation	
Profit/(loss) for the year	688
Appropriation:	
To dividend (1) (2)	216
To reserves (3)	472
To legal reserve (4)	0
To voluntary reserves (3) (5)	472
NET PROFIT FOR THE YEAR	688

(1) Estimated amount corresponding to the payment of a dividend of 0.0268 euros per share, to be paid in cash. This amount is equivalent to 15% of the pro forma consolidated result of CaixaBank and Bankia, S.A. adjusted, in line with the recommendation of the European Central Bank on limitation of the payment of dividends (see Inside Information published on January 29, 2021). The dividend is expected to be paid after the issuance of new CaixaBank shares within the framework of the capital increase necessary to attend the exchange of shares of Bankia, S.A. by CaixaBank shares approved as part of the CaixaBank (absorbing company) merger agreement for the absorption of Bankia, S.A. (absorbed company) by the General Shareholders' Meeting on December 3, 2020, under item 2 of the agenda, foreseeably during the second quarter of 2021. In the event that, at the time of holding the Ordinary General Meeting of Shareholders, the deed of merger by absorption of CaixaBank and Bankia, S.A It will not be registered in the Mercantile Registry, or having registered, the procedure for exchanging the shares of Bankia, S.A. has not concluded. for the new CaixaBank shares issued in the framework of the merger and the registration of the ownership of these new shares in favor of the shareholders of Bankia, S.A. in the corresponding accounting record, it is foreseen to empower the CaixaBank Board of Directors to determine a date for the subsequent dividend payment. In any case, the payment of the dividend must be made within a maximum period of one month from the date on which it is registered in favor of the shareholders of Bankia, S.A. the ownership of the new CaixaBank shares issued to attend the exchange of the merger. The date and circumstances of the payment of the dividend will be announced to the market in due course. The amount of 216,094,946 euros will be reduced based on the total number of shares entitled to dividends that are finally in circulation at the time of payment, after the issuance of new CaixaBank shares in th

- (2) The distribution of the dividend is subject to the effectiveness of the merger of CaixaBank, S.A. (as absorbing company) by absorption of the company Bankia, S.A. (absorbed company). In the event that the merger had not materialized as of 31 December 2021, the amount allocated to the payment of dividends will be allocated to voluntary reserves.
- (3) Estimated amount allocated to the voluntary reserve. This amount will increase by the same amount that the amounts earmarked for payment of the dividend decreases (see Notes (1) and (2) above).
- (4) It is not necessary to transfer part of the 2020 profit to the legal reserve, as this reserve has reached 20% of the share capital at this time (article 274 of the Corporate Enterprises Act).
- (5) Remuneration of AT1 capital instruments corresponding to 2020, totalling EUR 143 million, will be deemed to have been paid, with this amount charged to voluntary reserves.

# 6. Shareholder remuneration and earnings per share

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### 6. Shareholder remuneration and earnings per share

**6.1. Shareholder remuneration** 

As regards the dividend policy in force comprising the distribution of a cash dividend above 50% of the consolidated net profit, the Board of Directors agreed to exclusively modify it for 2020 as a show of prudence and social responsibility, limiting the distribution to a cash dividend of no more than 30% of the reported consolidated net profit.

Subsequently, the Board of Directors has agreed to propose before the Ordinary Annual General Shareholders' Meeting to distribute a cash dividend of EUR 0.0268 gross per share, charged to profit from 2020, and to be paid during the second quarter. The approval of this dividend by the Annual General Meeting, if enacted, as well as the specific payment conditions, which in any case will be subject to the execution of the merger with Bankia, will be communicated to the market in due course. With the payment of this dividend, the amount of shareholder remuneration for 2020 will be equivalent to 15% of CaixaBank and Bankia's adjusted consolidated pro-forma earnings, in line with the recommendation made by the European Central Bank. The dividend will be paid to all stock in circulation at the time of payment. An agreement has been reached to render the previous dividend policy null and void and announce a new policy in due time after the planned merger with Bankia, agreed by the new Board after the review and approval of the 2021 budget.

The following dividends were distributed in the last three years:

#### **DIVIDENDS PAID**

	EUROS PER SHARE	AMOUNT PAID IN CASH	ANNOUNCEMENT DATE	PAYMENT DATE
2020				
Dividend for 2019	0.07	418	26-03-2020	15-04-2020
2019				
Final dividend for 2018	0.10	598	31-01-2019	15-04-2019
2018				
Interim dividend - 2018	0.07	419	25-10-2018	05-11-2018
Final dividend for 2017	0.08	478	06-04-2018	13-04-2018



# 6. Shareholder remuneration and earnings per share

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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**

	2020	2019	2018
Numerator	1,238	1,572	1,902
Profit attributable to the Parent	1,381	1,705	1,985
Less: Preference share coupon amount (AT1)	(143)	(133)	(83)
Denominator (thousands of shares)	5,977	5,978	5,979
Average number of shares outstanding (1)	5,977	5,978	5,979
Adjusted number of shares (basic earnings per share)	5,977	5,978	5,979
Basic earnings per share (in euros) (2)	0.21	0.26	0.32
Diluted earnings per share (euro) (3)	0.21	0.26	0.32

<sup>(1)</sup> 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.

<sup>(2)</sup> If the profit/loss of CaixaBank (non-consolidated basis) in 2020, 2019 and 2018 had been considered, the basic profit would be EUR 0.09, 0.32 and 0.19 per share, respectively.

<sup>(3)</sup> 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, acquisition and disposal of ownership interests CaixaBank Group | 2020 Financial Statements

# 7. Business combinations, acquisition and disposal of ownership interests in subsidiaries

There were no significant business combinations during 2020, 2019 and 2018.

# **8. Segment information**CaixaBank Group | 2020 Financial Statements

#### 8. Segment information

The objective of business segment reporting is to allow internal supervision and management of the Group's activity and profits. The information is broken down into several lines of business according to the Group's organisation and structure. The segments are defined and segregated taking into account the inherent risks and management characteristics of each one, based on the basic business units which have accounting and management figures.

The following is applied to create them: i) the same presentation principles are applied as those used in Group management information, and ii) the same accounting principles and policies as those used to prepare the financial statements.

After the sale of 80% of the real estate business in December 2018, starting from 2019 the non-core real estate business will no longer be reported separately, integrating the remaining assets in the Banking and Insurance business, with the exception of the stake in Coral Homes, SLU (Coral Homes), which is assigned to the Equity Investment business. For comparative purposes, the 2018 information is presented aggregating both segments (Banking and Insurance plus Non-core real estate).

As a result, the Group is made up of the following business segments:

Banking and insurance: includes the results of the banking business (retail, corporate and institutional banking, cash management and markets), together with the insurance business and asset management, primarily carried out in Spain through the branch network and the other complementary channels. It covers the activity and results generated by the Group's customers, as well as management of liquidity and the Assets and Liabilities Committee, income from financing the other businesses and the corporate centre. In addition, it includes the businesses acquired by CaixaBank from BPI during 2018 (i.e. insurance, asset management, and cards).

The insurance and banking business is presented in a unified way consistent with the joint business and risk management, since it is a comprehensive business model within a regulatory framework that shares similar monitoring and accounting objectives. The Group markets insurance products, in addition to the other financial products, through its business network with the same client base, because the majority of the insurance products offer savings alternatives (life-savings and pensions) to the banking products (savings and investment funds).

**Equity investments:** includes income from dividends and/or profit from banks accounted for using the equity method, net of financing costs, from the interests and gains/(losses) on financial assets and liabilities held in Erste Group Bank, Repsol SA (Repsol), Telefónica SA (Telefónica), Banco Fomento de Angola, SA (BFA) and Banco Comercial e de Investimentos, SA (BCI). From 1 January 2019 the 20% stake in Coral Homes is added to this segment, after the sale of the real estate business at the end of December 2018. Similarly, it includes the significant impacts on income of other relevant stakes acquired in various sectors.

It includes the stakes in BFA, which after reassessing the significant influence at year-end 2018 is classified as Financial assets at fair value with changes in other comprehensive income, and in Repsol, until completing its sale in the second quarter of 2019.

**BPI:** covers the income from the BPI's domestic banking business, essentially in Portugal. The income statement includes the reversion of the adjustments resulting from the application of fair value to the assets and liabilities in the business combination. Furthermore, it excludes the financial statement and equity capital associated with BPI's assets assigned to the aforementioned equity business (essentially BFA and BCI).

The operating expenses of these business segments include both direct and indirect costs, which are assigned according to internal distribution methods.

In 2020, the allocation of capital to the equity investment business has been adapted to the Group's capital corporate objective of maintaining a fully-loaded Common Equity Tier 1 (CET1) ratio of 11.5%, taking into account both the 11.5% consumption of capital for risk-weighted assets (12% in 2019 and 11% in 2018) and any applicable deductions.

The allocation of capital to BPI is at sub-consolidated level, i.e. taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to this business.

The difference between the Group's total shareholders' equity and the capital assigned to the other businesses is attributed to the banking and insurance business, which includes the Group's corporate centre.

The performance of the Group by business segment is shown below:

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### CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF CAIXABANK GROUP - BY BUSINESS SEGMENT

		BANKII	NG AND INSUR	ANCE BUSINES	SS		INV	INVESTMENTS			BPI	
—	2020	)	2019		2018							
		OF WHICH:		OF WHICH:		OF WHICH:						
		INSURANCE	l.	NSURANCE	I.	NSURANCE	2020	2019	2018	2020	2019	2018
NET INTEREST INCOME	4,534	342	4,659	316	4,659	305	(78)	(124)	(149)	444	416	397
Dividend income and share of profit/(loss) of entities												
accounted for using the equity method *	250	220	232	192	220	171	186	335	746	18	21	6
Net fee and commission income	2,330	(62)	2,340	(68)	2,303	(124)				245	258	280
Gains/(losses) on financial assets and liabilities and others	250	5	239	<i>57</i>	219	1	(9)	35	11	(2)	24	48
Income and expenses under insurance and reinsurance												
contracts	598	598	556	556	551	551						
Other operating income and expense	(338)	136	(369)	<i>79</i>	(498)	51	(3)			(15)	(17)	(26)
GROSS INCOME	7,624	1,239	7,657	1,132	7,454	<i>955</i>	96	246	608	690	702	705
Administrative expenses	(3,657)	(104)	(4,803)	(99)	(3,813)	(87)	(4)	(4)	(4)	(378)	(397)	(436)
Depreciation and amortisation	(479)	(23)	(479)	(22)	(368)	(21)				(61)	(67)	(37)
PRE-IMPAIRMENT INCOME	3,488	1,112	2,375	1,011	3,273	847	92	242	604	251	238	232
Impairment losses on financial assets and other provisions	(2,123)		(811)		(673)	1				(40)	200	106
NET OPERATING INCOME/(LOSS)	1,365	1,112	1,564	1,011	2,600	848	92	242	604	211	438	338
Gains/(losses) on disposal of assets and others	216		(169)		(179)	1	(311)		(607)	28	2	51
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	1,581	1,112	1,395	1,011	2,421	849	(219)	242	(3)	239	440	389
Income tax	(179)	(224)	(332)	(216)	(695)	(186)	24	71	90	(65)	(108)	(107)
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	1,402	888	1,063	795	1,726	663	(195)	313	87	174	332	282
Profit/(loss) attributable to minority interests			3		57				33			20
PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP	1,402	888	1,060	795	1,669	663	(195)	313	54	174	332	262
Total assets	410,689	80,667	355,416	76,116	350,783	66,244	3,267	4,554	4,685	37,564	31,444	31,078
Of which: positions in sovereign debt	106,492	58,845	91,549	56,702	87,786	49,247				6,141	4,637	3,307

<sup>(\*)</sup> Insurance business includes the contribution of the stake in SegurCaixa Adeslas.



The banking and insurance businesses have an integrated Banking-Insurance management model. Under a regulatory framework with similar accounting and supervision objectives, sales and risks are managed jointly, as the model is integrated. The results of the Banking-Insurance business are presented as a single business segment in the segment reporting because of this integrated Banking-Insurance management model.

The income of the Group by segment, geographical area and distribution of ordinary income is as follows:

### DISTRIBUTION OF INTEREST AND SIMILAR INCOME BY GEOGRAPHICAL AREA

(Millions of euros)

		CAIXABANK			CAIXABANK GROUP			
	2020	2019	2018	2020	2019	2018		
Domestic market	3,932	4,104	4,266	6,211	6,540	6,458		
International market	69	48	23	553	515	488		
European Union	63	43	19	547	510	484		
Eurozone	27	9	0	511	476	465		
Non-eurozone	36	34	19	36	34	19		
Other countries	6	5	4	6	5	4		
TOTAL	4,001	4,152	4,289	6,764	7,055	6,946		

#### **DISTRIBUTION OF ORDINARY INCOME \***

(minoria a) curas)									
	ORDINARY INCOME FROM CUSTOMERS		ORDINARY INCOME BETWEEN SEGMENTS			TOTAL ORDINARY INCOME			
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Banking and insurance	11,245	11,345	11,071	90	138	160	11,335	11,483	11,231
Spain	11,039	11,170	10,981	90	138	160	11,129	11,308	11,141
Other countries	206	175	90				206	175	90
Equity Investments	177	370	758				177	370	758
Spain	62	106	347				62	106	347
Other countries	115	264	411				115	264	411
ВРІ	750	757	820	42	64	60	792	821	880
Portugal/Spain	742	749	812	42	64	60	784	813	872
Other countries	8	8	8				8	8	8
Ordinary adjustments and eliminations									
between segments				(132)	(202)	(220)	(132)	(202)	(220)
TOTAL	12,172	12,472	12,649	0	0	0	12,172	12,472	12,649

- (\*) Corresponding to the following items in the Group's public statement of profit or loss.
  - 1. Interest income
  - 2. Dividend income
  - 3. Share of profit/(loss) of entities accounted for using the equity method
  - 4. Fee and commission income
  - 5. Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
  - 6. Gains/(losses) on financial assets and liabilities held for trading, net
  - 7. Gains/(losses) on assets not designated for trading compulsorily measured at fair value through profit or loss, net
  - 8. Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net
  - 9. Gains/(losses) from hedge accounting, net
  - 10. Other operating income
  - 11. Income from assets under insurance and reinsurance contracts



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#### 9. Remuneration of key management personnel

9.1. Remuneration of the Board of Directors

At the Ordinary Annual General Meeting of CaixaBank held on 22 May 2020, the remuneration policy for the Board of Directors was approved for 2020-2022, 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. The content of the remunerations policy is deemed to be without prejudice to the Chief Executive Officer's waiver of his variable remuneration package corresponding to 2020.

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, Executive Directors are covered by the civil liability policy for Directors and executives of the Group to cover any third-party liabilities they may incur when carrying out their duties.

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 COMP			VARIABLE C	OMPONENTS					
				REMUNERATION									
				N FOR	FOR POSITIONS	REMUNERATION FOR		SHARE-BASED					
			REMUNERATIO	MEMBERSHIP	HELD	MEMBERSHIP ON	VARIABLE	REMUNERATI	LONG-TERM				
			N FOR BOARD	ON BOARD	AT GROUP	<b>COMMITTEES OUTSIDE</b>	REMUNERAT	I ON SCHEMES	SAVINGS	OTHER	TOTAL	TOTAL	TOTAL
	POSITION	SALARY	MEMBERSHIP	COMMITTEES	<b>COMPANIES</b> *	THE GROUP (6)	ON IN CASH	l (7)	SYSTEM	ITEMS (5)	2020	2019	2018
Gual, Jordi	Chairman		1,090	60		232					1,382	1,385	1,503
Muniesa, Tomás (1)	Deputy Chairman		90	81	435	14					620	586	1,027
Gortázar, Gonzalo **	CEO	1,561	90	50	560				511	64	2,836	3,762	3,547
Reed, John S.	Lead Director		113	36							149	126	123
Armenter, Marcelino (3)			23	8							31	62	
Bassons, Maria Teresa	Director		90	30							120	120	123
Fisas, M. Verónica	Director		90	93							183	162	140
Fundación CajaCanarias, represented by Ms. Natalia													
Aznarez Gómez	Director		90	50							140	140	136
García-Bragado, Alejandro	Director		90	30							120	120	118
Garmendia, Cristina (3)	Director		90	79							169	61	
Garralda, Ignacio	Director		90								90	103	136
Ibarz, Javier (2)											0	55	217
Minc, Alain (2)											0	47	180
Moraleda, María Amparo	Director		90	116							206	194	183
Rosell, Juan (2)											0	48	190
Sáinz de Vicuña, Antonio (2)											0	52	203
Sanchiz, Eduardo Javier	Director		90	128							218	197	182
Serna, José	Director		90	50							140	140	140
Usarraga, Koro	Director		90	141							231	197	186
Vives, Francesc Xavier (4)			50	31							81	200	178
TOTAL		1,561	2,356	983	995	246	(	0	511	64	6,716	7,757	8,512

<sup>(\*)</sup> Registered in the income statement of the respective companies.

<sup>(\*\*)</sup> In 2020 and 2019 only Gonzalo Gortázar has practiced executive duties.

<sup>(1)</sup> Tomás Muniesa was appointed Deputy Chairman 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.

<sup>(2)</sup> Alain Minc, Juan Rosell, Antonio Sáinz de Vicuña and Javier Ibarz ceased to be directors in 2019.

<sup>(3)</sup> Marcelino Armenter and Cristina Garmendia were appointed as directors on 5 April 2019. Marcelino Armenter stood down from his position on 2 April 2020.

<sup>(4)</sup> The appointment of Francesc Xavier Vives as Coordinating Director was not renewed in 2020, after his mandate ended.

<sup>(5)</sup> Includes remuneration in kind (health and life insurance premiums paid in favour of Executive Directors), interest accrued on deferred variable remuneration in cash, other insurance premiums paid and other benefits.

<sup>(6)</sup> 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 and which are recorded in the statements of profit or loss of the respective companies.

<sup>(7)</sup> The Chief Executive Officer has decided to voluntarily waive his variable remuneration corresponding to 2020, both as regards the yearly bonus, as well as participation in the yearly Long-Term Incentives Plan corresponding to 2020 (see Note 1.8). EUR 170 thousand of Financial instruments corresponding to the provisional incentive of the 1st cycle of the Conditional Annual Incentive linked to the Strategic Plan 2019–2021 was included in 2019.



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CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

9.2. 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)

	2020	2019	2018
Salary (1)	7,267	9,288	8,698
Post-employment benefits (2)	1,820	1,576	1,313
Other long-term benefits	251	125	96
Other positions in Group companies	1,010	1,173	423
TOTAL	10,348	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)	156	132	98
TOTAL REMUNERATION	10,504	12,294	10,628
Composition of Senior Management	11	11	10
General Managers	3	3	3
Deputy General Managers	-	-	1
Executive Managers	7	7	5
General Secretary and Secretary to the Board of Directors	1	1	1

<sup>(1)</sup> This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. In 2019, the variable remuneration corresponds to the objective annual bonus accrued in cash and shares of the financial year, including the deferred part, plus the provisional incentive corresponding to the first cycle of the share-based long-term variable remuneration plan. In April 2020, Senior Management announced its withdrawal from variable remuneration for 2020, both with respect to the annual bonus and its participation in the second cycle of the 2020 long-term incentives plan (see Note 1.8).

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 Chief Executive Officer has an indemnity clause of 1 annual payment of the fixed remuneration components. For the members of the Senior Management, there are 7 for which the indemnity to which they are legally entitled is higher than 1 annuity and for the 4 remaining members, the indemnity to which they are legally entitled is still less than one year of their salary.

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)

	31-12-2020	31-12-2019	31-12-2018
Post-employment commitments	16,523	15,130	15,904

9.3. Other disclosures concerning the Board of Directors

Article 30 of the Regulations of the Board of Directors of CaixaBank 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

<sup>(2)</sup> Includes insurance premiums and discretionary pension benefits.
(3) Registered in the income statement of the respective companies.



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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) performing activities on their own behalf or via third parties that constitute direct, actual or potential competition with the company or which, by any other means, put them in a position of permanent conflict with the interests of 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 Group, which will be subject to reporting in the financial statements, as established in article 229.3 of the Corporate Enterprises Act.

During 2020, no director has notified any situation that places them in a conflict of interest with the Group. 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
Tomás Muniesa (Deputy	
Chairman)	- Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
	<ul> <li>Abstention from the deliberation and voting on the resolution regarding compliance with the 2019 individual and corporate objectives.</li> </ul>
	- Abstention from the deliberation and voting on the resolution regarding remuneration corresponding to 2020.
Gonzalo Gortázar (CEO)	- Abstention from the deliberation and voting on the resolution regarding the 2020 challenges.
Fundación CajaCanarias (represented by Natalia	
Aznárez)	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
Natalia Aznárez (representative of the director of Fundación	
CajaCanarias)	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.
,	- Abstention from the deliberation and voting on the agreements regarding their proposed re-election as member of the Board of Directors.
	- Abstention from the deliberation and voting on the resolution regarding her appointment as member of the Executive Committee.
María Verónica Fisas	- Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
	- Abstention from the deliberation and voting on the resolution regarding her appointment as member of the Remuneration Committee.
Cristina Garmendia	- Abstention from the deliberation and voting on the resolution regarding their appointment as member of the Audit and Control Committee.
Ignacio Garralda	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.  Absence in the presentation of matters regarding the Bankia banking-insurance agreements, within the framework of the merger of CaixaBank with Bankia.
John S. Reed	- Abstention from the deliberation and voting on the resolution regarding his appointment as lead director.
Eduardo Javier	- Abstention from the deliberation and voting on the resolution regarding his appointment as nead director.
Sanchiz	Committee.
	- Abstention from the deliberation and voting on the resolution regarding their appointment as member of the Executive Committee.
Koro Usarraga	- Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.



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The other directors with appointments in force during 2020 (in other words, the Chairman, Jordi Gual and the members María Teresa Bassons, Alejandro García-Bragado, María Amparo Moraleda, José Serna, Marcelino Armenter and Xavier Vives) have declared that they have had no situation of conflict with the company's interests, be it direct or indirect, proprietary interests, or the interests of the people linked to them, during the period of their mandate in 2020.

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 for their own account or the account of other 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 Ruiz de Velasco 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 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 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 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 Ignacio Garralda Ruiz de Velasco from the non-compete 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. 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 Ignacio Garralda Ruiz de Velasco's new status as board member, which remains in force to date. The company has not been informed about any circumstances that could result in a greater relevance of the level of competition between CaixaBank Group and Mutua Madrileña Group in the insurance sector, the management of pension funds and investment funds and the real estate business, nor of any other activity carried out by Mutua Madrileña Group that could affect CaixaBank Group.

# 9. Remuneration of key management personnel CaixaBank Group | 2020 Financial Statements



9.4. Voting rights held by "key management personnel"

At year-end, the (direct and indirect) voting rights held by "key management personnel" in the share capital of the Group are as follows:

### **VOTING RIGHTS OF BOARD MEMBERS**

(Percentage \*)

	% OF SHARES CARRYII	NG VOTING RIGHTS	% OF TOTAL VOTING
	DIRECT	INDIRECT	RIGHTS
Jordi Gual Solé	0.002		0.002
Tomás Muniesa Arantegui	0.005		0.005
Gonzalo Gortázar Rotaeche	0.019		0.019
Caja Canarias Foundation	0.639		0.639
TOTAL	0.665		0.665

<sup>(\*) %</sup> calculated on issued capital at 31 December 2020.

### **VOTING RIGHTS OF SENIOR MANAGEMENT**

(Percentage \*)

	% OF SHARES CARRYING VOTING RIGHTS		% OF TOTAL VOTING
	DIRECT	INDIRECT	RIGHTS
Juan Antonio Alcaraz García	0.001		0.001
Iñaki Badiola Gómez	0.001		0.001
Óscar Calderón de Oya	0.001		0.001
Francesc Xavier Coll Escursell	0.002		0.002
Jordi Mondéjar López	0.002		0.002
Javier Pano Riera	0.002		0.002
TOTAL	0.009		0.009

<sup>(\*) %</sup> calculated on issued capital at 31 December 2020.

# 10. Cash and cash balances at central banks and other demand deposits

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# 10. 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)

	31-12-2020	31-12-2019	31-12-2018
Cash	2,339	2,700	2,468
Cash balances at central banks (Note 3.3)	48,535	11,836	15,783
Other demand deposits	737	574	907
TOTAL	51,611	15,110	19,158

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.

# 11. Financial assets and liabilities held for trading CaixaBank Group | 2020 Financial Statements



# 11. Financial assets and liabilities held for trading

11.1. Trading derivatives

The breakdown of this heading is as follows:

# BREAKDOWN OF TRADING DERIVATIVES (PRODUCT AND COUNTERPARTY)

(Millions of euros)

	31-12-	2020	31-12-	2019	31-12-	31-12-2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES	
Unmatured foreign currency purchases and sales	336	341	247	251	405	407	
Purchases of foreign currencies against euros	48	309	121	53	222	33	
Purchases of foreign currencies against foreign currencies	17	18	47	58	138	133	
Sales of foreign currencies against euros	271	14	79	140	45	243	
Acquisitions and sales of financial assets						1	
Acquisitions							
Sales						1	
Financial futures on shares, interest rates and currencies							
Bought							
Sold							
Share options	264	247	221	228	203	253	
Bought	264		221		203		
Issued		247		228		253	
Interest rate options	103	108	95	99	103	119	
Bought	103		95		103		
Issued		108		99		119	
Foreign currency options	57	7	48	22	131	84	
Bought	57		48		131		
Issued		7		22		84	
Other share and interest rate transactions	3,912	(5)	4,171	865	4,670	5,449	
Share swaps	157	132	49	90	120	67	
Future rate agreements (FRAs)							
Interest rate swaps	3,755	(137)	4,122	775	4,550	5,382	
Credit derivatives						12	
Sold						12	
Commodity derivatives and other risks	629	(547)	1,412	402	3,195	2,291	
Swaps	628	(547)	1,408	397	3,190	2,283	
Bought	1		4	5	5	8	
TOTAL	5,301	151	6,194	1,867	8,707	8,616	
Of which: contracted in organised markets	35	51	27	34	32	78	
Of which: contracted in non-organised markets	5,266	100	6,167				

For the most part, the Group 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.

# 11. Financial assets and liabilities held for trading

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11.2. Equity instruments

The breakdown of this heading is as follows:

### **BREAKDOWN OF EQUITY INSTRUMENTS**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Shares in Spanish companies	195	370	267
Shares in foreign companies	60	87	81
TOTAL	255	457	348

11.3. Debt securities

The breakdown of this heading is as follows:

# **BREAKDOWN OF DEBT SECURITIES \*\***

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Spanish government debt securities *	442	365	605
Foreign government debt securities *	174	114	25
Issued by credit institutions	40	97	46
Other Spanish issuers	92	76	37
Other foreign issuers	53	67	42
TOTAL	801	719	755

<sup>(\*)</sup> See Note 3.4.1., section "Concentration according to sovereign risk".

11.4. Short positions

The breakdown of this heading is as follows:

# **BREAKDOWN OF SHORT POSITIONS**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
On overdrafts on repurchase agreements	273	471	399
Debt securities - public debt (*)	249	401	347
Debt securities - other issuers	24	70	52
TOTAL	273	471	399

<sup>(\*)</sup> See Note 3.4.1., 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.

 $<sup>(**) \ \</sup>text{See ratings classification in Note 3.4.1, section "Concentration according to credit quality"}.$ 



# 12. Financial assets not designated for trading compulsorily measured at fair value through profit or loss

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# 12. 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)

	31-12-2020	31-12-2019	31-12-2018
Equity instruments *	180	198	232
Debt securities	52	63	145
Loans and advances	85	166	327
Customers	85	166	327
TOTAL	317	427	704

(\*) In February 2018, the subsidiary company Banco BPI reported that, together with the Fundo de Pensões do Banco BPI, it signed a contract agreeing the sale to Violas SGPS, S.A. of its shareholdings in the company Viacer - Sociedad Gestora de Participaciones Sociales, Lda (Viacer), which holds 56% of the share capital of Super Bock Group, SGPS, SA. Banco BPI held a 14% stake of the share capital of Viacer, which it agreed to sell for an amount of EUR 130 million and Fundo de Pensões do Banco BPI held 11% of the share capital of Viacer, which it agreed to sell for EUR 103 million. This operation involved a EUR 60 million profit recorded under "Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss (net)" in the 2018 statement of profit or loss.

The changes in the valuation of these financial assets as a result of variations of credit risk are not significant, because of their credit quality (Note 3.4.1).

# 13. 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)

	31-12-2020	31-12-2019	31-12-2018
Equity instruments	1,414	2,407	3,565
Shares in listed companies	843	1,618	2,697
Shares in non-listed companies	571	789	868
Debt securities *	17,895	15,964	18,323
Spanish government debt securities	13,966	10,173	14,194
Foreign government debt securities	2,206	4,023	3,014
Issued by credit institutions	581	211	144
Other Spanish issuers	42	38	36
Other foreign issuers	1,100	1,519	935
TOTAL	19,309	18,371	21,888
Equity instruments			
Of which: gross unrealised gains	109	110	75
Of which: gross unrealised losses	(1,877)	(1,155)	(965)
Debt securities			
Of which: gross unrealised gains	596	503	368
Of which: gross unrealised losses		(5)	(3)

<sup>(\*)</sup> See ratings classification in Note 3.4.1. "Concentration according to credit quality".

13.1. Equity instruments

The breakdown of the changes under this heading is as follows:

#### **CHANGES IN EQUTY INSTRUMENTS - 2020**

(Millions of euros)

31-12-2019	AND CAPITAL INCREASES	AND CAPITAL DECREASES	TRANSFERRED TO RESERVES	EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	31-12-2020
1,617				(774)		843
414				(80)		334
376	3	(153)	(61)	72		237
2,407	3	(153)	(61)	(782)	0	1,414
	1,617 414 376	31-12-2019 INCREASES 1,617 414 376 3	AND CAPITAL AND CAPITAL 31-12-2019 INCREASES DECREASES  1,617  414  376 3 (153)	ACQUISITIONS DISPOSALS LOSSES (+) N AND CAPITAL AND CAPITAL TRANSFERRED TO RESERVES 1,617  414 376 3 (153) (61)	AND CAPITAL AND CAPITAL TRANSFERRED DIFFERENCES  1,617 TO RESERVES DIFFERENCES  414 (80)  376 3 (153) (61) 72	ACQUISITIONS DISPOSALS LOSSES (+) MARKET VALUE AND AND CAPITAL AND CAPITAL TRANSFERRED EXCHANGE TRANSFERS 31-12-2019 INCREASES DECREASES TO RESERVES DIFFERENCES AND OTHER 1,617 (774)  414 (80) 376 3 (153) (61) 72

<sup>(\*)</sup> In March 2020, coverage of fair value was cancelled on 1% of said holding (conducted through an equity swap), recording a capital gain of EUR 177 million under the heading "Accumulated other comprehensive income" of net equity. From 10 July 2020, the stake in Telefónica, SA became 4.9% due to the dilutive effect of the scrip dividend (5.0% on 31 December 2019).

### **CHANGES IN EQUITY INSTRUMENTS - 2019**

		ACQUISITIONS AND CAPITAL	DISPOSALS AND CAPITAL	GAINS (-) / LOSSES (+) I TRANSFERRED	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE	TRANSFERS	
	31-12-2018	INCREASES	DECREASES	TO RESERVES	DIFFERENCES	AND OTHER	31-12-2019
Telefónica	1,905				(288)		1,617
Repsol (Note 16)	786		(943)	106	51		0
Banco Fomento de Angola	522				(108)		414
Other	352	2	(12)	(7)	35	6	376
TOTAL	3,565	2	(955)	99	(310)	6	2,407

<sup>(\*\*)</sup> Dated 25 June 2020, CaixaBank Group sold its direct and indirect stake of 11.51% in Caser, after receiving the pertinent administrative authorisations, for the price of EUR 139 million. The operation did not have a significant material impact for the Group.

# 13. Financial assets at fair value with changes in other comprehensive income CaixaBank Group | 2020 Financial Statements

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#### **CHANGES IN EQUTY INSTRUMENTS - 2018**

(Millions of euros)

	31-12-2017	1st APPLICATIO N OF IFRS 9 (NOTE 1)	01-01-2018	ACQUISITION S AND CAPITAL INCREASES	DISPOSALS AND CAPITALT DECREASES	LOSSES (+) RANSFERRED TO		TRANSFERS	31-12-2018
Telefónica	2,109		2,109				(204)		1,905
Repsol (Note 16)					(337)	4	(161)	1,280	786
Banco Fomento de Angola (Note 16)								522	522
Other	774	(243)	531	11	(70)	(30)	(97)	7	352
TOTAL	2,883	(243)	2,640	11	(407)	(26)	(462)	1,287	3,565

The estimate of the fair value of Banco de Fomento de Angola (BFA) is based on a dividend discount model (DDM), subsequently compared to comparison multiple methodologies. The main assumptions used in the dividend discount model are set out below:

#### **ASSUMPTIONS USED**

(Percentage)

		BFA			
	31-12-2020	31-12-2019	31-12-2018		
Forecast periods	5 years	5 years	5 years		
Discount rate (1)	19.3%	20.6%	23.3%		
Objective capital ratio	15%	15%	15%		

<sup>(1)</sup> In 2020, this is calculated using the interest rate of the US treasury bond plus a country risk premium and another market risk premium. In 2019 and 2018 it was calculated on the yield of the Angolan 10-year bond, plus a risk premium.

For the stake in BFA, the exercise to determine the fair value considers the sensitivity with respect to the discount rate [-1.0%; +1.0%] with no significant variations concluded in the estimated fair value in the baseline scenario.

The relevant financial information of the most relevant equity instruments classified in this section is as follows:

### FINANCIAL INFORMATION ON KEY INVESTMENTS

CORPORATE NAME	REGISTERED ADDRESS	% OWNERSHIP	% VOTING RIGHTS	EQUITY	LATEST PUBLISHED PROFIT/(LOSS)
Telefónica (1)	Madrid - Spain	4.87%	4.87%	17,416	671
Sociedad de gestión de Activos Procedentes de la Reestructuración Bancaria (Sareb) (2)	Madrid - Spain	12.24%	12.24%	(7,512)	(947)
Banco Fomento de Angola (BFA) (2)	Angola	48.10%	48.10%	855	282

<sup>(1)</sup> Listed company. The information on equity and the last published profit/(loss) is at 30-09-2020. The capital increase carried out on 30 December 2020 determines the share at 4.698%, and was registered in the Commercial Register on 5 January 2021.

 $<sup>(2) \</sup> Non-listed \ companies. \ The \ information \ on \ equity \ and \ the \ last \ published \ profit/(loss) \ is \ at \ 31-12-2019.$ 



# 13. Financial assets at fair value with changes in other comprehensive income CaixaBank Group | 2020 Financial Statements



13.2. Debt securities

The breakdown of the changes under this heading is as follows:

#### **CHANGES IN DEBT SECURITIES**

	2020				2019		2018		
	STAGE 1:	STAGE 2:	STAGE 3:	STAGE 1:	STAGE 2:	STAGE 3:	STAGE 1:	STAGE 2:	STAGE 3:
Opening balance	15,964	0	0	18,323			66,672		
1st application of IFRS 9 (Appendix 7)							(49,454)		
Adjusted balance at start of the year	15,964			18,323			17,218		
Plus:							0		
Additions due to business combinations	0						0		
Acquisitions	8,657			10,579			9,234		
Interest	(116)			0			51		
Gains/(losses) recognised with adjustments to equity (Note 24.2)	98			225			(194)		
Less:							0		
Sales and redemptions	(6,735)			(12,816)			(7,938)		
Implicit accrued interest	(10)			(184)			0		
Reclassifications and transfers	0						0		
Amounts transferred to statement of									
profit or loss (Note 32) *	115			(163)			(48)		
Impairment losses (Note 36)	0			0			0		
Exchange differences and other	(78)								
CLOSING BALANCE	17,895	0	0	15,964	0	0	18,323	0	0

<sup>(\*)</sup> In 2020 there have been fixed income portfolio sales with a nominal amount of EUR 4,979 million and a profit of EUR 69 million, recorded under the heading "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net".

<sup>(\*)</sup> 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.

<sup>(\*)</sup> In 2018 there were fixed income portfolio sales with a nominal amount of EUR 4,540 million and a profit of EUR 126 million, including the profit due to the cancellation of associated hedges.

# 14. Financial assets at amortised cost

The breakdown of this heading is as follows:

### **BREAKDOWN OF FINANCIAL ASSETS AT AMORTISED COST - 31-12-2020**

(Millions of euros)

		VALUATION ADJUSTMENTS							
				FEE AND					
	GROSS	IMPAIRMENT	ACCRUED	COMMISSION	(	DUTSTANDING			
	BALANCE	ALLOWANCES	INTEREST	INCOME	OTHER	AMOUNT			
Debt securities	24,559	(11)	122			24,670			
Loans and advances	247,799	(5,609)	464	(357)	542	242,839			
Central banks	4					4			
Credit institutions	5,845		2			5,847			
Customers	241,950	(5,609)	462	(357)	542	236,988			
TOTAL	272,358	(5,620)	586	(357)	542	267,509			

### **BREAKDOWN OF FINANCIAL ASSETS AT AMORTISED COST - 31-12-2019**

(Millions of euros)

			FEE AND		
GROSS	IMPAIRMENT	ACCRUED	COMMISSION	0	UTSTANDING
BALANCE	ALLOWANCES	INTEREST	INCOME	OTHER	AMOUNT
17,286	(6)	109			17,389
231,450	(4,700)	501	(373)	435	227,313
6					6
5,141	(2)	14			5,153
226,303	(4,698)	487	(373)	435	222,154
248,736	(4,706)	610	(373)	435	244,702
	BALANCE 17,286 231,450 6 5,141 226,303	231,450 (4,700) 6 5,141 (2) 226,303 (4,698)	GROSS IMPAIRMENT ACCRUED BALANCE ALLOWANCES INTEREST  17,286 (6) 109  231,450 (4,700) 501  6  5,141 (2) 14  226,303 (4,698) 487	GROSS IMPAIRMENT ACCRUED COMMISSION INTEREST INCOME  17,286 (6) 109  231,450 (4,700) 501 (373)  6  5,141 (2) 14  226,303 (4,698) 487 (373)	FEE AND GROSS IMPAIRMENT ACCRUED COMMISSION O BALANCE ALLOWANCES INTEREST INCOME OTHER  17,286 (6) 109 231,450 (4,700) 501 (373) 435 6 5,141 (2) 14 226,303 (4,698) 487 (373) 435

# **BREAKDOWN OF FINANCIAL ASSETS AT AMORTISED COST - 31-12-2018**

			VALUATION A	DJUSTMENTS		
	_			FEE AND		
	GROSS	IMPAIRMENT	ACCRUED	COMMISSION	C	OUTSTANDING
	BALANCE	ALLOWANCES	INTEREST	INCOME	OTHER	AMOUNT
Debt securities	16,956	(4)	108			17,060
Loans and advances	230,864	(5,713)	490	(373)	254	225,522
Central banks	5					5
Credit institutions	7,546		4			7,550
Customers	223,313	(5,713)	486	(373)	254	217,967
TOTAL	247,820	(5,717)	598	(373)	254	242,582
IOIAL	247,820	(5,/1/)	598	(3/3)	254	242,582

14.1. Debt securities

The breakdown of the net balances under this heading is as follows:

### **BREAKDOWN OF DEBT SECURITIES \***

(Millions of euros)

	31-12-2020 **	31-12-2019	31-12-2018
Spanish government debt securities	17,342	12,699	13,947
Other Spanish issuers	1,237	1,246	1,270
Other foreign issuers	6,091	3,444	1,843
TOTAL	24,670	17,389	17,060

<sup>(\*)</sup> See Note 3.4.1., section "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**

		202	0			20:	19			201	18	
	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL
Opening balance	17,375	6	14	17,395	17,035	16	13	17,064	2,616		13	2,629
1st application of IFRS 9									10,172	9		10,181
Adjusted balance at start of the year	17,375	6	14	17,395	17,035	16	13	17,064	12,788	9	13	12,810
Transfers						(1)	1					
From stage 2:						(1)	1					
New financial assets	13,822	103	12	13,937	1,296			1,296	6,195	8		6,203
Financial asset disposals (other than write-offs)	(6,645)	(6)	(13)	(6,664)	(875)	(9)		(884)	(1,840)	(9)	(13)	(1,862)
Changes in contractual cash flows										8	13	21
Changes in interest accrual	11			11	(81)			(81)	(108)			(108)
Write-offs												
Exchange differences and other	2			2								
CLOSING BALANCE	24,565	103	13	24,681	17,375	6	14	17,395	17,035	16	13	17,064
Impairment allowances*	(2)	(5)	(4)	(11)	(2)		(4)	(6)	(1)		(3)	(4)

<sup>(\*)</sup> There were no significant changes in the period

<sup>(\*)</sup> Fixed income portfolio sales have been carried out in 2020 for a nominal amount of EUR 1,054 million, with a profit of EUR 114 million, allocated to the item "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net", with no impact on the business model.



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14.2. 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)

	31-12-2020	31-12-2019	31-12-2018
Demand	3,748	3,581	6,154
Other accounts	3,748	3,581	6,154
Term	2,097	1,560	1,392
Deposits with agreed maturity	2,097	1,560	1,380
Reverse repurchase agreement			
Assets in stage 3			12
TOTAL	5,845	5,141	7,546

#### 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**

		202	20			20	19			20:	18	
	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL
Opening balance	202,924	15,541	8,387	226,852	196,634	16,328	10,718	223,680	209,337	0	13,797	223,134
1st application of IFRS 9									(16,113)	15,664	(16)	(465)
Adjusted balance at start of the year	202,924	15,541	8,387	226,852	196,634	16,328	10,718	223,680	193,224	15,664	13,781	222,669
Transfers	(4,549)	3,461	1,088	0	(1,643)	745	898	0	(2,254)	1,794	460	0
From stage 1:	(9,624)	9,097	527	0	(4,555)	4,044	511	0	(4,718)	4,150	568	0
From stage 2:	5,040	(6,045)	1,005	0	2,873	(3,855)	982	0	2,437	(3,211)	774	0
From stage 3:	35	409	(444)	0	39	556	(595)	0	27	855	(882)	0
New financial assets	65,815	4,822	818	71,455	48,829	1,386	502	50,717	45,675	1,795	871	48,341
Financial asset disposals (other than												
write-offs)	(49,915)	(3,758)	(1,017)	(54,690)	(40,896)	(2,918)	(1,627)	(45,441)	(40,011)	(2,925)	(3,015)	(45,951)
Write-offs			(1,020)	(1,020)			(2,104)	(2,104)			(1,379)	(1,379)
CLOSING BALANCE	214,275	20,066	8,256	242,597	202,924	15,541	8,387	226,852	196,634	16,328	10,718	223,680

The changes 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

		2020				2019				2018		
	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL	STAGE 1:	STAGE 2:	STAGE 3:	TOTAL
Opening balance	574	708	3,416	4,698	695	741	4,277	5,713	1,412	-	5,404	6,816
1st application of IFRS 9 (Note 1)									(440)	589	614	763
Adjusted balance at				-				-	(440)	389	014	703
start of the year	574	708	3,416	4,698	695	741	4,277	5,713	972	589	6,018	7,579
Net allowances	328	423	942	1,693	21	(13)	400	408	(203)	(204)	475	68
From stage 1:	216	472	238	926	(116)	32	219	135	52	23	180	255
From stage 2:	(16)	(89)	469	364	(19)	(105)	142	18	(10)	(60)	(38)	(108)
From stage 3:	(4)	(35)	61	22	(8)	(21)	(125)	(154)	(4)	(27)	55	24
New financial assets	165	133	328	626	183	112	344	639	134	77	415	626
Disposals	(33)	(58)	(154)	(245)	(19)	(31)	(180)	(230)	(375)	(217)	(137)	(729)
Amounts used			(670)	(670)			(1,308)	(1,308)			(1,777)	(1,777)
Transfers and other	18	(67)	(63)	(112)	(142)	(20)	47	(115)	(74)	356	(439)	(157)
CLOSING BALANCE	920	1,064	3,625	5,609	574	708	3,416	4,698	695	741	4,277	5,713
Of which: COVID-19 fund	414	477	361	1,252								

# 15. 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)

	31-12-2	2020	31-12-2	2019	31-12-2	2018
	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rates	312	121	2,070	351	1,752	363
Equity instruments			58			
Currencies and gold		11	(6)	2	(4)	2
Other	1			40	95	88
TOTAL FAIR VALUE HEDGES	313	132	2,122	393	1,843	453
Interest rates		1	11		3	
Equity instruments					63	
Currencies and gold	159	4				
Other	43	100		122	147	340
TOTAL CASH FLOW HEDGES	202	105	11	122	213	340
TOTAL	515	237	2,133	515	2,056	793
Memorandum items						
Of which: OTC - credit institutions	515	237	499	254	897	560
Of which: OTC - other financial corporations			1,634	261	1,157	233
Of which: OTC - other					2	

The detail of the schedule of the nominal amount of interest rate hedging items and their average interest rate are as follows:

#### MATURITY SCHEDULE OF HEDGING ITEMS AND AVERAGE INTEREST RATE

		HEDGED ITEM VALUE									
	< 1 MONTH 1-	3 MONTHS	3-12 MONTHS	1-5 YEARS	>5 YEARS	TOTAL	INTEREST RATE				
Asset interest-rate hedges	20	8	112	2,162	11,047	13,349	(0.49%)				
Liability interest-rate hedges	2,071	1,020	1,808	22,874	7,787	35,560	1.32%				
TOTAL FAIR VALUE HEDGES	2,091	1,028	1,920	25,036	18,834	48,909					
Asset interest-rate hedges	41	1,609	1,371	2,900	3,073	8,994	(0.34%)				
TOTAL CASH FLOW HEDGES	41	1,609	1,371	2,900	3,073	8,994	(0.34%)				

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#### **HEDGING ITEMS - FAIR VALUE HEDGES**

(Millions of euros)

				31-12-20	20	2020		31-12-20	19	31-12-20	018
				VALUE OF HE	ENT	CHANGE IN FV USEDI TO CALCULATE THE INEFFECTIVENESS OF	RECOGNISED IN PROFIT OR LOSS	VALUE OF HE INSTRUM	ENT	VALUE OF HE INSTRUM	IENT
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS LIA	BILITIES	THE HEDGE (NOTE 32)	(NOTE 32)	ASSETS LIA	ABILITIES	ASSETS LIA	ABILITIE
	Issuances*	Transformation from fixed to floating	Interest-rate swaps and options	265	9	113	(6)	1,863	22	1,710	12
	Fixed-rate loans	Transformation from fixed to floating	Interest-rate swaps and options	47	80	(168)	(1)	182	286	18	193
Macrohedges	Floating-rate loans	Transformation from 12M Euribor floating rate to EONIA floating rate	Interest-rate swaps							7	
	Deposits with agreed maturity	Transformation from fixed to floating	Interest-rate swaps and options	0	42	7	(1)	19	5	13	16
	TOTAL			312	131	(48)	(8)	2,064	313	1,748	332
	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps			(1)			6		3
	Public debt OCI portfolio	Transformation of inflation-linked debt to fixed-rate to floating-rate	Interest-rate swaps, inflation- linked swaps and inflation-linked options	1		(6)			40	88	108
<b></b>	Public debt OCI portfolio	Transformation of fixed-rate debt in foreign currency to floating-rate in foreign currency	Interest-rate swaps			53			34		10
Microhedges	Currency loan	Transformation from fixed rate in foreign currency to floating rate in euro	Currency swaps		1	(1)					
	Equity instruments portfolio changes in OCI **	Value of the instrument	Equity Swap					58			
	Other					7	5			7	
	TOTAL			1	1	52	5	58	80	95	121

FV: Fair value

<sup>(\*)</sup> In 2018, a subordinated bond issuance with a nominal amount of EUR 2,072 million was repaid early, for which a profit of EUR 110 million has been recorded, recognised under "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" in the accompanying consolidated statement of profit or loss, deriving from the hedge operation associated with this issuance (Note 32).

<sup>(\*\*)</sup> Hedge on 1% of Telefónica contracted in 2019 and cancelled in March 2020.

#### **HEDGED ITEMS - FAIR VALUE HEDGES**

					31-12-2020				2020		31-12-2019		31-12	-2018
			_	HEDGED INSTR	UMENT	ACCUMULAT VALUE ADJUS IN THE HEDG	TMENTS	ACCUMULATED AMOUNT OF FV		LINE ON THE	HED INSTRI	GED JMENT	HED INSTRU	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES	ASSETS LI	ABILITIES	HEDGING ADJUSTMENTS OF HEDGED ITEMS **	OF THE HEDGE (NOTE 32)	WITH THE HEDGED ITEM	ASSETS L	IABILITIES	ASSETS L	IABILITIES
	Issuances	Transformation from fixed to floating	Interest-rate swaps and options		30,327		1,602	81	(122)	Financial liabilities at amortised cost		27,726		22,179
	Fixed-rate loans	Transformation from fixed to floating	Interest-rate swaps and options	12,673		269		(1,017)	167	Financial assets at amortised cost	13,681		12,211	
Macrohedges	Floating-rate loan	Transformation from Euribor 12M floating rates to EONIA floating rate	e Interest-rate swaps							Financial assets at amortised cost	660		3,615	
	Deposits with agreed maturity	Transformation from fixed to floating	Interest-rate swaps and options		5,233		12		. ,	Financial liabilities at amortised cost		5,206	493	5,085
	TOTAL			12,673	35,560	269	1,614	(936)	38		14,341	32,932	16,319	27,264
	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps	70		N/A	N/A		1	Financial assets at fair value *	69		64	
	Public debt OCI portfolio		Interest-rate swaps, inflation-linked eswaps and inflation-linked options	471		N/A	N/A		6	Financial assets at fair value *	468		434	
	Public debt OCI portfolio	Transformation of fixed- rate debt in foreign currency to floating-rate in foreign currency				N/A	N/A		(53)	Financial assets at fair value *	1,037		880	
Microhedges	Currency loan	Transformation from fixed rate in foreign currency to floating rate in euro	Currency swaps	131		1			1	Financial assets at amortised cost				
	Equity instrument portfolio changes		·			NI/A	N/A			Financial assets at	222			
	in OCI Other	Value of the instrument	Equity Swap	1		N/A	N/A			fair value *	323 3		3/1	
				676		1			(45)					
	Other TOTAL			676		1			(45)		3 1,900		34 1,412	_

<sup>(\*)</sup> with changes in other comprehensive income (\*\*) See Note 20.

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#### **HEDGING ITEMS - CASH FLOW HEDGES**

			_	31-12-2	.020		31-12-2019		31-12-2	018
			_	VALUE OF H		AMOUNT RECLASSIFIED INEFFECTIVEN	VALUE OF HEDG		VALUE OF H	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS		FROM EQUITY TO RECOGNISE PROFIT OR LOSS PROFIT OR L		ITIES	ASSETS LIA	ABILITIES
	Floating-rate loans	Transformation from floating to fixed	Interest-rate swaps						3	
Macrohedges	Mortgage Euribor loans	Mortgage Euribor transformation to fixed rate	Interest-rate swaps				11			
	Floating-rate currency loans	Transformation from floating rate in foreign currency to floating rate in euros	Currency swaps	158	3	(16)				
	TOTAL			158	3	(16)	11		3	
	Inflation-linked public debt	Transformation from inflation-linked floating to fixed rate	Inflation-linked swaps and inflation-linked options		84	(20)		122	145	340
Microhedges	Inflation-linked public debt at amortised cost	Transformation from floating to fixed	Interest-rate and inflation-linked swaps	44	18	(1)				
	Equity instruments portfolio associates*	Value of the instrument	Equity Swap						63	
	Other								2	
	TOTAL			44	102	(21)		122	210	340

<sup>(\*)</sup> The hedge on 1.36% of the stake in Erste Bank was 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**

					31-12-2020			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		PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES
		Transformation from				Financial assets at				
	Floating-rate loans	floating to fixed In	terest-rate swaps			amortised cost			2	
		Mortgage Euribor								
		transformation to fixed								
	Mortgage Euribor loans		terest-rate swaps	93			2			
Macrohedges	•	Transformation from								
		floating rate in foreign								
	Floating-rate currency	currency to floating rate		(=)		Financial assets at				
	loans	in euros	Currency swap	(3)	0	amortised cost				
		Transformation from				Financial assets at				
	Fixed-rate term deposits	fixed to floating In	terest-rate swaps			amortised cost		25		26
	TOTAL			90	0	0	2	25	2	26
			Inflation-linked							
		Transformation from	swaps and							
	Inflation-linked public	inflation-linked floating	inflation-linked			Financial assets at				
	debt.	debt to fixed rate	options	15		fair value *	(75)		(55)	
			Interest-rate and							
	Inflation-linked public	Transformation from	inflation-linked	(2-)		Financial assets at				
	debt at amortised cost	floating to fixed	swaps	(25)	0	amortised cost				
	Equity instruments of					Investments in				
	investments in					joint ventures and				
	associates	Value of the instrument	Equity Swap			associates			61	
	Other								2	(4)
	TOTAL			15	0		(75)	0	8	(4)

<sup>(\*)</sup> with changes in other comprehensive income

# 16. Investments in joint ventures and associates CaixaBank Group | 2020 Financial Statements

# 16. Investments in joint ventures and associates

The breakdown of the changes of the balance under this heading is as follows:

### **CHANGES IN INVESTMENTS - 2020**

	31-12-20	019						31-12-2020	
	CARRYING AMOUNT	STAKE% P	URCHASES	SALES	MEASURED USING THE EQUITY METHOD	VALUE IMPAIR- TE MENT AN		CARRYING AMOUNT ***	STAKE%
UNDERLYING CURRENT AMOUNT	3,429		0	0	(21)		(42)	3,366	
Erste Group Bank *	1,470	9.92%			48		(4)	1,514	9.92%
Coral Homes **	948	20.00%			(41)		(105)	802	20.00%
SegurCaixa Adeslas	695	49.92%			11		(21)	685	49.92%
Associates BPI subgroup	200				(9)		(3)	188	
Comercia Global Payments					2		49	51	20.00%
Other	116				(32)		42	126	
GOODWILL	362		0	0	0		5	367	
SegurCaixa Adeslas	300							300	
Associates BPI subgroup	43							43	
Other	19						5	24	
IMPAIRMENT ALLOWANCES	(16)		0	0	0	(316)	0	(332)	
Erste Group Bank						(311)		(311)	
Other	(16)					(5)		(21)	
TOTAL ASSOCIATES	3,775		0	0	(21)	(316)	(37)	3,401	
UNDERLYING CURRENT AMOUNT	167		0	0	11		(136)	42	
Comercia Global Payments	122	49.00%			14		(136)	0	
Joint ventures BPI subgroup	37							37	
Other	8				(3)			5	
GOODWILL	0		0	0	0		0	0	
Other	0							0	
IMPAIRMENT ALLOWANCES	(1)		0	0	0		1	0	
Other	(1)						1	0	
TOTAL JOINT VENTURES	166		0	0	11	0	(135)	42	

<sup>(\*)</sup> At 31 December 2020, the market value of 9.92% of the stake is EUR 1,063 million.

<sup>(\*\*)</sup> Transfers and other mainly includes the distribution of reserves and dividends deducted from cost of investment.

<sup>(\*\*\*)</sup> Includes EUR 7 million in intangible assets generated at the time of the purchase, which are being repaid in the corresponding term.

# 16. Investments in joint ventures and associates CaixaBank Group | 2020 Financial Statements

### **CHANGES IN INVESTMENTS - 2019**

(iviline is of cares)									
	31-12-2	018						31-12-2	019
					MEASURED USING	VALUE		CARRYING	
	CARRYING				THE EQUITY	IMPAIR-		AMOUNT	
LINDEDLYING CURRENT	AMOUNT	STAKE% P	URCHASES	SALES	METHOD	MENI	TRANSFERS	**	STAKE%
UNDERLYING CURRENT AMOUNT	3,368		1	(2)	204		(142)	3,429	
Erste Group Bank *	1,381	9.92%		(2)	92		(3)	1,470	9.92%
Coral Homes	1,082				32		(134)	948	20.00%
SegurCaixa Adeslas	624				73		(2)	695	49.92%
Associates BPI subgroup	168				35		(3)	200	
Other	113		1	(2)	4		,	116	
GOODWILL	362		0	0	0		0	362	
SegurCaixa Adeslas	300							300	
Associates BPI subgroup	43							43	
Other	19							19	
IMPAIRMENT ALLOWANCES	(19)		0	2	0	1	0	(16)	
Other	(19)			2		1		(16)	
TOTAL ASSOCIATES	3,711		1	0	204	1	(142)	3,775	
UNDERLYING CURRENT									
AMOUNT	167		4	(1)	1		(4)	167	
Comercia Global Payments	123	49.00%			(1)			122	49.00%
Joint ventures BPI subgroup	35				2			37	
Other	9		4	(1)			(4)	8	
GOODWILL	1		0	(1)	0		0	0	
Other	1			(1)				0	
IMPAIRMENT ALLOWANCES	0		0	0	0	(1)	0	(1)	
Other	0					(1)		(1)	
TOTAL JOINT VENTURES	168		4	(2)	1	(1)	(4)	166	

<sup>(\*)</sup> At 31 December 2019, the market value of 9.92% of the stake was EUR 1,431 million.

<sup>(\*\*)</sup> Includes EUR 55 million in intangible assets generated at the time of the purchase, which are being repaid in the corresponding term.

#### **CHANGES IN INVESTMENTS - 2018**

(Millions of euros)

(Willions of Euros)									
	31-12-2	017						31-12-2	018
					MEASURED USING	VALUE		CARRYING	
	CARRYING	CTAVEN D	UDCHACEC	SALES	THE EQUITY	IMPAIR- MENT	FERS AND OTHER	AMOUNT	STAKE%
UNDERLYING CURRENT	AMOUNT	STAKE% P	UKCHASES	SALES	METHOD	IVIENT	OTHER		STAKE%
AMOUNT	5,689		60	(1,534)	136		(983)	3,368	
Repsol	2,705	9.64%	36	(1,416)	133		(1,458)	,	
Erste Group Bank *	1,353	9.92%			28			1,381	9.92%
Coral Homes (Note 1.8)	0				1		1,080	1,081	20.00%
SegurCaixa Adeslas **	715	49.92%		(113)	23			625	49.92%
Associates BPI subgroup	748				(63)		(517)	168	
Other	168		24	(5)	14		(88)	113	
GOODWILL	361		0	0	0		0	361	
SegurCaixa Adeslas	300							300	
Associates BPI subgroup	42							42	
Other	19							19	
IMPAIRMENT ALLOWANCES	(13)		0	2	0		(7)	(18)	
Other	(13)			2			(7)	(18)	
TOTAL ASSOCIATES	6,037		60	(1,532)	136		(990)	3,711	
UNDERLYING CURRENT									
AMOUNT	186		4	(38)	15		0	167	
Comercia Global Payments	105	49.00%			19			123	49.00%
Joint ventures BPI subgroup	35				0		0	35	
Other	46		4	(38)	(4)			9	
GOODWILL	1		0	0	0		0	1	
Other	1						0	1	
IMPAIRMENT ALLOWANCES	0		0	0	0		0	0	
Other	0		·				0	0	
TOTAL JOINT VENTURES	187		4	(38)	15		0	168	

<sup>(\*)</sup> At 31 December 2018, the market value of 9.92% of the stake was EUR 1,239 million.

#### **Comercia Global Payments**

On 1 October 2020, 29% of the stake in Comercia Global Payments, Entidad de Pago, S.L. was sold to Comercia Global Payments for EUR 493 million (on 30 September 2020, this 29% was reclassified under "Non-current assets and disposal groups classified as held for sale" upon showing signs of sale). As a result of this operation, the Group will maintain its presence and a significant degree of influence in the acquisition business with Company businesses, as well as generating gains of approximately EUR 420 million, net of tax, that is recorded under the heading "Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (net)" of the income statement (see Note 39).

#### Repsol S.A.

On 20 September 2018, the Group began disposal of the current shareholding in Repsol, in line with the guidelines set out in the current strategic plan.

The impact deriving from the loss of significant 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 consolidated balance sheet stood at a gross loss of EUR 453 million, registered under the heading "Gains/(losses) on derecognition of non-financial assets, net" of the 2018 income statement.

<sup>(\*\*)</sup> Arising from a distribution of the investment's share premium, with no variation in the ownership percentage.

<sup>(\*\*\*)</sup> Includes EUR 64 million in intangible assets generated at the time of the purchase, which are being repaid in the corresponding term.



#### 16. Investments in joint ventures and associates

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The divestment of the residual holding recorded under "Financial assets at fair value with changes in other comprehensive income" finalised in 2019 (see note 13).

#### Banco de Fomento de Angola, SA (BFA)

#### Loss of significant influence

After the sale of 2% of BFA to Unitel in 2017, BPI's stake in BFA stood at 48.1% of the share capital and a contract was entered into between the two BFA shareholders, whereby BPI had the right to designate two members out of a maximum of 15 on the board of directors, as well as a member on the Conselho Fiscal and a member on the Risk Committee and the Remuneration Committee. BPI's stake in the share capital of BFA and its presence on the governing bodies of BFA, albeit a minority representation and not proportional to its holding, afforded it a significant influence in BFA in accordance with the provisions of IAS 28 and as a result, after the aforementioned sale of 2% of BFA, BPI classified its ownership interest in BFA as an associate. This classification remained in the consolidated financial statements of the Group after the takeover of BPI in February 2017.

As specified in Note 1, at every close, the Group assesses the most relevant judgements and estimates used to prepare the financial information. Following on from this, due to the existence of indications of a possible significant loss of influence at year-end 2018, the Group proceeded to classify BFA as an associate. It is worth stressing, among the main matters considered, that the absence of BPI representatives on the BFA executive body – its executive committee, which is the body that oversees the bank's operational management – ultimately determined a lack of actual capacity of BPI to participate in decisions on the financial policy and operations of the entity in the terms set out in paragraph 6 of IAS 28. BPI's minority position on the board of directors, together with the presence of a controlling shareholder, also prevented it, in practice, from having a real ability to influence the management of BFA. In this context, the weight of the BPI stake on BFA's operational and financial decisions has been far from the initial expectations based on the experience of many years of shareholding relations, where BPI played a key role in the development of BFA.

In accordance with the regulatory framework for accounting, the loss of significant influence resulted in the reclassification, in 2018, of the stake in BFA from associate to "Financial assets at fair value with changes in other comprehensive income - equity instruments" of the consolidated balance sheet, at its fair value at the date of its reclassification. This involved reclassifying – in the income statement – the valuation adjustments that remained recorded in the Group's equity until now. This has resulted in recording a net loss in the consolidated income statement amounting to EUR 154 million (EUR 139 million, net) under the heading "Gains/(losses) on derecognition of non-financial assets, net" of the accompanying income statement. Until the date of reclassification, the total net contribution of BFA as an associate to the Group's profit or loss for 2018 recognised under "Share of profit/(loss) of entities accounted for using the equity method", after deducting profit/(loss) attributable to non-controlling interests and related taxes, came to EUR 190 million net. The total contribution to the Group's profit or loss after deducting the loss linked to the reclassification of this holding was EUR 51 million net.

#### Hyperinflation

Angola was classified as a hyperinflationary economy during 2017 by the main international audit firms, considering the fact that it had a cumulative inflation rate near to 100% over the last three years, as well as the changes recorded prices, wages and interest rates.

Until the date on which our holding in BFA was reclassified under the heading "Financial assets at fair value with changes in other comprehensive income - equity instruments", the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Foreign currency exchange" included any changes arising from the requirements of IAS 29. The effect of IAS 29 resulted in a credit to this heading in 2018 of EUR 78 million and, in turn, a negative impact of EUR 90 million on "Share of profit/(loss) of entities accounted for using the equity method" in the statement of profit or loss. As a consequence of the several devaluations of the Angolan kwanza, a decrease of EUR 293 million net was recorded in "Accumulated other comprehensive income", arising from the conversion of BFA's financial statements into euros in accordance with IAS 21.

#### 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 Group not recognised in the financial statements. Likewise, there are no contingent liabilities related to these investments.

For the purpose of assessing the recoverable amount of investments in associates and joint ventures, the Group regularly monitors the impairment indicators related to 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 of determining the recoverable value for the stakes 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)	SEGUR	CORAL HOMES (5)		
	31-12-2020	31-12-2019	31-12-2018	31-12-2020	31-12-2019	31-12-2018	31-12-2020
Forecast periods	5 years	5 years	4 years				
Discount rate (after tax) (1)	10.1%	10.1%	10.1%	8.24%	8.13%	8.57%	7.00%
Growth rate (2)	2.5%	2.5%	2.5%	2%	2%	2%	
Target capital/solvency ratio	13.50%	12.36%	12.05%	100%	100%	100%	

<sup>(1)</sup> Calculated on the basis of the interest rate of the German bond (Erste Group Bank) and the Spanish bond (SegurCaixa Adeslas and Coral Homes), adding, where applicable, risk premiums.

As a consequence of this impairment test, on 31 December 2020 an impairment of EUR 311 million was highlighted in the share in Erste Group Bank, recorded under the heading "Impairment or reversal of impairment on investments in joint ventures and associates" of the income statement.

<sup>(2)</sup> Corresponds to the normalised growth rate used to calculate the fair value.

<sup>(3)</sup> 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%], on the discount rate of [-0.50%; +0.50%] and on the growth rate of [-1%; +1%].

<sup>(4)</sup> The exercise to determine the recoverable value considers the sensitivity with respect to the discount rate and the growth rate [-0.05%; +0.05%].

<sup>(5)</sup> The result of the dynamic valuation exercise (DDM) has been contrasted with the result obtained with the static methodology (NNAV), with no resulting need to make any value correction whatsoever. Similarly, the valuation exercise conducted by an independent consultant on assets of Coral Homes on 31 December 2020, has highlighted the existence of material unrealised gains in the portfolio that are expected be able to materialise throughout the coming years.

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### 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	SEGURCAIXA ADESLAS	CORAL HOMES
Nature of the company's activities	Has strong deposits business and offers retail products, corporate products and investment banking services.	Strategic alliance with Mutua Madrileña for the development, marketing and distribution of the general non-life insurance cover.	Purchasing, holding, managing, administrating, swapping, leasing and selling all kinds of real estate assets, with their associated or accompanying furnishing elements, as well as promoting and carrying out all kinds of real estate developments.
Country of incorporation and countries of operation	Austria, Czech Republic, Romania, Slovakia, Croatia, Hungary and Serbia	Spain	Spain
Restrictions on dividend payments	Regulatory restrictions or limitations according to the level of capital, return or growth outlook of the business	Constraints on the allocation of dividends based on solvency level of the company, in order to ensure that the existing regulatory and contractual requirements are met.	

# 17. Assets and liabilities under the insurance business

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### 17. Assets and liabilities under the insurance business

The breakdown of the balances linked to the insurance business is as follows:

#### ASSETS AND LIABILITIES UNDER THE INSURANCE BUSINESS

	31-12-2020	31-12-20	19	31-12-2	2018
	ASSETS LIABILITI	ES ASSETS LIA	ABILITIES	ASSETS	LIABILITIES
Financial assets under the insurance business *	77,241	72,683		61,688	
Financial assets held for trading	545	1,066		945	
Debt securities	545	1,066		945	
Financial assets designated at fair value through profit or loss **	14,705	12,150		7,990	
Equity instruments	9,301	7,704		5,265	
Debt securities	5,297	3,980		2,343	
Loans and advances - Credit institutions	107	466		382	
Available-for-sale financial assets	61,643	58,763		51,345	
Debt securities	61,643	58,763		51,345	
Loans and receivables	218	530		1,183	
Debt securities	189	350		655	
Loans and advances - Credit institutions	29	180		528	
Assets under insurance and reinsurance contracts	130	174		225	
Liabilities under the insurance business	75,12	29	70,807		61,519
Contracts designated at fair value through profit or loss	14,60	08	12,248		9,053
Liabilities under insurance contracts	60,52	21	58,559		52,466
Unearned premiums		2	4		4
Mathematical provisions	59,53	33	57,830		51,772
Claims	89	99	687		668
Bonuses and rebates		37	38		22

<sup>(\*)</sup> The Group's insurance companies (VidaCaixa and BPI Vida y Pensiones) have decided to make use of the temporary exemption from IFRS 9, which is why its financial instruments are presented in accordance with IAS 39 in the heading "Assets under the insurance business" of the accompanying balance sheet (see Note 1)

<sup>(\*\*)</sup> Includes i) the investments linked to the operations of life insurance products when the risk of the investment is assumed by the policyholder, called unit-linked, as well as ii) the investments under the product Immediate Flexible Life Annuity, in which part of the commitments with the policyholders are calculated by referencing the reasonable value of the affected assets, the nature of which is similar to unit-linked operations.

17.1. Available-for-sale financial assets

The breakdown of the balances of this section is as follows:

#### **BREAKDOWN OF AVAILABLE-FOR-SALE FINANCIAL ASSETS**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Equity instruments	0	0	0
Debt securities **	61,643	58,763	51,345
Spanish government debt securities	51,613	49,977	44,262
Foreign government debt securities	6,708	5,732	4,043
Issued by credit institutions	2,917	2,629	2,411
Other foreign issuers	405	425	629
TOTAL	61,643	58,763	51,345
Debt securities			
Of which: gross unrealised gains *	15,769	13,362	8,069
Of which: gross unrealised losses			

<sup>(\*)</sup> Revaluation at market value of the corresponding portfolio, as a result of the application of the accounting option provided for in IFRS4 named "shadow accounting" (see Note 2.21).

The breakdown of the changes under this section is as follows:

# **CHANGES IN DEBT SECURITIES**

2019	
	2018
51,345	49,394
	17
15,388	16,678
3,710	28
(11,383)	(14,117)
(297)	(655)
58,763	51,345
	, , ,

<sup>(\*)</sup> In 2019 there were fixed income portfolio sales with a nominal amount of EUR 656 million and a profit of EUR 56 million.



**17.2.** Assets under insurance and reinsurance contracts

The breakdown of the changes under this section is as follows:

#### **CHANGES IN ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS**

(Millions of euros)

	2020	2019	2018
Opening balance	174	225	276
Provision	130	174	225
Amounts used	(174)	(225)	(276)
FINAL BALANCE	130	174	225

This balance sheet heading mainly covers mathematical provisions relating to Berkshire Hathaway Life Insurance Company of Nebraska, assumed as a result of the reinsurance agreement signed in 2012 by VidaCaixa to mitigate longevity risk associated with its life annuities savings portfolio.

17.3. Liabilities under the insurance business

The breakdown of the changes under this section is as follows:

#### **CHANGES IN LIABILITIES UNDER INSURANCE CONTRACTS**

(Millions of euros)

	2020	2019	2018
Opening balance	70,807	61,519	50,998
1st application of IFRS 9 (Note 1)			8,241
Adjusted opening balance	70,807	61,519	59,239
Additions due to business combinations			
Provision	75,129	70,807	61,519
Amounts used	(70,807)	(61,519)	(59,239)
FINAL BALANCE	75,129	70,807	61,519
Of which: Unearned premiums and unexpired risks	2	4	4
Of which: Life insurance – risk	487	506	525
Of which: Life insurance – saving	59,047	57,324	51,247
Of which: Life insurance – other	14,607	12,248	9,053
Of which: Claims	899	687	668
Of which: Provisions for bonuses and rebates	87	38	22
Of which: Technical provisions	0	0	0

As a result of the analysis on the sufficiency of liabilities, the following amounts corresponding to unrealised gains of the financial assets under the insurance business are reclassified from "Equity – Accumulated other comprehensive income" to "Liabilities under the insurance business":

### TACIT ACCOUNTING ADJUSTMENT

	24 42 2020	24 42 2040	24 42 2040
	31-12-2020	31-12-2019	31-12-2018
Gains/(losses) reclassified as "Liabilities under the insurance business"	3,862	3,263	2,056



# 17. Assets and liabilities under the insurance business

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The following table shows the key cases at the close of the financial year for calculating the mathematical provisions of insurance in Spain and Portugal:

#### **ACTUARIAL ASSUMPTIONS FOR MEASURING PROVISIONS**

	BIOMETRIC TABLES	AVERAGE TECHNICAL INTEREST RATE
Life annuities - PVI	According to the different types, the tables GR-80, GR-80 less two years, GR-95 and GK-95 are used. From 21/12/2012, according to the type, the tables PASEM 2010 Unisex (sector mix), GR-95 Unisex (company mix, savings portfolio), PER2000P Unisex (company mix, savings portfolio) or PER2000P Women (from 70 years) are used.	1.97%
Life annuities - Pension 2000	According to different types, the tables GR-70, GR-80, GK-80, GR-95 and GK-95 are used. From 21/12/2012 the GR-95 Unisex (company mix, savings portfolio) tables are used.	6.82%
GBPs/ISPs	According to different types, the tables GR-80, GR-80 less two, GR-70, GR-95 and PER2000P are used. From 21/12/2012, according to the type, the PER2000P Unisex or PASEM2010 Unisex tables are used.	0.07%
Group insurance	Policies opened before 01/01/2009 use the GKM-80/GKF-80 tables. Policies opened between 01/01/2009 and 20/12/2012 use the INE 2004-2005 tables. Policies opened from 21/12/2012 use the PASEM 2010 Unisex (sector mix) tables.	Variable
PPA (Insured Pension Plan)	According to the types, the tables GR-80 less two years, GR-95 and GK-95 are used. For the new production from 21/12/2012 the tables PASEM 2010 Unisex (sector mix) are used.	2.49%
Unit Link	According to different types, the tables GK-80, GK-95 and INE 2005 are used. From 21/12/2012 the PASEM 2010 Unisex (sector mix) tables are used.	-

On 17 December 2020, the Directorate-General for Insurance and Pension Funds published the Ruling regarding survival and mortality tables to be used by insurance and reinsurance companies, approving the technical guide in relation to monitoring criteria regarding the biometric tables. This Ruling came into force on 31 December 2020. At 31 December 2020, the Group holds sufficient technical provisions without needing to apply the transition period laid down in the Ruling.

17.4. Selected information on financial assets under the insurance business

In addition to applying the temporary exemption from IFRS 9 to insurance companies controlled by the Group, the disclosure requirements of which are shown below, and in Notes 3 and 40.1, the aforementioned deferral has also been applied to SegurCaixa Adeslas (affiliated company of the Group). The impact on the value of financial instruments associated with the application of IFRS 9 in this company is not deemed significant, due to the low credit risk of the counterparties of its financial instruments.

The following table shows the fair value at the end of the year, differentiating between assets with cash flows that would solely represent payments of principal and interest (SPPI) in accordance with IFRS 9, and those managed by their fair value (non-SPPI):



## 17. Assets and liabilities under the insurance business

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#### **COMPLIANCE WITH SPPI TEST**

(Millions of euros)

	SPPI*	NON-SPPI **	TOTAL
Financial assets not held for trading and not managed by their fair value	61,642		61,642

#### AMOUNT OF THE CHANGE IN FAIR VALUE DURING 2020

(Millions of euros)

(Numeric of Cares)			
	SPPI*	NON-SPPI **	TOTAL
Financial assets not held for trading and not managed by their fair value	2,879		2,879

(\*) The insurance companies use a combination of financial instruments in the financial immunisation strategies to cover the risks to which their activities are exposed. For these purposes, in the investment operations of the Group's insurance business, different fixed-income securities include financial swaps which, in accordance with the sector practice and the applicable monitoring criteria, are recognised jointly, whether it is in "Available-for-sale financial assets" or in the amortised cost portfolio, and the fair value is shown in the top table.

These financial swaps individually assessed only taking into account their legal form will not pass the SPPI test considered in IFRS 9. Following on from this, within the framework of the project to implement IFRS 9 which is ongoing in the insurance companies, the Group has analysed the different accounting alternatives considered in the regulatory framework (including hedge accounting) jointly with the main changes that will be introduced by IFRS 17 Insurance Contracts in the assessment of technical provisions; the ultimate aim of all the foregoing is to avoid asymmetries in the income statement and assets of the Group.

As regards the fixed-income instruments, the insurance companies have not estimated as 'material' the expected loss which, in the first adoption of IFRS 9, would be recorded under reserves.

(\*\*) The change of the balance of assets that have not passed the SPPI test is explained by maturities occurring at the end of the year, as well as the adaptation of the financial instruments portfolio to the probable flows of the liabilities.

#### 18. Tangible assets

The breakdown of the changes of the balance under this heading is as follows:

## **CHANGES IN TANGIBLE ASSETS**

	2020		2019			2018			
		FURNITURE,		FURNITURE,			FURNITURE,		
		<b>FACILITIES AND</b>	RIGHTS		<b>FACILITIES AND</b>	RIGHTS		FACILITIES AND	
	BUILDINGS	OTHER	OF USE*	BUILDINGS	OTHER	OF USE*	BUILDINGS	OTHER	
Cost									
Opening balance	2,594	4,484	1,625	2,615	4,223		2,657	4,044	
1st application of IFRS 16 (Note 1)						1,409			
Additions	65	337	123	130	384	120	83	361	
Disposals	(5)	(170)	(61)	(13)	(194)	(31)	(35)	(188)	
Transfers **	(141)	22	6	(138)	71	127	(90)	6	
CLOSING BALANCE	2,513	4,673	1,693	2,594	4,484	1,625	2,615	4,223	
Accumulated depreciation									
Opening balance	(547)	(3,081)	(130)	(543)	(3,052)		(547)	(3,046)	
Additions	(10)	(191)	(134)	(33)	(181)	(132)	(32)	(163)	
Disposals	6	134	18	12	158	1	19	137	
Transfers **	28	1		17	(6)	1	17	20	
CLOSING BALANCE	(523)	(3,137)	(246)	(547)	(3,081)	(130)	(543)	(3,052)	
Impairment allowances									
Opening balance	(18)	(12)		(19)	(14)		(19)	(13)	
Allowances (Note 37)				(3)			(1)		
Provisions (Note 37)	4	1		5	2		2	1	
Transfers **		2		(1)			(1)	(2)	
CLOSING BALANCE	(14)	(9)		(18)	(12)		(19)	(14)	
OWN USE, NET	1,976	1,527	1,447	2,029	1,391	1,495	2,053	1,157	
Cost									
Opening balance	3,314	104		3,857	106		4,701	105	
Additions	13	2		4	6		60	8	
Disposals	(239)	(5)		(369)	(5)		(1,064)	(11)	
Transfers **	(108)			(178)	(3)		160	4	
CLOSING BALANCE	2,980	101		3,314	104		3,857	106	
Accumulated depreciation									
Opening balance	(192)	(35)		(187)	(32)		(199)	(26)	
Additions	(37)	(8)		(41)	(7)		(51)	(11)	
Disposals	17	2		23	1		64	5	
Transfers **	3			13	3		(1)		
CLOSING BALANCE	(209)	(41)		(192)	(35)		(187)	(32)	
Impairment allowances	, ,	, ,		, ,	, ,		, ,	, ,	
Opening balance	(824)			(932)			(1,177)		
Allowances (Note 37)	(145)			(111)			(249)		
Provisions (Note 37)	65			66			253		
Transfers **	23			53			(23)		
Amounts used	57			100			264		
CLOSING BALANCE	(824)			(824)			(932)		
INVESTMENT PROPERTY	1,947	60		2,298	69		2,738	74	
	-,- "			_,_50			_,, 30		

<sup>(\*)</sup> Corresponds to the rights of use of land and buildings. With regard to right-of-use assets, the heading 'Other financial liabilities - Liabilities associated to right-of-use assets' (see Note 22.4) includes the current value of future lease payments during the mandatory period of the contract.

<sup>(\*\*)</sup> They mainly include the value of real estate reclassified from other balance sheet headings: from "Own use" when a branch is closed or from "Non-current assets and disposal groups classified as held for sale" when the asset is put up for rent (see Note 21).

#### 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 19). In addition, the Group 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

	31-12-2020
Fully amortised assets still in use	2,498
Commitments to acquire tangible assets*	Insignificant
Assets with ownership restrictions	Insignificant
Assets covered by an insurance policy	100% **

<sup>(\*)</sup> Sales made in previous years with sale and leaseback agreements include buy options that may be exercised by the Group 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 35).

<sup>(\*\*)</sup> Some of the insurance policies have an excess. CaixaBank is the holder of a corporate policy subscribed with a third party that covers material damage to the Group's material asset.

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## 19. Intangible assets

19.1. Goodwill

The breakdown of this heading is as follows:

## **BREAKDOWN OF GOODWILL**

(Millions of euros)

	CGU	31-12-2020	31-12-2019	31-12-2018
Acquisition of Banca Cívica	Banking	2,020	2,020	2,020
Acquisition of Banca Cívica Vida y Pensiones	Insurance	137	137	137
Acquisition of Cajasol Vida y Pensiones	Insurance	50	50	50
Acquisition of Cajacanarias Vida y Pensiones	Insurance	62	62	62
Acquisition of Banca Cívica Gestión de Activos	Banking	9	9	9
Acquisition of the Morgan Stanley business in Spain	Banking/Insurance *	402	402	402
Acquisition of Bankpime	Banking	40	40	40
Acquisition of VidaCaixa	Insurance	331	331	331
TOTAL		3,051	3,051	3,051

<sup>(\*)</sup> Of which EUR 3.7 million are allocated to the Insurance CGU and the remainder to the Banking CGU.

19.2. Other intangible assets

The breakdown of this heading is as follows:

## **BREAKDOWN OF OTHER INTANGIBLE ASSETS**

			REMAINING			
	USEFUL LIFE	CGU	USEFUL LIFE	31-12-2020	31-12-2019	31-12-2018
Software and other	4 to 15 years		1 to 15 years	784	641	584
Customer relationships (core deposits) of Barclays Bank	9 years	Banking	3 years	8	10	13
Customer relationships (core deposits) of Banca Cívica	4 to 9.5 years	Banking		0	0	30
Customer relations (core deposits) of Banco de Valencia	6.2 years	Banking		0	0	1
Insurance portfolio of Banca Cívica y Pensiones	10 years	Insurance	2.5 years	13	20	28
Insurance portfolio of CajaSol Vida y Pensiones	10 years	Insurance	2.5 years	3	5	6
Insurance portfolio of CajaCanarias Vida y Pensiones	10 years	Insurance	2.5 years	2	3	3
Customer funds of Banco de Valencia	10 years	Insurance	3 years	1	1	1
Customer funds of Barclays Bank	10 years	Insurance	5.5 years	12	14	16
		Banking/				
Contracts with Morgan Stanley customers	11 years	Insurance		0	0	1
Contracts with Banca Cívica Gestión de Activos customers	10 years		2.5 years	2	2	3
Contracts with Barclays Gestión de Activos customers	9 years		3 years	2	3	4
Customer relationships (core deposits) of BPI	5.8 years	Banking	1.8 years	12	19	25
BPI brand		Banking	Indefinite	20	20	20
Life insurance portfolios of BPI Vida	5 to 10 years	Insurance	1 to 6 years	5	8	11
Customer portfolios - asset management	10 years	Banking	6 years	10	12	14
Customer portfolios - Insurance brokerage	10 years	Banking	6 years	17	20	23
Deposit portfolio	6 years	Banking	2 years	7	10	14
TOTAL				898	788	797

The breakdown of the changes of the balance under this heading is as follows:

#### **CHANGES IN OTHER INTANGIBLE ASSETS**

(Millions of euros)

	2020		2	019	2018	
	SOFTWARE	OTHER ASSETS	SOFTWARE	OTHER ASSETS	SOFTWARE	OTHER ASSETS
Gross cost						
Opening balance	1,518	375	1,348	637	1,220	677
Additions due to business combinations (Note 7)						
Additions	255	32	201	31	191	34
Transfers and other	19	(37)	(29)	(33)	26	(46)
Write-downs (Note 37)	(327)	(34)		(147)		(24)
Other disposals	(1)		(2)	(113)	(89)	(4)
SUBTOTAL	1,464	336	1,518	375	1,348	637
Accumulated depreciation						
Opening balance	(891)	(209)	(791)	(396)	(789)	(341)
Additions due to business combinations (Note 7)	1					
Additions	(125)	(35)	(108)	(44)	(87)	(60)
Transfers and other	7	1	7		1	3
Write-downs (Note 37)	319	33		124		
Other disposals	2		1	107	84	2
SUBTOTAL	(687)	(210)	(891)	(209)	(791)	(396)
Impairment allowances						
Opening balance		(5)		(1)		(12)
Allowances (Note 37)				(4)		(5)
Recoveries (Note 37)				1		4
Transfers and other				(1)		12
Amounts used						
CLOSING BALANCE		(5)		(5)		(1)
TOTAL	777	121	627	161	557	240

Selected information related to other intangible assets is set out below:

### OTHER INFORMATION ABOUT OTHER INTANGIBLE ASSETS

(Millions of euros)

	31-12-2020
Fully amortised assets still in use	563
Commitments to acquire intangible assets	Insignificant
Assets with ownership restrictions	Insignificant

#### Impairment test of the banking CGU

For the purpose of analysing the recoverable amount of the Banking Business CGU, the Group performs a regular allocation of the Group'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 6 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 Group'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)

	31-12-2020	31-12-2019	31-12-2018	SENSITIVITY RANGE
Discount rate (after tax) *	8.2%	7.5%	9.0%	[-0.5%; + 2.5%]
Growth rate **	1.0%	1.0%	2.0%	[-0.5%; + 1.0%]
Net interest income over average total assets (NII) ***	[1.15% - 1.30%]	[1.21% - 1.46%]	[1.29% - 1.60%]	[-0.05%; + 0.05%]
Cost of risk (CoR)	[0.82% - 0.39%]	[0.26% - 0.36%]	[0.09% - 0.33%]	[-0.1%; + 0.1%]

<sup>(\*)</sup> Calculated on the yield for the German 10-year bond, plus a risk Premium. The pre-tax discount rate at 31 December 2020, 2019 and 2018 stood at 11.7%, 10.8% and 12.9%, respectively.

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.

Taking into account the excess of the recoverable value over the carrying amount, the Group does not consider that any reasonably possible change in any of the assumptions could, in isolation, cause the carrying amount to exceed the recoverable value.

The judgements and estimates on the basis of which the key assumptions have been determined are those which the Group considers to be the most plausible and which, therefore, best reflect the value of the banking business.

#### Impairment test of the Insurance CGU

The methodology for estimating the value of the insurance CGU in use is the same as the methodology for the banking CGU, and the results obtained have not highlighted any indications of impairment at the close of the financial year.

A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

#### ASSUMPTIONS USED AND INSURANCE BUSINESS CGU SENSITIVITY SCENARIOS

(Percentage)

	31-12-2020	31-12-2019	31-12-2018	SENSITIVITY
Discount rate (after tax)	8.81%	8.68%	8.57%	[-0.5%; + 0.5%]
Growth rate *	1.50%	2.00%	2.00%	[-0.5%; + 0.5%]

<sup>(\*)</sup> Corresponds to the normalised growth rate used to calculate the fair value.

<sup>(\*\*)</sup> Corresponds to the normalised growth rate used to calculate the net carrying value.

<sup>(\*\*\*)</sup> Net interest income on average total assets.

#### 20. 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)

	31-12-2020	31-12-2019	31-12-2018
Inventories	75	54	57
Other assets	2,144	2,928	2,119
Prepayments and accrued income *	1,686	1,496	710
Ongoing transactions	284	271	435
Dividends on equity securities accrued and receivable	3	7	23
Other	171	1,154	951
TOTAL OTHER ASSETS	2,219	2,982	2,176
Prepayments and accrued income *	1,132	1,143	1,036
Ongoing transactions	702	446	1,027
Other	161	573	576
TOTAL OTHER LIABILITIES	1,995	2,162	2,639

<sup>(\*)</sup> Includes the accumulated amount of the fair value hedge adjustments of hedged items that are accrued until maturity (see Note 15).

The breakdown of the changes of the balance under "Inventories" is as follows:

#### **CHANGES IN INVENTORIES**

	2020		2019		2018	
	FORECLOSED	OTHER	FORECLOSED	OTHER	FORECLOSED	OTHER
	ASSETS	ASSETS	ASSETS	ASSETS	ASSETS	ASSETS
Gross cost, inventories						
Opening balance	53	35	38	43	2,357	54
Plus:						
Acquisitions	14	125	3	215	78	245
Transfers and other	18		15			7
Less:						
Sales	(5)	(129)	(3)	(224)	(2,339)	(256)
Transfers and other *				1	(58)	(7)
CLOSING BALANCE	80	31	53	35	38	43
Impairment allowances, inventories						
Opening balance	(33)	(1)	(23)	(1)	(1,517)	(17)
Plus:						
Net allowances (Note 37)	(2)	0			(6)	(1)
Transfers and other		0	(11)		10	17
Less:						
Amounts used			1		1,490	
CLOSING BALANCE	(35)	(1)	(33)	(1)	(23)	(1)
INVENTORIES	45	30	20	34	15	42

<sup>(\*)</sup> They mainly include the value of the constructions/land fields reclassified from other balance sheet headings: from "Investment property" or "Non-current assets and disposal groups classified as held for sale" (see Notes 18 and 21).



The breakdown of the changes of the balance under this heading is as follows:

#### **BREAKDOWN OF NON-CURRENT ASSETS FOR SALE**

(Millions of euros)

	2020			2019		2018				
	FORECLOSED A	ASSETS		FORECLOSED	ASSETS		FORECLOSED	ASSETS		
	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)	FORECLOSURE RIGHTS (1)	OTHER A	OTHER ASSETS (2)	
Gross cost										
Opening balance	183	1,333	314	267	1,033	301	570	9,401	671	
Additions due to business combinations	0	0	0							
Additions	33	75	86	128	175	61	167	424	64	
Transfers and other (3)	(83)	205	73	(212)	427	62	(470)	414	27	
Disposals for the year	0	(262)	(200)	0	(302)	(110)	0	(9,206)	(461)	
CLOSING BALANCE	133	1,351	273	183	1,333	314	267	1,033	301	
Impairment allowances										
Opening balance	(41)	(390)	(45)	(55)	(280)	(27)	(97)	(4,310)	(166)	
Additions due to business combinations	0	0	0	0	0	0	0		0	
Allowances (Note 39)	0	(159)	(43)	0	(149)	(37)	(3)	(521)	(30)	
Recoveries (Note 39)	0	87	8	0	45	7	0	211	8	
Transfers and other (4)	6	(70)	1	14	(73)	(1)	45	(213)	148	
Amounts used	0	74	13	0	67	13	0	4,553	13	
CLOSING BALANCE	(35)	(458)	(66)	(41)	(390)	(45)	(55)	(280)	(27)	
TOTAL	98	893	207	142	943	269	212	753	274	

<sup>(1)</sup> Foreclosure rights are measured initially at the carrying amount at which the asset will be recognised when the definitive foreclosure occurs.

The breakdown, by age, of foreclosed assets, excluding impairment allowances, determined on the basis of the foreclosure date, is as follows:

## AGE OF FORECLOSED

(11111110110 0) Cui 00)								
	31-12-	31-12-2020		-2019	31-12-	31-12-2018		
	No. OF ASSETS	<b>GROSS AMOUNT</b>	No. OF ASSETS	<b>GROSS AMOUNT</b>	No. OF ASSETS	<b>GROSS AMOUNT</b>		
Up to 1 year	1,519	157	3,015	318	5,794	619		
Between 1 and 2 years	3,266	320	4,935	514	3,040	291		
Between 2 and 5 years	5,850	591	4,319	398	2,859	244		
More than 5 years	4,917	416	3,427	286	1,845	146		
TOTAL	15,552	1,484	15,696	1,516	13,538	1,300		

<sup>(2)</sup> Mainly includes: investments reclassified as non-current assets held for sale, assets deriving from the termination of operating lease agreements and closed branches.

<sup>(3)</sup> Mainly includes reclassifications of foreclosure rights to "Other foreclosed assets" or "Tangible assets - Investment property" when the property is put up for lease (see Note 18).

<sup>(4)</sup> 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.



## 22. Financial liabilities

The breakdown of this heading is as follows:

## BREAKDOWN OF FINANCIAL LIABILITIES AT AMORTISED COST - 31-12-2020 (\*)

(Millions of euros)

		VALUATION ADJUSTMENTS						
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTAN- DING AMOUNT		
Deposits	301,001	(160)				300,523		
Central banks	50,377	(287)				50,090		
Credit institutions	5,268	(2)				5,266		
Customers	245,356	129		(12)	(306)	245,167		
Debt securities issued	35,542	420		(8)	(141)	35,813		
Other financial liabilities	6,067					6,067		
TOTAL	342,610	260	0	(20)	(447)	342,403		

## **BREAKDOWN OF FINANCIAL LIABILITIES AT AMORTISED COST - 31-12-2019**

(Millions of euros)

			VALUATION ADJUSTN	ALUATION ADJUSTMENTS		
	GROSS BALANCE	ACCRUED INTEREST	TR MICROHEDGES	RANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTAN- DING AMOUNT
Deposits	242,012	115	0	(14)	(378)	241,735
Central banks	14,463	(45)				14,418
Credit institutions	6,230	8	0	0	0	6,238
Customers	221,319	152	0	(14)	(378)	221,079
Debt securities issued	33,382	404	0	(10)	(128)	33,648
Other financial liabilities	8,592					8,592
TOTAL	283,986	519	0	(24)	(506)	283,975

## BREAKOWN OF FINANCIAL LIABILITIES AT AMORTISED COST - 31-12-2018

		VALUATION ADJUSTMENTS						
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTAN- DING AMOUNT		
Deposits	248,168	(53)	0	(15)	(460)	247,640		
Central banks	29,680	(274)				29,406		
Credit institutions	8,023	11				8,034		
Customers	210,465	210		(15)	(460)	210,200		
Debt securities issued	28,911	418	6	(10)	(81)	29,244		
Other financial liabilities	5,576					5,576		
TOTAL	282,655	365	6	(25)	(541)	282,460		

22.1. 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)

	31-12-2020	31-12-2019	31-12-2018
Demand	1,138	1,272	1,445
Reciprocal accounts	7	2	
Other accounts	1,131	1,270	1,445
Term or at notice	4,130	4,958	6,578
Deposits with agreed maturity	3,371	4,039	4,182
Hybrid financial liabilities	0	1	3
Repurchase agreement	759	918	2,393
TOTAL	5,268	6,230	8,023

22.2. Customer deposits

The breakdown of the gross balances of this heading is as follows:

#### **BREAKDOWN OF CUSTOMER DEPOSITS**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
By type	245,356	221,319	210,465
Current accounts and other demand deposits	143,020	123,410	113,062
Savings accounts	77,305	66,143	61,193
Deposits with agreed maturity	22,729	29,632	31,945
Hybrid financial liabilities	298	655	1,039
Repurchase agreements	2,004	1,479	3,226
By sector	245,356	221,319	210,465
Public administrations	13,136	11,030	11,211
Private sector	232,220	210,289	199,254

22.3. Debt securities issued

The breakdown of the gross balances of this heading is as follows:

## **BREAKDOWN OF DEBT SECURITIES ISSUED**

	31-12-2020	31-12-2019	31-12-2018
Mortgage covered bonds	14,497	15,539	16,573
Plain vanilla bonds *	11,729	8,734	4,393
Securitised bonds	1,077	1,387	1,820
Structured notes	1,436	1,619	696
Promissory notes	653	703	29
Preference shares	3,000	2,250	2,250
Subordinated debt	3,150	3,150	3,150
TOTAL	35,542	33,382	28,911

<sup>(\*)</sup> Includes plain vanilla bonds or ordinary bonds and non-preference plain vanilla bonds or ordinary bonds

The changes in the balances of each type of securities issued is as follows:

## **CHANGES IN DEBT SECURITIES ISSUED**

	MORTGAGE	PUBLIC SECTOR	PLAIN	ASSET-	STRUCTU-		
	COVERED	COVERED	VANILLA	BACKED	RED NO-	SUBORDINA-	PREFERENCE
Gross balance	BONDS	BONDS	BONDS	SECURITIES	TES	TED DEBT	SHARES
Opening balance 2018	53,920	7,400	4,023	38,871	554	5,361	1,000
Issuances	7,423	2,300	2,000	4,819	318	1,000	1,250
Depreciation and amortisation	(4,800)	(3,800)	(1,339)	(6,095)	(131)	(2,902)	1,230
Exchange differences and other	(1,000)	(5)555)	(2)555)	(0,000)	(101)	(2)302)	
CLOSING BALANCE 2018	56,543	5,900	4,684	37,595	741	3,459	2,250
Repo securities		-7	7	- /		-,	,
Opening balance 2018	(36,365)	(7,350)	(946)	(36,428)	(106)	(363)	
Buy-backs	(4,858)	(2,300)	(5.0)	(4,819)	(32)	(555)	
Repayments and other	1,253	3,750	655	5,472	93	54	
CLOSING BALANCE 2018	(39,970)	(5,900)	(291)	(35,775)	(45)	(309)	
CLOSING NET BALANCE 2018	16,573	(=/===/	4,393	1,820	696	3,150	2,250
	25/515		,,,,,			3,200	
Gross balance							
Opening balance 2019	56,543	5,900	4,684	37,595	741	3,459	2,250
Issuances	2,415		4,382	4,032	1,092		275
Depreciation and amortisation	(4,700)		(295)	(9,720)	(51)		
Exchange differences and other	2						
CLOSING BALANCE 2019	54,260	5,900	8,771	31,907	1,782	3,459	2,525
Repo securities							
Opening balance 2019	(39,970)	(5,900)	(291)	(35,775)	(45)	(309)	
Buy-backs				(3,308)			(275)
Repayments and other	1,249		254	8,563	(118)		
CLOSING BALANCE 2019	(38,721)	(5,900)	(37)	(30,520)	(163)	(309)	(275)
CLOSING NET BALANCE 2019	15,539		8,734	1,387	1,619	3,150	2,250
Gross balance							
Opening balance 2020	54,260	5,900	8,771	31,907	1,782	3,459	2,525
Issuances	,	-,	3,000	425	, -	.,	750
Depreciation and amortisation	(1,244)	(1,500)	(40)	(14)	(193)		
Exchange differences and other	( ) /	( / /	( - /	,	( /		
CLOSING BALANCE 2020	53,016	4,400	11,731	32,318	1,589	3,459	3,275
Repo securities	·	-		-		-	-
Opening balance 2020	(38,721)	(5,900)	(41)	(30,520)	(163)	(309)	(275)
Buy-backs	(,)	(-/0)	(/	(,-20)	()	(300)	(2.0)
Repayments and other	202	1,500	39	(721)	10		
CLOSING BALANCE 2020	(38,519)	(4,400)	(2)	(31,241)	(153)	(309)	(275)
CLOSING NET BALANCE 2020	14,497	( //	11,729	1,077	1,436	3,150	3,000
	14,437		11,725	1,077	1,430	3,130	3,000

The breakdown of preference share issues are as follows:

#### **BREAKDOWN OF PREFERENCE SHARE ISSUES**

(Millions of euros)

		NOMINAL	NOMINAL_	OUTSTANDING AMOUNT		
DATE OF ISSUE	MATURITY	AMOUNT	INTEREST RATE	31-12-2020	31-12-2019	31-12-2018
June 2017 *	Perpetual	1,000	6.75%	1,000	1,000	1,000
March 2018 *	Perpetual	1,250	5.25%	1,250	1,250	1,250
September 2019	Perpetual	275	6.50%	275	275	
October 2020 *	Perpetual	750	5.88%	750		
PREFERENCE SHARES				3,275	2,525	2,250
Own securities purchased				(275)	(275)	
TOTAL	•		•	3,000	2,250	2,250

(\*) In the case of preference shares that are perpetual, although they may be redeemed under specific circumstances at the option of CaixaBank and, in all cases, are convertible into ordinary newly-issued shares of the entity if CaixaBank or 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 ("CRR"). The conversion price of the preference shares shall be the highest of i) the volume-weighted daily average price of CaixaBank's shares in the five trading days prior to the day the corresponding conversion is announced, ii) the corresponding floor price (EUR 1,209 for the issue conducted in October 2020, EUR 2,583 for the issue conducted in March 2018 and EUR 2,803 for the issue conducted in June 2017) and iii) the nominal value of CaixaBank's shares at the time of conversion.

The breakdown of subordinated debt issues is as follows:

## **BREAKDOWN OF SUBORDINATED DEBT ISSUES**

				OUTS	TANDING AMOU	INT
DATE OF ISSUE	MATURITY	NOMINAL AMOUNT N	IOMINAL INTEREST RAT	E 31-12-2020	31-12-2019	31-12-2018
15-02-2017	15-02-2027	1,000	3.50%	1,000	1,000	1,000
07-07-2017	07-07-2042	150	4.00%	150	150	150
14-07-2017	14-07-2028	1,000	2.75%	1,000	1,000	1,000
17-04-2018	17-04-2030	1,000	2.25%	1,000	1,000	1,000
SUBORDINATED DEBT				3,150	3,150	3,150
Own securities purchase	ed					
TOTAL				3,150	3,150	3,150

22.4. 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)

	31-12-2020	31-12-2019	31-12-2018
Payment obligations	1,215	1,475	1,970
Guarantees received	24	1,491	52
Clearing houses	1,169	1,308	906
Tax collection accounts	1,271	1,195	1,262
Special accounts	426	683	475
Liabilities associated with right-of-use assets (Note 18)	1,468	1,509	
Other items	494	931	911
TOTAL	6,067	8,592	5,576

The heading "Other financial liabilities - Liabilities associated with right-of-use assets" (see Note 18) 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 OPERATING LEASE CONTRACTS**

		NET				NET			
		REGIS-	FINANCIAL	PAY-		REGIS-	FINANCIAL	PAY-	
	01-01-2019*	TRATION	UPDATE	MENTS	31-12-2019	TRATION	UPDATE	MENTS	31-12-2020
Linked to the sales contract and subsequent lease Soinmob Inmobilaria	591	29	10	(40)	590	12	11	(60)	553
Linked to other operational leases	818	209	10	(118)	919	66	8	(78)	915
TOTAL	1,409	238	20	(158)	1,509	78	19	(138)	1,468
Discount rate applied (according to the term	n) **								
Spain	[0.10%-1.66%]				[0.10%-1.66%]				[0.10%-1.66%]
Portugal	[0.20%-0.90%]				[0.20%-0.90%]				[0.20%-0.90%]

<sup>(\*)</sup> See Note 1.4

<sup>(\*\*)</sup> The difference in the discount rate applied for businesses in Spain and Portugal is mainly due to the term of the lease agreements in each of them

## 23. Provisions

The breakdown of the changes of the balance under this heading is as follows:

## MOVEMENT OF PROVISIONS

	PENSIONS AND OTHER POST-	OTHER LONG-	PENDING LEGA TAX LITIC			TENTS AND	
	EMPLOYMENT DEFINED BENEFIT OBLIGATIONS	TERM EMPLOYEE BENEFITS	LEGAL CONTINGEN- CIES	PROVISIONS FOR TAXES	CONTINGE NT RISKS	CONTINGENT COMMIT- MENTS	OTHER PROVISIONS
BALANCE AT 31-12-2017	598	1,223	504	299	307	50	510
1st application of IFRS 9 (Note 1.4)					6	4	(2)
With a charge to the statement of profit or loss	4	80	54	29	(2)	(10)	292
Provision		89	174	30	70	93	325
Reversal		(11)	(120)	(1)	(72)	(103)	(33)
Personnel expenses	4	2					
Actuarial (gains)/losses	(108)						
Amounts used	(23)	(231)	(128)	(42)			(310)
Transfers and other	(13)		(1)	(1)			(10)
BALANCE AT 31-12-2018	458	1,072	429	285	311	44	480
With a charge to the statement of profit or loss	2	979	115	20	(69)	18	102
Provision			148	25	76	81	207
Reversal			(33)	(5)	(145)	(63)	(105)
Personnel expenses	2	979	, ,	. ,	,	,	,
Actuarial (gains)/losses	109						
Amounts used	(27)	(324)	(165)	(43)			(132)
Transfers and other	(21)	(17)	15	20	(84)		47
BALANCE AT 31-12-2019	521	1,710	394	282	158	62	497
With a charge to the statement of profit or loss		138	81	(19)	(30)	(2)	55
Provision		146	117	20	2	67	115
Reversal		(10)	(36)	(39)	(32)	(69)	(60)
Interest cost/(income)		2	` ,	` ,	, ,	, ,	,
Personnel expenses							
Actuarial (gains)/losses	133						
Amounts used	(24)	(423)	(145)	(46)			(113)
Transfers and other	(50)	(27)	2	7	6	(1)	29
BALANCE AT 31-12-2020	580	1,398	332	224	134	59	468

23.1. Pensions and other post employment defined benefit obligations

#### Provisions for pensions and similar obligations – Defined benefit post-employment plans

The Group's defined benefit post-employment benefit obligations are as follows:

- Part of the commitments with employees and former employees of CaixaBank are covered using insurance policies with Group or non-Group insurance companies, mainly from merger processes. In this case, CaixaBank is the insurance policyholder, and the contracts are managed by each insurance company, which also assumes the risks.
- The rest of the obligations vested on the business in Spain arise from the CaixaBank Employment Pension Plan, which features various subplans. 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 insure their defined benefit commitments through different insurance contracts, the policyholder of which is the Pension Plan Control Committee, the majority of which are with VidaCaixa. 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.
- Since most of the defined benefit commitments are covered through the pension funds or through insurance policies taken out directly by CaixaBank the purpose of which is to ensure the provisions payable by the beneficiaries are equivalent to the provisions insured under the policies taken out the Group is not exposed to market volatilities and unusual market movements. At different closures, the fair value of the policies taken out directly with VidaCaixa or other companies, and that of pension fund assets (mainly covered through insurance policies), is calculated with a uniform assessment methodology, as laid down in the accounting standard.
  - 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. Otherwise an asset would be produced as a net position.
  - 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 plan and are used to settle the obligations assumed, the fair value of the other policies taken out directly by CaixaBank with VidaCaixa is eliminated in the consolidation process, with the integration of the financial investments of VidaCaixa under the policies in the various heading of the consolidated balance sheet.
- Meanwhile, BPI has assumed all the obligations externalised in the "Fundo de Pensoes Banco BPI" pension fund, and recognises the present value of the obligations, net of the fair value of plan assets.

The breakdown of the changes of the balance under this heading is as follows:

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(Millions of euros)

	DEFINED BENEFIT OBLIGATIONS (A)		FAIR VALUE OF ASSETS INVOLVED (B)		OTHER ASSETS (C)		s (c)	NET (ASSET)/LIABI FOR LONG-TERI COMMITMENT (A+B+C)		RM		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
OPENING BALANCE	(3,990)	(3,673)	(3,759)	3,479	3,230	3,168	(10)	(15)	(7)	(521)	(458)	(598)
Interest cost (income)	(40)	(53)	(63)	40	51	59					(2)	(4)
COMPONENTS OF COST OF DEFINED BENEFIT												
RECOGNISED IN PROFIT OR LOSS	(40)	(53)	(63)	40	51	59					(2)	(4)
Actuarial (gains)/losses arising from demographic												
assumptions	(122)	(24)	51	23	179	48				(99)	155	99
Actuarial gains/(Losses) arising from financial												
assumptions	(114)	(356)	(7)	80	92	16				(34)	(264)	9
COMPONENTS OF COST OF DEFINED BENEFIT												
RECOGNISED IN EQUITY	(236)	(380)	44	103	271	64				(133)	(109)	108
Plan contributions				20	21	14				20	21	14
Plan payments	181	189	169	(157)	(162)	(146)				24	27	23
Payments	37	2	2	(19)	(2)	(2)				18		
Transactions	(64)	(75)	(66)	62	70	73	14	5	(8)	12		(1)
OTHER	154	116	105	(94)	(73)	(61)	14	5	(8)	74	48	36
CLOSING BALANCE	(4,112)	(3,990)	(3,673)	3,528	3,479	3,230	4	(10)	(15)	(580)	(521)	(458)
Of which: Vested obligations	(3,387)	(3,286)	(3,068)									
Of which: Non-vested obligations	(725)	(704)	(605)									
Of which: investments in real estate assets				392	390	319						
Of which: investments in equity instruments				235	215	187						
Of which: investments in debt instruments				1,134	1,139	1,017						
Of which: arranged through insurance policies				1,695	1,659	1,568						
Of which: investments in other assets				73	76	139						

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 calculations regarding business in Spain are as follows:

## **ACTUARIAL AND FINANCIAL ASSUMPTIONS IN SPAIN**

	31-12-2020	31-12-2019	31-12-2018
Discount rate of post-employment benefits (1)	0.39%	0.98%	1.64%
Long-term benefit discount rate (1)	-0.26%	-0.02%	0.05%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%	0% - 2%
CPI annual cumulative (3)	1.81%	1.90%	1.2% 2018; 1.8% 2019 onwards
	0% 2021; 0.75% 2022; 1% 2023;		1.25% 2018
Annual salary increase rate (4)	CPI + 0.5% 2024 and onwards	CPI+0.5%	CPI + 0.5% 2019 and onwards

<sup>(1)</sup> 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.

<sup>(2)</sup> Depending on each obligation.

<sup>(3)</sup> Using the Spanish zero coupon inflation curve. Rate informed on the basis of the weighted average term of the commitments.

<sup>(4)</sup> On 31 December 2020, the rates negotiated for the period 2020 and 2023 in the new Collective Bargaining Agreement for Savings Banks and Financial Savings Institutions are listed.

The assumptions used in the calculations regarding BPI's business in Portugal are as follows:

#### **ACTUARIAL AND FINANCIAL ASSUMPTIONS IN PORTUGAL**

	31-12-2020	31-12-2019	31-12-2018
Discount rate (1)	1.01%	1.34%	1.97%
Mortality tables for males	TV 88/90	TV 88/90	TV 88/90
Mortality tables for females	TV 88/90 – 3 years	TV 88/90 – 3 years	TV 88/90 – 3 years
Annual pension review rate	0.40%	0.40%	0.50%
Annual salary increase rate	[0.9 - 1.9]%	[0.9 - 1.9]%	[1 - 2]%

<sup>(1)</sup> Rate obtained by using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed.

Actuarial valuation of the pension commitments attributed to businesses in Spain and Portugal is carried out by qualified actuaries independent of the Group.

Additionally, in order to preserve the governance of the valuation and the management of the risks inherent to the acceptance in these commitments, CaixaBank has established an activity framework where the ALCO manages hedging proposals for these risks and the Global Risk Committee approves any changes to the criteria to measure the liabilities reflected in these commitments for businesses in Spain.

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)

	SPA	IN	PORTUGAL		
	+50 bp	-50 bp	+50 bp	-50 bp	
Discount rate	(30)	33	(158)	180	
Annual pension review rate	8	(7)	238	(209)	

The estimate of the fair value of insurance contracts linked to pensions taken out directly by CaixaBank with VidaCaixa or other companies and of the value of the pension fund assets (also mainly insurance policies) takes into account the value of future guaranteed payments discounted from the same rate curve used for the obligations. Therefore, since the expected flows of payments are matched with those deriving from the policies, the possible fair changes – at the close of the financial year – in the discount rate would have a similar effect on the value of the Group's gross obligations and on the fair value of insurance contracts linked to pensions and the fair value of assets held through pension funds.

Consistent with the provision of Note 2.12, the sensitivity of the obligations has only been calculated when certain commitments are not insured by CaixaBank or the pension fund, for example, certain aforementioned longevity queues for business in Spain.

The estimated payment of the provisions planned for the next 10 years is stated below:

#### **ESTIMATED PAYMENTS OF POST-EMPLOYMENT**

	2021	2022	2023	2024	2025	2026-2030
Spain *	27	26	26	26	26	124
Portugal	59	61	63	64	64	325

<sup>(\*)</sup> Excluding insured provisions to be paid directly by VidaCaixa to the Pension Funds.

23.2. Provisions for other employee benefits

The Group 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:

#### **DISASSOCIATION PROGRAMMES**

(Millions of euros)

			INITIAL
	YEAR RECOGNISED	NUMBER OF PEOPLE	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 27-04-2017 - BPI	2017	613	107
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
Labour agreement 31-01-2020 - Discontinuations 2020	2020	226	109

The breakdown of the changes of the balance under this heading is as follows:

## RECONCILIATION OF BALANCES OF OTHER LONG-TERM EMPLOYEE BENEFITS

		NET (ASSET)/LIABILITY FOR DEFINED BENEFIT OBLIGATIONS				
	2020	2019	2018			
OPENING BALANCE	1,710	1,072	1,223			
Included in profit or loss						
Service cost for the current year	4	2	5			
Past service cost	98	978	78			
Interest net cost (income)	2	1	2			
Revaluations (gains)/losses	34	(2)	(5)			
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	138	979	80			
Other						
Plan payments	(423)	(324)	(231)			
Transactions	(27)	(17)				
TOTAL OTHER	(450)	(341)	(231)			
CLOSING BALANCE	1,398	1,710	1,072			
Of which: With pre-retired personnel	299	449	633			
Of which: Termination benefits	753	962	229			
Of which: Supplementary guarantees and special agreements	238	181	91			
Of which: Length of service bonuses and other	61	60	59			
Of which: Other commitments deriving from Barclays Bank	47	58	60			





23.3. Provisions for pending legal issues and tax litigation

Litigiousness in the field of banking and financial products is subject to comprehensive monitoring and control to identify risks that may lead to the outflow of funds from the entity, making the necessary allocations and taking the appropriate measures in terms of adaptation and improving procedures, products and services. 2020 has been marked by highly irregular flows conditioned by the effect that the health crisis and the state of emergency have also caused on the normal functioning of the Administration of Justice.

The dynamic nature of litigiousness and the high disparity of judicial criteria frequently drive changes in scenarios, without prejudice to which the Group has established monitoring mechanisms to control the progress of claims, actions and different judicial sensitivities on the contentious matters that make it possible to identify, define and estimate risks, based on the best information available at any given time.

In the case of disputes under general conditions, generally linked to the granting of mortgage loans to consumers (e.g. Floor clauses, mortgage expenses, advance maturity, etc.), the necessary provisions are held and the Group maintains ongoing dialogue with customers in order to explore agreements on a case-by-case basis. Similarly, CaixaBank leads the adherence to extrajudicial dispute resolution systems promoted by certain judicial bodies that resolve these matters – in Barcelona, Palencia, Valladolid and Pamplona – in order to promote amicable solutions that avoid litigating with customers and help alleviate the judicial burden. A specific section on IRPH is included below.

In the same way, CaixaBank has adapted its provisions to the risk of ongoing actions arising from claims for the amounts of payments on account for the purchase of off-plan housing, banking, financial and investment products, excessive and abnormal price of interest rates (see specific section below), right to honour or statements of subsidiary civil liability arising from possible conduct of persons with employment links.

Lastly, a criterion of prudence is adopted for constituting provisions for possible punishable administrative procedures, for which hedging is allocated in accordance with the economic criteria that may be laid down by the specific administration regarding the procedure, without prejudice to the full exercise of the right of defence in instances, where applicable, in order to reduce or annul the potential sanction.

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.

### IRPH (Mortgage Loan Reference Index)

In relation to the official reference rate for mortgages in Spain (IRPH), the judgment issued by the Court of Justice of the European Union (CJEU) on 3 March 2020, and the set of judgments issued by the First Chamber of the Spanish High Court on 6 and 12 November 2020 provide clarity to the prosecution of claims that question the lack of transparency in the marketing of mortgage loans that include such an index.

The chief legal conclusion of the current judicial framework and without prejudice to its eventual change, is the validity of mortgage loans that include such an index.

On the one hand, in mortgage loans where the IRPH had been included in the context of Public Agreements in order to facilitate access to social housing, the Spanish High Court deems that there was transparency in the procurement; The core elements relating to the calculation of the variable interest laid down in the contract were easily accessible, the consumer adhered to a financing system established and regulated by a regulatory rule, regularly reviewed by successive Councils of Ministers, the clause expressly referred to this regulation and these agreements and both the former and the latter enjoy publicity arising from their publication in the Official State Gazette (BOE).

In cases not covered by the abovementioned scenario, pre-contractual and contractual information provided to consumers of mortgage loans including such an index should be examined on a case-by-case basis, in order to determine whether or not they suffer from lack of transparency, since there are no assessed means of testing material transparency. In any case, the important thing is that any declaration of lack of transparency requires the Spanish High Court – according to repeated legal principle of the CJEU – to make a judgment of abuse, and such abuse – due to the existence of bad faith and major imbalance – has no place in such cases. In the opinion of the Spanish High Court, on the one hand, good faith is not infringed when offering an official index, recommended by the Bank of Spain since the end of 1993 as one of the rates that could be used for mortgage lending operations and when the central Government and several autonomous governments – through various regulatory provisions – had established





the IRPH index as a reference for financing (borrowing) for the purchase of social housing. On the other hand, there is also no significant imbalance at the time of procurement, since the subsequent evolution is irrelevant and it cannot be ignored that hypothetically, by replacing the Savings Banks IRPH or Banks IRPH with the index proposed by the CJEU as a replacement in case of abuse and lack of agreement, the Entities IRPH would be applied as the supplementary legal index, which presents virtually no differences with the Savings Banks IRPH or Banks IRPH.

In conclusion, the full validity of the procurement and the absence of risk on the eventual outflow of funds due to a possible declaration of lack of transparency are clarified in accordance with current case law.

Without prejudice to the foregoing, the Court of First Instance No. 38 of Barcelona has requested a new request for preliminary rulings with the CJEU, following its judgment of 3 March 2020 in Case C-125/18, which can be framed in the dynamic character of the litigiousness mentioned in the introduction, which will be subject to specific monitoring.

On 31 December 2020, the total amount of mortgages up to date with payments indexed to the IRPH (mortgage base rate) with individuals is approximately EUR 5,328 million (the majority of which are with consumers). The Group, in accordance with the current legal basis and reasonableness of the foregoing, as well as the best available information to date, does not hold provisions for this item.

Litigation linked to consumer credit contracts ("revolving" cards) through the application of the Usury Repression Act of 1908, as a result of the Spanish High Court Judgment dated 04.03.2020.

The Spanish High Court gave a sector-relevant judgment on the contracts of revolving cards and/or deferred-payment cards. The resolution determines i) that revolving cads are market-specific within credit facilities, ii) that the Bank of Spain publishes a specific benchmark interest rate for this product in its Statistical Bulletin, which is the one that must be used as a reference to determine which is the 'normal interest rate', iii) that 'the average interest rate of credit transactions on credit and revolving cards from the Bank of Spain statistics (...) was somewhat higher than 20%' and iv) that an APR like that analysed in the specific case, between 26.82% and 27.24%, is 'notably disproportionate', which entails the contract becoming null and void and the interests paid being refunded. This judgment, unlike the previous one on this subject matter where the supra duplum rule was used to define the disproportionate price – i.e. exceeding twice the ordinary average interest – does not, on this occasion, provide specific criteria or accuracy to determine with legal certainty the amount of excess or difference between the "normal interest rate" that can entail the invalidity of the contract. This circumstance is likely to continue to bring about a significant number of lawsuits and a highly diverse series of judicial criteria, the specific affects of which cannot be currently determined, and which will be subject to specific monitoring and management.

Furthermore, CaixaBank and its card-issuing subsidiary, CaixaBank Payments and Consumer, received a collective action formulated by an Association of Consumers and Users (ASUFIN) which was partially dismissed by the Commercial Court No. 4 of Valencia on December 30, 2020. Firstly, the process was reduced to an action of eventual cessation of general conditions; the possibility of claiming refunds of amounts was rejected for the Association of Consumers and in favour of CaixaBank. Subsequently, the judgment reaffirms this situation, fully dismisses the claim against CaixaBank and solely requests CaixaBank Payments and Consumer to discontinue the advance maturity clause, disregarding all other requests regarding lack of transparency in the operation of cards, interest calculation methods, the right to compensation for debt and the change of conditions under contracts of an indefinite duration. The sentence has not been firmly established as of yet.

In accordance with the best information available up to now, the heading "Other Provisions" includes an estimate of the current obligations that may arise from judicial proceedings, included those relating to revolving cards and/or those with deferred payments, the occurrence of which is deemed to be likely.

In any case, any disbursements that may ultimately be necessary will depend on the specific terms of the judgments which the Group must face, and/or the number of claims that are brought, among others. Given nature of these obligations, the expected timing of the outflow of financial resources, in the event they are produced, is uncertain, and, in accordance with the best available information today, the Group also deems that any responsibility arising from these proceedings will not, as a whole, have a material adverse effect on the Group's businesses, financial position or the results of its operations.



#### Procedures of the Portuguese Resolution Fund (PRF)

On 3 August 2014, the Bank of Portugal applied a resolution procedure to Banco Espírito Santo, SA (BES) through the transfer of its net assets and under the management of Novo Banco, SA (Novo Banco). Within the framework of this procedure, the PRF completed a capital increase in Novo Banco for an amount of EUR 4,900 million, becoming the sole shareholder. The increase was financed through loans to the FRP for an amount of EUR 4,600 million, EUR 3,900 million of which was granted by the Portuguese State and EUR 700 million granted by a banking syndicate through the Portuguese financial institutions, including BPI with EUR 116 million.

On 19 December 2015, the Bank of Portugal initiated a procedure to put Banco Internacional do Funchal (Banif) into resolution, which came to a head with i) the partial sale of its assets for EUR 150 million to Banco Santander Totta, S.A.; and ii) the contribution of the rest of its assets that were not sold to Oitante, SA. The resolution was financed through the issuance of EUR 746 million of debt, guaranteed by the PRF and the Portuguese State as a counter-guarantee. The operation also included the ultimate guarantee of the Portuguese State amounting to EUR 2,255 million intended to cover future contingencies.

For the reimbursement of the PRF obligations with the Portuguese State (in the form of loans and guarantees) in relation to resolution measures adopted, the FRP has contributed ordinary instruments through the various contributions of the banking sector. Along these lines, the conditions of the loans with the PRF have been amended to bring them in line with the collection of the aforementioned contributions; there is no foreseen need to turn to additional contributions from the banking sector.

In 2017, the Bank of Portugal chose Lone Star to conclude the sale of Novo Banco, after which the PRF would hold 25% of the share capital and certain contingent capital mechanisms would be established by the shareholders. To cover the contingent risk, the PRF has the financial means of the Portuguese State, the reimbursement of which – where applicable – would have repercussions on the contributory efforts of the banking sector.

At this time, it is not possible to estimate the possible effects for the Resolution Funds deriving from: i) the sale of the shareholding in Novo Bank; ii) the application of the principle that none of the creditors of a credit institution under resolution may assume a loss greater than that which it would have assumed if that entity had gone into liquidation; iii) the guarantee granted to the bonds issued by Oitante and iv) other liabilities that – it is concluded – must be assumed by PRF.

Notwithstanding the possibility considered in the applicable law for the collection of special contributions, given the renegotiation of the terms of the loans granted to the PRF, which include BPI, and the public statement made by the PRF and the Office of the Minister of Finance of Portugal, declaring that this possibility will not be used, the consolidated financial statements of 2020 reflect the expectation of the Administrators that the Bank will not have to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and Banif or any other contingent liability or liabilities assumed by the PRF.

Any change in this regard may have material implications for the financial statements of the Group.

#### 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)

	31-12-2020	31-12-2019	31-12-2018
Income tax assessments for years 2004 to 2006	0	33	33
Income tax assessments for years 2007 to 2009	11	12	12
Income tax assessments for years 2010 to 2012	13	13	13
Income tax assessments for years 2013 to 2015	7	0	0
Tax on deposits	18	18	18
Other	175	206	209
TOTAL	224	282	285

Additionally, the main tax procedures ongoing at 2020 year-end are as follows:

- During the current year the activities to verify financial years 2013 to 2015 have been finalised, and due provisions were provided for their impacts. Assessments signed in agreement were paid during the year, while those signed under protest for Corporation Tax and Value Added Tax are still awaiting a ruling by the Chief Tax Inspector.
- 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 and pending execution.
- 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 were under appeal with the Spanish High Court and have been executed this year.

The Group has allocated provisions to cover the maximum contingencies that may arise in relation to Corporation Tax and VAT assessments signed under protest.

23.4. Provisions for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given (Note 26).

23.5. Other provisions

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.

There were no significant disbursements associated to this procedure in 2020.

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.

#### 24. Equity

24.1. Shareholders' equity

## **Share capital**

Selected information on the figures and type of share capital figures is presented below:

#### **INFORMATION ABOUT SHARE CAPITAL**

	31-12-2020	31-12-2019	31-12-2018
Number of fully subscribed and paid up shares (units) (1)	5,981,438,031	5,981,438,031	5,981,438,031
Par value per share (euros)	1	1	1
Closing price at year-end (euros)	2.101	2,798	3,164
Market cap at year-end, excluding treasury shares (2)	12,558	16,727	18,916

<sup>(1)</sup> All shares have been recognised by book entries and provide the same rights.

## Retained earnings, revaluation reserves and other reserves

The breakdown of the balances of these headings is as follows:

#### **BREAKDOWN OF RESERVES**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Reserves attributable to the parent company of CaixaBank Group	12,648	11,947	11,360
Legal reserve (1)	1,196	1,196	1,196
Restricted reserves for financing the acquisition of treasury shares	2	2	3
Other restricted reserves (2)	509	509	509
Unrestricted reserves	2,620	1,088	1,165
Other consolidation reserves assigned to the parent	8,321	9,152	8,487
Reserves of fully-consolidated subsidiaries	(5,522)	(5,806)	(5,789)
Reserves of companies accounted for using the equity method	584	373	224
TOTAL	7,710	6,514	5,795

<sup>(1)</sup> At 2020 year-end, the legal reserve has reached the minimum amount required by the Spanish Corporate Enterprises Act.

## Other equity instruments

The value of shares included in variable share-based remuneration plans (see Note 34) not delivered is as follows:

#### **BREAKDOWN OF OTHER EQUITY INSTRUMENTS**

	31-12-2020	31-12-2019	31-12-2018
Value of shares not delivered	25	24	19

<sup>(2)</sup> CaixaBank's shares are traded on the continuous electronic trading system, forming part of the Ibex-35.

<sup>(2)</sup> Mainly includes reserves associated with the goodwill of Morgan Stanley, Bankpime and Banca Cívica.

#### **Treasury shares**

The breakdown of the changes of the balance under this heading is as follows:

#### **CHANGES IN TREASURY SHARES**

(Millions of euros)

		2020			2019		2018		
	NUMBER OF			NUMBER OF			NUMBER OF		
	TREASURY	% SHARE	COST/	TREASURY	% SHARE	COST/	TREASURY	% SHARE	COST/
	SHARES	CAPITAL *	SALES	SHARES	CAPITAL *	SALES	SHARES	CAPITAL *	SALES
OPENING BALANCE	3,121,578	0.052%	10	2,805,039	0.047%	10	3,565,959	0.060%	12
Acquisitions and other	3,037,319	0.051%	8	2,602,477	0.044%	8	374,732	0.006%	2
Disposals and other **	(2,104,903)	(0.035%)	(6)	(2,285,938)	(0.038%)	(8)	(1,135,652)	(0.019%)	(4)
CLOSING BALANCE	4,053,994	0.068%	12	3,121,578	0.052%	10	2,805,039	0.047%	10

<sup>(\*)</sup> Percentage calculated on the basis of the total number of CaixaBank shares at the end of the respective years.

Additionally, the number of treasury shares accepted as financial guarantees given by the Group and treasury shares owned by third parties and managed by a Group company were as follows:

## TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES AND OWNED BY THIRD PARTIES

(Millions of shares / Millions of euros)

		SHARES ACCER CIAL GUARANT		TREASURY SHARES OWNED BY THIRD PARTIES MANAGED BY THE GROUP			
	31-12-2020	31-12-2019	31-12-2018	31-12-2020	31-12-2019	31-12-2018	
Number of treasury shares	12	13	12	13	12	19	
% of share capital (*)	0.201%	0.217%	0.201%	0.217%	0.201%	0.318%	
Nominal amount	12	13	12	13	12	19	

24.2. Accumulated other comprehensive income

Changes under this heading are contained in the statement of recognised income and expenses.

24.3. Minority interests

The following table shows the Group subsidiaries in which certain non-controlling interests held a stake of 10% or more:

#### SUBSIDIARIES WITH MINORITY SHAREHOLDERS WITH STAKES GREATER THAN 10%

(Percentage)

		STAKE OF M	STAKE OF MINORITY SHAREHOLDER				
SUBSIDIARY	MINORITY SHAREHOLDERS	31-12-2020	31-12-2019	31-12-2018			
Inversiones Inmobiliarias Teguise Resort	Metrópolis Inmobiliarias y Restauraciones	40%	40%	40%			
	Inversiones Cuevas Villoslada Hermanos			10%			
Grupo Riberebro Integral	Hermanos Ayensa Ambrosi			10%			
	Other natural persons		20%	20%			
Coia Financiera Naval	Construcciones Navales P. Freire	21%	21%	21%			
El Abra Financiera Naval	Astilleros Zamakona	21%	21%	21%			
Caixabank Electronic Money	Erste Group Bank		10%	10%			
Telefonica Consumer Finance	Telefonica	50%	50%	50%			

<sup>(\*\*)</sup> In 2020, 2019 and 2018, the results of treasury share transactions generated were not significant, being recognised under "Other reserves".

<sup>(\*\*\*)</sup> At 31 December 2020, 2019 and 2018, does not include 7,515 VidaCaixa shares associated with unit-links, registered under the heading "Financial assets designated at fair value through profit or loss".

#### 25. Tax position

25.1. Tax consolidation

The consolidated tax group for Corporation 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.

25.2. Years open for review

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, which finalised this year, with no material impact. Assessments signed under protest and still awaiting a ruling by the Chief Tax Inspector have been allocated the appropriate provisions of EUR 7 million.

Accordingly, CaixaBank has the year 2016 and following years open for review for the main taxes applicable, and BPI has the year 2017 and following years open for review for the main taxes applicable.

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 Group'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.

9.3. Reconciliation of the accounting profit to the taxable profit

The Group's reconciliation of accounting profit to taxable profit is presented below:

#### RECONCILIATON OF ACCOUNTING PROFIT TO TAXABLE PROFIT

(Millions of euros)

	2020	2019	2018
Profit/(loss) before tax (A)	1,600	2,077	2,807
Adjustments to profit/(loss)	(451)	(581)	(960)
Return on equity instruments (1)	(144)	(156)	(134)
Share of profit/(loss) of entities accounted for using the equity method (1)	(307)	(425)	(826)
Taxable income/(tax loss)	1,149	1,496	1,847
Tax payable (taxable income * tax rate)	(345)	(449)	(554)
Adjustments:	115	74	(165)
Changes in taxation of sales and gains/(losses) of portfolio assets	172	22	(155)
Changes in portfolio provisions excluding tax effect and other non-deductible expenses	(93)	0	(55)
Cancellation of deferred tax assets and liabilities		51	(1)
Recognition of deferred tax assets and liabilities		(13)	63
Effect on tax expense of jurisdictions with different tax rates (2)	5	11	7
Tax effect of issues	43	40	0
Withholdings from foreign dividends and other	(12)	(37)	(24)
Income tax (B)	(219)	(369)	(712)
Income tax for the year (revenue/(expense))	(230)	(374)	(719)
Tax rate (3)	20.0%	25.0%	38.9%
Income tax adjustments (2018/2017/2016)	11	5	7
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS (A) + (B)	1,381	1,708	2,095

<sup>(1)</sup> Income to a large extent exempt from tax due to already having been taxed at source.

25.4. Deferred tax assets and liabilities

The changes in the balance of these headings is as follows:

<sup>(2)</sup> Practically all of CaixaBank's income and expense is taxed at the general Corporation Tax rate of 30% in the case of the businesses in Spain, and around 27% for the businesses in Portugal.

<sup>(3)</sup> The effective tax rate is calculated by dividing income tax for the year by taxable income.

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#### **CHANGES in DEFERRED TAX ASSETS**

(Millions of euros)

	A	1st PPLICATION	REGULARI-				REGULARI-				REGULARI-			
	31-12-2017	OF IFRS 9		DDITIONS	DISPOSALS	31-12-2018		ADDITIONS DI	SPOSALS	31-12-2019		ADDITIONS	DISPOSALS	31-12-2020
Pension plan contributions	583		18		(7)	594			(19)	575	32	13		620
Allowances for credit losses	4,245	(8)	(24)		(88)	4,125			(11)	4,114	(70)		(15)	4,029
Allowances for credit losses (IFRS 9)	0	251			(84)	167	(62)		(52)	53			(53)	0
Early retirement obligations	27				(9)	18			(8)	10			(6)	4
Provision for foreclosed property	1,035		11		(102)	944			(2)	942	(96)		(3)	843
Credit investment fees	8		(1)			7			(2)	5			(1)	4
Unused tax credits	1,063		(139)			924	20		(34)	910	(165)			745
Tax loss carryforwards	1,591		54			1,645	19		(16)	1,648	(18)			1,630
Assets measured at fair value through equity	56			48		104			(8)	96			(9)	87
Others from business combinations	195		2		(54)	143			(51)	92			(32)	60
Other *	1,402		30	145	(207)	1,370	(17)	140	(102)	1,391	37	494	(150)	1,772
TOTAL	10,205	243	(49)	193	(551)	10,041	(40)	140	(305)	9,836	-280	507	(269)	9,794
Of which: monetisable	5,890					5,681				5,641				5,496

#### **CHANGE IN DEFERRED TAX LIABILITIES**

(IVIIIIIOIIS OJ EUROS)														
		1st												
	Α	PPLICATION	REGULARI-				REGULARI-				REGULARI-			
	31-12-2017	OF IFRS 9	SATIONS A	<b>ADDITIONS</b>	DISPOSALS	31-12-2018	SATIONS	<b>ADDITIONS</b>	DISPOSALS	31-12-2019	SATIONS	<b>ADDITIONS</b>	DISPOSALS	31-12-2020
Revaluation of property on first-time														
application of IFRS	236		(4)		(17)	215			(13)	202	(2)		(5)	195
Assets measured at fair value through equity	192				(116)	76		136		212		45		257
Intangible assets from business combinations	43				(10)	33			(20)	13			(3)	10
Mathematical provisions	204					204				204		3		207
Others from business combinations	280		4		(51)	233			(32)	201			(46)	155
Other *	267			87		354	15	4	(147)	226		4	(45)	185
TOTAL	1,222	0	0	87	(194)	1,115	15	140	(212)	1,058	(2)	52	(99)	1,009

<sup>(\*)</sup> 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.

The Group does not have any significant unrecognised deferred tax assets.

Twice per year, in collaboration with an independent expert, the Group assesses the recoverable amount of its recognised deferred tax assets in the balance sheet, on the basis of a budget consisting in a 6-year horizon with the forecasted results used to estimate the recoverable value of the banking CGU (see Note 19) and forecast, subsequently, applying a sustainable net interest income (NII) to the average total assets and a normalised cost of risk (CoR) of 1.30% and 0.39%, respectively.

The type of deferred tax assets segregated by jurisdiction of origin are set out below:

### TYPE OF DEFERRED TAX ASSETS RECOGNISED IN THE BALANCE SHEET - 31-12-2020

(Millions of euros)

	TIMING	OF WHICH:	TAX LOSS	UNUSED TAX
	DIFFERENCES	MONETISABLE *	CARRYFORWARDS	CREDITS
Spain	7,172	5,386	1,589	745
Portugal	247	110	41	
TOTAL	7,419	5,496	1,630	745

<sup>(\*)</sup> These correspond to monetisable timing differences with the right to conversion into a credit with the Treasury.

The Group estimates that deferred tax assets registered arising from tax credits from tax loss carryforwards, deductions and non-monetisable timing differences corresponding to Spanish jurisdiction, will have recovered in a maximum period of 15 years.

The Company carries out sensitivity analyses on the key flow projection assumptions of the recovery model (see Note 19) with no significant variations concluded in the estimated term in the baseline scenario.

The exercises to evaluate the recoverability of tax assets, which have been carried out since 2014, are strengthened by backtesting exercises, which show stable behaviour.

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.

25.5. Other

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.

#### 26. 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 COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS - 31-12-2020 (Millions of euros)

**OFF-BALANCE-SHEET EXPOSURE STAGE 3 STAGE 1 STAGE 2 STAGE 3** STAGE 1 STAGE 2 Financial guarantees given 5,902 294 164 (7) (9)(64)(43) (11) Loan commitments given 75,400 2,772 327 (5) 19,486 Other commitments given 553 168 (7) (10)(37)

## BREAKDOWN OF EXPOSURE AND PROVISIONS ON GUARANTEES AND CONTINGENT COMMITMENTS 31-12-2019 (Millions of euros)

	OFF-BALA	ANCE-SHEET EXPO	OSURE	HEDGING			
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
Financial guarantees given	5,574	190	218	(7)	(4)	(77)	
Loan commitments given	68,702	2,216	214	(27)	(4)	(31)	
Other commitments given	20,577	473	176	(12)	(8)	(50)	

## BREAKDOWN OF EXPOSURE AND COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS - 31-12-2018 (Millions of euros)

	OFF-BALA	NCE-SHEET EXPO	SURE	HEDGING			
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3	
Financial guarantees given	5,329	182	224	(38)	(24)	(135)	
Loan commitments given	62,004	1,691	258	(24)	(2)	(18)	
Other commitments given	18,596	502	241	(7)	(1)	(106)	

The Group 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 Group 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 breakdown of "Loan commitments given" included as memorandum items in the balance sheet, is set out below:

### LOAN COMMITMENTS GIVEN

	31-12-2	31-12-2020		019	31-12-2018	
	DRAWABLE	LIMITS	DRAWABLE	LIMITS	DRAWABLE	LIMITS
Drawable by third parties						
Credit institutions	103	943	213	244	93	232
Public administrations	4,390	6,890	3,729	4,711	1,960	2,608
Other sectors	74,006	103,697	67,190	121,994	61,900	117,820
TOTAL	78,499	111,530	71,132	126,949	63,953	120,660
Of which: conditionally drawable	3,839		3,751		4,098	

## 27. Other significant disclosures



## 27. Other significant disclosures

27.1. Transactions for the account of third parties

The breakdown of off-balance sheet funds managed on behalf of third parties is as follows:

#### **BREAKDOWN OF CUSTOMER FUNDS**

(Millions of euros)

	31-12-2020	31-12-2019	31-12-2018
Assets under management	106,643	102,316	93,951
Mutual funds, portfolios and SICAVs	71,315	68,584	64,541
Pension funds	35,328	33,732	29,410
Other *	5,115	4,698	5,108
TOTAL	111,758	107,014	99,059

<sup>(\*)</sup> Includes temporary funds associated with transfers and collections, in addition to other funds distributed by CaixaBank and Banco BPI.

#### 27.2. Transferred financial assets

The Group 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**

	24 42 2020	24 42 2010	24 42 2040
	31-12-2020	31-12-2019	31-12-2018
Securitised mortgage loans	21,929	24,054	26,738
Other securitised loans	10,151	7,687	10,753
Loans to companies	5,372	4,648	7,772
Leasing arrangements	1,045	1,535	241
Consumer financing	3,733	1,503	2,738
Other	1	1	2
TOTAL	32,080	31,741	37,491



## **27. Other significant disclosures**CaixaBank Group | 2020 Financial Statements

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The breakdown of securitisations arranged, with the amounts outstanding and the amounts corresponding to credit enhancements granted to the securitisation funds is provided below:

## **LOAN SECURISATION - ISSUES ON ON-BALANCE-SHEET SECURITISED LOANS** (Millions of euros)

			INITIAL			REPO SECURISATION		CREDIT				
			EXPOSURE_	SECURITISED LOAN		BONDS		ENHANCEMENTS		NTS		
DATE OF IS	SUE	ACQUIRED BY:	SECURITISED	2020	2019	2018	2020	2019	2018	2020	2019	2018
June	2003	AyT Génova Hipotecario II, FTH	800	0	82	98	0	29	34	0	8	8
July	2003	AyT Génova Hipotecario III, FTH	800	75	91	108	29	35	42	8	8	8
February	2004	AyT Hipotecario Mixto, FTA	140	0	16	18	0	0	0	0	8	8
March	2004	AyT Génova Hipotecario IV, FTH	800	87	106	125	15	13	20	8	8	8
June	2004	AyT Hipotecario Mixto II, FTA	160	0	0	0	0	1	1	0	2	2
November	2004	TDA 22 Mixto, FTH	120	25	28	31	12	14	17	2	2	2
June	2005	AyT Hipotecario Mixto IV, FTA	200	23	28	34	11	18	15	1	1	1
June	2005	AyT Génova Hipotecario VI, FTH	700	104	124	144	66	78	91	5	5	5
November	2005	AyT Génova Hipotecario VII, FTH	1,400	250	294	339	101	119	137	8	8	9
November	2005	Douro Mortgages no. 1	1,500	0	0	257	0	0	148	0	0	0
December	2005	Valencia Hipotecario 2, FTH	940	114	135	159	35	41	31	5	5	5
June	2006	AyT Génova Hipotecario VIII, FTH	2,100	365	428	493	198	232	267	9	9	9
July	2006	FonCaixa FTGENCAT 4, FTA	600	0	61	72	0	19	20	0	5	5
July	2006	AyT Hipotecario Mixto V, FTA	318	55	64	72	39	46	55	2	2	2
September	2006	Douro Mortgages no. 2	1,500	0	0	367	0	0	283	0	0	0
November	2006	Valencia Hipotecario 3, FTA	901	176	201	230	62	70	81	5	5	5
November	2006	AyT Génova Hipotecario IX, FTH	1,000	242	279	317	93	107	121	5	6	7
June	2007	AyT Génova Hipotecario X, FTH	1,050	270	314	356	272	316	357	10	10	11
July	2007	Douro Mortgages no. 3	1,500	0	0	568	0	0	516	0	0	0
November		FonCaixa FTGENCAT 5, FTA	1,000	158	181	211	38	38	38	27	27	27
December	2007	AyT Génova Hipotecario XI, FTH	1,200	330	383	429	335	388	435	34	37	39
July	2008	FonCaixa FTGENCAT 6, FTA	750	117	134	155	23	23	23	19	19	19
July	2008	AyT Génova Hipotecario XII, FTH	800	243	273	307	243	273	306	30	30	30
April	2009	Bancaja BVA-VPO 1, FTA	55	0	12	16	0	16	19	0	3	3
December	2010	AyT Goya Hipotecario III, FTA	4,000	1,608	1,787	1,984	1,605	1,781	1,980	160	178	200
February	2011	Douro SME Series 2	3,472	0	0	3,348	0	0	3,348	0	0	0
April	2011	AyT Goya Hipotecario IV, FTA	1,300	526	583	648	539	596	662	62	66	66
December		AyT Goya Hipotecario V, FTA	1,400	578	649	728	599	670	748	63	72	76
March		FonCaixa Leasings 2, FTA	1,217	0	0	241	0	0	243	0	0	112
February	2016	CaixaBank RMBS 1, FT	14,200	10,126	10,919	11,800	10,121	10,944	11,846	568	568	568
June	2016	CaixaBank Consumo 2, FT	1,300	228	324	488	239	350	534	52	52	52
November	2016	CaixaBank Pymes 8, FT	2,250	656	899	1,242	700	973	1,343	71	84	93
March		CaixaBank RMBS 2, FT	2,720	2,088	2,256	2,419	2,121	2,294	2,459	129	129	130
July	2017	CaixaBank Consumo 3, FT	2,450	609	911	1,408	613	931	1,457	27	42	99
November	2017	CaixaBank Pymes 9, FT	1,850	675	977	1,375	690	1,007	1,413	31	44	85
December	2017	CaixaBank RMBS 3, FT	2,550	1,946	2,122	2,325	1,950	2,135	2,344	80	88	115
May	2018	CaixaBank Consumo 4, FT	1,700	483	835	1,347	546	944	1,494	25	43	69
November	2018	CaixaBank Pymes 10, FT	3,325	1,682	2,322	3,232	1,826	2,525	3,325	79	159	159
June	2019	CaixaBank Leasings 3, FT	1,830	1,045	1,535	0	1,078	1,581	0	59	90	0
November		CaixaBank Pymes 11, FT	2,450	1,793	2,388	0	1,920	2,451	0	116	116	0
June		CaixaBank Consumo 5, FT	3,550	2,920	0	0	3,550	0	0	178	0	0
November		CaixaBank Pymes 12, FT	2,550	2,483	0	0	2,550	0	0	128	0	0
TOTAL			74,448		31,741			31,058			1,939	
			, . 10	,	,	,	,	,	,	_,,,,,	_,500	,

The amounts outstanding of derecognised securitisation transactions were not significant.

Securitisation bonds placed in the market are recognised under "Financial liabilities at amortised cost - Debt securities issued" in the accompanying balance sheets, and they are the difference between the carrying amount of securitised bonds and the carrying amount of repo bonds.

Furthermore, the Group 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 advances" of the balance sheet:

#### SYNTHETIC SECURITISATION TRANSACTIONS

(Millions of euros)

		INITIAL EXPOSURE _		CARRYING	AMOUNT SECUE	RITISED
ISSUE DA	TE	FUND	SECURITISED	31-12-2020	31-12-2019	31-12-2018
February	2016	Gaudí I	2,025	65	356	920
August	2018	Gaudí II	2,025	1,509	2,019	2,025
April	2019	Gaudí III	1,282	1,277	1,281	
TOTAL			5,332	2,851	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.

27.3. Securities deposits and investment services

The breakdown, by type, of the securities deposited by customers with the Group and third parties is as follows:

## **SECURITIES DEPOSITED BY THIRD PARTIES**

	31-12-2020	31-12-2019	31-12-2018
Book entries	178,841	175,527	159,416
Securities recorded in the market's central book-entry office	150,013	146,615	130,939
Equity instruments. Quoted	59,211	60,935	54,137
Equity instruments. Unquoted	3,289	2,971	3,383
Debt securities. Quoted	87,468	80,535	67,657
Debt securities. Unquoted	45	2,174	5,762
Securities registered at the Entity	0	6	6
Debt securities. Quoted	0	0	0
Debt securities. Unquoted		6	6
Securities entrusted to other depositories	28,828	28,906	28,471
Equity instruments. Quoted	652	1,268	1,047
Equity instruments. Unquoted	14,581	12,569	11,178
Debt securities. Quoted	12,306	13,791	11,643
Debt securities. Unquoted	1,289	1,278	4,603
Securities	3,396	3,538	3,212
Held by the Entity	3,072	3,018	3,174
Equity instruments	3,055	3,001	3,174
Debt securities	17	17	0
Entrusted to other entities	324	520	38
Equity instruments	324	520	38
Other financial instruments	69,350	72,397	77,941
TOTAL	251,587	251,462	240,569

## 27. Other significant disclosures

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27.4. 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**

	2020	2019	2018
OPENING BALANCE	13,911	14,639	15,823
Additions:	1,307	1,937	1,953
Disposals:	1,749	2,665	3,137
Cash recovery of principal (Note 36)	450	784	455
Cash recovery of past-due receivables	0	23	36
Disposal of written-off assets *	967	635	1,843
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	332	1,223	803
CLOSING BALANCE	13,469	13,911	14,639
Of which: interest accrued on the non-performing loans *	4,222	4,112	4,463

<sup>(\*)</sup> Primarily includes interest on financial assets at the time of derecognition from the consolidated balance sheet.

<sup>(\*\*)</sup> Corresponds to the sale of non-performing and written-off assets and includes interest related to these portfolios.

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#### 28. 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)

	2020	2019	2018
Credit institutions	35	47	31
Debt securities	1,950	2,101	1,993
Financial assets held for trading	0	7	13
Financial assets compulsorily measured at fair value through profit or loss	2	5	5
Financial assets at fair value with changes in other comprehensive income	1,812	1,966	1,856
Financial assets at amortised cost	136	123	119
Loans and advances to customers and other financial income	4,534	4,808	4,762
Public administrations	65	75	97
Trade credits and bills	150	175	176
Mortgage loans	1,778	1,921	2,018
Personal loans	2,109	2,089	1,910
Credit accounts	323	434	428
Other	109	114	133
Adjustments to income due to hedging transactions	(129)	(28)	5
Interest income - liabilities	374	127	155
TOTAL	6,764	7,055	6,946
Of which: interest on exposures in stage 3	152	196	293

The average effective interest rate of the various financial assets categories calculated on average net balances (excluding rectifications) are as follows:

## **AVERAGE RETURN ON ASSETS**

(Percentage)

	2020	2019	2018
Deposits at central banks	0.00%	0.00%	0.00%
Financial assets held for trading – debt securities	0.02%	0.39%	0.64%
Financial assets compulsorily measured at fair value through profit or loss - Debt securities	6.23%	4.46%	3.61%
Financial assets measured at fair value with changes in other comprehensive income / Available-for-sale financial assets - Debt securities	2.33%	2.61%	2.71%
Financial assets at amortised cost			
Loans and advances to credit institutions	0.78%	1.07%	0.64%
Loans and advances to customers	2.02%	2.25%	2.28%
Debt securities	0.56%	0.68%	0.70%

## 29. 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)

	2020	2019	2018
Central banks	(15)	(48)	(39)
Credit institutions	(49)	(98)	(70)
Customer deposits and other finance costs	(262)	(303)	(350)
Debt securities issued (excluding subordinated liabilities) *	(571)	(616)	(686)
Adjustments to expenses as a consequence of hedging transactions	471	511	552
Finance cost of insurance products	(1,280)	(1,426)	(1,319)
Asset interest expense	(133)	(97)	(91)
Lease liability interest (Note 1.4 and 22.4)	(19)	(20)	
Other	(6)	(7)	(36)
TOTAL	(1,864)	(2,104)	(2,039)

<sup>(\*)</sup> 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)

	2020	2019	2018
Deposits from central banks	0.04%	0.21%	0.13%
Deposits from credit institutions	0.37%	0.86%	0.54%
Customer deposits	0.10%	0.13%	0.16%
Debt securities issued (excluding subordinated liabilities)	1.62%	1.93%	2.26%
Subordinated liabilities	1.71%	1.75%	2.45%

# **30. Dividend income**CaixaBank Group | 2020 Financial Statements

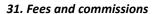
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#### 30. Dividend income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

#### **DIVIDEND INCOME**

	2020	2019	2018
Telefónica	100	104	104
Other	47	59	42
TOTAL	147	163	146



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)

	2020	2019	2018
Contingent liabilities	161	162	156
Credit facility drawdowns	70	51	50
Exchange of foreign currencies and banknotes	99	94	97
Collection and payment services	934	1,023	1,028
Of which: credit and debit cards	423	506	529
Securities services	102	81	96
Marketing of non-banking financial products	1,164	1,120	1,121
Other fees and commissions	381	409	350
TOTAL	2,911	2,940	2,898

#### **BREAKDOWN OF FEE AND COMMISSION EXPENSES**

	2020	2019	2018
Assigned to other entities and correspondents	(105)	(99)	(104)
Of which: transactions with cards and ATMs	(89)	(88)	(97)
Securities transactions	(25)	(25)	(24)
Other fees and commissions	(205)	(218)	(187)
TOTAL	(335)	(342)	(315)

# **32.** Gains/(losses) on financial assets and liabilities CaixaBank Group | 2020 Financial Statements



#### 32. 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

	2020	2019	2018
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or			
oss, net	187	240	126
Financial assets at amortised cost / Loans and receivables	114	2	(25)
Debt securities	114	2	1
Loans and advances			(26)
Financial liabilities at amortised cost (Note 15)			102
Financial assets at fair value with changes in other comprehensive income / Available-for-sale financial			
assets	73	235	48
Debt securities	73	235	48
Other		3	1
Gains/(losses) on financial assets and liabilities held for trading (net)	127	139	40
Equity instruments	(79)	29	(29)
Debt securities	7		(1)
Financial derivatives	199	110	70
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through			
profit or loss (net)	(24)	(74)	61
Equity instruments (Note 12)	(14)	(7)	66
Debt securities	(5)	(54)	(5)
Loans and advances	(5)	(13)	
Gains/(losses) from hedge accounting, net	(3)	45	39
Ineffective portions of fair value hedges	(3)		2
Valuation of hedging derivatives (Note 15)	4	292	(442)
Valuation of hedged items (Note 15)	(7)	(292)	444
Other	, ,	45	37
TOTAL	287	350	266

### 33. Other operating income and expenses and assets and liabilities under insurance or reinsurance contracts

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#### 33. Other operating income and expenses and assets and liabilities under insurance or reinsurance contracts

The breakdown of this item in the accompanying statement of profit or loss is as follows:

#### **BREAKDOWN OF OTHER OPERATING INCOME**

(Millions of euros)

	2020	2019	2018
Income from investment property and other income	92	119	142
Sales and income from provision of non-financial services	261	289	297
Other income	296	247	189
TOTAL	649	655	628

#### **BREAKDOWN OF OTHER OPERATING EXPENSES**

(Millions of euros)

	2020	2019	2018
Contribution to the Deposit Guarantee Fund/National Resolution Fund	(355)	(345)	(325)
Operating expenses from investment property and other *	(114)	(127)	(320)
Changes in inventories and other expenses of non-financial activities	(233)	(249)	(263)
Expenses associated with regulators and supervisors	(14)	(14)	(12)
Other items	(289)	(306)	(232)
TOTAL	(1,005)	(1,041)	(1,152)

<sup>(\*)</sup> Includes expenses related to leased investment property.

### BREAKDOWN OF INCOME AND EXPENSES OF ASSETS AND LIABILITIES UNDER THE INSURANCE OR REINSURANCE BUSINESS (Millions of euros)

(			
	2020	2019	2018
Income			
Insurance and reinsurance premium income *	1,058	952	987
Reinsurance income	49	(68)	(48)
TOTAL	1,107	884	939
Costs			
Paid provisions and other expenses related to insurance activity *	(411)	(61)	(107)
Net technical provisions (*)	(40)	(242)	(261)
Insurance and reinsurance premiums paid	(58)	(25)	(20)
TOTAL	(509)	(328)	(388)

 $<sup>(\</sup>ensuremath{^*}\xspace)$  Net of the portion relating to financial expenses.

#### 34. 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)

	2020	2019	2018
Wages and salaries	(2,088)	(2,207)	(2,187)
Social security contributions	(504)	(517)	(482)
Contributions to pension plans (saving and risk) *	(156)	(145)	(139)
Transfers to defined benefit plans	2	3	3
Other personnel expenses	(95)	(1,090)	(153)
Of which: Labour agreement 8-5-2019 (Note 23.2)		(978)	
TOTAL	(2,841)	(3,956)	(2,958)

<sup>(\*)</sup> Includes premiums paid

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. This heading also records the cost of the capital-instrument-based remuneration plans, recorded with a balancing entry under 'Shareholders' equity — Other equity items' of the accompanying balance sheet, net of the corresponding tax effect.

The accrued amounts of share-based remuneration plans are set out below:

#### **SHARE-BASED REMUNERATION**

	2020 ***	2019	2018
Variable remuneration bonus format - CEO, Senior Management and other members of the identified staff **	7	9	8
Variable remuneration of the Long-Term Incentives Plan related to the SP 2015-2018 *			2
Variable remuneration of the Annual Consolidable Incentives Plan related to the SP 2019-2021 **		3	
TOTAL	7	12	10
Beneficiaries of the Annual Consolidable Incentives Plan (people) **:		90	

<sup>(\*)</sup> 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 Chief Executive Officer and members of the Management Committee have decided to waive their variable remuneration for 2020, both their yearly Bonus and their participation in the second cycle of the 2020 Long-Term Incentives Plan (see Note 1.8). In addition, it has been agreed not to propose the granting of shares in this second cycle of the Long-Term Incentives Plan for the other 78 managers included therein.

<sup>(\*\*\*)</sup> The reference to calculate the shares equivalent to the variable remuneration package based on equity instruments is determined as described in the corresponding agreements approved in the Annual General Meeting each year. The valuation of variable remuneration in bonus format for the rest of the Identified Staff is the arithmetic average price, rounded to three decimal places, of the CaixaBank share closing prices in stock market trading sessions corresponding to 1 to 15 February 2021.



The average number of employees, by professional category and gender, is set out below:

#### **AVERAGE NUMBER OF EMPLOYEES \***

(Number of employees)

		2020			2019			2018	
			OF WHICH:			OF WHICH:			OF WHICH:
			WITH A			WITH A			WITH A
			<b>DISABILITY</b> ≥			<b>DISABILITY</b> ≥			<b>DISABILITY</b> ≥
	MEN	WOMEN	33%	MEN	WOMEN	33%	MEN	WOMEN	33%
Directors	3,321	2,113	24	3,716	2,366	26	3,769	2,216	0
Middle management	3,317	3,637	43	3,454	4,035	32	3,262	3,939	29
Advisers	9,565	13,664	295	9,650	13,376	285	10,365	13,765	312
TOTAL	16,203	19,414	362	16,820	19,777	343	17,396	19,920	341

<sup>(\*)</sup> The distribution, by professional category and gender, at any given time is not significantly different from that of the average number of employees.

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#### 35. 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)

	2020	2019	2018
IT and systems	(444)	(435)	(373)
Advertising and publicity *	(168)	(190)	(174)
Property and fixtures	(113)	(114)	(115)
Rent **	(37)	(44)	(185)
Communications	(72)	(71)	(70)
Outsourced administrative services	(57)	(86)	(109)
Tax contributions	(38)	(38)	(40)
Surveillance and security carriage services	(31)	(34)	(33)
Representation and travel expenses	(24)	(55)	(57)
Printing and office materials	(20)	(16)	(12)
Technical reports	(58)	(58)	(56)
Legal and judicial	(15)	(16)	(15)
Governing and control bodies	(10)	(10)	(10)
Other expenses	(111)	(81)	(47)
TOTAL	(1,198)	(1,248)	(1,296)

<sup>\*</sup> Includes advertising in media, sponsorships, promotions and other commercial expenses.

#### **EXTERNAL AUDITOR FEES \***

(Thousands of euros)

	2020	2019	2018
Auditor of the Group (PwC **)	5,865	4,974	4,862
Audit	4,745	3,817	3,762
Audit	3,581	3,285	2,817
Limited review	671	532	945
Other audit services	493		
Other services	1,120	1,157	1,100
Comfort letters for issues	277	350	179
Agreed procedural reports	840	804	707
Other work	3	3	214
Other auditors			40
Audit			40
TOTAL	5,865	4,974	4,902

<sup>(\*)</sup> 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.

PricewaterhouseCoopers Auditores, S.L., with registered office at Paseo de la Castellana 259 B, Torre PWC, 28046 Madrid. A resolution was carried at the Annual General Meeting held on 6 April 2017 to ratify the appointment of PricewaterhouseCoopers Auditores, S.L. as financial auditor of CaixaBank Group for 2018 through to 2020, following the reasoned recommendation and preference issued by the Audit and Control Committee, after completing the selection process carried out in accordance with the criteria set out in Regulation (EU) 537/2014 of 16 April on specific requirements regarding statutory audit of public-interest entities. PricewaterhouseCoopers Auditors, S.L. did not resign nor was it removed from its duties as auditor of CAIXABANK during 2018, 2019 or 2020. On 22 May 2021 the AGM approved the extension of the current auditor's appointment to 2021.

<sup>\*\*</sup> The short-term amount of rental expenses in which IFRS 16 has not been applied is immaterial.

<sup>&</sup>quot;Technical reports" relates to fees and expenses, excluding the related VAT, paid to the auditor, broken down as follows:

#### 35. Other administrative expenses

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#### 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)

	2020
Total payments made	2,775
Total payments pending	44
TOTAL PAYMENTS IN THE YEAR	2,819

#### **AVERAGE SUPPLIER PAYMENT PERIOD AND RATIOS**

(Day)

	2020
Average payment period to suppliers	21.69
Ratio of transactions paid	19.27
Ratio of transactions pending payment	21.65

In accordance with the Second Transitional Provision of Act 15/2010 of 5 July, covering measures to combat non-performing assets in the trading operations, generally, the maximum statutory period for payments between companies is 60 days.

## 36. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

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#### 36. 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

	2020	2019	2018
Financial assets at amortised cost / Loans and receivables	(1,942)	(425)	(124)
Loans and advances	(1,942)	(425)	(125)
Net allowances (Note 14)	(1,694)	(410)	(68)
Of which - Credit institutions	(1)	(2)	
Of which - Customers	(1,693)	(408)	(68)
Write-downs (Note 27.4)	(698)	(799)	(512)
Recovery of loans written off (Note 27.4)	450	784	455
Debt securities (Note 14)			1
Financial assets at fair value with changes in other comprehensive income / Available-for-sale			
financial assets	(1)		(2)
Write-downs	(1)		(2)
Equity instruments			
Debt securities	(1)		(2)
TOTAL	(1,943)	(425)	(126)

#### 37. 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)

	2020	2019	2018
Tangible assets (Note 18)	(110)	(80)	(17)
Property, plant and equipment for own use	(30)	(35)	(21)
Provisions		(3)	(1)
Releases	5	7	3
Write-downs	(35)	(39)	(23)
Investment property	(80)	(45)	4
Provisions	(145)	(111)	(249)
Releases	65	66	253
Intangible assets (Note 19)	(14)	(25)	(25)
Provisions		(4)	(5)
Releases		1	4
Write-downs	(14)	(22)	(24)
Other (Note 20)	12	(1)	(7)
Inventories	(2)		(7)
Provisions	(4)	(2)	(18)
Releases	2	2	11
Other	14	(1)	
TOTAL	(112)	(106)	(49)

# **38.** Gains/(losses) on derecognition of non-financial assets CaixaBank Group | 2020 Financial Statements



#### 38. 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

		2020			2019			2018		
	NET PROFIT/					NET PROFIT/		NET PROFIT/		
	GAINS	LOSSES	(LOSS)	GAINS	LOSSES	(LOSS)	GAINS	LOSSES	(LOSS)	
On disposals of tangible assets	44	(26)	18	85	(36)	49	95	(66)	29	
Due to sale of investments (Note										
16)	7	(1)	6	1	4	5	9	(608)	(599)	
On disposals of other assets *	3	0	3	1	0	1	99	(5)	94	
TOTAL	54	(27)	27	87	(32)	55	203	(679)	(476)	

<sup>(\*)</sup> Corresponds to gains or losses on selling real estate classified as inventories (see Note 20).



## 39. Profit/(loss) from non-current assets classified as held for sale not qualifying as discontinued operations

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## 39. 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

	2020	2019	2018
Impairment losses on non-current assets held for sale (Note 21)	(107)	(134)	(335)
Gain on disposal of investments (Note 16)	428		
Profit/(loss) on disposal of non-current assets held for sale *	13	18	186
TOTAL	334	(116)	(149)

<sup>(\*)</sup> The total profit/(loss) on the disposal of non-current assets relate to real estate to satisfy loans, none of which were for significant amounts individually.

### **40.** Information on the fair value CaixaBank Group | 2020 Financial Statements

#### 40. Information on the fair value

40.1. 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.
- Level 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, adjusted to reflect the different intrinsic risks.

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 (FA)

(Millions of euros)

		31	-12-2020				31	-12-2019				31	-12-2018		
	CARRYING —		FAIR VA	LUE		CARRYING —		FAIR VA	LUE		CARRYING —		FAIR VA	LUE	
	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FA held for trading (Note 11)	6,357	6,357	1,084	5,233	40	7,370	7,370	1,189	6,169	12	9,810	9,810	1,119	8,682	9
Derivatives	5,301	5,301	35	5,231	35	6,194	6,194	27	6,167		8,707	8,707	32	8,675	
Equity instruments	255	255	255			457	457	457			348	348	348		
Debt securities	801	801	794	2	5	719	719	705	2	12	755	755	739	7	9
FA not designated for trading compulsorily measured at fair															
value through profit or loss (Note 12)	317	317	50	3	264	427	427	54	59	314	704	704	223		480
Equity instruments	180	180	50	3	127	198	198	54	2	142	232	232	223		8
Debt securities	52	52			52	63	63		57	6	145	145			145
Loans and advances	85	85			85	166	166			166	327	327			327
FA at fair value through profit or loss						1	1	1							
Debt securities						1	1	1							
FA at fair value with changes in other comprehensive income															
(Note 13)	19,309	19,309	18,693	44	572	18,371	18,371	17,414	245	712	21,888	21,888	20,871	145	873
Equity instruments	1,414	1,415	843		572	2,407	2,407	1,617	78	712	3,565	3,565	2,686	11	868
Debt securities	17,895	17,894	17,850	44		15,964	15,964	15,797	167		18,323	18,323	18,185	134	5
FA at amortised cost (Note 14)	267,509	289,064	17,490	3,224	268,350	244,702	264,355	11,593	1,968	250,794	242,582	259,358	11,653	638	247,067
Debt securities	24,670	25,334	17,278	1,545	6,511	17,389	17,878	11,593	1,968	4,317	17,060	17,295	11,653	638	5,004
Loans and advances	242,839	263,730	212	1,679	261,839	227,313	246,477			246,477	225,522	242,063			242,063
Derivatives - Hedge accounting (Note 15)	515	515		515		2,133	2,133		2,133		2,056	2,056		2,056	
Assets under the insurance business (Note 17)	77,110	77,111	76,716	145	250	72,509	72,509	71,926		583	61,463	61,463	60,277	1	1,185
Financial assets held for trading	545	545	545			1,066	1,066	1,066			945	945	943		2
Debt securities	545	545	545			1,066	1,066	1,066			945	945	943		2
Financial assets designated at fair value through profit or															
loss	14,705	14,705	14,575	130		12,150	12,150	12,150			7,990	7,990	7,990		
Equity instruments	9,301	9,301	9,301			7,704	7,704	7,704			5,265	5,265	5,265		
Debt securities	5,297	5,297	5,167	130		3,980	3,980	3,980			2,343	2,343	2,343		
Loans and advances - Credit institutions	107	107	107			466	466	466			382	382	382		
Available-for-sale financial assets	61,643	61,643	61,595		48	58,763	58,763	58,710		53	51,345	51,345	51,344	1	
Debt securities	61,643	61,643	61,595		48	58,763	58,763	58,710		53	51,345	51,345	51,344	1	
Loans and receivables	218	218	1	15	202	530	530			530	1,183	1,183			1,183
Debt securities	189	189	1	15	173	350	350			350	655	655			655
Loans and advances - Credit institutions	29	29			29	180	180			180	528	528			528

FA: Financial assets

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#### **FAIR VALUE OF FINANCIAL LIABILITIES**

		31-12-2020					31-12-2019					31-12-2018			
	CARRYING -	FAIR VALUE		CARRYING -	FAIR VALUE			CARRYING —		FAIR VALUE					
	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	AMOUNT	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities held for trading (Note 11)	424	424	324	69	30	2,338	2,338	505	1,833		9,015	9,015	477	8,538	
Derivatives	151	151	51	70	30	1,867	1,867	34	1,833		8,616	8,616	78	8,538	
Short positions	273	273	273			471	471	471			399	399	399		
Financial liabilities designated at fair value through profit or loss						1	1	1							
Financial liabilities at amortised cost (Note 22)	342,403	346,835	37,210	4,291	305,334	283,975	286,577	31,589		254,988	282,460	283,017	26,941		256,076
Deposits	300,523	303,431	857	4,291	298,283	241,735	242,664			242,664	247,640	247,458			247,458
Debt securities issued	35,813	37,554	36,321		1,233	33,648	35,321	31,589		3,732	29,244	29,982	26,941		3,041
Other financial liabilities	6,067	5,850	32		5,818	8,592	8,592			8,592	5,576	5,577			5,577
Derivatives - Hedge accounting (Note 15)	237	238	1	237		515	515		515		793	793		793	
Liabilities under the insurance business	14,607	14,607	14,607			12,248	12,248	12,248			9,053	9,053	9,053		
Contracts designated at fair value through profit or loss	14,608	14,608	14,608			12,248	12,248	12,248			9,053	9,053	9,053		

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 Group's directors consider that 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		
		Swaps		Present value method			
		Exchange rate options Models		Black-Scholes, Local Stochastic Volatility, Vanna-Volga	Interest rate curves		
	Derivatives	Interest rate options		<ul><li>Correlations (equities)</li><li>Dividends (equities)</li></ul>			
Financial assets	Delivatives	Index and equity options		Black-Scholes, Local Volatility models	<ul> <li>Probability of default for the calculation CVA and DVA</li> </ul>	on	
and liabilities held for trading		Inflation rate options		Normal Black model			
		Credit		Present Value and Default Intensity method			
	<b>Debt securities</b>			Present value method	Interest rate curves Risk premiums Market peers Prices observed on the market		
Financial assets	Equity instru	ments			Interest rate curves		
not designated for trading	Debt securities			Present value method	Risk premiums     Market peers		
compulsorily measured at fair	Debt securiti	с.			Prices observed on the market		
value through profit or loss	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	fair value with			Present value method	Interest rate curves     Risk premiums     Market peers		
comprehensive income	Debt securiti	curities		Fresent value mediod	Prices observed on the market     Net Asset Value     Carrying amount		
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 re	ceivables		Present value method	Interest rate curves     Early cancellation ratiosa     Credit loss ratios (internal models)		
Derivatives -	Swaps			Present value method	Interest rate curves     Correlations (equities)     Dividends (equities)		
Hedge accounting	Hedge accounting Interest rate options			Black model	Probability of default for the CVA and calculation	I DVA	
Financial liabilities at	Deposits		<b>Deposits</b> Prese		Interest rate curves Projections of deposits with no maturity (internal model) Credit loss ratios (internal models)		
amortised cost	Debt securities issued			Present value method	Interest rate curves     Credit loss ratios (internal models)		



### **40.** Information on the fair value CaixaBank Group | 2020 Financial Statements



- (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), 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 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)

	2020		2019		2018		
	CVA/FVA	DVA/FVA	CVA/FVA	DVA/FVA	CVA/FVA	DVA/FVA	
OPENING BALANCE	(86)	19	(136)	31	(98)	27	
Additions/changes in derivatives	(17)	3	50	(12)	(36)	4	
Cancellation or maturity of derivatives	(1)		(0)		(2)		
CLOSING BALANCE	(104)	22	(86)	19	(136)	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 - 2020**

(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 held for trading				1			
Debt securities				1			
Financial assets at fair value with changes in other comprehensive income				66			
Debt securities				66			
Financial assets at amortised cost		6	4	150	50		2
Debt securities		6	4	150	50		2
TOTAL	•	6	4	217	50	•	2

There were no material transfers among levels in 2019 and 2018.

Given the Group's risk profile regarding its portfolio of debt securities measured at fair value (see Note 3.4.1), 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 - 31-12-2020 \*\*

	NON-TRADING FA* - DEBT SEC.	FA AT FAIR VALUE WOTHER COMPREHE	ASSETS ATTACHED TO THE INSURANCE BUSINESS AVAILABLE-FOR-SALE FA - DEBT SEC.	
OPENING BALANCE	6		712	53
Reclassifications to other levels	52		78	
Total gains/(losses)	(6)		(77)	(1)
To profit or loss	(6)			(1)
To reserves			(69)	
To equity valuation adjustments			(8)	
Acquisitions			3	
Settlements and other			(144)	(4)
CLOSING BALANCE	52		572	48
Total gains/(losses) in the period for instruments held at the end of the period	6		77	1

FA: Financial assets; DEBT SEC.: debt securities

<sup>(\*)</sup> Compulsorily measured at fair value through profit or loss.

<sup>(\*\*)</sup> No material impacts were recognised as a consequence of the sensitivity analyses carried out on level-3 financial instruments.

#### CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS AT FAIR VALUE - 31-12-2019 \*\*

(Millions of euros)

			FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME					
	NON-TRADING FA* - DEBT SEC.	DEBT SEC.	EQUITY INSTRUMENTS	AVAILABLE-FOR-SALE FA - DEBT SEC.				
OPENING BALANCE	145	5	868	0				
Reclassifications to other levels		(5)						
Total gains/(losses)	(85)	0	(110)	1				
To profit or loss	(85)							
To reserves			(27)	1				
To equity valuation adjustments			(83)					
Acquisitions			1	52				
Settlements and other	(54)		(47)					
CLOSING BALANCE	6	0	712	53				
Total gains/(losses) in the period for instruments held at the end of the period	85	0	110	(1)				

FA: Financial assets; DEBT SEC.: debt securities

#### CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS AT FAIR VALUE - 31-12-2018 \*\*

(Millions of euros)

		FA AT FAIR VALUE I	ASSETS ATTACHED TO THE INSURANCE BUSINESS	
	NON-TRADING FA* - DEBT SEC.	DEBT SEC.	EQUITY INSTRUMENTS	AVAILABLE-FOR-SALE FA - DEBT SEC.
OPENING BALANCE		86	449	31
First application of IFRS 9 (Note 1)	148	(86)	52	
ADJUSTED OPENING BALANCE	148	0	501	31
Reclassifications to other levels		5		
Total gains/(losses)	(4)	0	(122)	(1)
To profit or loss	(3)		(21)	
To equity valuation adjustments	(1)		(101)	(1)
Acquisitions	7			(30)
Settlements and other	(6)		489	
CLOSING BALANCE	145	5	868	0
Total gains/(losses) in the period for instruments held at the end of the period	4	0	122	1

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

40.2. 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 inventories and non-current assets held for sale and disposal groups classified as held for sale.

<sup>(\*)</sup> Compulsorily measured at fair value through profit or loss.

<sup>(\*\*)</sup> No material impacts were recognised as a consequence of the sensitivity analyses carried out on level-3 financial instruments.



The fair value of real estate is measured based on Level 2 in the fair value hierarchy.

The fair value of real estate according to their accounting classification is as follows:

#### **FAIR VALUE OF PROPERTY**

(Millions of euros)

	2020		2019	<u> </u>	2018		
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	
Tangible assets - Investment property	1,947	2,464	2,298	2,930	2,738	3,468	
Other assets - Inventories	45	45	20	20	15	15	
Non-current assets held for sale and disposal groups classified as held for sale	991	1,146	1,085	1,253	965	1,114	
TOTAL	2,983	3,655	3,403	4,203	3,718	4,597	

The Group has a corporate policy that guarantees the professional competence and 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 Group 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 Group worked in Spain for the year are listed below:

#### **APPRAISERS OF REAL ESTATE ASSETS - 31-12-2020**

(Percentage)

	TANGIBLE ASSETS - INVESTMENT PROPERTY	OTHER ASSETS - INVENTORIES	NON-CURRENT ASSETS HELD FOR SALE
Krata, SA	6%	4%	10%
Tasaciones Inmobiliarias, SA	21%	15%	18%
Sociedad de Tasación, SA	16%	2%	10%
Gesvalt, SA	11%	10%	8%
JLL Valoraciones, SA	6%	12%	6%
CBRE Valuation Advisory, SA	14%	27%	8%
Gloval Valuation, SA	14%	20%	31%
Tecnitasa, SA	2%	1%	2%
UVE Valoraciones, SA	10%	9%	6%
Other			1%
TOTAL	100%	100%	100%

#### 41. 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) the amount of the transaction is no more than one per cent (1%) of the company's annual income. 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)

	2020	2019	2018
Outstanding financing	6,854	6,964	8,109
Average maturity (years)	20	21	21
Average interest rate (%)	0.31	0.34	0.29
Financing granted in the year	1,764	32	8
Average maturity (years)	23	5	0
Average interest rate (%)	0.79	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 Group and its related parties are set out below, complementing the other balances in the notes to this report. Details are also provided of the amounts recognised in the statement of profit or loss from transactions carried out.

#### **RELATED PARTY BALANCES AND OPERATIONS**

(11111110110 0) 041 00)															
	SIGNIFICAN'	T SHARFHOL	DFR (1)	ASSOCIATES AND JOINT VENTURES				RS AND SEN GEMENT (2		OTHER REI	ATED PARTI	FS (3)	FMPI OYE	E PENSION P	ΠΔΝ
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
ASSETS															
Loans and advances to credit institutions					28										
Loans and advances	22	26	32	426	462	603	7	7	8	20	20	11	0	0	0
Mortgage loans	21	25	31			2	7	7	8	9	10	6			
Other	1	1	1	426	462	601				11	10	5			
Of which: valuation adjustments				(1)	(2)										
Debt securities	12	8													
TOTAL	34	34	32	426	490	603	7	7	8	20	20	11	0	0	0
LIABILITIES															
Customer deposits	210	165	339	659	720	431	26	29	39	48	58	97	66	36	36
Debt securities issued															
TOTAL	210	165	339	659	720	431	26	29	39	48	58	97	66	36	36
PROFIT OR LOSS															
Interest income	1	1	2	11	7	2									
Interest expense															
Fee and commission income		1		239	205	211									
Fee and commission expenses				(13)	(13)										
TOTAL	1	2	2	237	199	213	0	0	0	0	0	0	0	0	0
OTHER															
Contingent liabilities		1	2	26	56	25									
Contingent commitments Assets under management (AUMs) and			0	475	443	308	3	2	1	3	4	12			
assets under custody (4)	12,842	14,879	14,552	1,648	1,571	1,700	192	224	210	336	430	458			
TOTAL	12,842	14,880	14,554	2,149	2,070	2,033	195	226	211	339	434	470	0	0	0
		-		-											

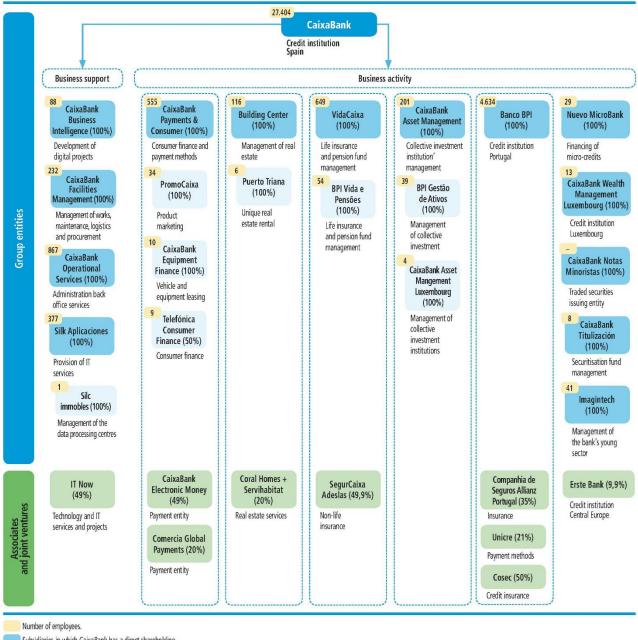
<sup>(1) &</sup>quot;Significant shareholder" refers to any shareholder that is the parent of or has joint control of or significant influence over the Group, the latter term as defined in IAS 28, irrespective of its economic rights. Along these lines they solely refer to balances and operations made with "Ia Caixa" Banking Foundation, CriteriaCaixa and its subsidiaries. At 31 December 2019, 2018 and 2017, CriteriaCaixa's stake in CaixaBank is 40%.

<sup>(2)</sup> Directors and Senior Management of CaixaBank.

<sup>(3)</sup> Family members and entities related to members of the Board of Directors and Senior Management of CaixaBank.

<sup>(4)</sup> Includes collective investment institutions, insurance contracts, pension funds and securities depositary.

The table below shows the main subsidiaries, joint ventures and associates, and their type of link.

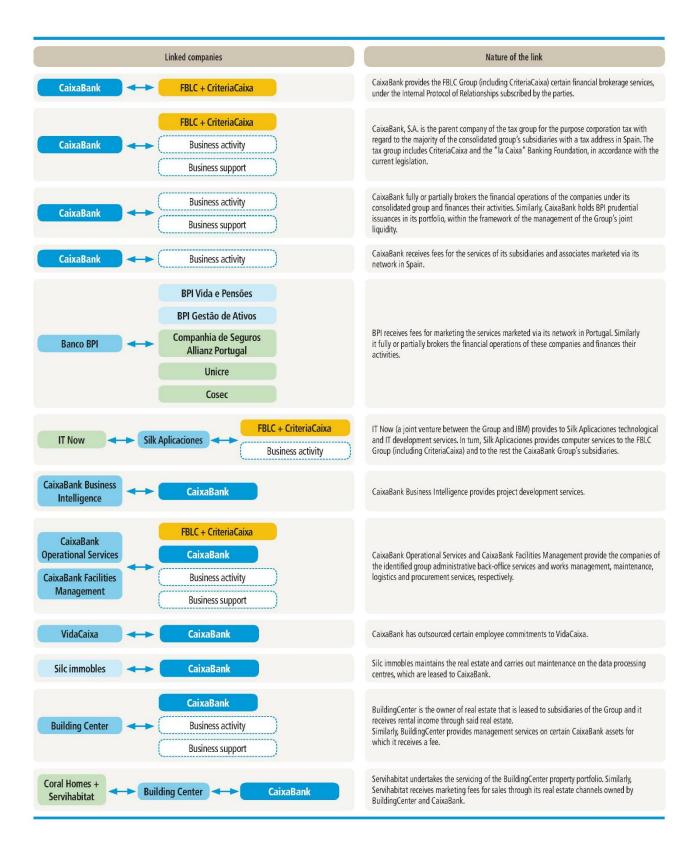


Subsidiaries in which CaixaBank has a direct shareholding.

Subsidiaries in which CaixaBank has an indirect shareholding.

N.B. Includes the most relevant companies contributing to the Group, excluding share-based operations (dividends) and extraordinary.







### 41. Related party transactions CaixaBank Group | 2020 Financial Statements



Transactions between Group companies form part of the normal course of business and are carried out at arm's length.

The most significant operations carried out in 2020, 2019 and 2018 between group companies, in addition or complementary to those mentioned in the above notes in this report, are as follows:

CaixaBank Payments & Consumer:

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 scope was carried out, with no impact on the Group's balance sheet or statement of profit or loss:

- Promo Caixa, CaixaBank Payments & Consumer entered into a purchase agreement for 100% of the share capital of Promo Caixa, owned by CaixaBank, for a total price of EUR 212 million.
- Comercia Global Payments, CaixaBank Payments & Consumer entered into a purchase agreement for 49% of the share capital of Comercia Global Payments, owned by CaixaBank, for a total price of EUR 585 million.
- The operation, signed in December 2017, to dispose of the Banco BPI merchant processing business (point of sale) to Comercia Global Payments was closed in August 2018, registering a profit of EUR 58 million under "Gains/(losses) on derecognition of non-financial assets, net" of the accompanying consolidated income statement.

The most relevant operations of 2020, 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 2020, 2019 and 2018, CriteriaCaixa holds derivatives with CaixaBank to cover the interest rates of bilateral banking loans, for a nominal value of EUR 202, 846 and 1,100 million, respectively. The fair value of this derivative at 31 December 2020, 2019 and 2018 was EUR 2, 10 and 13 million, 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 Criteria Caixa 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.



#### 42. Other disclosure requirements

#### 42.1. The environment

There is no significant environmental risk due to the activity of the Group, 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). Furthermore, no significant tangible asset items at the Group are affected by environmental issues of any type.

The Group 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).

CaixaBank has not received any relevant fines or sanctions related to compliance with environmental regulations in 2020.

#### 42.2. 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.

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 especially, the reports issued by the Supervisors' Claims Services in 2020. These led to the Customer Service Office drawing up 16 improvement proposals respectively.

The average resolution time in 2020 is 23 calendar days, compared to 24 calendar days in 2019.

#### **COMPLAINTS RECEIVED**

(Number of complaints)

	2020	2019	2018
HANDLED BY THE CUSTOMER SERVICE OFFICE AND CUSTOMER CONTACT CENTER (CCC)	119,361	75,766	83,124
Customer Service Office (CSA) and Customer Contact Center (CCC)	119,361	75,722	83,093
Customer Ombudsman (CO) (*)		44	31
TELEPHONE CLAIMS AND COMPLAINTS	13,533	10,993	11,415
Customer Contact Center (CCC)	13,533	10,993	11,415
FILED WITH THE SUPERVISORS' CLAIMS SERVICES	1,598	1,322	2,151
Bank of Spain	1,350	1,116	1,900
Comisión Nacional del Mercado de Valores (Spanish securities market regulator)	82	85	81
Directorate-General of Insurance and Pension Plans	166	121	170

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 SPAI	N _	(	CNMV		DGS (Directorate General of Insurance)			
TYPE OF RESOLUTION	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	
Resolved in favour of the													
claimant	54,791	34,811	24,032	179	193	318	22	18	23	15		4	
Resolved in favour of the entity	35,085	25,592	45,502	160	163	187	19	17	20	13	34	22	
Acceptance				232	223	356	6	13	14	-	2	1	
Other (rejected/unresolved)	19,963	12,107	9,919										
TOTAL	109,839	72,510	79,453	571	579	861	47	48	57	28	36	27	

42.3. Branches

The branches of the Group are specified below:

#### **BRANCHES OF THE GROUP**

(No. of branches)

	2020	2019	2018
Spain	3,786	4,118	4,608
Abroad	429	484	502
TOTAL	4,215	4,602	5,110

### **43. Statements of cash flows**CaixaBank Group | 2020 Financial Statements

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#### 43. Statements of cash flows

The main cash flow variations corresponding to the financial year are set out below by type:

- Operating activities (EUR 37,562 million): This is chiefly due to the increase of the deposits taken from the ECB and the rise of the demand deposits under the heading Financial liabilities at amortised cost, partially offset by the flow generated by the increase of loans and advances to customers under the heading Financial assets at amortised cost.
- Investment activities (EUR 484 million): Includes the cash collected from the sale of 29% of the stake in Comercia Global Payments, Entidad de Pago, S.L. to Comercia Global Payments for EUR 493 million, as well as the effect of the collections and payments for the sale and purchase of fixed assets
- Financing activities (EUR-1,540 million): arises from the cash flows resulting from the issue (EUR 3,731 million) and repayment of debt or equity-based instruments (EUR 4,736 million), as well as the dividends paid (EUR 418 million) in the year.

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(1/2)

#### Appendix 1 – CaixaBank investments in subsidiaries of CaixaBank Group

(Thousands of euros)

		% OWNERSHIP								
		REGISTERED			SHARE		PROFIT/	COST OF THE DIRECT		
CORPORATE NAME	BUSINESS ACTIVITY	ADDRESS	DIRECT	TOTAL	CAPITAL	RESERVES	(LOSS)	HOLDING (NET)		
Abside Capital SICAV S.A. (*)	SICAVs	Madrid-Spain	90.96	90.96	1,546	-	-	1,200		
Alicante Capital SICAV S.A. (*)	SICAVs	Madrid-Spain	99.99	99.99	2,555	(786)	(16)	1,278		
Aris Rosen, S.A.U.	Services	Barcelona-Spain	100.00	100.00	15	405	(24)	401		
Arquitrabe Activos, S.L.	Holding company	Barcelona-Spain	100.00	100.00	98,431	463	4,402	98,823		
Banco BPI, S.A.	Banking	Portugal	100.00	100.00	1,293,063	2,195,773	87,822	2,060,366		
BPI (Suisse), S.A. (2)	Asset management	Switzerland	-	100.00	3,000	9,382	2,181	-		
BPI Gestão de Activos - Sociedade Gestora de Fundos de										
Investimento Mobiliário, SA	Management of collective investment institutions	Portugal	-	100.00	2,500	14,509	4,363	-		
BPI Vida e Pensões - Companhia de Seguros, SA	Life insurance and pension fund management	Portugal	-	100.00	76,000	61,142	3,568	-		
BPI, Incorporated (3)	Banking	US	-	100.00	5	854	(5)	-		
BuildingCenter, S.A.U.	Holder of real estate assets	Madrid-Spain	100.00	100.00	2,000,060	(42,352)	(209,600)	2,192,195		
Caixa Capital Biomed S.C.R. S.A.	Venture capital company	Barcelona-Spain	90.91	90.91	1,200	2,188	(61)	2,933		
Caixa Capital Fondos Sociedad De Capital Riesgo S.A.	Venture capital company	Madrid-Spain	100.00	100.00	1,200	14,912	1,832	14,934		
Caixa Capital Micro SCR S.A.	Venture capital company	Madrid-Spain	100.00	100.00	1,200	345	379	1,254		
Caixa Capital Tic S.C.R. S.A.	Venture capital company	Barcelona-Spain	80.65	80.65	1,209	4,058	1,199	4,988		
Caixa Corp, S.A.	Holding company	Barcelona-Spain	100.00	100.00	361	351	(0)	585		
Caixa Emprendedor XXI, S.A.U.	Promotion of business and entrepreneurial initiatives	Barcelona-Spain	100.00	100.00	1,007	17,654	(72)	17,954		
Caixabank Asset Management Luxembourg, S.A.	Management of collective investment institutions	Luxembourg	-	100.00	150	3,738	199	-		
CaixaBank Asset Management, SGIIC, S.A.U. (4)	Management of collective investment institutions	Madrid-Spain	100.00	100.00	86,310	(48,945)	92,907	111,351		
CaixaBank Brasil Escritório de Representaçao Ltda. (1)	Representative office	Brazil	100.00	100.00	1,200	2,338	285	345		
CaixaBank Business Intelligence, SAU	Development of digital projects	Barcelona-Spain	100.00	100.00	100	1,199	318	1,200		
CaixaBank Equipment Finance, S.A.U.	Vehicle and equipment leasing	Madrid-Spain	-	100.00	10,518	38,927	2,245	-		
CaixaBank Facilities Management, S.A.	Project management, maintenance, logistics and procurement	Barcelona-Spain	100.00	100.00	1,803	1,871	849	2,053		
Caixabank NEX, S.A.U.	Electronic channel management	Valencia-Spain	100.00	100.00	13,670	9,911	4,089	21,144		
CaixaBank Notas Minoristas, S.A.U.	Finance	Madrid-Spain	100.00	100.00	60	1,607	48	4,478		
Caixabank Operational Services, S.A.	Specialised services for back office administration	Barcelona-Spain	100.00	100.00	1,803	19,517	2,055	9,579		
Caixabank Payments & Consumer, E.F.C., E.P., S.A.	Consumer finance	Madrid-Spain	100.00	100.00	135,156	1,072,559	385,590	1,571,634		
Caixabank Titulizacion S.G.F.T., S.A.	Securitisation fund management	Madrid-Spain	100.00	100.00	1,503	459	3,342	6,423		
CaixaBank Wealth Management Luxembourg, S.A.	Banking	Luxembourg	100.00	100.00	11,826	24,953	(6,733)	30,725		
Cestainmob, S.L.	Real-estate management	Barcelona-Spain	-	100.00	120	510	(1)	-		
	Provision of financial services and intermediation in the									
Coia Financiera Naval, S.L.	shipbuilding sector	Madrid-Spain	76.00	76.00	3	7	52	2		

#### CAIXABANK INVESTMENTS IN SUBSIDIARIES OF CAIXABANK GROUP

(Thousands of euros)								(2/2)
			% OWNE	RSHIP				
		REGISTERED			SHARE		PROFIT/	COST OF THE DIRECT
CORPORATE NAME	BUSINESS ACTIVITY	ADDRESS	DIRECT	TOTAL	CAPITAL	RESERVES	(LOSS)	HOLDING (NET)
Corporación Hipotecaria Mutual, E.F.C., S.A.	Mortgage lending	Madrid-Spain	100.00	100.00	3,005	73,645	(2,389)	71,987
	Provision of financial services and intermediation in the							
El Abra Financiera Naval, S.L.	shipbuilding sector	Madrid-Spain	76.00	76.00	3	34	(10)	2
Estugest, S.A.	Administrative activities and services	Barcelona-Spain	100.00	100.00	661	163	(1)	781
Grupo Aluminios de Precisión, S.L.U. (*)	Aluminium smelting in sand moulds	Burgos-Spain	100.00	100.00	7,500	19,601	213	3,360
HipoteCaixa 2, S.L.	Mortgage loan management company	Barcelona-Spain	100.00	100.00	3	61,769	50	61,797
Hiscan Patrimonio, S.A.	Holding company	Barcelona-Spain	100.00	100.00	46,867	115,994	13,907	176,797
ImaginTech, S.A.	Digital business	Barcelona-Spain	99.99	100.00	60	1,805	225	1,858
Inter Caixa, S.A.	Services	Barcelona-Spain	99.99	100.00	16	24	(4)	47
Inversiones Coridith SICAV S.A. (*)	SICAVs	Madrid-Spain	99.95	99.95	2,515	(742)	(18)	1,257
Inversiones Corporativas Digitales, S.L.	Holding company	Barcelona-Spain	-	100.00	3	(3,065)	6	-
Inversiones Inmobiliarias Teguise Resort, S.L.	Hotels and similar accommodation	Las Palmas-Spain	60.00	60.00	7,898	11,335	(1,065)	8,618
Líderes de Empresa Siglo XXI, S.L.	Private security for goods and people	Barcelona-Spain	100.00	100.00	378	812	311	753
Negocio de Finanzas e Inversiones II, S.L.	Finance	Barcelona-Spain	100.00	100.00	6	442	(2)	448
Nuevo Micro Bank, S.A.U.	Financing of micro-credits	Madrid-Spain	100.00	100.00	90,186	257,912	5,405	90,186
PremiaT Comunidad Online, S.L.	Marketing of cashless platform	Barcelona-Spain	-	100.00	100	1,012	(181)	-
PromoCaixa, S.A.	Product marketing	Barcelona-Spain	-	100.00	60	(9,104)	17,956	-
Puerto Triana, S.A.U.	Real estate developer specialised in shopping centres	Seville-Spain	100.00	100.00	124,290	4,694	(9,509)	119,475
Sercapgu, S.L.	Holding company	Barcelona-Spain	100.00	100.00	4,230	(203)	(19)	632
Silc Immobles, S.A.	Real-estate administration, management and operation	Madrid-Spain	-	100.00	40,070	107,260	182	-
Silk Aplicaciones, S.L.U.	Provision of IT services	Barcelona-Spain	100.00	100.00	15,003	100,710	915	176,211
Sociedad de Gestión Hotelera de Barcelona, S.L.	Real-estate operations	Barcelona-Spain	-	100.00	8,144	10,815	(1,740)	-
Telefónica Consumer Finance E.F.C., S.A.	Consumer finance	Madrid-Spain	-	50.00	5,000	28,781	677	-
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	3,553	2,831	51,501
VidaCaixa Mediació, Sociedad de Agencia de Seguros								
Vinculada, S.A.U.	Insurance agency	Madrid-Spain	-	100.00	60	3,220	258	-
VidaCaixa, S.A. de Seguros y Reaseguros Sociedad	Direct life insurance, reinsurance and pension fund							
Unipersonal	management	Madrid-Spain	100.00	100.00	1,347,462	(39,445)	844,484	2,251,712

<sup>(\*)</sup> Companies classified as non-current assets held for sale

<sup>(1)</sup> All data except cost are in local currency: Brazilian real (thousands).

<sup>(2)</sup> All data except cost are in local currency: Swiss franc (thousands)

<sup>(3)</sup> All data except cost are in local currency: US dollar (thousands)

<sup>(4)</sup> 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 CaixaBank Group

(Thousands of euros) (1/1)

											TOTAL		
		% OWNERSHIP							COMPREHEN COST OF DIRECT			<b>DIVIDENDS ACCRUED</b>	
		REGISTERED	/8 O W I V L I	VOLINE.			ORDINARY	SHARE		PROFIT/	SIVE	OWNERSHIP	FROM THE TOTAL
CORPORATE NAME	<b>BUSINESS ACTIVITY</b>	ADDRESS	DIRECT	TOTAL	ASSETS	LIABILIT.	INCOME	CAPITAL	RESERVES	(LOSS)	INCOME	INTEREST (NET)	HOLDING
Cosec - Companhia de Seguros de Crédito, S.A.	Credit insurance	Portugal	-	50.00	137,877	85,840	22,062	7,500	38,939	2,336	2,336	-	-
Global Payments South America, Brasil – Serviço	OS												
de Pagamentos, S.A. (1)	Payment methods	Brazil	33.33	33.33	1,142,315	1,144,935	(52,207)	181,564	(167,250)	(16,934)	(16,934)	-	-
Inversiones Alaris, S.L. In liquidation (L)	Securities holding	Navarre-Spain	33.33	66.67	14,545	8,758	-	11,879	(5,355)	(737)	(737)	-	-
Payment Innovation HUB, S.A.	Payment methods	Barcelona-Spain	-	50.00	1,018	91	1,720	60	531	336	336	-	-
	Real estate												
Vivienda Protegida y Suelo de Andalucía, S.A.	development	Seville-Spain	-	50.00	4,392	7,126	98	60	(2,715)	(79)	(79)	-	-

<sup>(</sup>L) Companies in liquidation.

<sup>(1)</sup> All data except the cost and the dividend are in local currency: Brazilian real (thousands).

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)TOTAL % OWNERSHIP COMPREHEN COST OF DIRECT DIVIDENDS ACCRUED **REGISTERED** PROFIT/ FROM THE TOTAL ORDINARY SHARE SIVE **OWNERSHIP** CORPORATE NAME **BUSINESS ACTIVITY ADDRESS** DIRECT TOTAL ASSETS LIABILITIES INCOME CAPITAL RESERVES (LOSS) INCOME HOLDING INTEREST (NET) Abaco Iniciativas Inmobiliarias, S.L. In liquidation Seville-Spain (870) (870)Real estate development 40.00 11.515 46,318 13,222 (47,155)Ape Software Components S.L. Computer programming activities Barcelona-Spain 25.22 3,381 2,258 12 449 (198)(198)3,119 Banco Comercial de Investimento, S.A.R.L. (2) Banking 35.67 191,918,469 171,286,113 1,929,531 10,000,000 8,205,185 2,671,692 2,671,692 3.375 Mozambique BIP & Drive, S.A. Teletoll systems Madrid-Spain 25.00 20,723 9,503 181,731 4,613 4,977 1,631 1,631 Brilliance-Bea Auto Finance Co., L.T.D. (3) Automotive sector financing China 22.50 6,084,455 4,372,429 584,636 1,600,000 45,243 66.783 66.783 Comercia Global Payments, Entidad de Pago, Madrid-Spain 20.00 428,333 223,771 159,940 4,425 170,602 29,535 29,535 1,767 Payment entity Companhia de Seguros Allianz Portugal, S.A. Insurance 35.00 1,464,966 1.242.756 514,943 39,545 35,192 36,571 36,571 9.135 Portugal Coral Homes, S.L.U. Real estate services Madrid-Spain 20.00 4,168,107 131,986 548,660 270,774 3,825,757 (60,410)(60,410)Drembul, S.L. 25.00 43,389 5,889 34,337 30 8,085 11,263 11,263 1,876 Real estate development Logroño-Spain Ensanche Urbano, S.A. Real estate development Castellón-Spain 49.30 37,323 68,299 179 9,225 (39,624)(576)(576)Erste Group Bank AG (C) 9.92 9.92 271,983,163 252,148,865 5,864,530 859,600 19,941,617 637,081 398,843 1,171,405 Banking Austria: Girona, S.A. Holding company Girona-Spain 34.22 34.22 5,538 301 842 1,200 4,123 (86)(86)1,642 Global Payments - Caixa Acquisition Corporation S.A.R.L. Payment methods 49.00 30.147 24 13 30.159 (48) (48)Luxembourg Global Payments Moneytopay, EDE, S.L. 5,855 2,415 2,415 Payment entity Madrid-Spain 49.00 130,928 121,308 9,840 1,350 Guadapelayo, S.L. In liquidation (L) Real estate development Madrid-Spain 40.00 312 4,998 1,981 (6,617)(50)(50)Inter-Risco – Sociedade de Capital de Risco, S.A. Venture capital 49.00 1,067 1,098 (112)(112)Portugal 322 400 458 Ircio Inversiones, S.L. In liquidation (L) (0) Real estate development 35.00 35.00 2,128 7,359 675 (5,907)(0) Burgos-Spain IT Now, S.A. Services for IT technology projects Barcelona-Spain 39.00 49.00 142.363 137.033 258,083 3.382 1.009 939 939 1.323 Justinmind, S.L. Development of IT systems Barcelona-Spain 16.98 1,499 919 700 5 47 (304)(304)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 - 17.86 845 506 651 (414)(414)

#### CAIXABANK INVESTMENT IN ASSOCIATES OF CAIXABANK GROUP

(Thousands of euros)

(Inousanas of euros)													2 - 2
			% OWNE	RSHIP							TOTAL		
												COST OF DIRECT	DIVIDENDS ACCRUED
		REGISTERED					ORDINARY			PROFIT/	SIVE	OWNERSHIP	FROM THE TOTAL
CORPORATE NAME	BUSINESS ACTIVITY	ADDRESS	DIRECT	TOTAL	ASSETS	LIABILITIES	INCOME	CAPITAL	RESERVES	(LOSS)	INCOME	INTEREST (NET)	HOLDING
	Science park operation and												
Parque Científico y Tecnológico de Córdoba, S.	L. management	Córdoba-Spain	15.58	35.69	29,901	19,733	239	23,422	(17,643)	(232)	(232)	-	
Peñíscola Green, S.L.	Real estate development	Castellón-Spain	-	33.33	11,740	4,856	-	12,000	(5,116)	(0)	(0)	-	
	Other services related to information technology and												
Portic Barcelona, S.A.	telecommunications	Barcelona-Spain	-	25.81	2,306	260	2,202	291	1,733	23	23	-	
Redsys Servicios de Procesamiento, S.L.	Payment methods	Madrid-Spain	-	20.00	99,642	29,359	144,577	5,815	62,929	1,540	1,540	-	
SegurCaixa Adeslas, S.A. de Seguros y													
Reaseguros	Non-life insurance	Madrid-Spain	-	49.92	5,304,867	3,904,521	3,730,019	469,670	436,700	435,000	446,828	-	213,058
Servired, Sociedad Española de Medios de Pag	0,												
S.A.	Payment methods	Madrid-Spain	-	22.01	44,886	18,535	2,488	16,372	7,956	(1,374)	(1,374)	-	42
Sistema de Tarjetas y Medios de Pago, S.A.	Payment methods	Madrid-Spain	-	18.11	400,526	395,847	7,912	240	4,011	428	428	-	
Sociedad de Procedimientos de Pago, S.L.	Payment entity	Madrid-Spain	-	22.92	7,809	5,784	12,822	2,346	(305)	(17)	(17)	-	
	Development and implementation of the T-												
Societat Catalana per a la Mobilitat S.A.	mobilitat project	Barcelona-Spain	23.50	23.50	111,184	103,231	8,557	9,874	(850)	(238)	(238)	1,846	
Telefonica Factoring do Brasil, Ltda. (1)	Factoring	Brazil	20.00	20.00	207,682	173,936	46,813	5,000	80	28,665	28,665	2,029	1,18
Telefonica Factoring España, S.A.	Factoring	Madrid-Spain	20.00	20.00	84,183	70,196	8,971	5,109	1,740	7,138	7,138	2,525	1,52
Unicre - Institução Financeira de Crédito, S.A.	Card issuance	Portugal	-	21.01	368,375	258,239	141,460	10,000	67,995	23,919	23,919	-	
Zone2Boost, S.L.	Holding company for business acquisition	Barcelona-Spain	-	40.00	2,054	31	165	3	2,332	(312)	(312)	-	

<sup>(</sup>L) Companies in liquidation.

<sup>(</sup>C) Listed companies. Latest publicly-available data at the date of preparation of the notes to these financial statements.

<sup>(1)</sup> All data except the cost and the dividend are in local currency: Brazilian real

<sup>(2)</sup> All data except the cost and the dividend are in local currency: New Mozambique metical (thousands)

<sup>(3)</sup> 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

(Thousands of euros)

	CAIXABANK GROUP					
'EAR	PROFIT QUALIFYING	DEDUCTION BASE	TAX CREDIT (1)	YEAR OF REINVESTMENT		
2013	68	68	8	2013		
2014	298	298	36	2014		
2015	18	18	2	2015		
2016	13	13	2	2015		

<sup>(1)</sup> 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.



### Appendix 5 - Disclosure on the acquisition and disposal of ownership interests in subsidiaries in 2020

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#### Appendix 5 - Disclosure on the acquisition and disposal of ownership interests in subsidiaries in 2020

(Article 155 of the Corporate Enterprises Act and Article 125 of the restated text of Spanish Securities Market Law).

On 12 March 2020, CaixaBank issued a statement of related party connections for the arrangement – on the same date – of an equity swap on 1,366,983 shares in Telefónica, S.A. Through this financial instrument, CaixaBank, S.A. has arranged a fair value hedge of the underlying shares at the agreed unit price.

On 19 March 2020, CaixaBank, S.A. issued a statement of related party connections as a result of the cancellation of the equity swap on 51,921,316 shares in Telefónica, S.A., which was cancelled with settlement due to differences, after the statement was issued on 15 July 2019 that the equity swap has been entered into.

Furthermore, on 19 March 2020, CaixaBank, S.A. issued a statement of related party connections as a result of the cancellation of the equity swap on 1,366,983 shares in Telefónica, S.A., which was cancelled with settlement due to differences, after the statement was issued on 12 March 2020 that the equity swap has been entered into.

On 25 June 2020, a statement from CaixaBank, S.A. was recorded in the CNMV (Spanish Securities Exchange Commission), reporting that the 3% threshold had been breached on the downside as a result of the restructuring of Deoleo, S.A., the reduction of its previous share capital to zero and a subsequent capital increase. CaixaBank – as the holder at that time of a direct and indirect holding (via its subsidiary company Hiscan Patrimonio, S.A.) of 4.1014% of the previous share capital of Deoleo – received 57,618,350 pre-emptive subscription rights that were sold in their entirety and, as a result, neither CaixaBank, S.A. nor Hiscan Patrimonio, S.A. participated in the subscription to the capital increase, and were no longer major shareholders in the company.

On 14 July 2020, a notice by CaixaBank, S.A. was filed with the CNMV stating that the stake in Telefónica, S.A. had fallen below the 5% threshold. Within the framework of the capital increase operation by *scrip dividend* in this company, CaixaBank, S.A. received 259,611,788 rights that they were sold in their entirety, diluting its share in Telefónica, which reached 4.879%.

### Appendix 6 – Annual banking report CaixaBank Group | 2020 Financial Statements

#### Appendix 6 - Annual banking report

In accordance with Article 87 of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, credit institutions are required to publish the following information on a consolidated basis for the last financial year ended, broken down by country where the credit institutions are established. Pursuant to the above, the information required is provided hereon:

### A Name, nature and geographic location of activity

In Note 1.1 to CaixaBank Group's consolidated Financial Statements the name, nature and geographical location of the activity is specified.

Appendices 1, 2 and 3 of CaixaBank Group's consolidated financial statements detail the subsidiaries, joint ventures and associates that make up CaixaBank Group.

Appendix 5 discloses notices on the acquisition and disposal of ownership interests in 2020, in accordance with Article 155 of the Corporate Enterprises Act and Article 125 of the revised text of the Securities Market Act.

#### **B** Business volume

CaixaBank, SA is established in Spain, and has 6 foreign branches, specifically in Poland, Morocco, the UK, Germany, France and Portugal.

CaixaBank also has 18 representative offices which do not carry out banking activities but provide information on the Entity's services in the following 16 jurisdictions: Algeria, Australia, Brazil, China (3), Chile, Colombia, Egypt, United Arab Emirates, the United States of America, India, Italy, Turkey, Peru, Singapore, South Africa and Canada.

Banco BPI has 421 branches in Portugal.

Business volume by country on a consolidated basis is as follows:

#### GEOGRAPHIC INFORMATION: DISTRIBUTION OF ORDINARY INCOME FROM CUSTOMERS \*

(Millions of euros)

	BANKING B	AND INSU	JRANCE	INVE	STMENTS			ВРІ		TOTAL CA	IXABANK	GROUP
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
Spain	11,039	11,170	10,981	62	106	347			(24)	11,101	11,276	11,304
Portugal	112	106	60				742	749	836	854	855	896
Poland	20	21	15							20	21	15
Morocco	9	7	5							9	7	5
United Kingdom	30	24	9							30	24	9
Germany	17	8								17	8	
France	18	9								18	9	
Angola				31	31					31	31	
Share of profit/(loss) – accounted for using the				•	222						222	
equity method – **				84	233	411				84	233	411
Other			1				8	8	8	8	8	9
TOTAL ORDINARY INCOME	11,245	11,345	11,071	177	370	758	750	757	820	12,172	12,472	12,649

- (\*) Correspond to the following headings of CaixaBank Group's public statement of profit or loss calculated pursuant to Bank of Spain Circular 5/2014:
- 1. Interest income
- 2. Dividend income
- 3. Share of profit/(loss) of entities accounted for using the equity method
- 4. Fee and commission income
- 5. Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net
- 6. Gains/(losses) on financial assets and liabilities held for trading, net
- 7. Gains/(losses) on assets not designated for trading compulsorily measured at fair value through profit or loss, net
- 8. Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net
- 9. Gains/(losses) from hedge accounting, net
- 10. Other operating income
- 11. Income from assets under insurance and reinsurance contracts

### Full-time workforce by country

At 31 December 2020, the full-time workforce by country is as follows:

### **FULL-TIME WORKFORCE BY COUNTRY**

	31-12-2020	31-12-2019	31-12-2018
Spain	30,421	30,615	32,364
Portugal	4,783	4,956	4,934
Poland	20	18	18
Morocco	27	24	22
United Kingdom	16	16	14
Germany	12	12	10
France	11	11	7
Switzerland	19	21	22
Other countries - Representative offices	77	63	49
TOTAL FULL-TIME WORKFORCE	35,386	35,736	37,440

### Gross profit/(loss) before tax

Gross profit before tax on a consolidated basis in 2020 amounted to EUR 1,600 million (EUR 2,077 million and EUR 2,807 million in 2019 and 2018, respectively), and includes ordinary income from the branches set out in b) above.

<sup>(\*\*)</sup> of international associates and others. Mainly corresponds to the share of profit/(loss) of international associates accounted for using the equity method, primarily Erste Group Bank (Austria), Banco Comercial e de Investimento (Mozambique), Banco de Fomento Angola (in 2018).

### Income tax

The net income tax expense recognised on consolidated profit in 2020 amounted to EUR 219 million (EUR 369 million and EUR 712 million in 2019 and 2018, respectively), as shown in the consolidated statement of profit or loss.

Payments of income tax made during 2020 have reached EUR 169 million, of which EUR 150 million have been paid in Spain, EUR 5 million in Portugal, EUR 1 million in Poland, EUR 2 million in Switzerland, EUR 1 million in Morocco and EUR 1 million in Germany.

Income taxes actually paid in the fiscal year in each jurisdiction include the final settlements derived from the payments on account and withholdings paid, which are reduced in turn in the income tax rebates in the current year. The result of the settlements deriving from tax assessments during that year is also included.

All ordinary income generated by CaixaBank Group is taxable.

The amount of the corporation tax payments do not correspond to the amount of the income tax expense recorded in the consolidated statement of profit or loss. The main cause of this divergence lies in the different timing of recognition of the items that make up the accrual and cash criteria in relation to income tax.

### Grants and public aid received

In 2020, the Group received the following grants and public aid:

- Grant from the Ministry of Industry, Energy and Tourism, through the department of shipbuilding, for EUR 9 million in aid for shipbuilding.
- A grant from the State Foundation for Training in Employment (FEFE) for meeting certain conditions required in employee training courses, for an amount of EUR 4 million.

### Indicators and ratios

The relevant indicators and ratios are shown in the "Changes in profit/(loss) and activity" section of the 2020 Management Report. The return on assets in 2020, calculated as net profit (adjusted to reflect the amount of the Additional Tier 1 coupon, after tax, reported in equity) divided by average total assets over the last twelve months, was 0.3% (0.4% in 2019 and 0.5% in 2018).



### Appendix 7 – Reconciliation of impacts of the 1st application of IFRS 9

As stated in this note, in the "Basis of presentation" section, the Group has applied IFRS 9 from 1 January 2018. This led to changes to the classification and measurement modifications of certain items on the balance sheet at 31 December 2019 for the impacts described below:

### ASSETS - RECONCILIATION OF IMPACTS OF THE 1ST APPLICATION OF IFRS 9

(Millions of euros)

	BALANCE AT 31-12-2017	HEADING NAME AMENDMENT	OTHER RECLASSIFI CATIONS	VALUATION CHANGE	DEFERRAL IN IFRS 9 APPLICATION FOR INSURANCE ACTIVITIES (a)	BALANCE AT 01-01-2018
Financial assets held for trading	10,597	AMENDIVIENT	CATIONS	CHANGE	(956)	9,641
Financial assets designated at fair value through profit or loss	6,500		(6)		(6,494)	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	-		846	(25)		821
Equity instruments	-		249(d)	35		284
Debt securities	-		147(b) (d)			147
Loans and advances	-		450(b)	(60)		390
Available-for-sale financial assets	69,555	(69,555) (d)				
Equity instruments	2,883	(2,883)				
Debt securities	66,672	(66,672)				
Financial assets at fair value with changes in other comprehensive income	-	69,555 (d)	(303)(d)		(49,394)	19,858
Equity instruments	-	2,883	(243)			2,640
Debt securities	-	66,672	(60)		(49,394)	17,218
Loans and receivables	226,273	(226,273) (b)				
Debt securities	2,576	(2,576)				
Loans and advances	223,697	(223,697)				
Central banks	5	(5)				
Credit institutions	7,374	(7,374)				
Customers	216,318	(216,318)				
Held-to-maturity investments	11,085	(11,085) (c)				
Financial assets at amortised cost	-	237,358 (b)	(537)(b)	(768)	(1,075)	234,978
Debt securities	-	13,661 (c)	(87)	10	(787)	12,797
Loans and advances	-	223,697	(450)	(778)	(288)	222,181
Central banks	-	5				5
Credit institutions	-	7,374			(288)	7,086
Customers	-	216,318	(450)	(778) (f)		215,090
Assets under the insurance business (Note 17)	275				57,919	58,194
Tax assets	11,005			243(g)		11,248
Other assets	2,505			2		2,507
TOTAL ASSETS	383,136	_	-(e)	(548)	_	382,588

### LIABILITIES - RECONCILIATION OF IMPACTS OF THE 1ST APPLICATION OF IFRS 9

(Millions of euros)

	BALANCE AT 31-12-2017	HEADING NAME AMENDMENT	OTHER RECLASSIFICA TIONS	VALUATION CHANGE	DEFERRAL IN IFRS 9 APPLICATION FOR INSURANCE ACTIVITIES (a)	BALANCE AT 01-01-2018
Financial liabilities held for trading	8,605					8,605
Financial liabilities designated at fair value through profit or loss	8,241				(8,241)	-
Deposits	8,241				(8,241)	-
Customers	8,241				(8,241)	-
Other financial liabilities	-					-
Financial liabilities at amortised cost	280,898					280,898
Derivatives - Hedge accounting	793					793
Fair value changes of the hedged items in portfolio hedge of interest rate risk	1,410					1,410
Liabilities under the insurance business	50,998				8,241	59,239
Provisions	3,491			8		3,499
Pensions and other post-employment defined benefit obligations	598					598
Other long-term employee benefits	1,223					1,223
Pending legal issues and tax litigation	803					803
Commitments and guarantees given	357			10 (f)		367
Other provisions	510			(2)		508
Tax liabilities	1,417					1,417
Other liabilities	2,335					2,335
Liabilities included in disposal groups classified as held for sale	82					82
TOTAL LIABILITIES	358,270			8		358,278



#### **EQUITY - RECONCILIATION OF IMPACTS OF THE 1ST APPLICATION OF IFRS 9**

(Millions of euros)

(IVIIIIIO113 Of CUI OS)						
			OTHER		DEFERRAL IN IFRS 9 APPLICATION FOR	
		HEADING NAME	RECLASSIFICA	VALUATION	INSURANCE	BALANCE AT
	31-12-2017	AMENDMENT	TIONS	CHANGE	ACTIVITIES (a)	01-01-2018
SHAREHOLDERS' EQUITY	24,722		23	(561)		24,184
Capital	5,981					5,981
Share premium	12,033					12,033
Other equity items	10					10
Retained earnings	6,038					6,038
Other reserves	(594)		23 (h)	(561)		(1,132)
Less: Treasury shares	(12)					(12)
Profit/(loss) attributable to owners of the Parent	1,684					1,684
Less: Interim dividends	(418)					(418)
ACCUMULATED OTHER COMPREHENSIVE INCOME	(290)		(23) (h)			(313)
Items that will not be reclassified to profit or loss	(402)		(447)			(849)
Items that may be reclassified to profit or loss	112		424			536
MINORITY INTERESTS (non-controlling interests)	434			5		439
Accumulated other comprehensive income	26		(4)			22
Other items	408		4	5		417
TOTAL EQUITY	24,866	-	-	(556)		24,310
TOTAL LIABILITIES AND EQUITY	383,136	-	-	(548)		382,588

- a) In accordance with the provisions of Note 1, applying the amendment to IFRS 4 Application of IFRS 9 Financial Instruments, the details of the information that follows are not considered as a change to the accounting policy with regard to investments of the Group's insurance companies, which are grouped under the heading "Assets under the insurance business" on the asset side of the balance sheet, and remain recognised and measured in accordance with IAS 39.
  - For the purpose of facilitating the comparison of information, the balances of the technical provisions corresponding to Unit Link and Flexible Investment Life Annuity (the part managed) have also been reclassified, in order to include them under the heading "Liabilities under the insurance business".
- b) The balances classified under "Loans and receivables" are reclassified under the heading "Financial assets at amortised cost", except for certain exposures that, due to their nature, do not comply with the requirements to be classified at amortised cost and are reclassified under "Financial assets not designated for trading compulsorily measured at fair value through profit or loss".
- c) The balances classified under the heading "Held-to-maturity investments" are reclassified, in their entirety, under "Financial assets at amortised cost".
- d) The balances classified under "Available-for-sale financial assets" are reclassified under the heading "Financial assets at fair value with changes in other comprehensive income", except for certain securities, most notably shares in investment funds and venture capital funds, which are reclassified under the heading "Financial assets not designated for trading compulsorily measured at fair value through profit or loss".
- e) As a result of the 1st application of IFRS 9, there have been no reclassifications to the "fair value at amortised cost" categories.
- f) Corresponds to the incremental impact on corrections to the value of exposures at amortised cost, deriving from the change to the accounting policy (see Note 14).
- g) Fiscal effect of the indicated valuation adjustments.
- h) As a result of the reclassification of certain equity instruments of "Available-for-sale financial assets", as "Financial assets not designated for trading compulsorily measured at fair value through profit or loss", the valuation adjustments at 31 December 2017 associated with these positions are reclassified under the heading "Accumulated other comprehensive income", in the section "Other reserves" in shareholders' equity.

Given the impracticality of retrospectively estimating the impact of the change to the accounting policy of IFRS 9, the Group has made use of the provisions in the regulatory framework for accounting in order not to restate the opening balance at 1 January



2017 and the income statement of 2017. Similarly, the breakdowns, at 31 December 2017, of certain balance sheet items referring to financial instruments in this report have not been restated, which is why it cannot be compared with the information referring to 31 December 2018. The table below shows the accounting classification under Circular 4/2016 (determined based on IAS 39) of the credit activity and its hedges together with the correspondence under classification IFRS 9:

## RECONCILIATION OF THE GROSS AMOUNT ACCORDING TO CLASSIFICATION IAS 39/ IFRS 9 (Millions of euros)

LOANS AND RECEIVABLES - CUSTOMERS (AMORTISED COST)				
PERFORMING/ STAGE 1	STAGE 2 NON	-PERFORMING/ STAGE 3	TOTAL	
209,337		13,797	223,134	
(450)		(15)	(465)	
(15,663)	15,663			
193,224	15,663	13,782	222,669	
	PERFORMING/ STAGE 1 209,337 (450)	PERFORMING/ STAGE 1 209,337 (450) (15,663) 15,663	PERFORMING/ STAGE 1 STAGE 2 NON-PERFORMING/ STAGE 3 209,337 13,797 (450) (15)	

### RECONCILIACION OF HEDGES ACCORDING TO CLASSIFICATION IAS 39 / IFRS 9

(Millions of euros)

	LOANS AND RE	LOANS AND RECEIVABLES - CUSTOMERS (AMORTISED COST)			
	PERFORMING/ STAGE 1	STAGE 2 NON	N-PERFORMING/ STAGE 3	TOTAL	
Balance at 31-12-2017	(1,412)		(5,404)	(6,816)	
Portfolio reclassification:					
To "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" (*)			15	15	
Transfers:					
From "performing" to					
Allowance adjustment	163	(312)	(629)	(778)	
BALANCE AT 01-01-2018	(972)	(589)	(6,018)	(7,579)	

<sup>(\*)</sup> Exposure in sales process that does not comply with the regulatory criteria to be classified as at amortised cost, due to its business model.







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# Non-financial information statement

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   UNEP FI
- Task Force on Climate-related Financial Disclosures (TCFD)





### Glossary and Group Structure

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### Independent Verification Report





(P)



Annual Corporate Governance Report 2020



A file with the aggregated metrics is made available to facilitate your enquiry.



. CaixaBank







# **Legal** notice

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This document may contain statements relating to projections or estimates in respect of future business or returns, particularly in relation to financial information regarding investees has been prepared primarily on the basis of estimates made by the Company. While these projections and estimates reflect the Company's current opinion or view of future business prospects, certain risks, uncertainties and other relevant factors may cause the actual results or outcome to be substantially different to what the Company currently expects. These variables include market conditions, macroeconomic factors, regulatory and government requirements; fluctuations in national or international stock markets or in interest and exchange rates; changes in the financial position or our customers, debtors or counterparties, and so forth. These risk factors, together with any others mentioned in past or future reports, could adversely affect our business and the levels of performance and results described. Other unknown or unforeseeable factors could also make the results or outcome differ significantly from those described in our projections and estimates.

This presentation also contains information regarding the merger plan with Bankia, S.A. (acquired company) by CaixaBank (acquiring company) announced on 18 September 2020. The merger is not guaranteed as, although it was approved in December 2020 by the general shareholders' meetings of both organisations, it also requires the acquisition of the compulsory administrative authorisations. CaixaBank cannot ensure that the benefits identified when drawing up the merger and public events are materialised or that the Group will not be exposed to operational difficulties, expenses and risks associated with the integration.

Past financial statements and previous growth rates are no guarantee of the future performance, results or price of shares (including earnings per share). Nothing contained in this document should be construed as constituting a forecast of future results or profit. Furthermore, this document was drawn up on the basis of the accounting records held by CaixaBank and the other Group companies, and includes certain adjustments and reclassifications to apply the principles and criteria operated by the Group companies on a consistent basis with those of CaixaBank. Therefore, in specific relation to BPI, certain aspects of the information provided herein may not match the information reported by this bank.

The income statement and the consolidated balance sheet and the corresponding breakdowns of those statements provided in this report, are presented under management criteria, but have

still been prepared in accordance with International Financial Reporting Standards (IFRS-EU) as adopted by the European Union under the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as subsequently modified. In preparing these statements, Circular 4/2017 of the Bank of Spain of 6 December, as subsequently modified, has also been taken into due account in that it adapts IFRS-EU to Spanish credit institutions.

This document features data supplied by third parties generally considered to be reliable information sources. However, the accuracy of the data has not been verified. None of the directors, officers or employees of CaixaBank are obliged, either explicitly or implicitly, to ensure that these contents are accurate or complete, or to keep them updated or correct them in the event any deficiencies, errors or omissions are detected.

This report contains a number of the Alternative Performance Measures (APMs) set out in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057) ("the ESMA Guidelines") to provide a clearer picture of the company's financial performance and situation. Please be advised that these APMs have not been audited. These measures constitute additional information and should be treated accordingly. In no event are they intended to replace the financial information drawn up in accordance with International Financial Reporting Standards (IFRS). Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. As such, they may not be comparable. Please consult the report for further details of the APMs used. The report also provides a reconciliation between certain management indicators and the indicators presented in the consolidated financial statements prepared under IFRS.

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Figures are presented in millions of euros unless the use of another monetary unit is stated explicitly, and may be expressed as either million euros or € million.



Consolidated
Management Report



**Our Identity** 



Strategic Line:



Statement of Non-financial Information



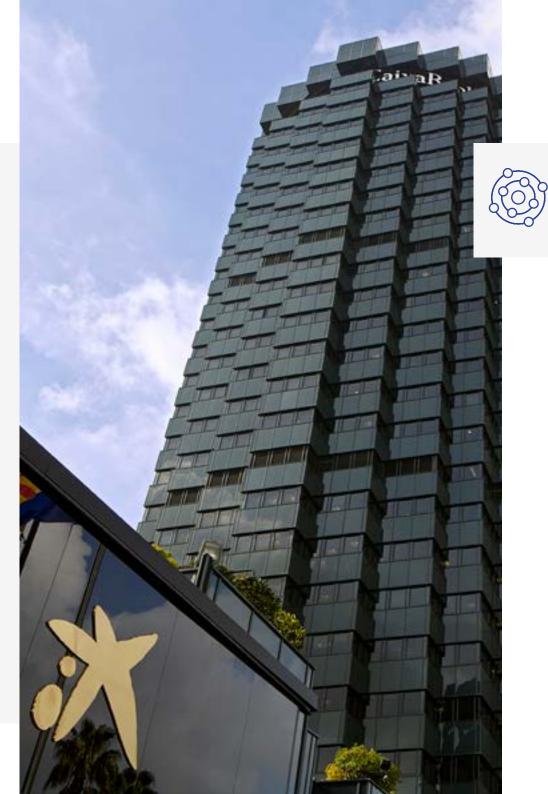
and Group structure



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# CaixaBank 2020: Key indicators and contribution to society

In an environment of maximum complexity

CaixaBank has strengthened its commercial position, with growth in its main market shares and in volumes

**15.2** m customers

**€451,520** m of total assets

**€415,408** m of customer funds (+8.1%) **€243,924** m of loans and advances to custom

of loans and advances to customers, gross (+7.3%)

#### Market shares in Spain



**17.5** % (+45 bp)

Investment funds



**29.9**% (+126 bp) Life-savings insurance



**26.3** % (+79 bp)



23.3 % (+79 bp)

Long-term saving



15.6 % (+38 bp)



**16.2** % (+25 bp)

Showing a great resilience in core income and continuing to save significant costs

Stable core income



**€8,310** m

(-0,1% compared with



Improving efficiency



Recurring administration and depreciation expenses



cost-to-income ratio (12 months)

This serves to further reinforce a solid financial position

New highs in the main capital metrics





**26.3**% MRFI (+4.5 pp)



Total Capital (+2.4 pp)

Continuous risk reduction and reinforcement of coverage



NPL ratio (ag E.0-)



Non-performing



NPL coverage ratio (+12 pp)

Ample liquidity



**€114,451**<sub>m</sub>

total liquid assets



248%

Liquidity Coverage Ratio (12 months)



145%

Net Stable Funding Ratio (NSFR)

















Contribution to GDP



€9,611<sub>m</sub>

direct and indirect contribution to Spanish GDP

13.7%

Gross added value of CaixaBank in the financial and insurance sector



**€832**<sub>m</sub>

direct and indirect contribution to Portuguese GDP

6.2%

Gross added value of BPI in the financial and insurance

#### Taxes paid, third-party tax collection and other contributions



Owing to its activity, size and values, CaixaBank has a key role in contributing to sustainable economic growth

479

Indirect taxes

Direct taxes

Other taxes collected 641

781

Retentions for IRPF over the staff (personal income

462

244

16

Extraordinary

contribution to

the banking sector (Portugal)

Social security al the company's expenses



Deposit Guarantee Fund contributions 111 Contribution to the Single Resolution

### Commitment to employment and boosting economic activity

>> 35,434

People working in the CaixaBank Group

**>> 49,110** 

Jobs generated through the multiplier effect of purchases from suppliers<sup>1</sup> and 6,273 generated by BPI

16.5%

Market share of loans to companies (+1.1 pp in 2020)

**€8,223**<sub>m</sub>

New financing to businesses and entrepreneurs (+68% vs. 2019)

5,416

New businesses created with the support of microloans

#### 1 CaixaBank Research, based on the added value of CaixaBank, Spanish GDP and employment according to National Accounting and productivity figures per worker and based on the input/output tables of the National Statistics Institute (INE) with 4th-quarter data.

<sup>2</sup> Sustainable Development Goals. The second green bond for €1,000m was issued in February



### Differential model of banking



**€2.000**<sub>m</sub>

SDG Bonds<sup>2</sup> (€1,000m COVID-19 Social Bond and €1,000 M Inaugural Green Bond)



105.378

New Microloans and other social impact financing initiatives of €900m



~€140,000<sub>m</sub>

Investments managed with ESG criteria

### Widely acknowledged



7th bank



Maximum rating

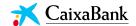
in sustainable investment by the UN (A+) in Governance and Strategy



#1 in the world

in gender equality according to Bloomberg Gender Equality Index 2021







CaixaBank 2020: Key indicators and contribution to society



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CaixaBank's differential values of socially responsible banking are evident in its comprehensive response to the difficulties arising from the health and economic crisis.



of the branches opened during state of alarm period (>86% in Portugal)

>**€17,000**m

in loan moratoria granted in 2020

>**€13,000**m

in loans with public guarantees







>4,700

contracts with beneficiaries of support measures related to the COVID-19 crisis ~**4.0**m

of customers whose pension or unemployment benefit has been brought forward

#### And all of this in continual pursuit of innovation and quality



**34.4**% penetration of digital customers in Spain<sup>1</sup>



### **Best bank**

in Spain 2020 and Best Bank in Western Europe 2020 by **Global Finance** 



BPI Bank of the year in Portugal by The Banker



>6.9<sub>m</sub> of digital customers





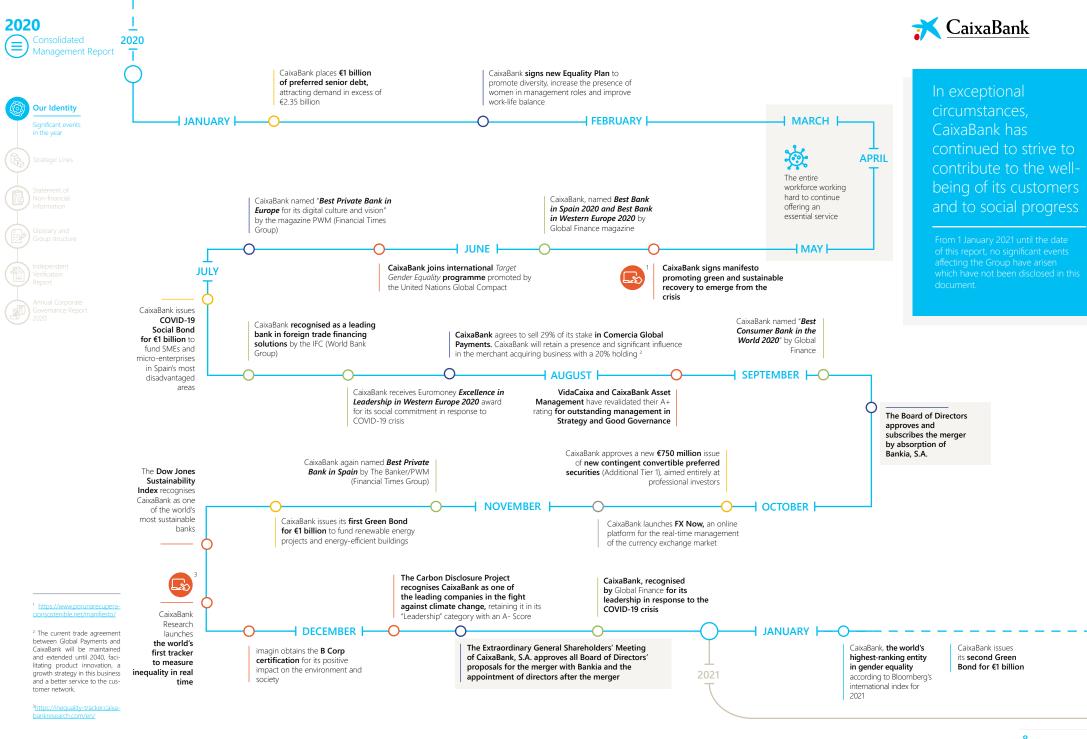
New imagin BCorp certification



BPI Best Large Bank
In Portugal



<sup>&</sup>lt;sup>1</sup> Source ComScore.







Our Identity

Significant events in the year



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### Merger by absorption of Bankia, S.A.

In September 2020, CaixaBank announced the merger with Bankia. In addition to giving the Group an expanded customer base, the operation will achieve a balanced and diversified geographical presence. Bankia is also a highly robust financial institution that shares similar roots and founding values with CaixaBank based on its origins as a savings bank. The merger, in addition to providing significant cost savings (around €770 million per year), offers an enormous potential for income synergies (close to €290 million per year), with the CaixaBank Group's financial products and services becoming available to Bankia's current customers. The operation will produce a stronger, more efficient and more profitable institution that will generate more value for customers, shareholders, employees and for society in general.

The operation was approved by the shareholders at the Extraordinary General Meeting held on 3 December 2020 and is expected to take effect during the first quarter of 2021, subject to obtaining the corresponding regulatory and administrative authorisations. It is planned that the operations of the two entities will be merged by the end of 2021.

### Corporate culture \_\_\_\_\_

We share a common culture based on creating value for our stakeholders and supporting the economic recovery of our country.



### **Customers**

Our customers will remain at the heart of our strategy



### **Employees**

New opportunities for professional growth based on meritocracy



### **Shareholders**

Creating value and increasing the Bank's profitability



### **Society**

Opportunity to maximize the value of our contribution to society

### 2020 Management Report





Our Identity

### The new entity

#### CRITICAL MASS

Generating economies of scale to improve efficiency and invest in technology and innovation on a sustained basis.

The new group will be the leading institution in the domestic market.

≈20<sub>m</sub> customers

**≈25**% share of

lendina

forma)

**≈24**% share of deposits (promarket (proforma)

#### FINANCIAL ROBUSTNESS

Strong balance sheet with good reserves and capital

**≈64**%

pro-forma

coverage

high

ratio

**≈4.1**%

pro-forma NPL ratio, the lowest among large banks in Spain

**≈11.6**%

CET1 pro-forma, including transitional IFRS9 adjustments

#### SUSTAINABLE RETURNS

With a balanced portfolio mix and a strong capacity to generate income.

>8%

ROTE in 2022 (based on consensus of analysts)

**≈47.9**%

pro-forma efficiency ratio, at very competitive levels

### **Shareholder structure** of the combined entity and value generation

# **0.6845** x

### Agreed swap ratio

# CaixaBank shares/1 Bankia share

20% | 28%

#### Share premium

on unaffected prices<sup>1</sup> | on average 3 months<sup>2</sup>

~28% | ~69%

increase in EPS

2022E3 for CaixaBank | Bankia

<sup>1</sup>Agreed swap ratio of 0.6845x, including a 20% premium on the closing ratio at 3 September 2020 of 0.5704x (prior to the Privileged Information published on the CNMV's website).

- <sup>2</sup> Based on the average swap ratio for the 3 months prior to the close of 3 September 2020.
- <sup>3</sup> Estimated net profit projections for 2022 based on the consensus published by CaixaBank and Bankia

### >> % OF TOTAL SHARE CAPITAL



CaixaBank 74.2% Shareholders

25.8 % Bankia shareholders

See detailed





~37% Institutional

~30% CRITERIA







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# Letter from the Chairman

We are proud of the work carried out and also of the results we have achieved in such a demanding environment.

Jordi Gual Solé

Chairman





The year 2020 will be forever associated with Covid-19. The health emergency has demanded extraordinary measures that have brought about a halt in productive activity and it has severely affected the economic year we had foreseen. The banking sector, in the midst of this situation of uncertainty and as an act of responsibility, has reacted decisively to help to curtail the impact of the pandemic on our society.

At CaixaBank, we have behaved with full commitment to our customers. Thanks to the extraordinary effort and dedication of all our professionals, we have managed to keep the branch network open at all times, we have been able to approve nearly 500,000 mortgage and personal loan moratoria, and we have granted loans to businesses for more than 95 billion euros. Faithful to the spirit of our bank and our founding origins, we have been by the side of those who needed it most at a particularly troublesome time.

We are proud of the work carried out and also of the results we have achieved in such a demanding environment. Our year comes to an end with profits of 1,381 million euros after making a provision for the potential negative impact of the health crisis in the medium-long term. The strength of CaixaBank's business model has enabled us to achieve a 6.1% return on tangible capital and to improve our position of solvency despite undertaking a highly prudent strategy in recording provisions. We have achieved good results and a good capital position in an extraordinarily difficult year.

The close of this financial year also marks the end of my time as Chairman. In this term, alongside the rest of the Board and the Management of the organisation, we have worked towards one core goal: for CaixaBank to continue to be a leading and innovative group, offering the best customer service and being a benchmark in responsible banking.

Over this term of more than four years, in an extremely demanding environment, we have managed to improve our market shares in a generalised way, core revenues have grown by close to 30%, efficiency and profitability ratios have improved and our liquidity and solvency position is even stronger. Meanwhile, the company's corporate governance model has also been strengthened, introducing major advances, such as reducing the size of the Board, boosting diversity, and establishing the role of the Coordinating Director.

Throughout this period we have always remained loyal to our centuries-old management philosophy. Its comprising attributes include the dedication to service, long-term vision and anticipation of change. And it has been precisely the will and ability to think ahead that has led us to approve the integration agreement with Bankia.

The crisis has magnified certain prior trends in the banking sector that demand a decisive response. The merger with Bankia is the best we could achieve at a key time when the future of banking is being defined. It is a well-capitalised company that will enable us to obtain countless synergies, and it is also a company that has emerged from the savings banks model and, therefore, shares our will to contribute to the development of a fairer and more balanced society, through values – quality, trust and social commitment – that are strongly rooted in all of us. I am convinced that the operation will lead to a more solid, efficient and profitable organisation, which will generate value for customers, shareholders, employees and for the society as a whole.

Lastly, I would like to thank all the bank's customers, share-holders and professionals for their trust and commitment to the company. All of you make CaixaBank possible. It has been an honour to have worked at your service throughout these years, leading a company that – for over a century – has strived day after day to contribute to the financial well-being of its customers and the progress of society as a whole, with a unique banking model.





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# Letter from the **CEO**

CaixaBank's aim is to continue supporting the economy, families and society.

**Gonzalo Gortázar Rotaeche** CEO





In 2020, a particularly complex year due to the health and economic crisis arising from COVID-19, the defining characteristics of CaixaBank Group were highlighted in a very special way: its execution capability, the quality of its professional team and its commitment to society.

Thanks to the dedication of thousands of professionals and intense teamwork, our vast branch network has remained fully operational to provide service and support to customers even in the worst moments of the pandemic. Digital and remote channels have also been strengthened, and operations have been adapted to respond to the problems and needs of millions of customers: in addition to overseeing our regular activity, we have managed nearly 500,000 lending moratoria, advanced income and benefits for almost 4 million people and facilitated access to liquidity and credit to the sectors most in need.

As a result of intense work with customers, both lending and customer funds grew significantly: 7.3% and 8.1% respectively. Funding for companies, the segment of the economy that required the most credit in 2020, rose by 16.6% to 106,425 million and our share in this segment increased to 16.5%. Long-term savings management, a heading in which we already held a prominent position and which includes the management of pension plans, investment funds and savings insurance, saw growth of 3.9% to 166 billion euros and our market share rose to 23.3%.

This important commercial activity has enabled CaixaBank's core income to fall by only 0.1%, despite the harsh economic environment and the all-time low interest rate situation. The blend of stable core income and a considerable 4% reduction in expenses have allowed for an improvement in operating profit and core efficiency of 230 basis points. Attributable profit for the year stood at 1,381 million euros, after undertaking a prudent provisioning exercise and the cost of risk stood at 0.75%.

The balance sheet, which has always shown great strength, has continued to strengthen in priority areas: the CET1 capital ratio has increased significantly from 12% to 13.6%, the NPL ratio has fallen to 3.3% and the coverage ratio has risen to 67%, while liquidity has remained at very high levels of 114 billion euros at the year-end.

2020 has also been a year of remarkable progress in terms of sustainability. Both our asset management company, CaixaBank Asset Management, and our insurance firm, VidaCaixa, achieved the highest rating (A+) in the United Nations' Principles for Responsible Investment (PRI), in the strategy and governance section. We have also issued a green bond and a second a social bond. The two issues have been very successfully accepted on the market and are linked to the contribution to the United Nations Sustainable Development Goals (SDGs).

We deem it to be essential to facilitate the economic transition towards a sustainable model, which is why we are integrating ambitious environmental policies into our lending processes. We remain firmly committed to advancing the alignment of our portfolios with the goals of the Paris Agreement, in accordance with the collective commitment to United Nations Climate Action. Our special bond with "la Caixa" Banking Foundation allows us to reinforce even more our contribution to the different SDGs.

We uphold our firm commitment to the United Nations Global Pact, and we have adhered to this organisation's Principles for Responsible for Banking. CaixaBank is included in the main international sustainability indices.

In 2021, the circumstances will continue to be highly complex. CaixaBank's aim is to continue supporting the economy, families and society. In order to do this, we are convinced that we have the core elements: an effective commercial model, a strong financial position and a highly qualified and committed team. These strengths come in addition to the integration project with Bankia this year, which will enable us to end the year with a more powerful CaixaBank Group with a greater capacity to continue to undertake our core function.















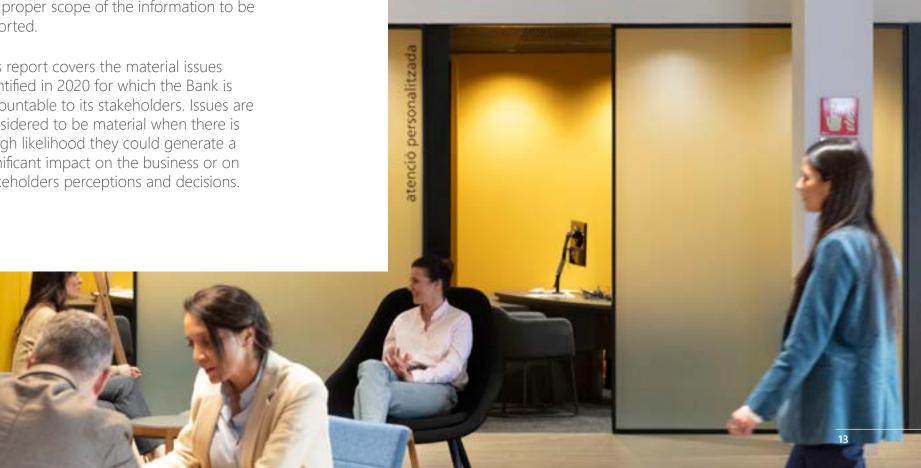
# **Materiality**

CaixaBank (hereinafter, CaixaBank, the CaixaBank Group or the Bank) conducts an annual Materiality Analysis with the aim of identifying the priority financial, economic, social and environmental issues for its stakeholders and its business. The conclusions drawn are used to help manage corporate responsibility and to establish the proper scope of the information to be reported.

This report covers the material issues identified in 2020 for which the Bank is accountable to its stakeholders. Issues are considered to be material when there is a high likelihood they could generate a significant impact on the business or on stakeholders perceptions and decisions.

The Materiality Analysis includes the material issues identified in 2020, classified according to their importance for the Bank and its stakeholders. Issues are classified as being of high, medium or low materiality. Highly material issues are those which are considered to be strategic for the development of CaixaBank's business and generate greater value for stakeholders.

The main new development in the analysis carried out in 2020 was the addition of a specific section on the key issues identified in response to the impact of the COVID-19 pandemic.









Strategic Lines



Glossary and Group structure



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### Methodology

The preparation of the CaixaBank Group Materiality Analysis, undertaken by an independent expert, was an exhaustive and collaborative process involving the Bank's main stakeholders (customers, employees, shareholders), as well as CaixaBank representatives and external experts.

# 01. OF MATERIAL ISSUES

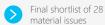
Exhaustive documentary analysis of internal and external sources

Preliminary longlist of 31 material issues

The initial identification of material topics was carried out through an exhaustive documentary analysis including, among other sources, strategic company data, as well as information on trends and reports from the sector, the media and other companies in the sector.

# 02. REVIEW AND VALIDATION OF THE FINAL LIST OF MATERIAL ISSUES

Internal work session with CaixaBank departments



The session addressed the grouping, selection and semantic review of the issues from the perspective of the Bank's responsible business approach and its strategic priorities and areas of action.

## 03. PRIORITISATION OF MATERIAL ISSUES

Ad hoc internal and external consultations with stakeholders based on a random, representative sample, and interviews with external experts

Prioritisation of material issues in 2020

# ENQUIRIES MADE IN ORDER TO PRIORITISE MATERIAL ISSUES



# >> 10 IN-DEPTH INTERVIEWS WITH EXTERNAL EXPERTS IN THE FOLLOWING FIELDS:

- > Financial
- > Risks and regulations
- > Innovation
- > Ethics
- > Intangible asset management
- > Corporate Social Responsibility

### 04 MATERIALITY MATRIX

The overall results are consolidated to determine priorities for the business and for the stakeholders of CaixaBank and BPI.



CaixaBank Group materiality matrix 2020 Issues are prioritised according to their score on two axes for the stakeholders and for the business.







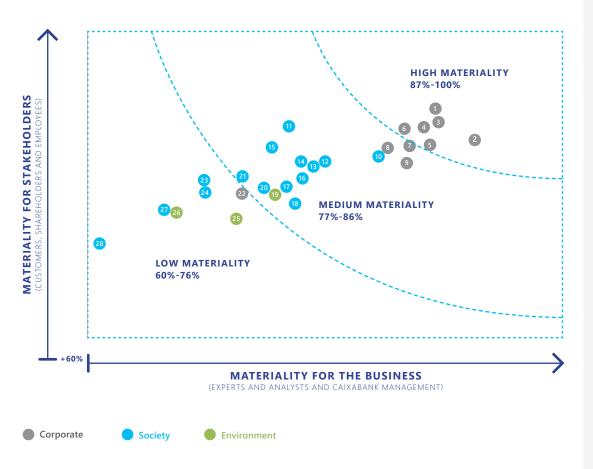






### CaixaBank Group 2020 Materiality Matrix

In 2020, a broader list of relevant topics was used with the aim of prioritising the issues in greater detail. The results are not, therefore, directly comparable to those of 2019. In general terms, issues related to profitability and risk management are perceived as more material than previously.



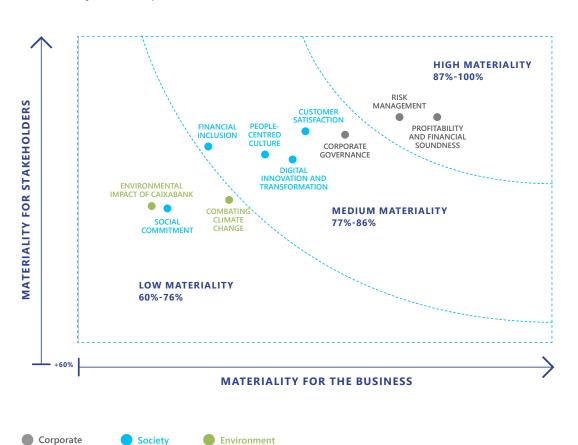
- Cybersecurity and data confidentiality
- Balance sheet soundness and profitability
- Long-term vision and anticipating change
- Principled, responsible and sustainable conduct
- Active management of financial and non-financial risks
- Compliance with and adaptation to the regulatory framework
- Ensure operational effectiveness and business continuity
- Communication of understandable and transparent information
- Good corporate governance practices
- Responsible marketing in line with customers' needs
- Close to the customer service and specialised advice
- Employees' health, safety and welfare
- Managing talent and professional development
- Responsible use of new technology and ethical data handling
- Solutions for customers with financial difficulties
- Diversity, equality and work-life balance
- Working with the Decentralised Social Programme and promoting the activities of "la Caixa" Foundation
- Technological innovation and responsible development of new products and services
- Managing climate change and environmental risks
- Development of digital and remote customer service channels
- Investment with a social impact and microloans
- 22 Responsible and transparent procurement
- Close to the customer service and accessible sales channels
- Commercialisation of sustainable investment and financing
- Minimising our carbon footprint and environmental impact
- An agile and collaborative work culture







Materiality matrix by issue cluster \_\_\_\_\_





















#### Priorities for dealing with the consequences of COVID-19

Employees

The results of the specific enquiries made on the key issues to tackle in 2021 to address the consequences of the COVID-19 pandemic were as follows:

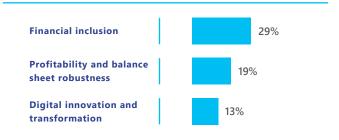


Customers

Shareholders



### FOR EXTERNAL EXPERTS



### FOR CAIXABANK'S INTERNAL **EXPERTS**







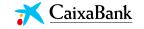












### Materiality and **Strategy**

The Bank's strategy forms the basis for the materiality analysis and the selection of issues. The analysis is in turn fed back into the strategy, to ensure it reflects the views and concerns of stakeholders and society and the current trends affecting the climate in which CaixaBank operates.

The material issues linked to the 2019-2021 Strategic Plan are as follows:

#### 2019-2021 STRATEGIC PLAN PRIORITIES

#### MATERIAL ISSUES (IN ORDER OF PRIORITY)

		$\neg$
	10 Responsible marketing in line with customers' needs	
	Close to the customer service and specialised advice	
	4 Responsible use of new technology and ethical data handling	
Offering the best customer experience	15 Solutions for customers with financial difficulties	
	18 Technological innovation and responsible development of new products and services	
	Development of digital and remote customer service channels	
Speeding up digital transformation to become	Cybersecurity and data confidentiality	
more efficient and flexible	Ensure operational effectiveness and business continuity	
	12 Employees' health, safety and welfare	
Fostering an agile and collaborative culture	13 Managing talent and professional development	
that puts people first	16 Diversity, equality and work-life balance	
	27 An agile and collaborative work culture	
Generating an attractive return, while maintaining financial stability	2 Balance sheet soundness and profitability	
	4 Principled, responsible and sustainable conduct	
	8 Communication of understandable and transparent information	
	Good corporate governance practices	
	Working with the Decentralised Social Programme and promoting the activities of "la Caixa" Foundation	
	19 Managing climate change and environmental risks	
Leading the way on responsible management	21 Investment with a social impact and microloans	
and social commitment	22 Responsible and transparent procurement	
	23 Financial education	
	24 Close to the customer and accessible sales channels	
	23 Commercialisation of sustainable investment and financing products and services	
	26 Minimising our carbon footprint and environmental impact	
	28 Corporate volunteering	

#### **CROSS-CUTTING ISSUES**

- 3 Long-term vision and anticipating change
- 5 Active management of financial and nonfinancial risks
- 6 Compliance with and adaptation to the regulatory framework

Corporate



Environment

















statement

### **Criteria and scope** of the report

The contents of this report address the material issues for the CaixaBank Group and its stakeholders identified in the 2020 Materiality Analysis and in the requirements of Law 11/2018 on the disclosure of non-financial and diversity information. This includes the information needed to understand the Group's performance, results and financial situation, and the environmental and social impact of its activities, together with matters relating to employees, respect for human rights and combating corruption and bribery.

This report has been prepared in line with the following principles to ensure that the information therein is transparent, reliable and completeness:

> Global Reporting Initiative (GRI) Guide, under the "exhaustive" option. The criteria and principles set out in this guide for the definition of the content and quality of the report have been applied.

#### >> PRINCIPLES FOR THE DEFINITION OF THE CONTENT OF THE REPORT

- > Stakeholder engagement
- > Context
- > Materiality
- > Completeness

#### >> PRINCIPLES FOR THE QUALITY OF THE REPORT

- > Accuracy
- > Comparability
- > Balance
- > Reliability
- > Clarity
- > Framework of the International Integrated Reporting Council (IIRC) covering strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability, completeness, consistency and comparability.
- > Principles established in the Accountability AA1000APS (2018) standard: inclusivity, according to GRI 102-42 and GRI 102-43 indicators; materiality, according to the Materiality Study described in this report; and responsiveness to stakeholders, with the main codes, policies and performance indicators indicated in this report.
- > Principles of the UN Global Compact and Sustainable Development Goals (SDGs), within the 2030 Agenda.
- > Guide for Preparing the Management Report for Listed Companies from the CNMV.
- > The materiality requirements set out in the industry standard for commercial banks of the **Sustainabi**lity Accounting Standards Board (SASB).

This report contains performance data for CaixaBank and the subsidiary companies that form the CaixaBank Group. When the indicators reported do not refer to the Group but rather a part of it, this will be clearly stated. The information corresponding to GRI and the requirements of Law 11/2018 on the disclosure of non-financial and diversity information conforms the ISAE 3000 standard, as verified by an independent expert. Material issues for the purposes of Law 11/2018 and GRI are those classified as of High and Medium Materiality.











# **Ethical and responsible** behaviour

CaixaBank is a financial group with a socially responsible, long-term universal business model, based on quality, trust and specialisation, offering a value proposition of products and services for each segment, treating innovation as both a strategic challenge and a distinguishing feature of its corporate culture. As a leader in retail banking in Spain and Portugal, it is a key player in supporting sustainable economic growth.

CaixaBank, S.A. is the parent company of a financial services group whose shares are traded on the stock exchanges of Barcelona, Madrid, Valencia and Bilbao, and on the continuous market. Traded on the IBEX-35 since 2011, it is also listed on the Euro Stoxx Bank Price EUR, the MSCI Europe and the MSCI Pan-Euro.

### Our mission

"To contribute to the financial well-being of our customers and to the progress 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 enable them to appropriately plan to meet recurring expenses, cover unforeseen events, maintain their purchasing power during retirement or to turn their dreams and projects into reality.

Besides contributing to our customers' financial well-being, our aim is to support the progress of the whole of society. We are a retail bank with deep roots wherever we operate. We therefore feel we must play our part in the progress of the communities in which we are based.



- > Specialised advice.
- > Personal finance simulation and monitorina tools.
- > Comfortable and secure payment me-
- > A broad range of savings, pension and insurance products.
- > Responsibly-granted loans.
- > Overseeing the security of our customers' personal information.

#### >> WE CONTRIBUTE TO THE PROGRESS OF SOCIETY:

- > By effectively and prudently channelling savings and financing, and guaranteeing an efficient and secure payment system.
- > By fostering financial inclusion and education; environmental sustainability; support for diversity; housing aid programmes; and promoting corporate voluntary work.
- > And, of course, through our work with the Obra Social (social programme) of the "la Caixa" Banking Foundation, whose budget is partly funded from dividends that CriteriaCaixa receives on its shares 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.













#### **OUR VALUES**







### **OUR MISSION**



To contribute to the financial well-being of our customers and to the progress of society

#### **OUR CULTURE**







Flexibility in our approach



Working together is our strength

### **OUR STRATEGY**

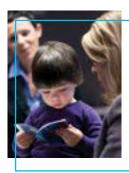


To be a **leading and innovative** financial group, with the **best customer service** and setting the benchmark for socially responsible banking



#### >> CUSTOMERS

- > Setting the benchmark
- > Relationship based on proximity and trust
- > Excellent service
- > Value proposition for each segment
- > Commitment to innovation



#### >> SOCIETY

- > Maximizing our contribution to the economy
- > Building stable relationships based on trust
- > Helping to solve the most urgent social challenges
- > Transition to a low-carbon economy



#### >> SHAREHOLDERS

- > Long-term creation of value
- > Attractive returns
- > Close, transparent relationship



#### >> EMPLOYEES

- > Ensuring their well-being
- > Fostering their professional development
- > Promoting diversity, equal opportunities and work-life balance
- > Emphasising merit



Universal banking model

A socially responsible model which covers all financial and insurance needs

















### **Ethics and integrity**

Respect for human rights is at the heart of CaixaBank's corporate values and is the starting point for the development of any legitimate business. To uphold these values, its Corporate Human Rights Policy and its Code of Ethics and Action Principles form the top level of CaixaBank's internal standards and regulation. They are approved by the Board of Directors and are based on the principles of the UN Universal Declaration of Human Rights and the Declaration of the International Labour Organization.













### Corporate Human Rights Policy \_

CaixaBank protects the human rights of each main group of stakeholders as follows:

#### Our responsibility to employees

CaixaBank considers its relationship with its employees to be one of its main human rights responsibilities.

CaixaBank's policies on the recruitment, management, promotion, remuneration and development of people are linked to respect for diversity, equal opportunities, meritocracy and non-discrimination on the basis of gender, race, age, disability or other circumstances.

#### Our responsibility to customers

CaixaBank requires its employees to have respect for people, their dignity and their fundamental values. Likewise, it strives to work with customers who share CaixaBank's values of respect for human rights.

Key points in this area include: developing new financial services and products in line with Caixa-Bank's aspirations with regard to human rights, building social and environmental risks into decision-making processes, fostering financial inclusion and avoiding the financing of or investment in companies and/or businesses connected with serious human rights violations, respect for confidentiality, the right to privacy and the confidentiality of customer and employee data.

#### Our responsibility to suppliers

CaixaBank requires its suppliers to respect human and labour rights and encourages them to implement these rights in their value chain.

Therefore, CaixaBank's practices include: requiring its suppliers to understand and respect its Code of Conduct for Suppliers and the Principles of the United Nations Global Compact, carrying out additional controls on suppliers that are considered internally to be of potentially medium-high risk, and taking any necessary corrective measures in response to failures to comply with its standards.

### Our responsibility to the community

CaixaBank is committed to supporting human rights in the communities where it operates, by complying with current legislation, cooperating with government institutions and courts of law, and respecting internationally recognised human rights wherever it conducts business.

CaixaBank also promotes the awareness of international human rights principles as well as initiatives and programmes, the contribute positively to them as well as the UN Sustainable Development Goals (SDGs).









Statement of Non-financia









### Human Rights **Due diligence and assessment**

CaixaBank strives to understand what impacts its activities have on Human Rights. To this end, it implements regular due diligence processes to assess the risk of non-compliance, which form the basis for proposing measures to prevent or remedy negative impacts and to maximise positive impacts. In the first half of 2020, CaixaBank completed its regular human rights due diligence and assessment process, which it carries out with a third party.

# The assessment obtained was satisfactory and showed that the control environment is appropriate.

- > CaixaBank has appropriate measures in place to deal with all the Human Rights risks to which it is exposed.
- > CaixaBank is a very mature organisation in terms of protecting and respecting human rights and lives up to the commitments defined in its Corporate Human Rights Policy.

#### Due diligence process

- > Identification of risk events according to the commitments and principles of action contained in CaixaBank's Corporate Human Rights Policy and potential human rights violations of which CaixaBank may be guilty, in line with its commitments to its employees and suppliers, as a provider of financial services and as part of the community.
  - > Identification of those human rights issues which are applicable to Caixa-Bank, based on the 35 human rights listed in the Guide to Human Rights Impact Assessment and Management published by the World Bank Group's International Finance Corporation (IFC).
  - > Definition of potential risk events and assessment of their severity. 37 events were analysed.
  - > Identification of the stakeholders that could be affected by each risk event.
- > Definition, prioritisation and management of the criteria considered in the assessment.
- > Identification of the due diligence measures that must be applied in the business itself, in the supply chain and/or via other commercial relationships in order to prevent and mitigate the identified impacts and determine how to tackle them.

The results obtained from the Human Rights due diligence and assessment process had a significant impact on CaixaBank's DJSI score for 2020

#### **Assessment process**

- > The starting point is the procedure for the assessment and due diligence of human rights risks.
- > Construction of human rights risk maps for each bloc according to the probability, impact and severity of the risk.
- > Checks on the due diligence processes and measures put in place by Caixa-Bank to prevent and mitigate potential risks.









<sup>1</sup>https://www.caixabank.com/deployedfile caixabank/Estaticos/PDFs/responsabilidad\_corporativa/Resumen\_Proceso\_Debida\_Diligencia\_Assessment\_DDHH\_Ju-

### 2020 Management Report





**Our Identity** 



#### >> DUE DILIGENCE MEASURES CLASSIFIED UNDER FOUR BLOCS AND MAIN INDICATORS AT 31 DECEMBER 2020

#### **Human Resources management**

Equal treatment in the management of people

41.6%

42.9%

% of women sub-managers and above in large branches1

women on the Board of Directors

Fair working conditions

2.344

employees on paid leave<sup>2</sup>

Freedom in the working environment

**70**%

participation in Commitment Study

Working environment and workplace (accessibility, safety and health)

1.04

3.4%

accident frequency rate

manageable absenteeism rate (illness and accidents) Information security and data protection (employee privacy)

+€50 million

Invested in information security

### Financing and investment

**Ensuring appropriate mortgage commitments** 

14,455

homes in social rent programme

**Business and corporate financing** 

630

financing applications assessed in terms of environmental risk

**€2,997** million

loans linked to sustainability factors

Nature of investments

~€140 billion

of investments take ASG criteria into account<sup>3</sup>

### **Procurement and suppliers**

**Procurement process** 

€642 million

€5.4 million

volume of purchases contracted via electronic platforms

volume of procurement contracts awarded to Sheltered **Employment Programmes** 

### Marketing

Accessibility for customers

100% / 83%

towns and cities with >10,000 inhabitants where CaixaBank / BPI operate

Marketing (product design, marketing and advertising, sales)

18.710

employees with MiFiD II certification

Information security and data protection (customer privacy)

98%

of employees completed the security course in 2020

<sup>&</sup>lt;sup>1</sup> Branches A and B. CaixaBank, S.A

<sup>&</sup>lt;sup>2</sup> CaixaBank, S.A.

<sup>3</sup> VidaCaixa and CaixaBank Asset Management, respectively.



















### CaixaBank Code of Ethics and Business Principles \_\_\_\_\_

#### Compliance with current laws and standards

Everyone at CaixaBank must comply with prevailing laws, rules and regulations at all times.

#### Respect

We respect people, their dignity and fundamental values. We respect the cultures of the regions and countries where CaixaBank operates. We respect the environment.

### Integrity and transparency

By having integrity and being transparent, we generate trust, a fundamental value for CaixaBank

#### **Excellence and Professionalism**

We work diligently and effectively. Excellence constitutes one of CaixaBank's fundamental values. For this reason, we place our customers' and shareholders' satisfaction at the centre of our professional activity.

### Confidentiality

We uphold the confidentiality of the information that our shareholders and customers entrust to us.

### Social responsibility

We are engaged with society and the environment, and build these targets into our business activities.

### **Anti-Corruption** Policy \_\_\_\_

CaixaBank's Anti-Corruption Policy, which complements its Code of Ethics and Action Principles, ensures all forms of corruption are excluded and we conform to the highest standards of responsibility. As a signatory to the UN global Compact, Caixa-Bank undertakes to comply with its 10 Principles, and in particular to work to combat corruption in all its forms, including extortion and bribery (Principle No. 10).

The Policy also details the types of conduct, practices and activities that are prohibited, to prevent situations that could involve extortion, bribery, facilitation payments or influence peddling.

The policy includes and establishes:

#### Rules on the acceptance and giving of gifts

It is prohibited to accept gifts of any amount if the purpose is to influence the employee. In other cases, no gifts with a market value of over 150 euros may be accepted.

Gifts must not be given to public officials and authorities.



These expenses must be reasonable and related to the Entity's activity, always at the expense of Caixa-Bank and paid directly to the service provider.

#### Relationships with political parties and officials

It is prohibited to make donations to political parties and their associated foundations. Debt cancellation agreements may only be reached with political parties and their associated foundations when provided for by national party financing laws.

CaixaBank shall not contract direct lobbying or interest representation services to position itself with authorities but rather it will generally share its opinions through various associations to try to come to an understanding on the industry's position.

Additionally, the Policy covers the areas of: (i) Sponsorship, (ii) Donations and contributions to foundations and NGOs and (iii) High-risk suppliers.



os://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad orativa/Code of Business Conduct and Ethics ian2019.pdf

<sup>2</sup>https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad corporativa/Anti\_corruption\_Policy\_ian2019.pdf







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The main policies on **ethics and integrity** approved by the Board of Directors are:

Policy	Objective	Last update	Published on CaixaBank corpo- rate website
Code of Business Conduct and Ethics	Manifesto on the values and ethical principles that underpin our activity and should govern CaixaBank's operations.	January 2019	
Corporate Human Rights Policy	Minimum standard for carrying out activities legally.	October 2019	
Anti-corruption Policy	To prevent both the Company and its external partners, directly or through third-parties, from engaging in conduct that may be contrary to the law or to the basic principles of CaixaBank's activity.	January 2019	$\emptyset$
Corporate Policy on Compliance with Criminal Law	To ensure that no criminal acts occur within the organisation.	April 2020	
Corporate Policy for the Prevention of Money Laundering and the Financing of Terrorism (AML/CFT) and managing sanctions and international countermeasures within the CaixaBank Group	To actively promote the implementation of the highest international standards in this area, in all jurisdictions where the CaixaBank Group operates.	July 2020	
Corporate Policy regarding the Defence Sector	This policy regulates the conditions for maintaining business relations with companies in the sector, as well as establishing restrictions and exclusion criteria.	December 2019	$\bigotimes^1$
Internal Regulations on Conduct Concerning the Securities Market	To foster transparency in markets and uphold the legitimate interests of investors at all times in accordance with Regulation 596/2014 of the European Parliament and the Securities Market Law.	July 2019	$\emptyset$
General Corporate Policy on Conflicts of Interest	To prevent or deal with potential conflicts of interest that may arise in different areas and scenarios.	February 2020	
Corporate Privacy Policy	To establish fundamental rights to data protection and privacy.	January 2020	<b>⊗</b> ¹

CaixaBank is firmly committed to **preventing money laundering and the financing of terrorism**. It is considered fundamental to establish the necessary measures and to revise them regularly in order to ensure, as far as possible, that CaixaBank products and services are not used for any illegal activity. In this regard, it is essential to actively collaborate with regulators and security forces and to report all suspicious activities detected. To prevent this risk, to which it is exposed, CaixaBank has a risk management model for money laundering and the financing of terrorism in place across its activities, businesses and

relationships, both nationally and internationally. Spanish law requires an annual review by an independent external expert of the organisation's anti-money laundering measures. No significant deficiencies were identified in the review carried out in 2020.

Respect for the fundamental right to data protection and privacy is reflected in our code of ethics, and is the pillar upon which one of our corporate values is based: trust. The **Corporate Privacy Policy** and internal regulations on confidentiality and the processing of personal data

ensure these rights are protected. To ensure risks affecting personal data management and processing are regularly reviewed, the Privacy Committee and Privacy Impact Assessment Committee are responsible for analysing and approving new processes and for monitoring the implementation of the agreed measures.



<sup>&</sup>lt;sup>1</sup> Some Principles, extracted from the Policy, are published.













### Measures to ensure compliance with policies \_

Promoting and developing an effective culture of conduct throughout the institution is key to ensuring codes and policies are properly implemented. A communication and awareness strategy designed to strengthen this culture operates throughout the organisation. The main tools used in this strategy are:

#### **Training:**

In 2020, the variable remuneration of all CaixaBank, S.A. employees was linked to attending and passing certain compulsory training courses on regulatory matters or issues of particular sensitivity with regard to conduct. This was also extended to the rest of the Group in 2020.

34,605 **EMPLOYEES WITH** 

**BONUS LINKED TO** TRAINING

29,707 IN 2019, +17%

#### Communication:

In 2020, in addition to training courses, specific awareness-raising sessions were held in branches and specialised areas. News items, features and circulars were also published on the intranet.

260 AWARENESS-RAISING **ACTIVITIES** 

313 IN 2019

#### >> MAIN TRAINING COURSES ATTENDED BY EMPLOYEES ON RESPONSIBLE PRACTICES

#### Training in 2020

	Linked to remuneration	Total employees who have passed the course <sup>1</sup>
New Queries and Reporting Channel	Ø	28,733 employees
Transparency in the marketing of CaixaBank products and services		27,026 employees
AML/CFT and Sanctions Update	$\emptyset$	33,499 employees
Data Protection in CaixaBank	$\emptyset$	35,875 employees
Information security and preventing customer fraud	$\varnothing$	28,269 employees
<sup>1</sup> Certain trainings are prioritized based on the differen	t companies risk.	



Corporate challenges include meeting a target indicator based on a number of variables related to conduct (customer due diligence and the correct formalisation of operations). Employees' variable remuneration is reduced if these targets are not met.





















### Queries and reporting channel

The Queries and Reporting Channel is a key part of the Group's conduct management strategy. Employees can use it to ask questions about the interpretation or practical application of codes of conduct and other policies, and can report possible breaches thereof. Complaints submitted by customers are processed through CaixaBank's established customer service channels.

The procedure for resolving complaints is rigorous, transparent and objective, with strict guarantees of confidentiality and anonymity and reprisals are prohibited.

If any employees of the CaixaBank Group engage in potentially fraudulent activities or corruption, in the course of their work, such conduct will be considered an extremely serious breach of conduct under the current collective agreement, and the employees involved will incur the sanctions envisaged in the aforementioned agreement for such offences.

A new Queries and Reporting Channel was launched in 2020, based on national and international best practices, applying a comprehensive Group vision to the reporting of breaches.

The main milestones achieved in respect of the new Channel are:

- > New platform: this is accessible both internally and via the internet, giving year-round 24-hour access from any location and device.
- > **Stakeholders:** in addition to employees, CaixaBank Directors, temporary agency staff, agents and suppliers can also access this channel.
- > Anonymous reporting option.

#### >> THE QUERIES AND REPORTING CHANNEL IN FIGURES (2020)



**38 Reports** (21 in 2019)

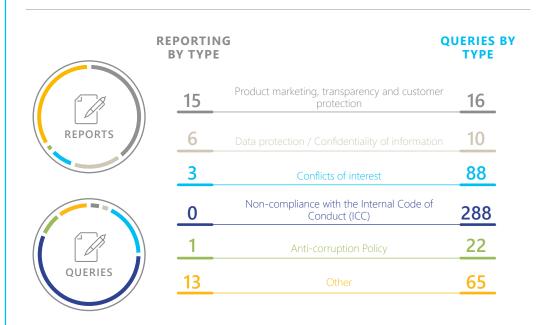
**489** Queries (285 in 2019)

Of the 38 cases reported in 2020, further action was taken on 20 (53%) and 18 were rejected (47%).

Of the complaints admitted, 20% are still ongoing, while in 15% of cases no non-compliance has been detected. In 65% of cases, non-compliance has been detected and in most of these (92%) disciplinary measures have been applied.

Among the complaints received, the most frequent are those relating to product marketing, transparency and customer protection (40%) and data protection (16%).

By location, the largest proportion come from Catalonia (29%), Andalusia (21%), Portugal (21%) and Madrid (16%).



















UNE 19601 Certification – Criminal Compliance **Management System** 

In 2020, CaixaBank obtained the UNE 19601 certification for Criminal Compliance Management Systems, in recognition of its commitment, in accordance with best practice, to promote a responsible culture aimed at preventing crime within the organisation.

The UNE 19601 standard is the national standard for Criminal Compliance issued by the Spanish Association for Standardisation (UNE). It establishes the structure and methodology necessary to implement organisational and management models for crime prevention.

The external audit performed to certify CaixaBank's crime prevention model was carried out by AENOR, an independent third party and an expert in the certification of this type of standard.

CaixaBank has a specific complaints channel for employees to report harassment. This is accessible via the corporate intranet. During 2020, three formal complaints were received regarding possible occupational and sexual harassment. External consultants determined that in two of the cases there were potential indications of harassment, one of which was upheld as in fact involving harassment. In 2019, 5 formal complaints were received, none of which were finally upheld.

As established in the Protocol, reports were prepared by external consultants on the three formal complaints, with the following result: there were potential indications of harassment in two cases; in the third no harassment was found to have taken place and mediation measures between the parties were recommended.

The section on the Prevention of Harassment was a key feature of the Wengage Diversity section of the corporate intranet in 2020.

Training was also provided to raise awareness of the protocol for the prevention of harassment. Attention is also drawn to the Harassment Protocol channel during the training course on the Code of Ethics.

### 2020 Management Report











### Responsible marketing and communication

### Product design

The correct design of financial products and services, including financial instruments and banking and insurance products and services, and their proper marketing are a priority. Regulations governing different products and services are applied to ensure that CaixaBank has adequate Know Your Customer processes and communicates clearly and truthfully about the risks of its investments. These regulations cover (i) financial instruments (the Markets in Financial Instruments Directive-MiFID); (ii) banking products and services (European Banking Authority Guidelines on product oversight and governance arrangements for retail banking products); and (iii) insurance products (the Insurance Distribution Directive-IDD).

The **Product Governance Policy**, approved by the CaixaBank Board of Directors, and updated in July 2020, establishes the principles for approving the design and marketing of new products and services, and for monitoring the product's life cycle, based on the following premises:

- > To meet the needs of customers or potential customers in a flexible manner
- > To strengthen customer protection.
- > To minimise legal and reputational risks arising from the incorrect design and marketing of products and services.
- > To ensure all relevant areas are involved in the approval and monitoring of products and services, and senior management is engaged in defining and supervising the Policy.

The Policy applies to all companies controlled by the Group that produce or distribute banking, financial or insurance products.

AREAS OF RESPONSIBILITY

	AUGUATO OT MEDI	• • • • • • • • • • • • • • • • • • • •					
PRODUCT DESIGN	CaixaBank S.A.	Other companies in the group	Other companies in the group				
PRODUCT MARKETING	CaixaBank S.A.	CaixaBank S.A.	Other companies in the group				
		Board of Directors of CaixaBank S.A.					
		Responsible for Policy					
		<u> </u>					
	Transpare	Transparency Committee					
	of Ca	of CaixaBank S.A.					
		Responsible for procedures Appointment of managers					
		<b>~</b>					
	Produc	Product Committee					
	of Cai	ixaBank S.A.					
	Approval of	Approval of the product/service					
	<b></b>	- :					
	Responsible	Coordination between product					
	for Product	manager in CaixaBank and in					
	İ	the company					

The members of the CaixaBank, S.A. Product Commitor understand and oversee products, their associated **ttee** are drawn from the control, support and business risks, and regulations on transparency and customer divisions to ensure it has sufficient specialised knowledge

protection.



The Product Committees of CaixaBank Payments&Consumer and BPI reviewed 15 and 54 products, respectively.

<sup>&</sup>lt;sup>1</sup> 24 face-to-face sessions and 28 written agreements







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### Marketing

Employees' knowledge of products and services is key to ensuring that the information conveyed to customers is clear and complete. Training ensures employees have an adequate knowledge of the products and services.

#### >> PROFESSIONALS CERTIFIED

18,710

EMPLOYEES WITH
MIFID II CERTIFICATION
18,074 IN 2019

6,557 **EMPLOYEES WIT** 

EMPLOYEES WITH
CERTIFICATION ABOVE
MIFID II LEVEL

6,548 IN 2019



18,066

EMPLOYEES WITH CERTIFICATION IN REAL ESTATE LAW

9,863 IN 2019



250

EMPLOYEES WITH CERTIFICATION
IN THE INSURANCE
DISTRIBUTION DIRECTIVE (IDD)



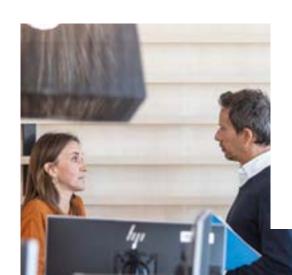
21,475 WITH CERTIFICATION IN CONTINUING IDD



Advertising has a major impact on customer expectations and the resulting decision-making process. The Group's advertising and publicity activities must, therefore, always respect the following principles:

Legality: advertising must comply with the standards established in Law 34/1988, of 11 November, on advertising, in Law 3/1991, of 10 January, on unfair competition and other general rules applicable to the advertising of products and services.

- Clarity: Advertising must help the target customers understand the product without causing doubts or confusion.
- > Balance: The advertising message must reflect the complexity of the product or service and the channel used.
- > **Objectivity and impartiality:** The message must be objective with no subjective assessments.
- > Transparency: The message must not deceive.







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Advertising must also respect the dignity of individuals, any image and intellectual property rights held by third parties, and the corporate image of each of the Group's companies.

CaixaBank is a voluntary member of **Autocontrol**, the association for self-regulation in advertising, which encourages good advertising practice.

CaixaBank has operated a **Transparent Contracts Project** since 2018 designed to ensure transparent and responsible marketing and communication. The aim of the project is to simplify the language of contractual and pre-contractual documents for the products and services sold by CaixaBank. The product agreements reviewed in 2019 included: CaixaBank Current Accounts, CaixaBank Now and Consumer Loans. In 2020 the documentation for a further seven products was reviewed:

- > MyBox House
- > Mortgage loans
- > MyBox auto
- > Travel insurance

- > Prepaid card
- > Flexible investment life annuity
- > Framework contract financial advice

#### >> TRANSPARENT CONTRACT PROJECT AIMS



### **Transparency**

Greater transparency when documents are signed by customers



### Clarity

Through clear, comprehensible language



#### **Trust**

Improving the customer's experience and inspiring confidence when they sign



# Security

And providing greater legal security for the customer and the organisation

#### >> ADVERTISEMENTS OR ADVERTISING CAMPAIGNS REFERRED TO AUTOCONTROL FOR REVIEW

4,764

**IN 2020** 3,279 IN 2019



2,602

#### **POSITIVE:**

NO ISSUES WERE FOUND WITH THE CONTENT

2 196 IN 2019

2,161

#### **WITH CHANGES:**

CHANGES WHERE THE ADVERTISMENT WERE RECOMMENDED

1 000 IN 2010



-1

#### **NEGATIVE:**

THE REVIEW ADVISED AGAINST PUBLISHING THE ADVERTISEMENT



3 IN 201









responsible behaviour

Strategic Line









# Tax transparency

CaixaBank's social commitment is reflected in **responsible tax management,** which contributes to sustaining the public finances that fund the infrastructures and public services that are essential for progress and social development.

CaixaBank's tax strategy is based on the values that underpin its corporate culture, while it manages compliance with its tax obligations in line with its **low tax-risk profile**. The minimal adjustments required to CaixaBank's tax returns reflect this low risk approach.

CaixaBank understands tax risk as the risk of negative effects on its financial statements and/or the Group's reputation, arising from tax-related decisions by the organisation or by tax and judicial authorities. It is covered under Legal/Regulatory Risk in the Risk Taxonomy.

In all jurisdictions where CaixaBank operates, it diligently complies with any tax obligations arising from its economic activity. Tax compliance mainly refers to:

- i. The payment of all taxes generated on CaixaBank's own business activities,
- **ii.** The collection of taxes from third parties arising from their economic relationship with CaixaBank, and
- iii. Complying with public authorities' information and cooperation requirements.



CaixaBank tax strategy







Reviewed periodically. Latest update January 2020.

https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad\_corporativa/66413\_Estrategia\_Fiscal\_2020\_ING.pd

https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad corporativa/66413 Politica Riesgo Fiscal 2020 ING.pdf











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#### >> VOLUNTARY CODES OF GOOD TAX PRACTICE

#### Codes of Best Tax Practice in Spain

CaixaBank is a voluntary member and active participant in the Large Corporates Forum. The Forum includes the Tax Agency (AEAT) and major large taxpayers. Its aim is to extend and deepen their cooperative relationship through a forum where the main tax issues can be analysed jointly and sector by sector.

- > Approved by the Large Companies Forum.
- > It contains a series of recommendations, voluntarily assumed by both the Tax Agency and companies, to improve the tax system through:
  - > Increased legal certainty.
  - > Mutual cooperation based on good faith.
  - > Legitimate trust.
  - > The application of responsible tax policies in companies with the knowledge of their governing bodies.

#### Code of Tax Practice for UK Banks

Through its London Branch:

- > CaixaBank is voluntarily affiliated to this Code issued by the UK tax authorities.
- > It is committed to maintaining high standards of governance and conduct in compliance with its tax obligations.

#### >> INTERPRETATION OF TAX RULES

Compliance with the obligations imposed by tax regulations means paying taxes.

- > CaixaBank takes the following into account:
  - > The will of the legislator.
  - > The underlying economic reasonableness, in line with the OECD tax principles (Organisation for Economic Cooperation and Development) embodied in the BEPS project (Base Erosion and Profit Shifting).
- > Our interpretation of tax regulations is verified by tax consultants of recognised standing, when the complexity or importance of the issue requires it, and we may request clarification from the tax authorities, if this is deemed necessary.
- > Decisions on tax matters resulting from these interpretations are subsequently reviewed by CaixaBank's external auditors. In order to safeguard the independence of CaixaBank's audit, it does not employ as tax advisers the same professionals who audit its accounts.
- > As a corollary of the reasonableness of the interpretation of tax rules, tax inspections verify compliance with tax obligations.

# Conclusion

The interpretation of tax regulations by CaixaBank results in fair and reasonable tax management in accordance with applicable tax legislation.















#### Taxes managed by the CaixaBank Group and amount

Taxes paid by CaixaBank

#### >> OWN TAXES >> THIRD PARTIES' TAXES

Collection on behalf of the tax authorities of taxes payable by third parties arising from their economic relationship with CaixaBank

- > Personal income tax withholdings on salaries, interest and dividends received
- > Employees' social security contributions
- > VAT paid in to the tax authority

#### >> COLLECTION AND COOPERATION

Acting as a partner to the tax authorities of Spain, its autonomous regions and local authorities, assisting them in the collection of taxes

- > Through the branch network, ATMs and online channels
- > Cooperating transparently and proactively with public authorities to combat tax evasion and fraud

#### Indirect taxes

Direct taxes

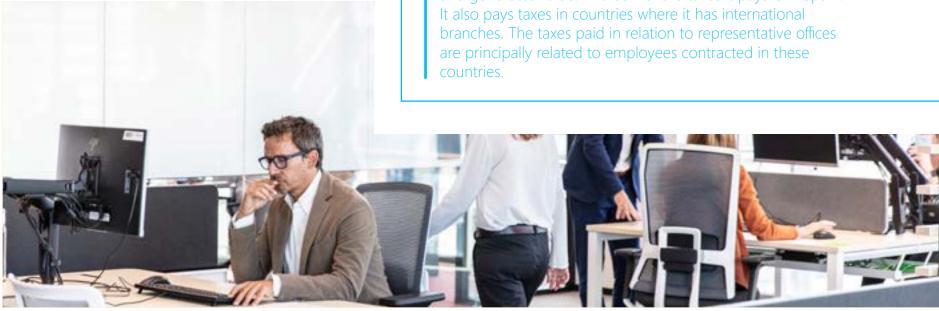
> Non-deductible VAT

> Corporate income tax

> Business and property taxes

- > Duty on transfers of assets and documented legal transactions
- > Employers' social security contributions

CaixaBank is committed to paying taxes wherever it operates and generates value. The bulk of the taxes it pays is in Spain. branches. The taxes paid in relation to representative offices are principally related to employees contracted in these countries.









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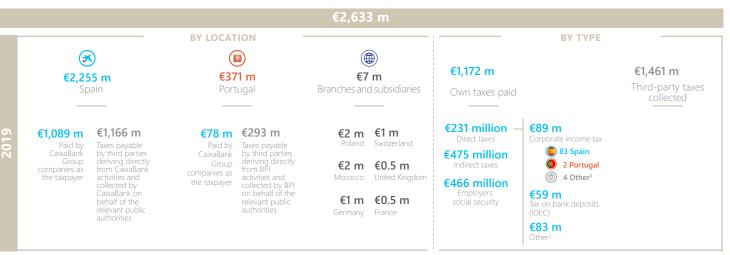
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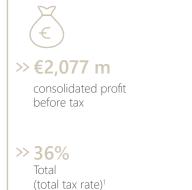


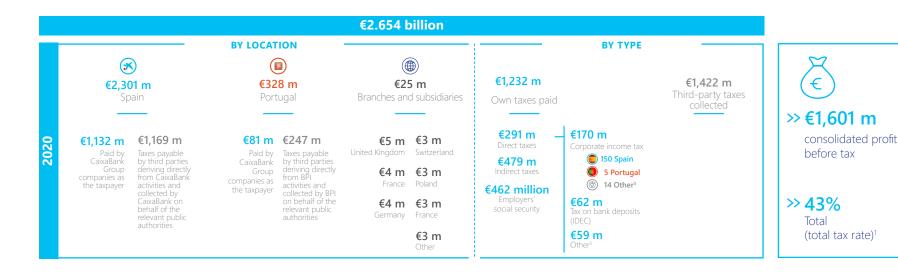


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#### >> OWN TAXES AND TAXES COLLECTED FROM THIRD PARTIES IN 2019 AND 2020, ON A CASH FLOW BASIS







<sup>1</sup> The total tax rate is measured as a percentage of all taxes paid divided by profit before all said taxes (1,232/(1,232+1,601))=43%

<sup>&</sup>lt;sup>2</sup> This mainly corresponds to Business Tax (€26 million) and Property Tax (€31 million).

<sup>&</sup>lt;sup>3</sup> Other: €6 million United Kingdom, €3 million France, €2 million Switzerland, €1 million Poland, €1 million Germany and €1 million Morocco.

#### 2020





Ethical and responsible behaviour

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>> CAIXABANK GROUP'S PROFIT BEFORE TAX AND CORPORATION TAX ACCRUED, BY REGION (€ MILLION)





The cash outflow related to the corporate income tax expense does not correspond to the amount disclosed in the consolidated statement of profit or loss. There are three main reasons for this:

- > **Timing differences:** cash flows include corporate income tax inflows (refunds) to the tax group in Spain and companies in Portugal in respect of prior years' corporate income tax and payments on account in the current financial year. The tax expense recognised in the consolidated statement of profit or loss corresponds to the amount accrued against profits in the current year.
- > **Scope of consolidation:** the tax consolidation regime in Spain treats "la Caixa" Banking Foundation and CriteriaCaixa as part of the tax group although they do not form part of the business group.

> Unused tax credits brought forward: finally, the last global financial recession resulted in losses for entities that were subsequently absorbed by the Group, thereby generating tax credits for the absorbing entities giving rise to a difference between the tax accrued and the tax expense payable.

# >> CAIXABANK AS A PARTNER ENTITY IN THE HANDLING OF TAX AND SOCIAL SECURITY CONTRIBUTIONS

CaixaBank performs an important social function as a partner entity to the national, regional and local tax authorities and the social security authority in Spain:

- > Collecting taxes and social security contributions from third parties.
- > Paying out tax refunds to these third parties when ordered by the tax authorities.

It also cooperates transparently and proactively with public authorities to combat tax evasion and fraud. Funding and resources were dedicated to combating fraud in 2020.

### Amount of public authority receipts and payments handled €75,350 m €33,974 m COLLECTED REFUNDED €79,200 m IN 2019 CaixaBank's role in combating tax evasion and fraud 3,914 11,123 seizures INDIVIDUAL REQUESTS PROCESSED ON BEHALF FOR INFORMATION OF THE SPANISH **RECEIVED FROM THE AUTHORITIES SPANISH AUTHORITIES** ППП



















#### CaixaBank's stance on tax havens and territories that do no cooperate with the European Union on tax matters

As a general rule, CaixaBank avoids operating in jurisdictions classified as tax havens. Nor does it use tax structures that involve such territories or low- and zero-tax territories when there is no real economic substance for such structures. Any investment in entities that are domiciled in territories classified as tax havens is subject to a prior report on the economic basis for the investment and the approval of the governing bodies.

CaixaBank's policy on tax havens is based on the principles set out in the Group's statutory documents:



**Code of Ethics** 



Tax Strategy



**Legal Risk and Control Management Policy** 

Tax risk is included in this policy

CaixaBank does not currently have any direct holdings in territories classified as tax havens

#### CaixaBank Group activity in Luxembourg

Luxembourg is a key jurisdiction for the financial sector for a number of reasons:

- > Efficiency in financial matters, thanks to a specialist focus on investment products that allows financial services providers to offer attractive yields.
- > Its high levels of **legal protection** based on the prompt application of legislation and a stable legal system.

The CaixaBank Group operates in a key global market for investment management, reaching more international and domestic customers.

#### >> PRINCIPLES GOVERNING THE CAIXABANK GROUP'S ACTIVITIES IN LUXEMBOURG

- > CaixaBank's operations in Luxembourg are, like those of the entire Group, completely transparent and subject to the controls required of a regulated business, supervised by bodies that adhere to common European and international standards.
- > CaixaBank has adopted the OECD's fiscal principles set out in the Base Erosion and Profit Shifting (BEPS) project. It does not use artificial corporate structures to transfer profits to low-tax jurisdictions. Any international expansion of its business, therefore, has real economic substance.
- > The identities of our investors in Luxembourg are disclosed to the tax authorities to ensure they meet their tax obligations within a framework of complete transparency.



















# CaixaBank's contribution to Agenda 2030 - Sustainable Development Goals

The Sustainable Development Goals are a United Nations-driven initiative with **17 goals and 169 targets** that include new areas such as climate change, economic inequality, innovation, sustainable consumption and peace and justice, among other priorities. Following talks on the SDGs involving 193 UN member states, on 25 Septem-

Owing to its size and social commitment, CaixaBank contributes to all the SDGs through its activity, social action and strategic alliances.

ber 2015, at a high-level plenary meeting of the General Assembly, an agenda entitled "Transforming our World:Agenda 2030 for Sustainable Development " was approved, entering into force on 1 January 2016.

The Bank has integrated the 17 SDGs into its Strategic Plan and Socially Responsible Banking Plan, and contributes to all of them in a transversal manner. The Bank focuses mainly on 4 Priority SDGs which allow it to carry out its mission. The 4 priority SDGs are interconnected with the other SDGs and CaixaBank contributes to all of them conjointly.

CaixaBank's publication "Socioeconomic Impact and Contribution to the SDGs 2020" sets out the Group's strategy in relation contribution to the SDGs.







#### 2020







#### Our Identity

to Agenda









- > Microloans and other finance with social impact
- > Social accounts
- > Capillarity
- > Social actions
- > AgroBank
- > Active Housing Policy



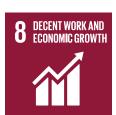
- > Microloans to families 2 ZERO HUNGER > Eco-loans in the agricultural sector
  - > Decentralised Social Welfare
  - > No Home without food
- -M/**♦**
- > Microloans for health and well-being
  - > Healthy company
  - > Virtaula health and well-being training
  - > Collaboration with GAVI, the Vaccine Alliance



- > Financial Culture Plan
- > Aula Programme
- > Chairs\*
- > CaixaBank Research
- > CaixaBank Talks



- > Microloans and other finance with social impact > Social accounts
- > Decentralised Social Welfare
- > Active Housing Policy
- > Financial Culture Plan
- \* CaixaBank Chair of RSE at IESE, AgroBank Chair



- > Financing for companies and selfemployed workers
- > Microloans to entrepreneurs and businesses
- > Investment in R&D
- > Job creation



- > Equality Plan
- > Wengage Programme
- > UN Women Empowerment Principles
- > IWEC Awards
- > Microsoft STEM Careers Alliance
- > Support for the main women's associations\*



- > Support for Start ups (Day One)
- > Financing companies with social impact
- > Investment in R&D
- > Information security
- > Digitisation plan
- > Green bond
- > Capilarity
- > Active housing policy > Membership of UNWTO\*\*
  - > Real Estate & Homes
  - > Hotels & Tourism
- \* Equality in the company, Diversity Charter, More women better companies, Eje&Con
- \*\* United Nations World Tourism Organisation



- > Financing under ESG criteria
- > Ethics and integrity policies
- > Due diligence and assessment in Human Rights
- > CSR governance framework
- > Adoption of the UNEP FI Principles of Responsible Banking
- > VidaCaixa and CaixaBank Asset Management membership of PRI
- > Verified reporting
- > Certification BCorp imagin



- > AgroBank
- Framework for sustainable, green and social



- > Renewable energy financing
- > RE100 membership
- > Reduction of energy consumption
- > Consumption of energy from renewable energy sources
- > Green Bond



> Members of the GECV (Spanish Green Growth Group) Signatories to the Equator Principles Renewable energy consumption Offsetting CO2 emissions Renewable energy financing



> AgroBank



> Framework for the issuing of Sustainable, Green and Social bonds



- > Ethics and integrity policies
- > Due diligence and assessment in Human Rights
- > Information security
- > Adoption of Self-monitoring



> Alliances directly related to the SDGs



The first Social Action Project in Spain and one of the largest foundations in the world. Strategic alliance for the dissemination of projects and active participation in key programmes such as Incorpora, GAVI Alliance and the volunteering programme



Initiative of the Leadership and Democratic Governance Chair of ESADE with the collaboration of "la













### **SDG Bonds**

Aware of the role played by financial institutions in promoting the mobilisation of capital towards an inclusive and low-carbon economy, CaixaBank has issued two social bonds and a green bond within its Framework for issuing bonds related to the SDGs (August 2019). CaixaBank channels funds towards specific actions that contribute directly to the SDGs through the following initiatives:

In February 2021, CaixaBank issued its second green bond for €1 billion.









Senior **Non Preferred** 

Coupon of

Loans are issued to fight poverty, create decent jobs and boost employment in the most disadvantaged areas of Spain. The funds support loans granted in the three years prior to the issue, while 25% will be



Funding loans granted by MicroBank without guarantees or collateral to individuals or families who live in

Spain and whose total available income to fund daily needs such as health care, education or household and vehicle repairs is 17,200 euros or less.

used for new loans granted in the issue year.



Funding loans granted to self-employed workers, micro-businesses and small businesses

operating in Spanish provinces with lower per capita GDP and/or a higher unemployment rate.

The following impact indicators are presented in the First Monitoring Report<sup>2</sup> published in October 2020:



160,945

€1,480m of contribution

to Spanish GDP

Loans Granted



13,077 to self-employed

workers and small businesses





of beneficiaries state that the financing has had a positive impact on their well-being and has helped them achieve their objectives



Mention social bond of the year (banks) by Environmental Finance.

<sup>2</sup> Impacts calculated through surveys using the input-output model and with the collaboration of an independent external









**COVID-19 SOCIAL BOND** 

[:::] July 2020

€1<sub>billion</sub>

Senior preferred Coupon of

0.75%

100% of the funds will be allocated to financing granted in 2020 arising from Royal Decree-Law 8/2020 of 8 April on anti-COVID measures, with the aim of mitigating the economic and social impacts arising from the pandemic. Loans will be offe-

red to entrepreneurs, microbusinesses and SMEs in the most disadvantaged regions of Spain.

GREEN BOND

November 2020

€1 billion

6 Senior **Non** Preferred

Coupon of 0.375%

Funds will be channelled to projects that contribute to environmental sustainability, such as reducing greenhouse gases, preventing pollution and adapting to climate change.

Guaranteeing access to affordable, secure, sustainable and modern ener-

gy. CaixaBank has already identified some €1,800 million in eligible renewable energy assets, following the strict criteria defined by the bank's SDG framework.



The initiative seeks to develop resilient infrastructure and sustainable industrialisation and to

promote innovation. In this regard, CaixaBank has already identified some €500 million in real estate assets with the energy efficiency requirements necessary to comply with the Entity's requirements.

Alignment with the Green Bond Principles (2018), Social Bond Principles (2020) and the Sustainability Bond Guidelines (2018)



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# **Corporate** Governance

Robust Corporate Governance enables companies to maintain an efficient and methodical decision-making process, as it incorporates clarity in the allocation of roles and responsibilities and, in turn, fosters proper management of risks and efficient internal control, which promotes transparency and limits the occurrence of potential conflicts of interest. All of this drives excellence in management that results in greater value for the company and therefore for its stakeholders.

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

The information regarding the corporate governance of the Company is supplemented by the Annual Director Remuneration Report (ADRR), which is prepared and submitted to a non-binding vote at the Annual General Meeting.

Once approved by the Board of Directors and published on the CNMV website, the ACGR

report is available on the CaixaBank corporate website (www.caixabank.com).

CaixaBank's Corporate Government Policy is based on the Company's corporate values and also on good practices for governance, particularly recommendations in the Good Governance Code of Listed Companies approved by the CNMV in 2015, which was revised in June 2020. This policy establishes the action principles that will regulate the Company's corporate governance.

# >>> Corporate governance **principles and practices**

01. Competencies and efficient

self-organisation of the Board of Directors

**05.** Commitment to ethical and sustainable action

08. Internal control framework

**02.** Diversity and balance in the composition of the Board of Directors

**O6.** Protection and promotion of shareholders' rights

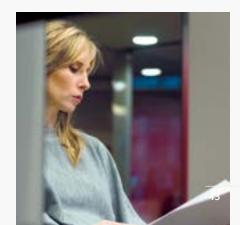
**09.** Acceptance and update of good governance practices

**O3.** Professionalism and duties of members of the Board of Directors

07. Compliance with current regulations as the guiding principle for all people who form part of CaixaBank

10. Transparent information

**04.** Balanced remuneration aimed at attracting and retaining the appropriate profile of members of the Board of



Throughout the chapter, abbreviations are used with respect to certain company names of different entities: FBLC ("la Gaixa" Banking Foundation), CriteriaCaixa (CriteriaCaixa, S.A.U.); as well as the CaixaBank governing bodies: the Board (the Board of Directors) or the AGM (the General Shareholders' Meeting).









# **Best** Corporate Governance practices (G)

Of the 64 Recommendations in the Good Governance Code (excluding one non-applicable recommendation), CaixaBank is fully compliant with 57, partially compliant with five and non-compliant with one. The following list contains the recommendations with which CaixaBank non-compliant or partially compliant, and the reason:

#### >> CAIXABANK IS PARTIALLY COMPLIANT WITH THE FOLLOWING RECOMMENDATIONS:

#### Recommendation 10 Recommendation 27 Recommendation 36 Recommendation 64 Recommendation 5

available for the integration of counting and the proper the content of the debate. of its regulatory capital.

recording of votes.

relation to the instruments all cases the transparency proxy's ability to adapt to ment exercise.

approved a motion which neral Meeting provide for the Board, when applicable, the Board of Directors has allows the Board to issue a different voting system in cases when attendance carried out the self-asconvertible into shares with solutions are proposed by carried out with or without internally after ruling out the exclusion of pre-emp- the Board of Directors or specific instructions at the the benefit of the assistantive subscription rights by by shareholders. This is to discretion of each director. ce of an external advisor, as making any capital increases avoid counting difficulties. The freedom to appoint given the partial renewal that the Board of Directors in respect of shareholders proxies with or without process the Board will unmay approve under this who are absent before the specific instructions is con- dertake once the merger of authorisation subject to the vote and to resolve new sidered a good Corporate CaixaBank with Bankia takes legal limitation of 50% of the proposals dealing with re- Governance practice by the effect, it was more advisable capital and not 20%. The aim solutions that contradict Company and, specifically, and reasonable to postpoof this is to provide the entity the proposals submitted the absence of instructions ne the external collaborawith maximum flexibility in by the Board, ensuring in is seen to facilitate the tion to the next self-assess-

Because the Annual Gene- Because the regulations Because the proxies for vo- Because with respect to Payments for termination or expiry of the CEO's contract, including severance pay ral Meeting of 28 April 2016 of CaixaBank's Annual Ge- ting at the headquarters of the 2020 financial year, in the event of termination or expiry of the relationship in certain cases and the post-contractual non-competition agreement, do not exceed the amount equivalent to two years of the CEO's total annual remuneration, in accordance with the amounts bonds and other instruments depending on whether re- in not possible, may be sessment of its operation reflected in the annual directors' remuneration report.

> Furthermore, the Bank has recognised a social security supplement for the CEO to cover the contingencies of retirement, death and total, absolute or severe permanent disability, the conditions of which are detailed in the CaixaBank Directors' Remuneration Policy. In the case of the commitment to cover the retirement contingency, this is a system established under a defined contribution plan, for which the annual contributions to be made are fixed in advance. By virtue of this commitment, the CEO is entitled to receive a retirement benefit when he/she reaches the legally established retirement age. This benefit will be the result of the sum of the contributions made by the Bank and their corresponding returns up to that date, provided that he/she is not terminated for just cause, and without prejudice to the applicable treatment of discretionary pension benefits in accordance with the remuneration regulations applicable to credit institutions. Under no circumstances is it envisaged that the CEO will receive retirement benefits early.

#### >> NON-COMPLIANT

#### **Recommendation 62**

Because the shares awarded to the executive directors as part of their annual bonus have a one-year retention period with no other requirements after this time. Recommendation 2 is not dee-



















#### Changes in the composition of the Board and its committees in the 2020 financial year

The 2020 Ordinary General Shareholders' Meeting held on 22 May set the number of members of the Caixa-Bank Board of Directors at fifteen, reducing the size of the Board by one. The following was also approved: the re-election of Verónica Fisas as a non-executive independent board member; and the appointment of Francisco Javier García as a non-executive proprietary board member, at the proposal of the FBLC and of CriteriaCaixa, to fill the vacancy created by the resignation of Marcelino Armenter Vidal as member of the Board of Directors of CaixaBank as of 2 April 2020. In addition, John S. Reed was appointed as Coordinating Director to replace Xavier Vives, whose mandate was not renewed at the meeting.

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

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

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

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









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#### >> DEPARTURES

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

<sup>(\*)</sup> Pending merger registration, suitability verification and acceptance of appointments

In addition to changes in the composition of members of the Board, the reorganisation of the composition of the Board committees was agreed in May 2020:

Appointment	<b>Board Position and Committee</b>	Replaces	
Koro Usarraga	Member of Executive Committee	Xavier Vives	
Eduardo Javier Sanchiz	Member of Appointments	Xavier Vives	
Cristina Garmendia	Member of Remuneration Committee	Verónica Fisas	
Verónica Fisas	Member of Risk Committee	-	
Tomás Muniesa	Member of Risk Committee	-	
Cristina Garmendia	Member of Audit and Control Committee	-	

<sup>(\*)</sup> Verónica Fisas has also been reappointed as a member of the Executive Committee. For more details see ORI of 22/05/2020. For more details, see other relevant information (ORI).

#### >> APPOINTMENTS

Appointments	Category
José Ignacio Goirigolzarri	Executive (*)
Joaquin Ayuso	Independent (*)
Francisco Javier Campo	Independent (*)
Eva Castillo	Independent (*)
Fernando María Costa Duarte	Other External (*)
Teresa Santero	Proprietary (*)
(*) Panding margar radistration suitability varification	and accontance of appointments

(\*) Pending merger registration, suitability verification and acceptance of appointments



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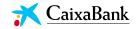
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# Corporate Governance Progress in 2020

Aside from what we have discussed previously as the main corporate governance milestones in 2020 —such as the reduced size of the Board of Directors and compositional changes due to the merger with Bankia that will become effective with the registration of the merger and the subsequent acceptance of the new directors following the verification of their suitability by the European Central Bank— the Board had established some opportunities for improvement regarding its operation and that of its Committees in 2020, based on the results of the self-assessment process undertaken by the Board and its committees last year.

In a bid to strengthen and develop the governing bodies' capacity to carry out their work with standards of excellence, single-topic training sessions have been carried out both within the Board and its specialised committees, and some of these committees have been restructured. This has involved increasing the number of members in some of them, allowing for a better distribution in the allocation of resources to the specific matters of each committee.

In addition, the improvement of the functionality of the IT

systems and tools used by the Board has been promoted, the effectiveness of which was demonstrated by the fact that the Board was able to carry out its activities normally during the year in the exceptional context of the COVID-19 pandemic, which made it necessary to guarantee the operability of the Board meetings through digital channels with the appropriate guarantees and legal security. During the year, in terms of information and debate, the information received on the strategic decisions of the Group's main subsidiaries, as well as on Agenda matters, has continued to improve, with progress having been made in its optimisation to allow a more in-depth and detailed debate on the main issues and to increase the time for debate dedicated to business matters.

With regard to corporate matters, in terms of the operation of the general meetings, in May 2020, the CaixaBank General Shareholders' Meeting agreed to amend the Bylaws and the AGM Regulations to allow shareholders to also be able to take part in general meetings through digital channels, via remote connection and in real time.

#### Challenges for 2021

In light of the results obtained from the self-assessment processes of the Board and its Committees, and in order to continue to make progress in the areas of efficiency and quality, the Board has determined and established some development objectives regarding its operation and that of its Committees in 2021.

Notably, these include matters relating to the agenda, with proposals to optimise the allocation of time to focus discussion on strategic and business issues, as well as to establish the analysis of the group's main subsidiaries as a fixed item on the Board's agenda, as far as possible and, in terms of the strategic decisions, to advance the Board's involvement in decision-making as much as possible. And, with regard to the committees, to continue to make

progress on their annual plan, as well as in reporting to the Board, in some cases.

Furthermore, there is still an opportunity for improvement in continuing to expand and develop the technical working tools, as well as the training programmes, without losing sight of the capacity of the governing bodies to carry out their work with standards of excellence even in adverse, unforeseen and far-reaching circumstances that have required the implementation of analytical, communication, consensus, decision-making and leadership skills that the Board, in particular, has demonstrated in the 2020 financial year.





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# **Ownership**

#### **Share capital** (A.1 + A.11 + A.14)

At the close of the financial year, and since 14 December 2016, the share capital of CaixaBank was 5,981,438,031 euros, represented by 5,981,438,031 shares each with a face value of 1 euro, belonging to a single class and series, with identical voting and dividend rights, and represented through book entries.

The shares into which the Company'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). Furthermore, CaixaBank has not adopted any resolution regarding the issue of shares that are not traded on a regulated EU market.

#### Significant shareholders (A.2)

In accordance with the CNMV definition, significant shareholders are those who hold voting rights representing at least 3% of the total voting rights of the issuer (or 1% if the shareholder is a resident of a tax haven). As at 31 December 2020, the significant shareholders were as follows:

#### **Shareholder structure**

Share tranches	Shareholders <sup>1</sup>	Shares	% of share capital
from 1 to 499	242,975	50,499,792	0.8
from 500 to 999	108,834	77,903,944	1.3
from 1,000 to 4,999	166,920	363,346,177	6.1
from 5,000 to 49,999	44,436	505,794,751	8.5
from 50,000 to 100,000	955	64,094,105	1.1
more than 100,000 <sup>2</sup>	603	4,919,799,262	82.3
Total	564,723	5,981,438,031	100

	% of votin	% of voting rights attributed to the shares		cial instruments			
Name or corporate name of the	Direct	Indirect	Direct	Indirect	total % of voting rights		
Invesco Limited	0.00	1.96	0.00	0.00	1.96		
Blackrock, Inc.	0.00	2.98	0.00	0.24	3.23		
"la Caixa" Banking Foundation	0.00	40.02	0.00	0.00	40.02		
Norges Bank	3.01	0.00	0.00	0.00	3.02		

% of voting rights

<sup>&</sup>lt;sup>1</sup> For shares held by investors trading through a custodian entity located outside of Spain, the custodian is considered to be the shareholder and appears as such in the corresponding book entry register.
<sup>2</sup> Includes treasury shares.





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### **Details of indirect holding**

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% voting rights attributed to shares	% of voting rights through financial	% total voting rights
Invesco Limited	Invesco Asset Management Limited	1.91	0.00	1.91
Invesco Limited	Invesco Advisers, Inc	0.01	0.00	0.01
Invesco Limited	Invesco Management, S.A.	0.03	0.00	0.03
Invesco Limited	Invesco Asset Management Deutschland Gmbh	0.00	0.00	0.00
Invesco Limited	Invesco Capital Management Llc	0.00	0.00	0.00
Blackrock, Inc	Other controlled entities belonging to the Blackrock, Inc Group.	2.98	0.25	3.23
"la Caixa" Banking Foundation	CriteriaCaixa, S.A.U.	40.02	0.00	40.02

The most relevant changes with regard to significant shareholdings in the last financial year are detailed below<sup>1</sup>:

### Status of significant share

Date	Shareholder name	% previous share	% subsequent share
24/01/2020	Blackrock, Inc.	3.07	3.07
27/01/2020	Blackrock, Inc.	3.07	3.07
04/02/2020	Blackrock, Inc.	3.07	3.06
12/02/2020	Blackrock, Inc.	3.06	3.07
13/02/2020	Blackrock, Inc.	3.07	3.07
14/02/2020	Blackrock, Inc.	3.07	3.09
09/03/2020	Blackrock, Inc.	3.09	3.06
07/12/220	Blackrock, Inc.	3.06	3.23
10/12/2020	Blackrock, Inc.	3.23	3.23
23/01/2020	Invesco Limited	2.02	1.96
04/06/2020	Norges Bank	2.97	3.02
21/09/2020	"la Caixa" Banking Foundation	40.00	40.02

In addition to the notifications shown in the above table, BlackRock, Inc has made a further disclosure that has been cancelled.

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#### Shareholders agreements (A.7 + A.4)

On 3 August 2020, CaixaBank informed the market by means of Other Relevant Information that the Shareholders' Agreement, signed on 3 August 2012 for the merger by absorption of Banca Cívica, had been terminated upon expiration of its term.

As part of the finalisation of the Shareholders' Agreement, the CajaCanarias Foundation has tendered its resignation as a proprietary director to the CaixaBank Board of Directors.

The Board of Directors requested that the CajaCanarias Foundation remain in its role until the former receives the resolution from the banking authorities verifying the suitability of the new director, which was subsequent-

ly appointed following the approval by the CaixaBank Board of Directors on 17 September of the joint project for the merger by absorption of Bankia.

Until the date of its termination, the Shareholders' Agreement signed on 1 August 2012 (and last amended in October 2018) between Fundación Bancaria Caja de Burgos, Fundación Bancaria Caja Navarra, Fundación Bancaria Caja Canarias and FBLC concerned at least 40.64% of the Company's share capital, according to the public data available on the CNMV website<sup>1</sup>.

The Agreement originated from the merger by absorption of Banca Cívica by the Company, with the aim of

regulating the reciprocal relations between the aforementioned foundations and their relations with Caixa-Bank, as shareholders of the Company. Among other undertakings, the Agreement included the commitment of the FBLC to vote in favour of the appointment of one member of the CaixaBank Board and one member of the Board of Directors of VidaCaixa proposed by the other foundations.

Outside this Agreement, the Company is not aware of any concerted actions among its shareholders, now any other type of relationship, whether of a family, commercial, contractual or corporate nature, among the significant shareholders.

<sup>1</sup> This % does not include the share held by Fundación Bancaria Caja de Burgos and Fundación Bancaria Caja Navarra which, as they are not significant shareholders or members of the Board, is not public

















#### Treasury shares (A.9 + A.10)

As at 31 December 2020, the Board has the 5-year authorisation granted at the AGM of 2016 to 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 trade, swap, dation in payment or any other form allowed by law, provided that the combined nominal amount of the shares acquired and those already held by the Company does not exceed 10% of the subscribed capital.
- > When the acquisition is for consideration, the price shall be the price of Company shares on the Continuous Market at the close of the day prior to the acquisition, +/-15%.

Furthermore, 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. In accordance with the provisions of the Internal Code of Conduct in matters relating to the securities market, CaixaBank share transactions must always be for legitimate purposes, such as contributing to the liquidity and regularising the trading of CaixaBank shares. Under no circumstances may the transactions aim to hinder the free process of formation of market prices or favour certain shareholders of CaixaBank. In this regard, the Board of Directors set the criteria for intervention in treasury shares on the basis of a new alerts system to define the margin of discretion of the inside area when managing treasury shares.

3,528,919

NUMBER OF SHARES HELD DIRECTLY

532,590

NUMBER OF SHARES HELD INDIRECTLY (\*)

0.07%

% OF TOTAL SHARE CAPITAL

Number of shares held indirectly (\*) through:

VidaCaixa	14,743
Caixabank Asset Management	0
Microbank	7,935
BPI	506,446
Caixabank payments & consumer	3,466
Total	532,590

Treasury share transactions are carried out in isolation in an area separate from other activities and protected by the appropriate firewalls so that no inside information is made available.

Information on the acquisition and disposal of shares held in treasury during the period is included in Note 25 "Equity" to the accompanying Consolidated Financial Statements, although there were no significant movements during the year.

















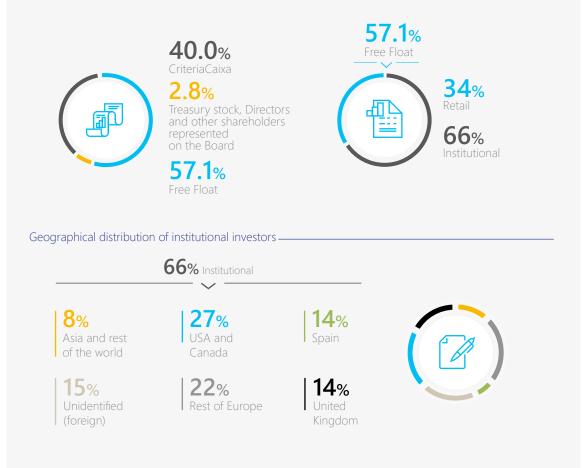
#### **Regulatory Free Float** (A.11)

The CNMV defines "estimated Free Float" as the part of share capital that is not in the possession of significant shareholders (according to information in previous section) or members of the board of directors or that the company does not hold in treasury shares.

### Free Float with management criteria

In order to specify the number of shares available for the public, a definition of "Free Float with management criteria" is used that takes into account the issued shares minus the shares held in the treasury, by directors and shareholders represented on the Board of Directors, and it differs from the regulatory calculation.











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#### **Authorisation to increase capital** (A.1)

As at 31 December 2020, the Board the authorisation granted by the AGM until May 2025 to increase capital on one or more occasions up to the maximum nominal amount of 2,991 million euros (50% of the share capital at the date of the proposal on 16 April 2020), under such terms as it deems appropriate. This authorisation may be used for the issue of new shares, with or without premium and with or without voting rights, for cash payments.

The Board is authorised to waive, in full or in part, the pre-emptive rights, in which case the capital increases will be limited, in general, to a total maximum amount of 1,196 million euros (20% of the share capital at the date of the proposal on 16 April 2020). As an exception, this limit does not apply to capital increases for the conversion of convertible bonds, which will be subject to the general limit of 50% of share capital.

CaixaBank holds the following bonds, as preference shares (Additional Tier 1) that may be convertible into new issue shares under certain terms and conditions without pre-emptive rights:



#### >> BREAKDOWN OF PREFERENCE SHARE ISSUES<sup>1</sup>

(Millions of euros)

9

Issue date	Maturity	Nominal amount	Nominal interest rate	31-12-2020	Conversion	Maximum number of shares in the case of conversion
June 2017 <sup>2</sup>	Perpetual	1,000	6.750%	1,000		356,760,000
March 2018 <sup>2</sup>	Perpetual	1,250	5.250%	1,250	CET1 < 5.125%	483,931,250
October 2020 <sup>2</sup>	Perpetual	750	5.875%	750		620,347,394
PREFERENCE SHARES <sup>2</sup>				3,000		

<sup>&</sup>lt;sup>1</sup> The preference shares that may be convertible into shares are admitted to trading on the AIAF (Spanish Association of Financial Intermediaries).

<sup>&</sup>lt;sup>2</sup> Perpetual issuance placed for institutional investors on organised markets, with a discretionary coupon, which may be redeemed under specific circumstances at the discretion of the Company.















#### Performance of stocks (A.1)

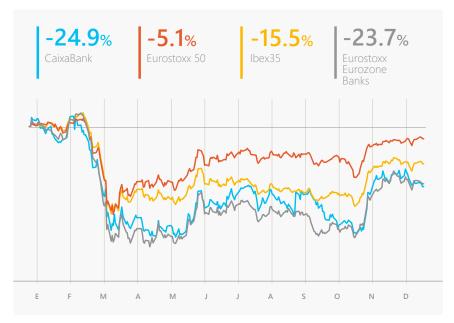
The CaixaBank share price closed on 31 December 2020 at 2.101 euros per share, an increase of 15.9% in the fourth quarter of the year (vs. 35.4% of the Eurostoxx Banks European selection and 50.4% of the Ibex 35 banks), softening the fall in the annual calculation to -24.9% (vs. a variation of -23.7% on the Eurostoxx Banks and -27.3% on the Ibex 35 banks indices). The general indices, on the other hand, recorded somewhat better performance than the banking indices: -5.1% in the case of the Eurostoxx 50 (11.2% for the quarter) and -15.5% for the Ibex 35 (20.2% for the quarter).

Undoubtedly, 2020 has been marked by the COVID-19 pandemic and all its consequences, leading to historic stock market crashes in the first half of the year, and causing huge volatility on the markets. However, from the summer onwards, investor sentiment began a recovery which, despite the further outbreaks and new mobility restrictions, became particularly strong in the last quarter of the year, spurred by progress in the COVID-19 vaccines, as well as the results of the US elections, the breakthrough in the European recovery plan (Next Generation EU) and, towards the end of the year, the signing of the Brexit trade agreement and a new fiscal stimulus package in the US.

Against this backdrop, the main central banks kept in place the significant accommodative measures implemented throughout the spring, which mitigated the stress and the risk of financial disruption and sustained the smooth operation of markets. In the European banking sector in particular, the partial rectification of the ECB's recommendation not to distribute dividends, as well as the improved conditions of TLTRO III also contributed to some recovery in share prices in the last guarter of 2020.

#### >> PERFORMANCE OF THE MAIN STOCK MARKETS

(YEAR-END 2019 BASE 100 AND ANNUAL VARIATIONS IN %)



Stock market ratios	December 2020	December 2019	December 2018	Variation 2020-2019	Variation 2019-2018
Share price at end of period	2.101	2.798	3.164	(0.70)	(0.37)
Average daily trading volume	23,637	23,583	13,676	54	9,907
Net earnings per share (EPS) (€/share) (12 months)	0.21	0.26	0.32	(0.05)	(0.06)
Book value per share (€/share)	4.22	4.20	4.07	0.02	0.13
Tangible book value (€/share)	3.49	3.49	3.36	0.00	0.13
PER (Price/Earnings, times)	10.14	10.64	9.94	(0.50)	0.70
Price/ Tangible BV (share price / tangible book value)	0.60	0.80	0.94	(0.20)	(0.14)
Dividend yield <sup>1</sup>	3.33%	6.08%	4.74%	(2.75)	1.34

<sup>&</sup>lt;sup>1</sup> Calculated by dividing the remuneration for the financial year 2019 (0.07 euros/share) by the closing price at the end of the period (2.101 euros/share)















## Shareholder rights

There are no legal or statutory restrictions on the exercise of shareholders' voting rights, which may be exercised by attending the AGM either in person or, if certain conditions are met, through remote communication methods. Furthermore, in the context of the healthcare crisis caused by COVID-19, in the 2020 financial year the By-laws and AGM Regulations were amended to provide for the possibility to attend meetings digitally via remote connection in real time. (A.12 and B.6)

There are no statutory restrictions on the transfer of shares, other than those established by law. (A.12)

CaixaBank has not adopted any neutralisation measures (according to the definitions in the Securities Market Law) in the event of a takeover bid. (A.13)

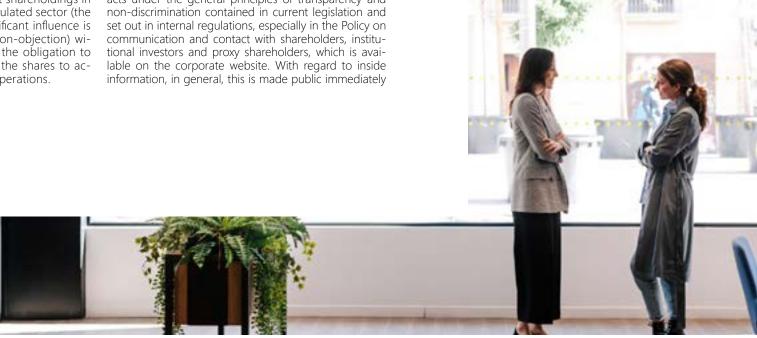
On the other hand, there are legal provisions<sup>2</sup> that regulate the acquisition of significant shareholdings in credit institutions as banking is a regulated sector (the acquisition of shareholdings or significant influence is subject to regulatory approval or non-objection) without prejudice to those related to the obligation to formulate a public takeover bid for the shares to acguire control and for other similar operations.

Regarding the rules applicable to amendments to the By-laws, as well as the rules for shareholders' rights to amend them, CaixaBank's rules and regulations largely include the provisions of the Corporate Enterprises Act. In addition, as a credit institution, amendments to the By-laws are governed by the authorisation and registration procedure set forth in Royal Decree 84/2015, of 13 February. Notwithstanding the above, it should be mentioned 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. (B.3)

In relation to the right to information, the Company acts under the general principles of transparency and through the CNMV and the corporate website, as well as any other channel deemed appropriate. Notwithstanding the foregoing, the Company's Investor Relations area carries out information and liaison activities with different stakeholders, always in accordance with the principles of the aforementioned Policy.



<sup>&</sup>lt;sup>2</sup> Regulation (EU) 1024/2013 of the Council, of 15 October 2013, conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions; Securities Market Law; and Act 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions (art. 16 to 23) and Royal Decree 84/2015, of 13 February, which implements it.









At CaixaBank, the management and control functions in the Company are distributed among the Annual General Meeting, the Board of Directors, and its committees:



	ANNUA	AL GENERAL MEE	TING	<b>&gt;</b>	EXTERNAL AL	JDIT
		BOARD	<b>∜</b> OF DIRECTORS			
		( <u> </u> )	•	. Č.		
I Executive Committee	I Appointments Committee	I Risk Committee	Remuneration Committee	I Innovation, Technology and Digital Transformation Committee	Audit and Cont Committee	rol
>> Designates/ >> Reports to/			<b>☆☆ EMENT BODIE</b> anagement Committe			

### **Annual General Meeting**

The Annual General Meeting of CaixaBank is the ultimate representative and participatory body of the Company shareholders. Accordingly, in order to facilitate the participation of shareholders in the General Shareholders' Meeting and the exercise of their rights, the Board will adopt such measures as appropriate so that the AGM may effectively perform its duties.

### >> ATTENDANCE AT GENERAL MEETINGS (B.4)

			D		
Date of general meeting	Physically present	Present by proxy	Electronic means	Other	Total
<b>06/04/2018</b> Of which: Free float <sup>1</sup>	<b>41.48%</b> 3.78%	<b>23.27%</b> 19.57%	<b>0.03%</b> 0.03%	<b>0.23%</b> 0.23%	<b>65.01%</b> 23.61%
<b>05/04/2019</b> Of which: Free float <sup>1</sup>	<b>43.67%</b> 3.02%	<b>20.00%</b> 15.96%	<b>0.09%</b> 0.09%	<b>1.86%</b> <i>1.86%</i>	<b>65.62%</b> 20.93%
<b>22/05/2020</b> <sup>2</sup> Of which: Free float <sup>1</sup>	<b>40.9%</b> 0.28%	<b>24.92%</b> 16.90%	<b>0.114%</b> <i>0.114</i> %	<b>0.30%</b> 0.30%	<b>66.27%</b> 17.59%
<b>03/12/2020³</b> Of which: Free float¹	<b>43.05%</b> 2.36%	<b>25.85%</b> 15.90%	<b>1.17%</b> 1.17%	<b>0.27%</b> 0.27%	<b>70.34%</b> 19.70%

<sup>&</sup>lt;sup>1</sup>Approximate information given that significant foreign shareholders hold their stakes through nominees.

<sup>&</sup>lt;sup>2</sup> The General Shareholders' Meeting of May 2020 was held exclusively via electronic means (in application of the extraordinary measures in relation to COVID-19) and therefore the figure for physical attendance corresponds to remote participation by shareholders.

<sup>&</sup>lt;sup>3</sup> The General Shareholders' Meeting of December 2020 was held in hybrid format (in person and electronically) and therefore figure for physical attendance corresponds to both in-person and remote participation by shareholders.





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All points on the agenda were approved at the General Meeting in both May and December 2020 (B.5):

#### >> GENERAL SHAREHOLDERS' MEETING OF 22 MAY 2020

66.27% QUORUM OF TOTAL SHARE CAPITAL

95.91% AVERAGE APPROVAL



Resolutions of the General Shareholders' Meeting 22/05/2020	% votes issued in favour	% votes in favour out of share capital
1. Individual and consolidated annual financial statements and the management reports for 2019	99.24	65.77
2. 2019 consolidated non-financial information statement	99.88	66.19
3. Management of the Board of Directors	99.31	65.81
4. Proposal for the application of the 2019 financial results	99.76	66.11
5. Re-election of CaixaBank and consolidated group auditors for 2021	99.59	66.00
6.1 Re-election of Verónica Fisas	95.30	63.15
6.2 Appointment of Francisco Javier García	75.60	50.10
<b>6.3</b> Setting of the number of directors at fifteen (15)	99.79	66.13
7. Authorisation of the Board of Directors to increase capital within the period of five years, through cash contributions and up to a maximum nominal amount of 2,990,719,015 (article 297.1.b of the CEA). Delegation of the power to waive the pre-emptive subscription right (Article 506 of the CEA)	85.37	56.57
8. Authorisation for the acquisition of own shares (Article 146 of the CEA)	98.61	65.34
9. Directors' Remuneration Policy 2020-2022	93.83	61.57
10. Amendment of articles 22, 23, 24 and 28 of the By-laws in order to provide for attendance via digital means and to implement technical improvements	99.71	66.07
11. Amendment of articles 7, 8, 10, 14 and 19 of the General Shareholders' Meeting Regulations and the introduction of the Additional Provision to specifically regulate attendance via digital means and to implement technical improvements	99.71	66.08
12. Authorisation and delegation of powers to interpret, rectify, supplement, execute, implement, convert to public documents and register the resolutions	99.92	66.22
13. Advisory vote on the Annual Report on Remuneration of the members of the Board for the 2019 financial year	93.07	61.08







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#### >> EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF 3 DECEMBER 2020

70.33% QUORUM OF TOTAL SHARE CAPITAL

99.56% AVERAGE APPROVAL



Resolutions of the Extraordinary General Shareholders' Meeting 03/12/2020	% votes issued in favour	% votes in favour out of share capital
1. Approval of the individual balance sheet of CaixaBank closed on 30 June 2020 so that it can be considered as the merger balance sheet for the purposes of point 2 below on the agenda	99.70	70.12
2. Approval of the merger by absorption between CaixaBank, S.A. (absorbing company) and Bankia, S.A. (absorbed company)	99.71	70.13
3.1 Appointment of José Ignacio Goirigolzarri	99.30	69.84
3.2 Appointment of Joaquín Ayuso	99.63	70.07
3.3 Appointment of Francisco Javier Campo	99.64	70.07
3.4 Appointment of Eva Castillo	99.64	70.08
3.5 Appointment of Teresa Santero	99.43	69.93
3.6 Appointment of Fernando Maria Costa Duarte	99.39	69.90
4. Delegation of powers to interpret, rectify, supplement, execute and implement the agreements adopted by the Board, as well as to convert such agreements into public documents and register them	99.81	70.20

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At CaixaBank, there are no differences in terms of the requirements regarding the quorum and the manner of adopting corporate resolutions with respect to those provided for in the Corporate Enterprises Act for general shareholders' meetings. (B.1, B.2).

It has not been established that the decisions that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions (other than those established by law) must be subject to the approval of the AGM. However, the Regulations of the General Meeting establishes that the AGM shall have the remit prescribed by applicable law and regulations at the Company. (B.7).

The corporate governance information is available on the corporate website of CaixaBank (www.caixabank. com) under "Shareholders and Investors – Corporate governance and remuneration policy"<sup>1</sup>, including specific information on the general shareholders' meetings"<sup>2</sup>. Also, when an AGM is announced, a banner appears on the CaixaBank homepage with a direct link to the information regarding the meeting (B.8).



https://www.caixabank.com/es/accionistas-inve sores/gobierno-corporativo/consejo-administra sign bttp.

<sup>&</sup>lt;sup>2</sup> https://www.caixabank.com/es/accionistas-inversores/gobierno-corporativo/junta-general-accionistas.html





#### **Board of Directors**

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

The maximum and minimum number of directors established in the By-laws is 22 and 12, respectively. (C.1.1)

The General Shareholders' Meeting of 22 May 2020 adopted the agreement to set the number of Board members at 15.

At CaixaBank, the Chairman and CEO have different yet complementary roles. There is a clear division of responsibilities between each position. The Chairman is the senior representative of the Company. The Board has appointed a CEO, the sole executive director of the Company during the 2020 financial year<sup>1</sup> who is responsible for the day-to-day management under the supervision of the Board. There is also a delegated committee, the Executive Committee, which has executive functions (excluding those that cannot be delegated). It reports to the Board of Directors and meets on a more regular basis.

There is also a Coordinating Director appointed from among the independent directors who, in addition to leading the periodic assessment of the Chairman, also chairs the Board in the absence of the Chairman and the Deputy Chairman, in addition to other assigned duties.

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

As at 31 December 2020, the Board of Directors was composed of 14 members (without taking into account the vacancy), with one CEO and 13 external directors (six independent and seven proprietary).

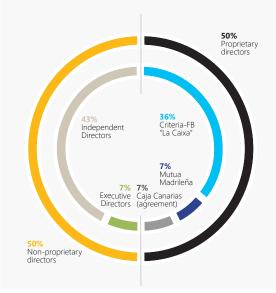
In terms of independent directors, these make up 43% of the CaixaBank Board of Directors, which is in line with the current provisions of Recommendation 17 of the Code of Good Governance for Listed Companies in companies that have one shareholder who controls more than 30% of the share capital.

In 2021, once the Merger approved by the Extraordinary General Shareholders' Meeting of 3 December takes effect, and in accordance with the appointments also approved, the percentage of independent directors will be 60% of the total members of the governing body.

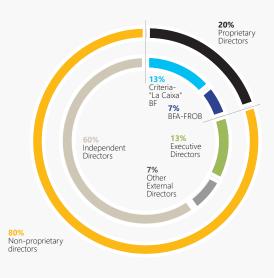
The Board will also have two executive directors (the Chairman of the Board and the CEO), an external director, as well as three proprietary directors, two of which are proposed by the FBLC and CriteriaCaixa and one by the FROB Executive Resolution Authority and BFA Tenedora de Acciones, S.A.U.

For illustrative purposes, the following chart shows the distribution of directors in the different categories once the Merger is comes into effect.

# >> BOARD AT END OF 2020 CATEGORIES OF MEMBERS OF THE CAIXABANK BOARD OF DIRECTORS



# >> POST-MERGER BOARD CATEGORIES OF MEMBERS OF THE CAIXABANK BOARD OF DIRECTORS



<sup>&</sup>lt;sup>1</sup> See the ORI on changes to the Board of Directors after the Merger with Bankia at the Extraordinary General Shareholders' Meeting – https://www.caixabank.com/StaticFiles/pdfs/201203\_OIR\_Acuerdos\_JGEAZ0\_es.pdf

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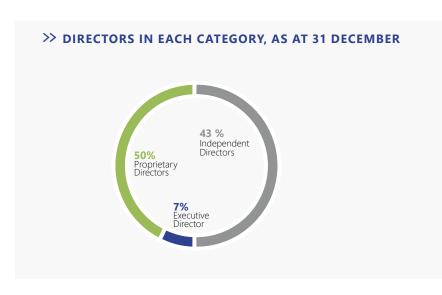


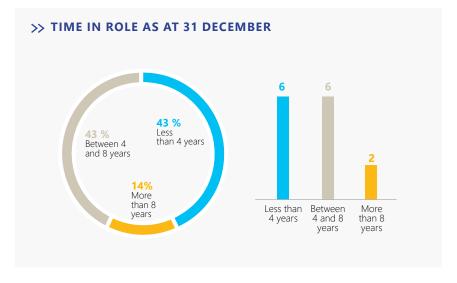
42.9% **INDEPENDENT DIRECTORS** 

50% **PROPRIETARY DIRECTORS** 

7.1% **EXECUTIVE** DIRECTOR

4.8 years THE ROLE 5.12 YEARS IN THE CASE OF INDEPENDENT DIRECTORS







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







- <sup>1</sup> It has been delegated all powers delegable by law and the By-laws, without prejudice to the limitations established in the Regulations of the Board, which apply at all times for internal purposes. (C.1.9)
- <sup>2</sup> The Shareholders' Agreement described under "Ownership – Significant Shareholders – Shareholders' Agreements (A.7)", provides for the right of signatories to propose a director at CaixaBank. (C.1.8)
- <sup>3</sup> Cristina Garmendia is a member of the CaixaBank Private Banking Advisory Board. Remuneration received for membership of Advisory Board in 2020 amounts to 15 thousand euros, not considered significant. (C.1.3)
- 4 His incorporation in the Board brings benefits due to his extensive experience and expertise, facilitating further development of the Group's current strategic alliance with Mutua Madrileña, all of which is set out in the Appointments Committee Report included in the Board of Directors Report on the proposed appointment of Mr Garralda as proprietary director approved at the 2017 AGM. (\*\*1.8)
- Season for resignation: The fact that CriteriaCaixa, a sole-shareholder company, of which he is CEO and at the proposal of which he was appointed director of CaixaBank, was intensifying its recently implemented investment diversification strategy, mainly in listed companies. This could result in possible situations in which his status as a director of CaixaBank would interfer with the performance of his duties as CEO of CriteriaCaixa. The resignation was in line with good corporate governance practices.
- <sup>6</sup> Reason for leaving: His mandate as an independent director was not renewed as the 12-year limit for occupying the role was reached and he was removed at the AGM on 22 May 2020.

Details of the Company's directors at year-end 2020 are set out below: (C.1.2)

	Jordi Gual	Tomás Muniesa	Gonzalo Gortázar <sup>1</sup>	John S. Reed	CajaCanarias Foundation <sup>2</sup>	Maria Teresa Bassons	Verónica Fisas	Alejandro García-Bragado	Cristina Garmendia <sup>3</sup>	Ignacio Garralda <sup>4</sup>	Amparo Moraleda	Eduardo Javier Sanchiz	José Serna	Koro Usarraga
Representative					Natalia Aznárez									
Director category	Proprietary	Proprietary	Executive	Independent	Proprietary	Proprietary	Independent	Proprietary	Independent	Proprietary	Independent	Independent	Proprietary	Independent
Position on the Board	Chairman	Deputy Chair- man	CEO	Director	Director	Director	Director	Director	Director	Director	Director	Director	Director	Director
Date of first appointment	30/06/2016	01/01/2018	30/06/2014	03/11/2011	23/02/2017	26/06/2012	25/02/2016	01/01/2017	05/04/2019	06/04/2017	24/04/2014	21/09/2017	30/06/2016	30/06/2016
Date of last appointment	06/04/2017	06/04/2018	05/04/2019	05/04/2019	06/04/2017	05/04/2019	22/05/2020	06/04/2017	05/04/2019	06/04/2017	05/04/2019	06/04/2018	06/04/2017	06/04/2017
Election procedure	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION	AGM RESOLU- TION
Date of birth	12/06/1957	30/04/1952	12/10/1965	07/02/1939	21/10/1964	06/05/1957	24/08/1964	11/03/1949	21/02/1962	01/11/1951	28/05/1964	30/03/1956	01/12/1942	08/09/1957
Mandate end date	06/04/2021	06/04/2022	05/04/2023	05/04/2023	06/04/2021	05/04/2023	22/05/2024	06/04/2021	05/04/2023	06/04/2021	05/04/2023	06/04/2022	06/04/2021	06/04/2021
Nationality	Spanish	Spanish	Spanish	American	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish	Spanish

The General Secretary and Secretary to the Board of Directors, Óscar Calderón, is not a director. (C.1.29)

The details of the directors who left the Board of Directors during the year is as follows: (C.1.2)

	Director category at the time of termination	Date of last appointment	Date director left	Specialised committees of which he/she was a member	State whether the director left before end of term
Marcelino Armenter <sup>5</sup>	Proprietary	05/04/2019	02/04/2020	Innovation, Technology and Digital Transformation Committee	Yes
Xavier Vives <sup>6</sup>	Independent	23/04/2015	22/05/2020	Executive Committee. Appointments Committee.	No







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#### >> SHARES HELD BY BOARD (A.3)

Name or corporate name of the director	% of voting rights attributed to the shares			ng rights throu- ial instruments	% total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Jordi Gual	0.002	0.000	0.000	0.000	0.002	0.000	0.000
Tomás Muniesa	0.005	0.000	0.001	0.000	0.006	0.000	0.000
Gonzalo Gortázar	0.019	0.000	0.005	0.000	000 0.024		0.000
John S. Reed	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maria Teresa Bassons	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Verónica Fisas	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Caja Canarias Foundation	0.639	0.000	0.000	0.000	0.639	0.000	0.000
Alejandro García-Bragado	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Cristina Garmendia	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ignacio Garralda	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Amparo Moraleda	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Eduardo Javier Sanchiz	0.000	0.000	0.000	0.000	0.000	0.000	0.000
José Serna	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Koro Usarraga	0.000	0.000	0.000	0.000	0.000	0.000	0.000
% of total voting rights held by the Board of Directors	0.665	0.000	0.006	0.000	0.671	0.000	0.000

% OF TOTAL VOTING RIGHTS HELD BY THE BOARD OF DIRECTORS:

0.671















#### >> CV OF THE DIRECTORS (C.1.3)

## **JORDI GUAL**

Chairman

# >> [[] Education

PhD in Economics from the University of California (Berkeley) and is a professor of Economics at the IESE Business School and a Research Fellow at the Centre for Economic Policy Research (CEPR).



He joined "la Caixa" Group in 2005 and prior to his appointment as Chairman of CaixaBank, he was the Chief Economist and Head of Strategic Planning and Research and Director-General of Planning and Strategic Development for CriteriaCaixa. He has been a member of the Board of Directors of Repsol and served as an Economics Advisor for the Eurofor Economic and Financial Affairs and as a visiting professor at the University of California (Berkeley), the Université Libre de Bruxelles and the Barcelona Graduate

# >> Other positions currently held

fónica and the Supervisory Board at Erste Bank. He is also Chairman of FEDEA, Vice President of the Círculo de Economía and Cotec Foundation for Innovation, and serves on the Boards of the CEDE Foundación Barcelona Mobile.

## **TOMÁS MUNIESA**

Deputy Chairman

### 

He holds a degree in Business Studies and a master's in Business Administration from the ESADE Business School.

# Career

He joined "la Caixa" in 1976, and was appointed Deputy General Manager in 1992. In 2011, he was appointed General Manager of CaixaBank's Insurance and Asset Management Group, where he re-

He was Deputy Chairman and CEO of Vi-

Previously, he served as the Chairman of MEFF, Deputy Chairman of BME, Second Deputy Chairman of UNESPA, Director and Chairman of the Audit Commission of Director of Vithas Sanidad and Substitute Board Member of Inbursa.

# >> Other positions currently held

Deputy Chairman of VidaCaixa and SegurCaixa Adeslas, as well as member of the Board of Trustees of ESADE Foundation and Board Member of Allianz Por-

# **GONZALO GORTÁZAR**

### >> Education

He holds a degree in Law and Business from Universidad Pontificia de Comillas (ICADE) and an MBA from the INSEAD

# >>> Career

Prior to his appointment as CEO in 2014, he was the Chief Financial Officer at CaixaBank and CEO of CriteriaCaixaCorp

He previously held various positions in the investment banking division of Morgan Stanley, as well as a number roles in corporate and investment banking in Bank of America.

He was also First Vice-Chairman of Repsol, Board Member of Inbursa, Erste Bank, Se-

# >> Other positions currently held

#### JOHN S. REED Independent

He holds a degree in Philosophy, Arts and Science from Washington & Jefferson College and a degree from Massachusetts Institute of Technology (MIT)

# >> Career

He was a lieutenant in the U.S. Army Corps of Engineers (1962-1964), subsequently joining Citibank/Citicorp and Citigroup for 35 years, the last sixteen as Chairman. He retired in the year 2000. He later returned to work as Chairman of the New York Stock Exchange (2003-2005) and was Chairman of the MIT Corpora-

# >> Other positions currently held

Chairman of the Board of American Cash Exchange and Trustee of NBER. He is a Fellow of the American Academy of Arts and Sciences and of the American







Corporate





Glossary and Group structure







#### NATALIA AZNÁREZ

Proprietary Director Representative

# >> Education

She holds a degree in Business and Commercial Management from Universidad de Málaga and a diploma in Accounting and Finance from Universidad de La Laguna.



In 1990, she joined the CajaCanarias marketing department and, in 1993, she became head of the Individual Customer Segment. In 2008, she was appointed Deputy Director of CajaCanarias, becoming Assistant General Manager in 2010. After Banca Cívica acquired all the assets and liabilities of CajaCanarias, she became General Manager at CajaCanarias.

Following the entity's transformation into a banking foundation, she served as General Manager until 30 June 2016.

# >> Other positions currently held

Director of Fundación CajaCanarias, Chair of the CajaCanarias Employee Pension Plan Control Committee, Deputy Chair of Fundación Cristino de Vera, Secretary of the CajaCanarias Business

Learning and Development Foundation.

#### MARIA TERESA BASSONS

**Proprietary Director** 

# >> Education

She holds a degree in Pharmacy Studies from the University of Barcelona, specialising in hospital pharmacy.



She holds a pharmacy licence. She has been Deputy Chair of the Col legi Oficial de Farmacèutics de Barcelona (1997-2004) and Secretary General of the Consell de Col legis de Farmacèutics de Catalunya (2004–2008), member of the advisory council on tobacco use of the Generalitat de Catalunya (1997–2006) and the bioethics advisory committee of the Generalitat de Catalunya (2005–2008) and Director of the INFARMA conference at Fira de Barcelona (1995 and 1997) and of the publications "Circular Farmacéutica" and "I'Informatiu del COFB".

She was a director at "la Caixa" (2005-2014), CriteriaCaixaHolding (2011-2012), trustee of the "la Caixa" Foundation (2014-2016) and a member of the Caixa Capital Risk Advisory Committee until 2018. She was a member of the Executive Committee and Chair of the Enterprise Commission in the health sector for the Barcelona Chamber of Commerce until May 2019, and member of the Oncolliga Scientific Committee

# >> Other positions currently held

She is on the Board of Directors of Bassline and Laboratorios Ordesa and Administrator of Terbas XXLS LU

She is a member of the Oncolliga Scientific Committee.

Academic at the Royal Academy of Pharmacy of Catalonia

### **VERÓNICA FISAS**

Independent Director

## >> Education

She holds a degree in Law and a master's degree in Business Administration from FAF Business School



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.

# >> Other positions currently held

She has been the CEO of Natura Bissé and General Director of the Natura Bissé Group since 2007. Since 2008, she is also a trustee of the Fundación Ricardo Fisas Natura Bissé.

### ALEJANDRO GARCÍA-BRAGADO

Proprietary Director

# >> Education

He holds a degree in Law from the University of Barcelona and he is a State Lawyer.

# >> Career

In 1984, on an extended leave of absence from the State's Law Office, he began to work for the Barcelona Stock Exchange, where he was appointed Secretary of the Board of Directors while continuing to practice law. In 1994, he left the Barcelona Stock Exchange to provide legal advice to "la Caixa". In 1995, he was appointed Deputy Secretary and, in 2003, Secretary to the Board of Directors. He was also Deputy Chair and Deputy Secretary of the Board of Trustees of "la Caixa" Banking Foundation (2014–2016). And, at Caixa-Bank, he was Secretary (non-member) 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 also served on the board of Gas Natural and was the First Deputy

# >> Other positions currently held

Member of the Board of Directors of Saba Infraestructuras







Corporate













#### CRISTINA GARMENDIA

Independent Director

# >> Education

She holds a degree in Biological Sciences, specialising in Genetics, a PhD in Molecular Biology from the Severo Ochoa Molecular Biology Centre of the Autonomous University of Madrid, and an MBA from the IESE Business School of the University of Navarra.



She was Minister of Science and Innovation in the Spanish Government during the IX Legislature (2008-2011). In the past, she has been Executive Deputy Chair and Financial Director of the Amasua Group, President of the Association of Biotechnology Companies (ASEBIO) and member of the Governing Board of the Spanish Confederation of Business Organisations (CEOE). She has also been a member of the governing bodies of, among other companies, Science & Innovation Link Office, Naturgy, Corporación Financiera Alba, Pelayo Mutua de Seguros, Chairwoman of Satlantis Microsats and CEO of Genetrix

# >> Other positions currently held

She is Director at Compañía de Distribución Integral Logista Holdings, Mediaset, Ysios Capital Partners. She is also the President of the COTEC Foundation, a member of the España Constitucional, SEPI and Women for Africa Foundations, as well as a member of the Social Council of the University of Seville.

#### IGNACIO GARRALDA

**Proprietary Director** 

## >> Education

He holds a degree in Law from Complutense University of Madrid. He has been a Notary Public, on leave, since 1989.

# >> Career

He began his professional career as Notary for Commercial Matters (1976-1982), and from there he became a Licensed Stock Broker (1982-1989). He was a founding member of AB Asesores Bursátiles, where he was Vice-Chairman until 2001, Vice-Chairman of Morgan Stanley Dean Witter (1999-2001), Chairman of Bancoval (1994-1996) and member of the board of the Madrid Stock Exchange governing body (1991-2009).

He is Chair and CEO of Mutua Madrileña Automovilista, he has been a member of the Board of Directors since 2002, and since 2004, he has been a member of the Executive Committee of which he is currently Chair, as well as the Investment Committee.

# >> Other positions currently held

Director of Endesa, and Chairman of its Appointments and Remuneration Committee since 1 September 2020. 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.

#### AMPARO MORALEDA

#### Independent Director

# >> Education

Industrial Engineering from the ICAI and MBA from the IESE Business School.

# >> Career

She was the Chief Operating Officer of Iberdrola's International Division with responsibility for the UK and US (2009-2012) and she headed Iberdrola Ingeniería y Construcción (2009-2011). She was also a member of the Board of Directors of Faurecia (2012-2017).

She has previously worked for IBM Group. She was General Manager for IBM Spain and Portugal (2001-2009), responsible for Greece, Israel and Turkey (2005-2009). She was also assistant executive to the President of IBM corporation (2000-2001), Managing Director of INSA (subsidiary of IBM Global Services) (1998-2000) and HR Director for EMEA at IBM Global Services (1995-1997).

# >> Other positions currently held

Independent Director at Solvay, Airbus Group and Vodafone.

She is also a member of the Supervisory Board of the Spanish National Research Council (CSIC), of the Advisory Board of SAP Ibérica, Spencer Stuart, as well as a full academic member of the Royal Academy of Economic and Financial Science, member of the Academy of Social Sciences and the Environment of Andalusia, the Board of Trustees of MD Anderson Cancer Center in Madrid. Vodafone Foundation and Airbus Foundation.

# EDUARDO JAVIER SANCHIZ Independent

# >> Education

He holds a degree in Economics from the University of Deusto and a master's in Business Administration from the IE.

# >> Career

He has worked with Almirall since 2004, where he was CEO (2011-2017). He was previously Executive Director of Corporate Development and Finance and CFO. He has been a member of the Board of Directors since 2005 and of the Dermatology Committee since 2015.

He also worked in various positions at Eli Lilly & Co, the American pharmaceutical company. Some of his significant positions include General Manager in Belgium, General Manager in Mexico and Executive Officer in the Business Division covering central, northern and eastern European countries

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 positions currently held

He is currently a member of the Board of Directors of Laboratorio Pierre Fabre and its Strategic Committee

















### **JOSÉ SERNA**

**Proprietary Director** 

### 

He holds a degree in Law from Complutense University of Madrid. State Lawyer (on leave) and Notary (until 2013).

### Career

In 1971, he joined the State Lawyer Corps until his leave of absence in 1983. Legal counsel to the Madrid Stock Exchange (1983-1987). Forex and Stock Market Broker in Barcelona (1987). Chairman of the Promoter of the new Barcelona Stock Exchange (1988) and Chairman of the Barcelona Stock Exchange (1989-1993).

Chairman of the Spanish Stock Market Body (1991-1992) and Deputy Chairman of He was also Deputy Chairman of Fundación Barcelona Centro Financiero and of Sociedad de Valores y Bolsa Interdealers,

In 1994, he became a Forex and Stock Market Broker in Barcelona.

Notary Public in Barcelona (2000-2013). He was also a member of the Board of Endesa (2000-2007) and its Group com-

#### **KORO USARRAGA** Independent Director

### >> Education

She holds a degree and a master's in Business Administration from ESADE Business

She completed the PADE programme at IESE Business School. He is a qualified chartered accountant (Registro Oficial de Auditores de Cuentas).

## >> Career

She worked at Arthur Andersen for 20 years, and she was appointed partner of

In 2001, she assumed responsibility for the General Corporate Management of Occidental Hotels & Resorts. She was Managing Director of Renta Corporación and member of the Board of Directors of NH

# >> Other positions currently held

Independent Director of Vocento and Chair of its audit and compliance committee, and Administrator of Vehicle Testing Equipment and of 2005 KP Inversiones.









Glossary and Group structure



Annual Corporate Governance Repo 2020

# >> RELATIONSHIPS BETWEEN SIGNIFICANT SHAREHOLDERS (OR SHAREHOLDERS REPRESENTED ON THE BOARD) AND DIRECTORS (OR THEIR REPRESENTATIVES) ARE AS FOLLOWS: (A.6)

Significant shareholder or represented on the associaboard	Director or representative	Description of relationship/post
"la Caixa" Banking Foundation (CriteriaCaixa)	Alejandro García-Bragado	Member of the Board of Saba Infraestructuras, S.A.
Mutua Madrileña	Ignacio Garralda	Chairman and CEO of Mutua Madrileña
Caia Canarias Foundation <sup>1</sup>	Natalia Aznárez	Director of the Caia Canarias Foundation

<sup>&</sup>lt;sup>1</sup> Note the shareholders' agreement explained under "Ownership – Significant Shareholders – Shareholder Agreements" (A.7).

The positions held by directors in group companies and other listed companies are as follows:

#### >> POSITIONS OF DIRECTORS IN OTHER COMPANIES IN THE GROUP (C.1.10)

Name or corporate name of Director	Corporate name of the listed company	Position
Tomás Muniesa	VidaCaixa	Deputy Chairman
Gonzalo Gortázar	VidaCaixa	Chairman
Gonzalo Gortázar	Banco BPI	Director

### >> POSITIONS OF DIRECTORS IN OTHER LISTED COMPANIES (C.1.11)

Name or corporate name of Director	Corporate name of the listed company	Position
Ignacio Garralda	Endesa, S.A.	Director
Jordi Gual	Erste Group Bank, AG.	Director <sup>2</sup>
Jordi Gual	Telefónica, S.A.	Director
Amparo Moraleda	Vodafone Group PLC	Director
Amparo Moraleda	Solvay, S.A.	Director
Amparo Moraleda	Airbus Group, S.E.	Director
Cristina Garmendia	Mediaset España Comunicación, S.A.	Director
Cristina Garmendia	Compañía de Distribución Integral Logista Holdings,	Director
Koro Usarraga	Vocento, S.A.	Director

The information on Directors and positions at other listed companies refers to year-end.

The company has imposed rules on the maximum number of company boards on which its own directors may sit. In accordance with article 32.4 of the Regulations of the Board of Directors, CaixaBank directors must observe the limitations on membership of boards of directors set out in the current regulations on the organisation, supervision and solvency of credit institutions. (C.1.12)



<sup>&</sup>lt;sup>2</sup> With regard to the position held by Mr Jordi Gual in Erste Group Bank, AG, his title is Member of the Supervisory Board. However, in the Statistical Annex of the ACGR, he is listed as director due to space restrictions.

















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### **Diversity** of Board of Directors (C.1.5 + C.1.6 + C.1.7) \_

CaixaBank has a Selection, Diversity and Suitability Assessment Policy in place for directors (as well as members of Senior Management and other people in key roles). This Policy has been updated and approved by the Board of Directors, based on the amendments to the recommendations in the Code of Good Governance, particularly with regard to the increase in senior management. The aim of this Policy is to ensure a suitable balance at all times in the composition of the Board, promoting diversity of gender, age and background, as well as in relation to training, knowledge and professional experience to foster diverse and independent opinions and a robust and mature decision-making process.

As provided for in article 15 of the Regulations of the Board of Directors, the Appointments Committee is responsible for supervising compliance with this Policy. This Committee must, among other duties, analyse and propose the profiles of candidates to fill Board positions, considering diversity as an essential factor in the selection process and suitability, with a particular focus on gender diversity.

Within the framework of the Policy, and with a view to diversity, the following measures are established:

- > Consideration, during the director selection and re-election procedures, of the goal of ensuring a governing body composition that is suitable and diverse, particularly in terms of diversity of gender, knowledge, training and professional experience, age and geographical origin in the composition of the Board, ensuring a suitable balance and facilitating the selection of candidates from the gender with the least representation. For this purpose, the candidate's suitability assessment reports shall include an assessment of how the candidate contributes to ensuring a diverse and appropriate composition of the Board of Directors.
- > Annual assessment of the composition and competencies of the Board, considering the diversity aspects discussed previously and, in particular, the per-

centage of Board members of the less represented gender, taking action when there is a discrepancy.

> Preparation and update of a competency matrix, the results of which may serve to detect future needs relating to training or areas to improve in future appointments.

The CaixaBank Selection Policy and, in particular, section 6.1 of the policy regarding the fundamental elements of the diversity policy in the Board of Directors and the Protocol on Procedures for assessing suitability and appointing directors and senior management, along with other key positions in CaixaBank and its group establish the obligation of the Appointments Committee to assess the collective suitability of the Board of Directors each year.

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, diversity of gender, training, professional experience, age, and geographic origin.

After the Ordinary General Shareholders' Meeting on 22 May 2020, the percentage of female directors was 40% of all members of the Board. This percentage was above the target set by the Appointments Committee in 2019, according to which in 2020 the number of female directors should represent at least 30% of the total number of members of the Board of Directors, in accordance with recommendation 14 of the Good Governance Code of Listed Companies in the wording in effect at that time.

In this regard, the revision of said Code in June 2020 must be considered and, in particular, recommendation 15, according to which the percentage of female directors should never be less than 30% of the total number of members of the Board of Directors and that by the end of 2022, the number of female directors should be at least 40% of the members of the Board of Directors.

After the Annual General Meeting in May 2020, the percentage of women of the Board of Directors was 40% of

all members. This percentage will stay the same in 2021 in the future composition of the Board once the Merger takes effect.

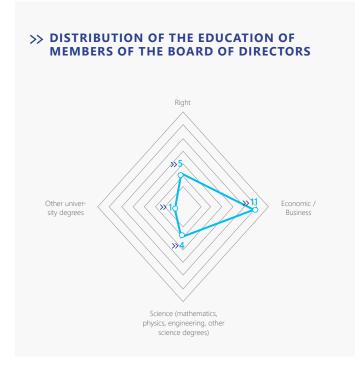
As a result, it can be said that the diversity aspects have been taken into account when submitting the proposals for the appointment of new directors to the Extraordinary General Shareholders' Meeting in December 2020 for approval so that the percentage of female directors could be maintained at 40% of the total number of members of the Board of Directors

In the annual compliance assessment of the aforementioned Policy, the Board concluded that, during the 2020 financial year, it had a suitable structure, size and composition and a satisfactory, balanced and complementary composition of skills and diversity as well as knowledge and experience among its members, both in the financial sector and in other relevant areas to ensure the good governance of a credit institution. The determination of suitability in terms of the composition of the Board, which includes the individual re-evaluation of the suitability of each director by the Appointments Committee, also extends to diversity of gender, age and background.









# >> DISTRIBUTION OF THE EXPERIENCE OF MEMBERS OF THE BOARD OF DIRECTORS



### **Training** of Board of Directors (C.1.5 + C.1.6 + C.1.7)

In line with best governance practices and in order to further enhance knowledge of developments in the sector, a training session on the Prevention of Money Laundering and Terrorist Financing was held in 2020 for all members of the Board of Directors.

In addition, the Risk Committee included 13 single-topic presentations into the agenda at its ordinary meetings. These presentations looked in detail at relevant risks, such as reputational risk, compliance risk, reliability risk of financial information, structural balance sheet interest rate risk, legal risk, market risk, operational risk and cybersecurity, among others.

The Audit and Control Committee has also included single-topic presentations in the agenda of its meetings, covering matters relating to internal audit, supervision and control.

These committees also held two joint sessions to discuss important aspects of solvency.

# 2020 Consolidated Management Report





Strategic Line

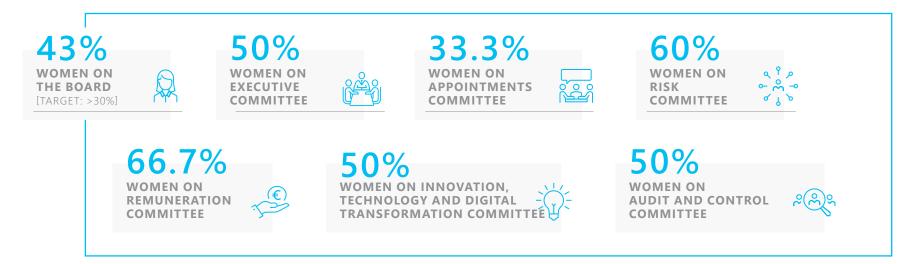
Statement of Non-financia Information

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Annual Corporate Governance Repo In recent years, the gender diversity of the Board has progressively increased, reaching and even exceeding the target set by the Appointments Committee to have at least 30% female directors (C.1.4):

		Number of female directors				% of total Directors of each category		
(C.1.4)	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2017
Executive	-	-	-	-	0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	28.57	25.00	25.00	28.57
Independent	4	4	3	3	66.67	57.14	33.33	33.33
Other external	-	-	-	-	-	0.00	0.00	0.00
TOTAL	6	6	5	5	42.86	37.50	27.78	27.78



As a result, the CaixaBank Board can be said to be within the upper band of lbex 35 companies in terms of the present of women, according to the public information available on the composition of Boards of Directors of lbex 35 companies at year-end 2020 (the average of which is 30.11%)<sup>1</sup>.

<sup>1</sup> Average number of women sitting on the Board of IBEX35 companies, calculated according to the public information available on the websites of the companies.

### 2020





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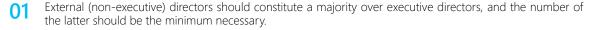
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Selection, appointment, re-election and removal of members of the board \_\_\_\_\_\_





The external directors will include 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).

Among the external directors, the ratio of proprietary and independent directors should reflect the existing proportion of the Company's share capital represented by proprietary directors and the remainder of its capital. At least one third of the Company's directors will be independent directors (provided that there is one shareholder, or several acting in concert, controlling more than 30% of the share capital).

No shareholder may be represented on the Board by a number of proprietary directors representing more than 40% of the total number of Board members, without affecting the right to proportional representation provided for by law.



The Selection, Diversity and Suitability Assessment Policy for directors (as well as members of Senior Management and other people in key roles) includes the main aspects and undertakings of the Company in relation to the appointment and selection of directors. The purpose is to provide candidates that ensure the effective capability of the Board to take decisions independently in the interest of the Company.

In this context, director appointment proposals put forward by the Board for the consideration of the AGM, and the appointment agreements adopted by the Board by virtue of the powers legally attributed to it, must be preceded by the corresponding proposal of the Appointments Committee, when dealing with independent directors, and by a report, in the case of all other

directors. Proposals for the appointment and re-election of directors are accompanied by a report from the Board setting out the competencies, experience and merits of the candidate.

In accordance with the legal provisions, the candidates must meet the suitability requirements for the position and, in particular, they must have recognised business and professional repute, suitable knowledge and experience to understand the Company's activities and main risks, and be in a position to exercise good governance. Furthermore, the conditions established by regulations in force will be taken into account, regarding 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, with the assistance of the General Secretary and the Secretary of the Board, taking into account the balance of knowledge, experience, capacity and diversity required and in place on the Board of Directors, elaborates 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 Policy is complemented by a Suitability Protocol that establishes the procedure for making the selection and the continuous assessment of the suitability of Board members, among other groups, including any unforeseeable circumstances which may affect their suitability for the post.

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.

This entire process is subject to the provisions of the internal regulations on the appointment of directors and the applicable regulations of corporate enterprises and credit institutions, which is subject to the suitability assessment of the European Central Bank and culminates in the acceptance of the position after the approval by the banking authority of the proposed appointment, which will be approved by the General Shareholders' Meeting.

### Re-election and duration of the post (C.1.16 + C.1.2.36)

Directors shall hold their posts for the term stipulated in the By-Laws (4 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 will not remain as such for a continuous period of more than 12 years.

Directors designated by co-option shall hold their post until the date of the next AGM or until the legal deadline for holding the AGM that is to decide whether to approve the financial statements for the previous financial year has passed. If the vacancy arises after the AGM 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 AGM is held.



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#### Removal or resignation from post (C.1.19+ C.1.36)

Directors shall step down when the period for which they were appointed has elapsed, when so decided by the AGM and when they resign. When a director leaves office prior to the end of their term, they must explain the reasons in a letter sent to all members of the Board of Directors.

In the following circumstances, if the Board of Directors deems it appropriate, directors must tender their resignation from the Board, formalising their intention to resign (article 21.2 of the Regulations of the Board of Directors):

- > When they leave the positions, posts or functions with which their appointment as director was associated;
- > When they are subject to any of the cases of incompatibility or prohibition provided by law or no longer meet the suitability requirements;
- > When they are indicted for an allegedly criminal act or are subject to a disciplinary proceeding for serious or very serious fault instructed by the supervisory authorities;
- > When their remaining on the Board, they may place at risk the Company's interest, or when the reasons for which they were appointed cease to exist.<sup>1</sup>
- > When significant changes occur in their professional situation on in the conditions in which they were appointed Director.
- > When due to facts attributable to the Director, his remaining on the Board causes serious damage to the corporate net worth or reputation in the judgement of the Board.

If an individual representing a legal entity director becomes involved in any of the situations described above, that representative must relinquish their position to the legal entity that appointed them. If the latter decides that the representative should remain in their post as a director, the legal entity director must tender its resignation from the Board.

All of the above, notwithstanding the provisions of Royal Decree 84/2015, of 13 February, which implements Act 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions, on the requirements of repute that must be met by directors and the consequences of losses derived therefrom, along with other regulations or guides applicable to the nature of the company.



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Annual Corporat Governance Rep 2020 Preliminary Proceedings 67/2018 are currently being processed at the Central Magistrates Court No 5. A swap transaction agreed with CriteriaCaixa on 3/12/15, the takeover bid for BPI and certain accounting matters are being investigated. The case is being pursued against CaixaBank and certain directors.

The Board of Directors has been informed of these proceedings since the beginning and of all significant aspects in their development up to this point. The Board, which will follow any developments in the case, does not believe that this affects the suitability of the directors in question and that no action is required. (C.1.37)

Name or corporate name of the director	Criminal charge	Specifications
Gonzalo Gortázar	Preliminary Proceedings 67/2018	-
Aleiandro Garcia-Bragado	Preliminary Proceedings 67/2018	-

### Other limitations on the position of director

There are no specific requirements, other than those relating to the directors, to be appointed as Chairman of the Board. (C.1.21)

Neither the By-laws nor the Regulations of the Board of Directors establish any age limit for serving as a director. (C.1.22)

Neither the By-laws nor the Regulations of the Board of Directors establish any limited mandate or additional stricter requirements for independent directors beyond those required by law. (C.1.23)









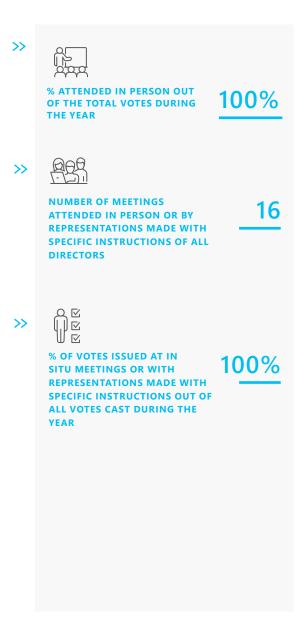
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### >> OPERATION AND WORKINGS OF THE BOARD (C.1.25 AND C.1.26)

<b>&gt;&gt;</b>		
	NUMBER OF BOARD MEETINGS	16
<b>&gt;&gt;</b>	NUMBER OF BOARD MEETINGS HELD WITHOUT THE CHAIRMAN'S ATTENDANCE	0
<b>&gt;&gt;&gt;</b>	NUMBER OF BOARD MEETINGS HELD WITHOUT THE ATTENDANCE OF THE EXECUTIVE DIRECTORS	1
<b>&gt;&gt;</b>	NUMBER OF MEETINGS OF THE AUDIT AND CONTROL COMMITTEE	20
<b>&gt;&gt;&gt;</b>	NUMBER OF MEETINGS OF THE INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE	4

<b>&gt;&gt;</b>	NUMBER OF MEETINGS OF THE APPOINTMENTS COMMITTEE	_13
<b>&gt;&gt;</b>	NUMBER OF MEETINGS OF THE REMUNERATION COMMITTEE	5
<b>&gt;&gt;</b>	NUMBER OF MEETINGS OF THE RISK COMMITTEE	14
<b>&gt;&gt;</b>	NUMBER OF MEETINGS OF THE EXECUTIVE COMMITTEE	20
<b>&gt;&gt;</b>	NUMBER OF MEETINGS ATTENDED IN PERSON BY AT LEAST 80% OF DIRECTORS	16



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#### **Board Regulations** (C.1.15)

As a result of the partial reform of the Good Governance Code (GGC) in June 2020 and in accordance with CNMV Circular 1/2020 amending the ACGR and ADRR templates, the transitional provision of which establishes, in regard to the GGC Recommendations amended in June, the adaptation of the corporate texts and/or policies affected so that they can be considered complied with in the ACGR for the 2020 financial year, at its meeting on 17 December 2020, the CaixaBank Board resolved to amend of some articles of the Regulations of the Board of Directors: article 4, Duties of the Board of Directions; section 5 of article 5, Qualitative Composition; article 13, Executive Committee; article 14, composition and competencies of the Audit and Control Committee; article 14.2, composition of the Risk Committee and a technical provision was added to article 14.2.c; article 15.2, competencies of the Appointments Committee; article 15.3, the duties of the Remuneration Committee were supplemented; section 7 of article 16 (Meetings of the Board of Directors); section 4 of article 21 (Removal of Directors); the term "significant events" was removed from article 31.1; section 2 of article 31 (Use of Non-Public Information); and finally section 5 of article 32 (Directors' Duty of Information). The purpose of said amendments is, essentially, to adapt the new texts of the Regulations of the Board of Directors to the GGC recommendations amended in June 2020, in order to continue report compliance in the ACGR for 2020 (and also in line with the CNMV Technical Guide 1/2016, which emphasises the legitimate expectation that companies and their directors consider the GGC recommendations in all relevant actions in relation to company governance, so that they assess in each specific case whether or not the most appropriate approach to be used should fully follow the applicable recommendations of the GGC). A further reason was to incorporate some specific amendments derived mainly from the revised text of the Corporate Enterprises Act ("CEA") as amended by Act 11/2018.

The amendments to the Regulations of the Board of Directors are reported to the CNMV and executed in a public document and filed at the Companies' Register, after which the revised text is published on the CNMV website.

### **Information** (C.1.35)

There is a procedure in place whereby directors may obtain the information needed to prepare for the meetings with the governing bodies with sufficient time. In general, documents for approval by the Board, especially those which cannot be fully analysed and discussed during the meeting due to their length, are sent to Board members prior to the meetings.

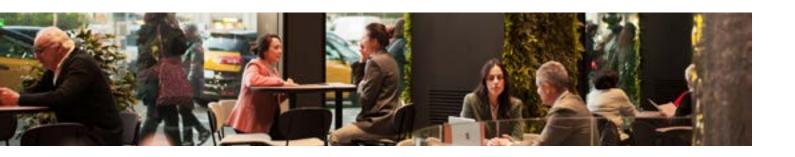
Furthermore, pursuant to article 22 of the Regulations of the Board, the board may request information on any aspect of the Company and its Group and examine its books, records, documents and further documentation. Requests must be sent to the executive directors who will forward the matters to the appropriate parties and they must notify the director, when applicable, of their duty of confidentiality.

### Proxy voting (C.1.24)

The Regulations of the Board establish that directors must attend Board meetings in person. 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 another Board member, including the appropriate instructions therein.

Non-executive directors may only delegate a proxy to a fellow non-executive director. Independent directors may only delegate a proxy to a fellow independent director.

Notwithstanding the above, and so that the proxyholder can vote accordingly based on the outcome of the debate by the Board, proxies are not granted with specific instructions and must always be given in strict accordance with legal requirements. This is in keeping with the law on the powers of the Chairman of Board, who is given, among others, power to stimulate debate and the active involvement of all directors, safeguarding their rights to adopt positions.





















### **Decision-making**

No qualified majorities other than those prescribed by law are required for any type of decision. (C.1.20)

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. (C.1.38)

The figure of the coordinating director, appointed from among the independent directors, was introduced in 2017. During 2020, the coordinating director held 1 meeting with external directors (independent and proprietary) without the attendance of the Chairman and the CEO, and which was reported to the Board, at which meeting the proposals for improvement were discussed. (C.1.25)

#### Relations with the market (C.1.30)

With regard to its relationship with market agents, the Company acts on the principles of transparency and non-discrimination and according to the provisions of the Regulations of the Board of Directors which stipulate that the Board, through communications of material facts to the CNMV and the corporate website, shall inform the public immediately with regard to any inside information. With regard to 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, the Board of Directors, resolved to approve the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Shareholders which is available on the Company's website.

Within this Policy, and pursuant to the authority vested in the Coordinating Director appointed in 2017, he is must maintain contact, as appropriate, 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.

Also, the powers legally delegated to the Board of Directors 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 the rights of the shareholders, institutional investors and the markets in general in the defence of the corporate interest, in compliance with the following principles:

- > Transparency;
- > Equal treatment and non-discrimination;
- > Immediate access and ongoing communication;
- At the cutting-edge in the use of new technologies;
   and

In terms of the rules and recommendations, 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, inter alia, intermediary financial institutions, management companies and custodians of the Company's shares, financial analysts, regulatory and supervisory bodies, proxy advisors, information agencies and credit rating agencies.

The Company pays particular heed to the rules governing the processing of inside information and other potentially relevant information contained in the 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, and 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).











### **Assessment** of the Board (C.1.17 + C.1.18)

The Board evaluates its performance and that of its Committees annually, pursuant to article 16 of the Regulations of the Board of Directors.

In 2020, the Board of Directors carried out the self-assessment of its operation internally after concluding it would be appropriate to rule out assistance of an external advisor for 2020 — given the exceptional circumstances caused by the COVID-19 pandemic and the partial renewal process the Board will undertake once the merger of CaixaBank with Bankia takes effect— and that it was more advisable and reasonable to postpone the external collaboration to the next self-assessment exercise.

As a result, the self-assessment process was carried out along the same lines as the previous year with the assistance of the General Secretary and Secretary of the Board. For this purpose, the self-assessment questionnaires for 2019 were used as the basis for the exercise, introducing some specific changes. In particular, a specific questionnaire was included for the members of the Innovation, Technology and Digital Transformation Committee.

These questionnaires address:

- > The operation of the Board (preparation, dynamic and culture; evaluation of working tools; and evaluation of the Board's self-assessment process);
- > The composition and functioning of the committees;
- > The performance of the Chairman, CEO, Independent Coordinating Director and the Secretary; and
- > The individual assessment of each director.

Members of each committee were also sent a detailed self-assessment form on the functioning and operation of their respective committee.

The results and conclusions reached, including the recommendations, are contained in the document analysing the performance assessment of the CaixaBank Board and its committees for 2020, which was approved by the Board. Broadly speaking, and in light of the responses received from the directors in the self-assessment process and the activity reports drawn up by each commission, the Board holds a positive view of the quality and efficiency of its operation and that of its committees for 2020.

In 2020, the Appointments Committee followed up on the organisational improvement actions identified in the previous year, mainly related to organisational development to make the Board's operations more efficient and of higher quality. In particular, improvements were made to the functionality of the IT tools used by the Board and its members, and new working systems were implemented to ensure the operability of Board meetings held through digital channels with adequate guarantees and legal security. Furthermore, improvements were also made with regard to various organisational aspects, such as the restructuring of several Committees and the optimisation of the agenda, in terms of matters to be addressed and the time allocated to them, as well as the quality and scope of the information received by the directors. With regard to the recommendation that the Board gain further insight and knowledge, single-topic training sessions were carried out both within the Board itself and its committees.



















### Committees of the Board (C.2.1)\_

Within the scope of its powers of self-organisation, the Board has a number of specialised committees, with supervisory and advisory powers, as well as an Executive Committee. There are no specific regulations for Board committees, and they are governed in accordance with the law, the By-laws and the Regulations of the Board, amendments to which during the year are noted in the section "The Administration – The Board of Directors – Operation of the Board of Directors – Regulations of the Board". In aspects not specifically laid out for the Executive Committee, the operational rules governing the Board itself will be applied, by virtue of the Regulation of the Board.

The Board committees, in accordance with the provisions of the Regulations of the Board and applicable legislation, draw up an annual report on its activities, which includes the assessment of its performance during the year. The annual reports on the activity of the Appointments Committee, the Remuneration Committee and the Audit and Control Committee are available on the Company's corporate website. (C.2.3)

#### >> NUMBER OF FEMALE DIRECTORS WHO WERE MEMBERS OF BOARD COMMITTEES AT THE CLOSE OF THE LAST FOUR YEARS (C.2.2)

	Financial year 2020		Financial year 2019		Financ	Financial year 2018		Financial year 2017	
	Number	%	Number	%	Number	%	Number	%	
Audit and Control Committee	2	50	1	33.33	1	25	1	33.33	
Innovation, Technology and Digital Transformation Committee	2	50	2	40	0	0	0	0	
Appointments Committee	1	33.33	1	33.33	1	33.33	2	66.67	
Remuneration Committee	2	66.67	2	66.67	1	33.33	2	66.67	
Risk Committee	3	60	2	66.67	2	40	1	25	
Executive Committee	3	50	2	33.33	2	25	2	25	









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#### >> EXECUTIVE COMMITTEE

Article 39 of the By-laws and article 13 of the Regulations of the Board describe the organisation and operation of the Executive Committee.

#### NUMBER OF MEMBERS

The Committee comprises six members, two proprietary directors (Jordi Gual and Tomás Muniesa), one executive director (Gonzalo Gortázar) and three independent directors (Verónica Fisas, Amparo Moraleda and Koro Usarraga). In accordance with article 13 of the Regulations of the Board, the Chairman and Secretary of the Executive Committee will also be the Chairman and Secretary of the Board of Directors

#### **NUMBER OF INDEPENDENT MEMBERS**

(+% OF TOTAL)

% of executive Directors	16.67
% of proprietary Directors	33.33
% of independent Directors	50.00
% of other external Directors	0.00

#### **NUMBER OF MEETINGS (C.1.25)**

In 2020, the Committee held 20 meetings, of which one was physically attended by its members; five meetings were held with a combination of physical attendance and real-time remote connections and 14 meetings were held exclusively by digital means, through audiovisual connections that ensured the recognition of attendees and the real-time interaction and intercommunication between them and, therefore, the unity of the event. This was in accordance with the provisions of article 36.4 of the Bylaws and article 16.4 of the Regulations of the Board of Directors. It was also in view of the health risks relating to COVID-19 and the measures and recommendations adopted by the various healthcare authorities, which affected the holding of the Committee's meetings with the physical presence of its members.

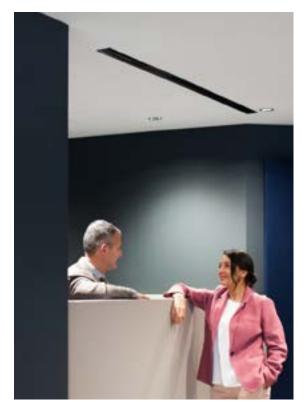
#### **AVERAGE ATTENDANCE AT MEETINGS**

The attendance of members, in person or by proxy, at the Committee's meetings during 2020 was as follows:

No. of meetings in 2020	20
Jordi Gual	20/20 <sup>1</sup>
Tomás Muniesa	20/20
Gonzalo Gortázar	20/20
Verónica Fisas	20/20
Amparo Moraleda	20/20
Xavier Vives <sup>2</sup>	08/08
Koro Usarraga³	12/12

<sup>&</sup>lt;sup>1</sup> The first figure refers to the number of meetings attended by the director and the second to the number of meetings held in 2020 since the director holds his/her post or until he/she has ceased to be a member of the Committee.

 $<sup>^{3}</sup>$  Ms Usarraga has been a member of the Executive Committee since 22 May 2020, when she was appointed a member of this Committee.



#### Composition

#### **Executive Committee**

Name	Position	Category
Jordi Gual	Chairman	Proprietary
Tomás Muniesa	Member	Proprietary
Gonzalo Gortázar	Member	Executive
Verónica Fisas	Member	Independent
Amparo Moraleda	Member	Independent
Koro Usarraga	Member	Independent

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

<sup>&</sup>lt;sup>2</sup> Mr Vives was a member of the Executive Committee until 22 May 2020, when his appointment as a director of CaixaBank expired.

















#### Operation

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 out in article 4 of the Regulations of the Board of Directors. The Board's permanent delegation of powers to this Committee will require a vote in favour from at least two-thirds of the Board members. (C.1.9)

The Committee will meet as often as it is convened by its Chairman or the person who is to replace him in his absence, and it is validly constituted when the majority of its members are in attendance. Its

resolutions are carried by the majority of the members attending the meeting, 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 Regulations of the Board.

The Executive Committee reports to the Board on the main matters it addresses and the decisions it makes.

There is no express mention in the Company's By-laws that the Committee must prepare an activities report. However, the Executive Committee approved its annual activity report and the assessment of its operation for the year in December 2020.

### Activities during the year

In 2020, the Committee addressed a number of recurring matters and other one-off matters, either with a view to adopting relevant decisions or hearing and taking note of the information received. Below is a summary of the main matters addressed:



### 01

Monitoring of earnings and other accounting aspects.

### 02

Monitoring of ICO facilities, moratoriums and other measures adopted with regard to customers in the context of COVID-19.

### 03

Measures and action plans adopted in the context of Covid-19.

### 04

Monitoring of foreclosed assets and non-performing loans.

### 05

Approval of operations and monitoring of credit and surety activity

### 06

Monitoring of aspects related to products and services and other business matters

### 07

Monitoring of indexes and other aspects related to quality and reputation.

### 08

Monitoring of subsidiaries, investees and branches.

### 09

Organisational changes and restructuring measures.

### 10

Economic and market situation.















#### >> APPOINTMENTS COMMITTEE

Article 40 of the By-laws and article 15 of the Regulations of the Board of Directors and applicable legislation describe the organisation and operation of the Appointments Committee.

#### NUMBER OF MEMBERS

The Committee is made up of three non-executive directors. Two of its members (John S. Reed and Eduardo Javier Sanchiz) are considered independent directors. On 22 May 2020, the Board resolved to reorganise the composition of the committees, for which purpose it appointed Eduardo Javier Sanchiz as the new member of the Appointments Committee, replacing Xavier Vives, whose term as director expired on that date.

#### NUMBER OF INDEPENDENT MEMBERS

(+% OF TOTAL)

% of executive Directors	0.00
% of proprietary Directors	33.33
% of independent Directors	66.67
% of other external Directors	0.00

NUMBER OF MEETINGS (C.125)

In 2020, the Committee held 13 meetings.

#### **AVERAGE ATTENDANCE AT MEETINGS**

The attendance of members, in person or by proxy, at the Committee's meetings during 2020 was as follows:

No. of meetings in 2020	13
John Reed	13 / 13
Maria Teresa Bassons	13/ 13
Xavier Vives	5 / 5 <sup>1</sup>
Eduardo Javier Sanchiz	8/82

#### **Appointments Committee**

Name	Position	Category
John S. Reed	Chairman	Independent
Maria Teresa Bassons	Member	Proprietary
Eduardo Javier Sanchiz	Member	Independent

The Appointments Committee comprises a number of non-executive directors determined by the Board, with a minimum of 3 and a maximum of 5 members. A majority of its members must be independent directors. Members of the Appointments Committee are appointed by the Board at the proposal of the Audit and Control Committee, and the chair of the Committee will be appointed from among the independent directors who sit on the Committee.

#### Operation

The Appointments Committee is self-governing and it may appoint a Chair and a Secretary. If no Secretary is appointed, the Secretary of the Board or any of the Deputy Secretaries of the Board shall act as Committee Secretary.

It meets as often as considered appropriate for the sound performance of its duties and the meetings are convened by the Chair of the Committee, either on his/her own initiative, or when requested by 2 members of the Committee. The Committee must also meet when the Board or its Chair requests that a report be issued or a resolution carried.

The Committee is validly constituted when a majority of its members are in attendance, and its resolutions are carried by the majority of attending members.

Its duties include:

- > Evaluating and proposing to the Board the assessment of skills, knowledge and experience required of Board members and key personnel.
- > Submitting to the Board the proposals for the nomination of the independent directors to be appointed by co-option or for submission to the decision of the AGM, as well as the proposals for the reappointment or removal of such directors.
- > 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.

22 May 2020

Composition

<sup>&</sup>lt;sup>1</sup>Xavier Vives was a member of the Committee until <sup>2</sup> Eduardo J. Sanchiz has been a member of the

Committee since 22 May 2020

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- > Reporting on proposals for the appointment or removal of senior executives, with the capacity to carry out such proposals directly when the Committee deems this necessary in the case of senior executives as a result of to their control or support duties concerning the Board or its committees. Propose the basic terms of the contracts of senior executives other than their pay and remuneration, and reporting those terms once they have been established
- > Examining and organising, under the supervision of the coordinating director and with the support of the Chairman of the Board, the succession of the latter and of the Company's chief executive and, as the case may be, sending proposals to the Board so that the succession process is suitably planned and takes place in an 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, while establishing a representation target for the less represented sex on the Board, as well as preparing guidelines on how this should be achieved.
- > Periodically evaluate, at least once a year, the structure, size, composition and actions of the Board 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 assessing the performance of the Chairman. Evaluating the composition of the Management Committee, as well as its replacement lists, to ensure coverage as members come and go.
- > Periodically reviewing the Board selection and appointment policy in relation to senior executives and making recommendations.
- > Supervise the Company's activities in relation to corporate social responsibility and submit to the Board any proposals it deems appropriate in this regard.

The Committee draws up an annual report on its operation, highlighting the main incidents occurring, if any, in relation to its duties. This report will serve as a basis, among others, and if applicable, for the evaluation of the Board. In addition, when the relevant Committee deems it appropriate, it will include in that report suggestions for improvement.

### Activities during the year

As part of its ordinary remit, the Committee discussed, scrutinised and took decisions or issued reports on the following matters: assessment of suitability, appointments of Board and committee members and key personnel in the Company, verification of the character of directors, gender diversity, the policy for selecting directors, senior management and other key posts, diversity and sustainability matters and corporate governance documentation to be submitted for 2020.

In 2020, the Committee supervised and controlled the sound operation of the Company's corporate governance system. To round off its activities for the year, the Committee focused its attention on the (individual and collective) self-assessment of the Board; the evaluation of the Board's structure, size and composition; the evaluation of the functioning of the Board and its Committees; the evaluation of the issue of gender diversity, as well as on analysing the monitoring of the recommendations in the Good Governance Code of Listed Companies and analysing a director training plan proposal.







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#### >> RISK COMMITTEE

Articles 40 and 14 of the By-laws and Regulations of the Board of Directors describe the organisation and operation of the Risk Committee.

#### NUMBER OF MEMBERS

The Committee is made up of five (5) directors, all of whom are non-executive directors; Eduardo Javier Sanchiz, Verónica Fisas and Koro Usarraga are independent directors, and the Fundación CajaCanarias, represented by Natalia Aznárez, and Tomás Muniesa, are proprietary directors.

#### NUMBER OF INDEPENDENT MEMBERS

(+% OF TOTAL)

% of executive Directors	0.00
% of proprietary Directors	40.00
% of independent Directors	60.00
% of other external Directors	0.00

#### **NUMBER OF MEETINGS (C.1.25)**

In 2020, the Committee held 14 meetings, two of which were held jointly with the Audit and Control Committee and one was an extraordinary meeting.

#### **AVERAGE ATTENDANCE AT MEETINGS**

The attendance of members, in person or by proxy, at the Committee's meetings during 2020 was as follows:

No. of meetings in 2020	14
Eduardo Javier Sanchiz	14/14
Fundación CajaCanarias, represented by Natalia Aznárez Gómez	14/14
Verónica Fisas	8/81
Tomás Muniesa	8/82
Koro Usarraga	14/14

<sup>&</sup>lt;sup>1</sup> Verónica Fisas became a member of the Committee on 22 May 2020

### Composition

#### **Risk Committee**

Name	Position	Category
Eduardo Javier Sanchiz	Chairman	Independent
CajaCanarias Foundation	Member	Proprietary
Verónica Fisas	Member	Independent
Tomás Muniesa	Member	Proprietary
Koro Usarraga	Member	Independent

The Risk 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, between a minimum of 3 and a maximum of 6 members and with a majority of independent directors.

### Operation

It meets as often as considered appropriate for the sound performance of its duties and the meetings are convened by the Chair of the Committee, either on his/her own initiative, or when requested by 2 members of the Committee. The Committee must also meet when the Board or its Chair requests that a report be issued or a resolution carried.

The Committee is validly constituted when a majority of its members are in attendance, and its resolutions are carried by the majority of attending members.

The Company shall ensure that the Risk Committee is able to fully discharge its functions by having unhindered access to the information concerning the Company's risk position and, if necessary, specialist outside expertise, including external auditors and regulators. The Risk 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.

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.

<sup>&</sup>lt;sup>2</sup> Tomás Muniesa joined became a member of the Committee on 22 May 2020





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Its duties include:

- > 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.
- > Propose the Group's risk policy to the Board.
- > Ensuring that the pricing policy of the assets and liabilities offered to the clients fully consider the Company's business model and risk strategy.
- > Working with the Board of Directors to determine the nature, quantity, format and frequency of the information concerning risks that the Board should receive and establishing the information that the Committee should receive.
- > Regularly review exposures with its main customers and business sectors, as well as broken down by geographic area and type of risk.
- > Examining risk reporting and control processes, as well as its 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 and monitoring any risk of non-compliance and examining possible deficiencies.
- > Report on new products and services or significant changes to existing ones.

- > Cooperating with the Remuneration Committee to establish sound remuneration policies and practices.
- > Examining if the incentives policy anticipated in the remuneration systems take into account the risk, capital, liquidity and the probability and timing of the benefits, among other things.
- > Assisting the Board of Directors in setting up effective reporting channels, ensuring the allocation of suitable resources the risk management and for the approval and periodic review of the strategies and policies with regard to risk assumption, management, supervision and reduction.
- > Any others attributed to it by the law, the By-laws, the Regulations of the Board and other regulations applicable to the Company.

There is no express mention in the Company's By-laws that the Committee must prepare an activities report. However, the Committee approved its annual activity report and the assessment of its operation for the year in December 2020.

### Activities during the year

Because of the exceptional nature of the 2020 financial year, which was marked by the global pandemic caused by COVID-19, the Committee was regularly informed of the monitoring carried out and the extraordinary actions taken in relation to the virus.

Furthermore, during the 2020 financial year, the Committee discussed, scrutinised and took decisions or issued reports on the matters within its remit in relation to the Strategic Risk Processes (Risk Assessment and Risk Catalogue), as well as 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 – ILAAP), Monitoring of Regulatory Compliance and the Global Risk Committee, among others.







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#### >> REMUNERATION COMMITTEE

Articles 40 and 15 of the By-laws and Regulations of the Board and applicable legislation describe the organisation and operation of the Remuneration Committee.

#### NUMBER OF MEMBERS

The Committee comprises three members, of which two (Amparo Moraleda and Cristina Garmendia) are independent directors. In this regard, on 22 May 2020, the Board of Directors resolved to reorganise the composition of its committees, appointing Cristina Garmendia as a new member of the Remuneration Committee, replacing Verónica Fisas.

#### NUMBER OF INDEPENDENT MEMBERS

(+% OF TOTAL)

% of executive Directors	0.00
% of proprietary Directors	33.33
% of independent Directors	66.67
% of other external Directors	0.00

#### **NUMBER OF MEETINGS (C.1.25)**

In 2020, the Committee held 5 meetings and also adopted resolutions in writing without a meeting. The attendance of members, in person or by proxy, at the Committee's meetings during 2020 was as follows:

#### **AVERAGE ATTENDANCE AT MEETINGS**

The attendance of members during the year was as follows:

No. of meetings in 2020	5
Amparo Moraleda	5/5
Alejandro García-Bragado	5/5
Verónica Fisas	3 / 31
Cristina Garmendia	2 / 22

<sup>&</sup>lt;sup>1</sup> Verónica Fisas was a member of the Committee until 22 May 2020

### Composition

#### **Remuneration Committee**

Name	Position	Category
Amparo Moraleda	Chairwoman	Independent
Alejandro García-Bragado	Member	Proprietary
Cristina Garmendia	Member	Independent

The Remuneration Committee comprises a number of non-executive directors determined by the Board, with a minimum of 3 and a maximum of 5 members. A majo-

rity of its members must be independent directors. The Chair of the Committee is appointed from among the independent directors who sit on the Committee.

### Operation

The Remuneration Committee is self-governing and it may appoint a Chair and a Secretary. If no Secretary is appointed, the Secretary of the Board or any of the Deputy Secretaries of the Board shall act as Committee Secretary.

It meets as often as considered appropriate for the sound performance of its duties and the meetings are convened by the Chair of the Committee, either on his/her own initiative, or when requested by 2 members of the Committee. The Committee must also meet when the Board or its Chair requests that a report be issued or a resolution carried.

The Committee is validly constituted when a majority of its members are in attendance, and its resolutions are carried by the majority of attending members.

#### Its duties include:

> Drafting the resolutions related to remuneration and, particularly, reporting and proposing to the

Board 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 conditions of their contracts, without prejudice to the competences of the Appointments Committee in relation to any conditions 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 and in particular the policies relating to the categories of staff whose professional activities have a significant impact on the risk profile of the Company and those that are intended to prevent or manage conflicts of interest with the customers.

<sup>&</sup>lt;sup>2</sup> Cristina Garmendia has been a member of the Committee since 22 May

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- > Analysing, formulating and periodically reviewing remuneration programmes, weighing their adequacy and performance and ensuring compliance.
- > Proposing to the Board the approval of the remuneration reports or policies that it is required to submit to the Annual General Meeting, as well as reporting to the Board on any remuneration-related proposals the Board may intend to lay before the General Shareholders' Meeting.
- > Considering the suggestions it receives from the Company's Chairman, Board members, executives, and shareholders.

The Committee draws up an annual report on its operation, highlighting the main incidents occurring, if any, in relation to its duties. This report will serve as a basis, among others, and if applicable, for the evaluation of the Board. In addition, when the relevant Committee deems it appropriate, it will include in that report suggestions for improvement.

#### 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, which fall within its core remit:

### 01

The remuneration policy, system and amount of annual remuneration for directors and senior managers, and the individual remuneration of the executive director and senior managers.

### 02

Reporting and recommending basic contract terms for senior managers.

### 04

General Remuneration Policy and the Remuneration Policy for the Identified Staff.

### 05

Analysing, drawing up and reviewing the remuneration programmes.

### 06

Advising the Board on remuneration reports and policies to be submitted to the AGM.





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#### >> INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE

#### **NUMBER OF MEMBERS**

The Committee comprises four members. Marcelino Armenter ceased to be a member of the Committee on 2 April 2020 as he tendered his resignation as a member of the CaixaBank Board of Directors.

#### NUMBER OF INDEPENDENT MEMBERS

(+% OF TOTAL)

% of executive Directors	25.00
% of proprietary Directors	25.00
% of independent Directors	50.00
% of other external Directors	0.00

#### **NUMBER OF MEETINGS (C.1.25)**

Four meetings were held in 2020.

#### **AVERAGE ATTENDANCE AT MEETINGS**

The attendance of members, in person or by proxy, at the Committee's meetings during the year was as follows:

No. of meetings in 2020	4
Jordi Gual	4/4
Gonzalo Gortázar	4/4
Cristina Garmendia	4/4
Amparo Moraleda	4/4
Marcelino Armenter*	1/11

<sup>&</sup>lt;sup>1</sup> On 2 April 2020, Marcelino Armenter ceased to be a member of the Committee.

### Composition

Innovation, Technology and Digital Transformation Committee

Name	Position	Category
Jordi Gual	Chairman	Proprietary
Gonzalo Gortázar	Member	Executive
Amparo Moraleda	Member	Independent
Cristina Garmendia	Member	Independent

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 and the CEO will always sit on the Committee. The other members are appointed by the Board, on the recommendation of the Appointments Committee, pa-

ying close attention to the knowledge and experience of candidates on the subjects that fall within the Committee's remit.

The Chairman of the Board also chairs the Innovation, Technology and Digital Transformation Committee.

### Operation

It meets as often as considered appropriate for the sound performance of its duties and the meetings are convened by the Chair of the Committee, either on his/her own initiative, or when requested by 2 members of the Committee. The Committee must also meet when the Board or its Chair requests that a report be issued or a resolution carried.

The Committee is validly constituted when a majority of its members are in attendance, and its resolutions are carried by the majority of attending members.

Its duties include:

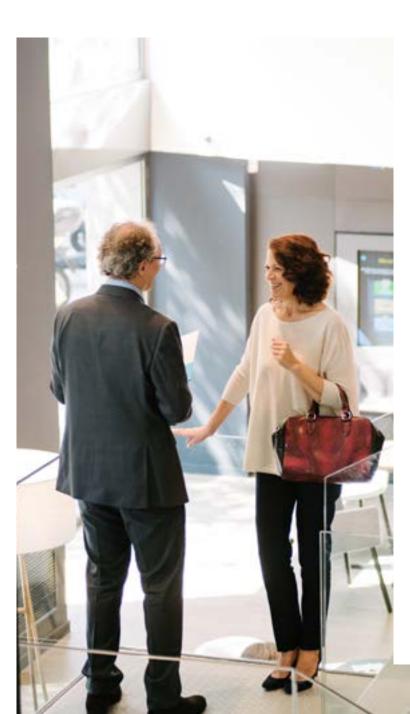
Assisting the Board in identifying, monitoring and analysing new competitors, new business models, technological advances and main trends and initiatives relating to technological innovation, while studying the factors that make certain innovations more likely to succeed and increase their transformation capacity.

- > Advising the Board on the implementation of the strategic plan in aspects relating to digital transformation and technological innovation and, in particular, reporting on plans and projects designed by CaixaBank in this field, as well as any new business models, products, customer relationships, etc. that may be developed.
- > Foster a climate of debate and reflection to allow the Board to spot new business opportunities emerging from technological developments, as well as possible threats.









- > Supporting the Board in analysing the impact of technological innovations on market structure, the provision of financial services and customer habits. Among other aspects, the Committee will analyse the potential disruption of new technologies, the possible regulatory implications of their development, the impact in terms of cybersecurity and matters relating to the protection of privacy and data usage.
- > Stimulate discussion and debate on the ethical and social implications deriving from the use of new technologies in the banking and insurance businesses.
- > Support the Risk Committee, when required, in monitoring technological risks and matters relating to cybersecurity.

### Activities during the year

During 2020, the Committee has fulfilled its duties through the following activities, among others:

- > Reviewing and validating the management of new technological needs that have emerged as a result of the situation caused by COVID-19, and the widespread implementation of remote work.
- > Reviewing the identification of new cybersecurity risks for the Group and verifying the implementation of the Strategic Information Security Plan.
- > Reviewing the post-merger technological integration with Bankia.
- > Monitoring the degree of implementation of different project plans and studies.

### 2020 Management Report







#### >> AUDIT AND CONTROL COMMITTEE

Articles 40 and 14 of the By-laws and Regulations of the Board of Directors and applicable legislation describe the organisation and operation of the Audit and Control Committee.

#### NUMBER OF MEMBERS

The Committee comprises four members, elected and appointed with regard to their knowledge, aptitude and experience in finance, accounting and/or auditing and risk management.

#### NUMBER OF INDEPENDENT MEMBERS

(+% OF TOTAL)

% of executive Directors	0.00
% of proprietary Directors	25.00
% of independent Directors	75.00
% of other external Directors	0.00

#### **NUMBER OF MEETINGS (C.1.25)**

In 2020, the Committee held 20 meetings, of which eleven were ordinary meetings, seven were extraordinary meetings and two were held jointly with the Risk Committee, in order to facilitate the exchange of information and the effective supervision of all risks that affect the Group. Two joint meetings were held in 2020.

#### **AVERAGE ATTENDANCE AT MEETINGS**

The attendance of members during the year was as follows:

No. of meetings in 2020	20
Koro Usarraga	20/20
José Serna	20/20
Eduardo Javier Sanchiz	20/20
Cristina Garmendia	13/13 <sup>1</sup>

<sup>&</sup>lt;sup>1</sup> She joined the Committee on 22 May 2020.

### Composition

#### **Audit and Control Committee**

Name	Position	Category
Koro Usarraga	Chairwoman	Independent
Eduardo Javier Sanchiz	Member	Independent
José Serna	Member	Proprietary
Cristina Garmendia	Member	Independent

The Audit and Control Committee comprises exclusively non-executive directors, in the number determined by the Board, between a minimum of 3 and a maximum of 7 members. The majority of the members of the Audit and Control Committee are independent directors.

The Committee will appoint a Chairman from among the independent directors. The Chairman must be replaced every 4 years and may be re-elected once a period of 1 year from his/her departure has transpired. The Chairman of the Committee acts as a spokesperson at mee-

tings of the Board, and, as the case may be, at the Company's AGM. It may also appoint a Secretary and may appoint a Deputy Secretary. If no such appointments are made, the Secretary to the Board will assume these roles.

The Board will ensure that members of the Committee, particularly its Chairperson, have sufficient knowledge and experience in accounting, auditing or risk management, and in any other areas required for the Committee to fulfil all its duties.

### Operation

It meets as often as considered appropriate for the sound performance of its duties and the meetings are convened by the Chair of the Committee, either on his/ her own initiative, or when requested by 2 members of the Committee.

In order to carry out its duties, the Committee must have adequate, relevant, relevant and sufficient access to any information or documentation held by the Company, and it may request: (i) the attendance and collaboration of the members of the Company's management team or personnel; (ii) The attendance of the Company's audi-

tors to deal with specific points of the agenda for which they have been convened; and (iii) advice from external experts when it deems it necessary. The Committee has set up an effective communication channel with its spokespersons, which will normally be the Committee Chair with the Company management and, in particular, the finance department; the head of internal audits; and the main auditor responsible for account auditing.

The Committee is validly constituted when a majority of its members are in attendance, and its resolutions are carried by the majority of attending members.

### 2020













#### Its duties include:

- > Reporting to the AGM about matters raised that are within the Committee's remit, particularly on the result of the audit, explaining how this has contributed to the integrity of the financial information and the Committee's role in this process.
- > Overseeing the process of compiling and presenting mandatory financial information, reviewing the accounts, compliance with regulatory requirements in this area, the adequate definition of the consolidation perimeter, and the correct application of generally accepted accounting criteria.
- > Ensuring that the Board submits the annual Financial Statements to the AGM, without qualified opinions or reservations in the audit report and, if there are reservations, ensuring that the Committee's Chair and the auditors clearly explain the content and scope of those qualified opinions or reservations to shareholders

- > Reporting to the Board, in advance, on the financial information and related non-financial information that the Company must periodically disclose to the markets and its supervisory bodies.
- > Oversee the effectiveness of internal control systems, and discuss with the auditor any significant weaknesses identified in the internal control system during the audit, all without compromising its independence. For such purposes, and if appropriate, it may submit recommendations or proposals to the Board and set a deadline for follow-up.
- > Supervise the efficiency of the internal audit, establish and oversee a mechanism which allows the employees of the Bank or of the Group to report, confidentially and, if appropriate, anonymously, irregularities of potential significance, especially financial and accounting irregularities, which they may observe within the Company. The Committee will also receive periodic information how the system is operating and it may propose any actions it deems suitable to improve and reduce the risk of irregularities in the future.

The Committee draws up an annual report on its operation, highlighting the main incidents occurring, if any, in relation to its duties. This report will serve as a basis, among others, and if applicable, for the evaluation of the Board. In addition, when the relevant Committee deems it appropriate, it will include in that report suggestions for improvement.

### Activities during the year

Within the scope of the Committee's remit, and as part of the Activities Plan drawn up each year, the Committee discussed, scrutinised and took decisions or issued reports on:

### 01

Financial and nonfinancial information

### 02

Structural and corporate changes

### 03

Risk management control the Risk Committee)

### 04

Regulatory compliance

### 05

06

07

08

Internal Audit

Relationship with

Independence of

Assessment of

the work of the

financial auditor

the financial auditor

the financial auditor

### 09

Related-party transactions

### 10

Communications with regulatory bodies







Further details on the activities relating to certain matters within the Committee's remit are given below:

#### a) Overseeing financial reporting (C.1.28)

The powers delegated to the Board specifically include the duty of overseeing the dissemination of information and communications relating to the Company, Therefore, the Board is responsible for managing and overseeing, at the highest level, the information distributed to shareholders, institutional investors and the markets in genera. Consequently, the Board works to ensure, protect and facilitate the exercising of the rights of the shareholders, institutional investors and the markets in general in the defence of the corporate interest.

The Audit and Control Committee, as a specialised committee of the Board, is responsible for ensuring that the financial information is drawn up correctly. This is a matter to which it dedicates particular attention, alongside the non-financial information. Among other things, its duties involve preventing qualified opinions and reservations in external audit reports.

The people responsible for these matters attended almost all of the meetings held in 2020, enabling the Committee to become suitably familiar with the process of drawing up and presenting the mandatory financial information of the Company and the Group, particularly regarding the following points: (i) compliance with regulatory requirements; (ii) definition of consolidation perimeter; and (iii) application of the accounting principles, in particular with regard to the assessment criteria and the judgments and estimates.

Ordinarily, the Committee meets 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 must approve and include in its annual public documentation. In such cases, the internal auditor will be present and, if any report is to be issued, the external auditor will be present. At least one meeting

a year with the external auditor will take place without the presence of the management team, so that they can discuss specific issues that arise from the reviews conducted.

The annual individual and consolidated financial statements submitted to the Board for preparation are not previously certified. The above notwithstanding, we note that as part of the ICFR System, the financial statements for the year ended 31 December 2020, which form part of the annual financial statements, are to be certified by the Company's Head of Financial Accounting, Control and Capital. (C.1.27)

#### b) Monitoring the independence of the external auditor

In order to ensure compliance with applicable regulations, particularly with regard to the status of the Company as a Public-Interest Entity, and the independence of the audits, the Company has a Policy on Relations with the External Auditor (2018) which sets out, among other things, the principles that should govern the selection, hiring, appointment, re-election and removal of the auditor, as well as the framework for relations. Furthermore, as an additional mechanism to ensure the auditor's indepen-

dence, the By-laws state that the General Meeting may not revoke the auditors until the period for which they were appointed has ended, unless it finds just cause for doing so. (C.1.30)

The Audit and Control Committee is responsible for establishing relationships with the auditor in order to receive information on any matters which may jeopardise its independence, and on any other matters relating to the process of auditing the accounts. In all events, on an annual basis, the Committee must receive from the external auditor a declaration of its independence with regard to the Group, in addition to information on any non-audit services rendered to the Group by the external auditor or persons or entities related to it. Subsequently, prior to the disclosure of the audit report, the Committee will issue a report containing an opinion on the independence of the auditor. This report will include an assessment of such non-audit services that may have been rendered. considered individually and as a whole, and related to the degree of independence or the applicable audit reaulations. (C.1.30)



















The audit firm carries out other non-audit work for the Company and/or its group:

(C.1.32)	CaixaBank	companies	Total group
Amount of non-audit work (€m)	547	573	1,120
% Amount of non-audit work /	30.00	25.00	27.00

Within the framework of the Policy on the Relationship with the External Auditor, and taking into consideration the Technical Guide on Audit Committees at Public-Interest Entities by the CNMV, the Audit and Control Committee issues an annual assessment of the quality and independence of the auditor, coordinated by the Executive Director of Financial Accounting, Control and Capital, with regard to the external audit process. This assessment covers: (i) compliance with requisites in terms of independence, objectivity, professional capacity and quality; and (ii) the suitability of audit fees for the assignment. On this basis, the Committee proposed to the Board the re-election of PwC Auditores, S.L. as the financial auditor of the Company and its consolidated Group for 2021, and the Board, in turn, put this recommendation to the AGM, C.1.31

The auditor's report on the financial statements for the preceding year does not contain a qualified opinion or any reservation. (C.1.33)

### c) Monitoring related-party transactions (D.1)

The Board shall approve, subject to a report from the Audit and Control Committee, all transactions that the Company, or companies in its Group, perform with:(i) directors; (ii) shareholders holding (individually or in concert with others) a significant stake; or shareholders represented on the Board; or (iii) with persons related to them, with the exception of transactions that simultaneously meet the following characteristics:

- I) Transactions governed by standard-form agreements applied on an across-the-board basis to a large amount of clients;
- II) Transactions carried out at generally-established prices; and

III) Transactions in which 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 which case 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.

The Company is not aware of any relationship, whether of a commercial, contractual or family nature, among significant shareholders. Of these only FBLC maintains commercial or contractual relations with CaixaBank, within the ordinary course of business and on an arm's-length basis. In order to avoid conflicts of interests, the regulating principles of this relationship are set out in the Internal Relations Protocol between FBLC, CriteriaCaixa and the Company, last amended in February 2018. The purpose of this protocol is: (i) to manage related-party transactions; (ii) to establish mechanisms to avoid the emergence of conflicts of interest; (iii) to govern the pre-emptive right over Monte de Piedad; (iv) to govern collaboration on CSR matters; and (v) to regulate the flow of information for compliance with the periodic

reporting obligations. This Protocol is available on the corporate website and its compliance is monitored on an annual basis by the Committee.

Notwithstanding the above, the Internal Relations Protocol also sets out the general rules for performing transactions or providing services at arm's length, and identifies the services that companies in the FBLC Group provide or may provide to companies in the CaixaBank Group and, likewise, those that companies in the Caixa-Bank Group provide or may provide to companies in the FBLC Group. The Protocol establishes the circumstances and terms for approving transactions. In general the Board of Directors is the competent body for approving these transactions. In certain cases stipulated in Clause 3.4 of the Protocol, certain intragroup transactions will be subject to prior approval from the CaixaBank Board of Directors, which must have a report issued in advance by the Audit Committee, and the same applies for all other signatories of the Protocol. (A.5 + D.6)

In addition to the information provided in Note 41 of the accompanying consolidated financial statements, the individually significant transactions performed with significant shareholders in the Company were as follows: (D.2)

CriteriaCaixa	CaixaBank	Corporate	Dividends and other profit distributed	167,477
Name or corporate name of significant shareholder	1 /	Nature of the relationship	Transaction type	Amount (thousands of euros)





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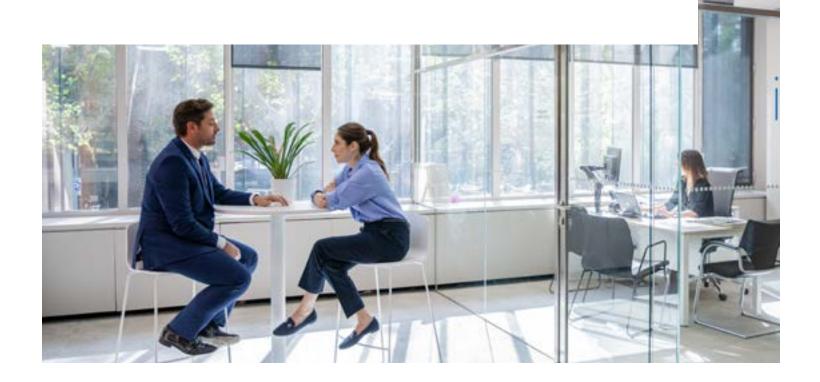
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Annual Corporat Governance Rep 2020 Articles 29 and 30 of the Regulations of the Board regulate the non-compete obligation of Board members and applicable conflicts of interest, respectively: (D.6)

- > Directors will only be exempt from the non-compete obligation if it does not entail non-recoverable damage to the Company. Any director who has been granted such a non-compete waiver must abide by the terms contained in the waiver resolution and must invariably abstain from taking part in discussions and votes in which they have a conflict of interest.
- > Directors (directly or indirectly) have the general obligation to avoid situations that could involve a conflict of interest for the Group and, where there is a conflict, they have the duty to report the matter to the Board for disclosure in the financial statements.

Furthermore, key personnel are subject to certain obligations with regard to direct or indirect conflicts of interest under the Internal Code of Conduct in Securities Markets, including the obligation to act with freedom of judgement and loyalty to CaixaBank, its shareholders and its 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 such incidents.

In addition to the information provided in Note 41 of the accompanying consolidated financial statements, there are no known material transactions carried out between the Group and key personnel (related parties) of the Company other than those performed in the ordinary course of business and at arm's length. (D.3, D.5)















### **Senior Management**

The CEO, the Management Committee and the main committees of the Company are responsible for the daily management, implementation and development of the decisions made by the Governing Bodies.

Management Committee (C.1.14) \_

The Management Board meets on a weekly basis to make decisions related to the Strategic Plan, Annual Operating Plan, and other areas that affect organisational life at CaixaBank. It also approves structural changes, appointments, expense lines and business strategies.

PRESENCE OF WOMEN IN **SENIOR MANAGEMENT** AS AT 31.12.20 (FORMER EXECUTIVE DIRECTOR

**2**(18.2% OF TOTAL)

**SENIOR MANAGEMENT SHARE** IN EQUITY INTEREST OF THE **COMPANY AS AT 31.12.20** (FORMER EXECUTIVE DIRECTOR)

0.009%









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#### JUAN ANTONIO ALCARAZ

Chief Business Officer

### >> Education

He holds a degree in Business Management from Cunef (Complutense University in Madrid) and a master's in Business Administration from IESE Business School.



He joined "la Caixa" in 2007, and he is currently Chief Business Officer, responsible for the following business units: Retail Banking, all areas related to Customer Experience and Specialised Consumer Segments.

He has served as Managing Director of Banco Sabadell (2003-2007) and Deputy Managing Director of Santander and Central Hispano (1990-2003).

# >> Other positions currently held

Chairman of CaixaBank Payments & Consumer, Chairman of Imagin and member of the Board of Directors of SegurCaixa Adeslas. Chairman of the Spanish Association of Directors, member of the Advisory Board of Foment del Treball, member of the Board of Trustees of Fundación Tervalis, member of the University Assessment Board of the Universitat Internacional de Catalunya, member of RICS.

#### XAVIER COLL

Chief Human Resources and Organisation Officer

### >> Education

He holds a degree in Medicine from the University of Barcelona, an MBA from the University of Chicago and a master's in Public Health from Johns Hopkins University. "la Caixa" Fulbright scholarship.

### >> Career

In 2008, he joined "la Caixa" as HR Director and member of the Management Committee. He has over 30 years of experience working internationally in the health sector, in multilateral development banking and the financial sector.

He previously worked at the World Bank as the Director of the President's Office and Vice-President of Human resources, and at the European Investment Bank as the Director of Human Resources.

### JORDI MONDÉJAR

Chief Risks Officer

### >> Education

He holds a degree in Economics and Business Management from the University of Barcelona. He is a qualified chartered accountant (Registro Oficial de Auditores de Cuentas).

### >> Career

He worked at Arthur Andersen from 1991 to 2000 in the field of accounts auditing for financial and regulated institutions.

He joined "la Caixa" in the year 2000 and he was the Head of Financial Accounting, Control and Capital before being appointed Chief Risks Officer for the Group in 2016

#### **IÑAKI BADIOLA**

Head of Corporate Investment Banking and International Banking

### >> Education

He holds a degree in Business Sciences from the Complutense University in Madrid and a master's in Business Administration from the IE.

### >> Career

With a career spanning over 20 years in the world of finance, he has held a number of roles in various companies across different sectors: technology (EDS); distribution (ALCAMPO); public administration (GISA); transport (IFERCAT); and real estate (Harmonia).

He was Executive Director of CIB and Corporate Director of Structured Finance and Institutional Banking.







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#### LUIS JAVIER BLAS

Head of Resources

### 

He holds a degree in Law from Universidad de Alcalâ de Henares (Madrid-1993). He also has the following complementary education: AMP by ESE Business School (Santiago de Chile-2013), INSEAD-BBVA Corporate Programme (2006), PGD IE-SE-BBVA (Madrid-2003), New Economy. IESE (Madrid-2002).



He joined CaixaBank in 2020 as Executive Director of Resources, responsible for technology and systems, banking operations and services, processes and demand management, general services and property, security in all its aspects, as well as the strategy, governance and corporate control of CaixaBank Group's resources.

Prior to joining CaixaBank, he worked at the BBVA Group for 20 years, most recently as the Head of Engineering and Data and a member of the Management Committee of BBVA Spain. Since the year 2000, he has assumed executive positions in BBVA Chile and various subsidiaries of the Group

He also previously worked at the Accenture Group, Abbey National Bank Spain and Banco Central Hispano, at the start of his career

# >> Other positions currently held

Chairman of CaixaBank Facilities Management, S.A.

Sole Administrator of Silc Immobles, S.A. Chairman and CEO of Silk Aplicaciones S.L.U.

#### MATTHIAS BULACH

Head of Financial Accounting, Control and Capital

### >> Education

He holds a degree in Economic Science from the University of St. Gallen and an MBA from IESE Business School.



He joined "la Caixa" in 2006 as Head of the Economic Analysis Office, working on strategic planning, analysis of the banking and regulatory system and support to the Chairman's Office in restructuring the financial sector. Before his appointment as Executive Director in 2016, he was Corporate Manager of Planning and Capital. He was previously Senior Associate at McKinsey & Company, specialising in the financial sector and international projects.

# >> Other positions currently held

Member of the Supervisory Board at Erste Group Bank AG; Director of CaixaBank Asset Management, CaixaBank Payments & Consumer and Buildingcenter S.A.

### MARÍA LUISA MARTÍNEZ

Head of Communication, Institutional Relations, Brand and CSR

### >> Education

She holds a degree in Modern History from the University of Barcelona and in Information Sciences from the Barcelona Autonomous University. She completed the PADE programme at IESE Business School

### >> Career

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 Head of Communication, Institutional Relations, Brand and CSR, and since 2016 she has been the Executive Director in charge of these areas.

## >> Other positions currently held

Chair of Autocontrol, Dircom Cataluña and the Communications Committee of the Spanish Chamber of Commerce. Deputy Chair of Dircom Nacional, Corporate Excellence and Fundacom

### JAVIER PANO

Chief Financial Officer

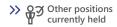
### >> Education

He holds a degree in Business Administration and an MBA from ESADE Business School.

### >> Career

He has been CFO of CaixaBank since July 2014. He is Chair of ALCO and responsible for liquidity management and retail funding, having formerly held management positions in the field of capital markets.

Before joining "la Caixa" in 1993, he held senior positions at various companies.



Member of the Board of Directors of BPI and Cecabank.







Corporate











#### MARISA RETAMOSA

Head of Internal Audit

### >> Education

She holds a degree in Computer Science from the Polytechnic University of Catalonia. CISA (Certified Information System Auditor) and CISM (Certified Information Security Manager) certification accredited by ISACA.



She has been Corporate Manager of Security and Resources Governance, and previously served as Head of Security and Service Control in IT Services. She also served as Head of Operations Audit.

Joined "la Caixa" in 2000. She previously worked in Arthur Andersen (1995-2000), working in roles relating to system and process audits and risk advisory.

#### JAVIER VALLE

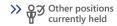
Head of Insurance

### >> Education

He holds a degree in Business Studies and a master's in Business Administration from the ESADE Business School. Community of European Management School (CEMS) at HEC Paris.



In recent years, he has been General Manager at Bansabadell Vida, Bansabadell Seguros Generales and Bansabadell Pensiones and CEO of Zurich Vida. He was CFO of the Zurich Group Spain and Director of Investments for Spain and Latin America.



He is CEO of VidaCaixa and Deputy Chair and member of the Executive Committee and Board of Directors of Unespa, as well as Director of ICEA.

### ÓSCAR CALDERÓN

General Secretary and Secretary to the Board of Directors

### >> Education

He holds a degree in Law from the University of Barcelona and he is a State Lawyer.

### >> Career

He was a State Lawyer at the High Court of Justice of Catalonia (TSJC), where he represented and defended the Spanish State in civil, criminal and employment cases and in appeal proceedings involving public bodies. 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 has worked with "la Caixa" Group since 2004, as Lawyer 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 Banco de Valencia (2013) and Deputy Secretary to the Board of Directors of "la Caixa" until June 2014. He was also a Trustee and Deputy Secretary of "la Caixa" Foundation until its dissolution in 2014, as well as Secretary to the Board of Trustees of "la Caixa" Banking Foundation until 2017.

# >> Other positions currently held

Trustee and Secretary to the Board of Trustees of Fundación del Museo de Arte Contemporáneo de Barcelona (MACBA). He is also Secretary of the Fundación de Economía Aplicada (FEDEA).















#### **Other Committees**

The following is a description of the main committees in which CaixaBank's Senior Management is involved:

#### ALCO (assets and liabilities) COMMITTEE

The ALCO Committee is responsible for the management, monitoring and control of structural liquidity, interest rate and exchange rate risks re-

It is responsible for optimising the financial structure of CaixaBank Group's balance sheet and making it more profitable, including the net interest income and the windfall profits in the Profit rates with the various lines of business (IGC/MIS);

monitoring prices, terms and volumes of the activities that generate assets and liabilities; and managing wholesale financing.

All of this, under the policies of the risk appetite framework and the risk limits approved by the Board.

As a result, it will take the appropriate decisions and may make recommendations to the various opera-





Reports to Management Committee



Liquidity and Financing, Market and Structural Interest Rate Risk

#### **REGULATION COMMITTEE**

king body for all aspects related to financial regulation. Its functions include spearheading the





The Regulation Committee is the decision-ma- as the systematisation of regulatory activities, periodically assessing the initiatives carried out in this field.



Risks managed Legal and Regulatory and Conduct

#### INFORMATION GOVERNANCE AND DATA QUALITY COMMITTEE

the information reported to the regulator and to view at all times.

Oversee the coherence, consistency and quality of the Group's management, providing a comprehensive





Reports to

Management



Risks managed
Technological

#### **GLOBAL RISK COMMITTEE**

Monthly

Responsible for the overall management, control and monitoring of risks affecting the Group's

The Committee therefore analyses the Group's any breaches and reactions to early warnings of global risk position and establishes policies to optimise their management, monitoring and informed.

Risks managed All in the Group's Corporate Risk Catalogue

control within the framework of its strategic

The GRC is responsible for adapting the risk strategy to the RAF set out by the Board of

the RAF, as well as keeping CaixaBank's Board

#### CORPORATE RESPONSIBILITY AND REPUTATION COMMITTEE

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

the best bank in terms of quality and reputation, strengthening its reputation as a responsible and socially-committed bank.

It is also responsible for coordinating responsible







Risks managed Reputational

### 2020







Our Identity







#### CORPORATE CRIMINAL MANAGEMENT COMMITTEE

Reports to Global Risk

management

through any channel regarding the prevention port and Monitoring of the Model. of and response to criminal conduct. The main

Manage any observations or reports made functions are: Prevention, Detection, Response, Re-



Risks managed ∠!\ Conduct

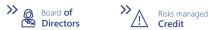
#### PERMANENT LENDING COMMITTEE

A committee which is responsible for officially that are specific to the Bank's corporate objective, tions, as well as investment operations in general regulations.

approving loan, credit and guarantee opera- and its approval level is defined in the Bank's internal



Frequency Monthly





#### TRANSPARENCY COMMITTEE

This committee determines all transparency-revestment and savings insurance plans.

It validates the classification of new financial ins-

truments, banking products and savings and investlated aspects of the design and marketing of ment plans on the basis of their risk and complexity, in financial instruments, banking products and inand insurance transparency regulations.







Legal and Regulatory, Conduct and Reputational

Risks managed

#### **DIVERSITY COMMITTEE**

Its mission is the creation, promotion, monitoring in the other areas of diversity that are a priority for bodies to increase diversity with a focus on the tural diversity. representation of women in management positions and to avoid the loss of talent, as well as

and presentation of actions to the corresponding the Bank such as functional, generational and cul-







Risks managed Legal and Regulatory, Conduct and Reputational

#### RECOVERY AND RESOLUTION PLAN COMMITTEE

Preparing, approving, reviewing and updating plans to minimise the impact of future financial





Reports to

Management Committee



Risks managed

Business return, Own funds: solvency, liquidity and financing, legal and regulatory and reputational

#### **ENVIRONMENTAL RISK COMMITTEE**

It is responsible for analysing and, where approidentifying, managing and controlling the risks priate, approving the proposals made by the associated with this area on the front line. It also various functional areas with regard to the authorises exceptions to the general and sectostrategic positioning of the Bank in relation to ral exclusions set out in the Policy.









#### PRIVACY COMMITTEE

for all aspects relating to privacy and personal

It acts as the senior and decision-making body data protection within the CaixaBank Group.











Reports to Management Risks managed Legal and Regulatory and Conduct

#### **EFFICIENCY COMMITTEE**

The mission of this committee is to improve the vestment budgets to be presented to the Maorganisation's efficiency, and it is responsible for nagement Committee for approval. proposing and agreeing, with the Divisions and





Reports to
Management

Risks managed
Business return and Own funds: solvency Committee









### Remuneration

CaixaBank establishes the Remuneration Policy for its Directors on the basis of general remuneration policies, committed to a market position that allows it to attract and retain the talent needed, and encourage behaviour that ensures long-term value generation and the sustainability of results over time.

Market practices are periodically analysed, with salary surveys and specific ad hoc studies carried out by top-le-

5,959

REMUNERATION OF THE BOARD OF DIRECTORS (accrued in 2020<sup>1</sup>)

(THOUSANDS OF €) (C.1.13)

vel specialists. Similar companies in the IBEX 35 and the financial sector provide a comparable sample of the market sector in which CaixaBank operates and that of IBEX 35 companies. External experts are also consulted on certain issues.

The remuneration policy for directors, which was submitted by the Board to the General Shareholders' Meeting for a binding vote on 22 May 2020, was approved with

6,121

AMOUNT OF VESTED PENSION INTERESTS FOR CURRENT DIRECTORS (THOUSAND €) (C.113)



93.83% of votes in favour. With this result and that of the advisory vote of the Annual Director Remuneration Report, it is understood that shareholders widely support the Company's Remuneration Policy.

The nature of the remuneration received by the members of the Company's Board is described below:





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. (C.1.13)

<sup>1</sup> The remuneration of Directors in 2020 as reported in this section takes the following changes in the composition of the Board and its Committees during the year:

With effect from 2 April 2020, Marcelino Armenter tendered his resignation as a member of the Board of Directors, thereby stepping down from the Innovation, Technology and Digital Transformation Committee.

On 22 May 2020, the Ordinary General Shareholders' Meeting agreed to set the number of board members at fifteen, reducing the size of the Board by one. On that date, John S. Reed was appointed as Coordinating Director to replace Xaiver Vives, whose mandate was not renewed at the meeting, and who, therefore, also stepped down from the Executive Committee and the Appointments Committee.

Following the General Meeting held on 22 May 2020, changes to the Board Committees were agreed, with the following appointments: Verönica Fisas as a member of the Risk Committee (by which she stepped down from the Remuneration Committee); Cristina Garmendia as a member of the Audit and Control Committee and the Remuneration Committee; Tomás Muniesa as a member of the Risk Committee; Eduardo Javier Sanchiz as a member of the Appointments Committee; and Koro Usarraga as a member of the Appointments Committee.

At the end of 2020, the Board of Directors comprises 15 members (1 vacancy), and the CEO Gonzalo Gortázar is the only board member with executive functions.

Nor does it include remuneration for seats held on other boards on the Company's behalf outside the consolidated group (246 thousand euros) nor contributions to long-term savings schemes (non-vested) (511 thousand euros).

#### >> DIRECTORS

The system provided for in the By-laws establishes that the remuneration of CaixaBank directorships should consist of a fixed annual amount to be determined by the General Meeting, which remains in force until the General Meeting agrees to modify it. Therefore, the remuneration for members of the Board, in their role as such, consists only of fixed components.v

Non-executive Directors (those that do not exercise executive functions) have a purely organic relationship with CaixaBank and, consequently, they do not hold contracts with the Bank to perform their duties, nor are they entitled to any form of payment should they be dismissed from their position as Director.

#### >> CHAIR OF THE BOARD OF DIRECTORS

The Chair of the Board has an additional fixed remuneration justified by the dedication involved in carrying out the functions of the role in a group of the size and complexity of CaixaBank.

#### >> EXECUTIVE POSITION

(ONLY APPLICABLE TO THE CEO IN 2020)

In relation to members of the Board with executive duties, the By-laws recognise remuneration for their executive functions, in addition to the directorship itself.

Therefore, the remuneration components of these functions are structured in due consideration of the economic context and results, and include the following:

- > Fixed remuneration according to the employee's level of responsibility and professional career, constituting a significant part of the total compensation.
- > Variable remuneration in the form of an annual bonus linked to the achievement of pre-established targets and prudent risk management.
- > Social prevision and other social benefits.
- > A long-term share-based incentives plan linked to the strategic plan.









Strategic Line

Statement of Non-financia

Glossary a

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In the case of Directors with executive functions, which only applies to the CEO in 2020, the nature of the components accrued is described below:

#### Fixed component \_\_\_\_\_

The fixed remuneration, and any modifications thereto, of the Executive Director is largely based on his/her level of responsibility and professional career, combined with a market approach taking account of specific salary polls and ad hoc surveys undertaken by specialist companies, based on a peer group sample of comparable European banks.

#### Variable component \_\_\_

With regard to the variable remuneration corresponding to 2020, the CEO voluntarily decided to waive the remuneration, both in respect of the annual bonus and the part corresponding to 2020 of the conditional Annual Incentives Plan pegged to the 2019-2021 Strategic Plan. (for further information, see Note 1.8 to the 2020 Annual Financial Statements.

#### **Short-term variable component**

The Executive Director is entitled to variable remuneration in the form on a bonus determined on the basis of a target remuneration with a degree of fulfilment that is adjusted according to risk and performance measurement:

> 50% according to corporate targets with a degree of fulfilment [80% - 120%] and which is determined based on the following concepts in line with the strategic targets:

#### >> SHORT-TERM VARIABLE COMPONENT

Target Item	Weighting	Strategic Line
ROTE (Return on Tangible Equity)	10%	Generating an attractive return for shareholders while remaining financially sound
CIR (Cost Income Ratio)	15%	Generating an attractive return for shareholders while remaining financially sound
Variation in problematic assets	5%	Generating an attractive return for shareholders while remaining financially sound
RAF (Risk Appetite Framework)	10%	Generating an attractive return for shareholders while remaining financially sound
Quality	5%	Offering the best customer experience
Conduct and compliance	5%	Setting the benchmark for responsible management and social commitment

> 50% according to individual targets, with a degree of fulfilment [60% - 120%], distributed globally between targets linked to strategy. The final valuation may fluctuate + /-25% to reflect the qualitative assessment and the exceptional challenges that may arise throughout the year.

In line with the objective to have a reasonable, prudent balance between fixed and variable remuneration components, the amounts of fixed remuneration paid to Executive Directors are sufficient and the percentage of variable remuneration in the form of a bonus in addition to annual fixed remuneration is low, not exceeding 40%

#### Long-term variable component

The 2019 General Shareholders' Meeting approved an Annual Conditional Incentives Plan pegged to the 2019-2021 Strategic Plan for a group of 90 recipients including the CEO, members of Senior Management and other key executives of the Group.

#### >> LONG-TERM VARIABLE COMPONENT

Target Item	Strategic Line
CIR (Cost Income Ratio)	Generating an attractive return for shareholders while remaining financially sound
ROTE (Return on Tangible Equity)	Generating an attractive return for shareholders while remaining financially sound
CEI (Customer Experience Index)	Offering the best customer experience
RAF (Risk Appetite Framework)	Generating an attractive return for shareholders while remaining financially sound
TSR (Total Shareholder Return)	Generating an attractive return for shareholders while remaining financially sound
GRI (Global Reputation Index)	Setting the benchmark for responsible management and social commitment

This programme allows a number of CaixaBank shares to be received after a certain period of time, provided the strategic targets are met and subject, among other things, to the evolution and positioning of certain strategic parameters.

#### 2020





Our Identity















#### Contributions to long-term savings schemes

Furthermore, the CEO has agreed in his contract to make pre-fixed contributions to pension and savings schemes.

15% of the contributions paid to complementary pension schemes will be considered a target amount (the remaining 85% is considered a fixed component). This amount is determined in accordance with the same principles established for variable remuneration in the form of a bonus, with eligibility to be determined solely on the basis of individual assessment parameters, and it is contributed to a Discretionary Pension Benefits Policy.

9,338 **TOTAL REMUNERATION** OF SENIOR MANAGEMENT (FORMER EXECUTIVE DIRECTORS) In 2020¹(THOUSANDS OF €) (C.1.14)

1 This amount includes the fixed remuneration, remuneration in kind, social security insurance premiums and discretionary pension benefits, along with other long-term benefits assigned to members of the Senior Management. In April 2020, the market was informed of the waiver by the Management Committee of its variable remuneration for 2020, both in terms of the annual bonus and their participation in the second cycle of the conditional Annual Incentives Plan pegged to the 2019-2021 Strategic Plan.

This amount does not include the remuneration received for representing the Company on the boards of listed and other companies, both within and outside the consolidated group (1,166 thousand euros).

With regard to any agreements made between the company and its directors, executives or employees on severance or golden parachute clauses, see Reconciliation Table (C.1.39)













# Business Model

CaixaBank has a universal banking model that seeks the best customer experience and is adapted:



To the profile of each customer in accordance with our segmentation



To the different ways that customers manage their mobility

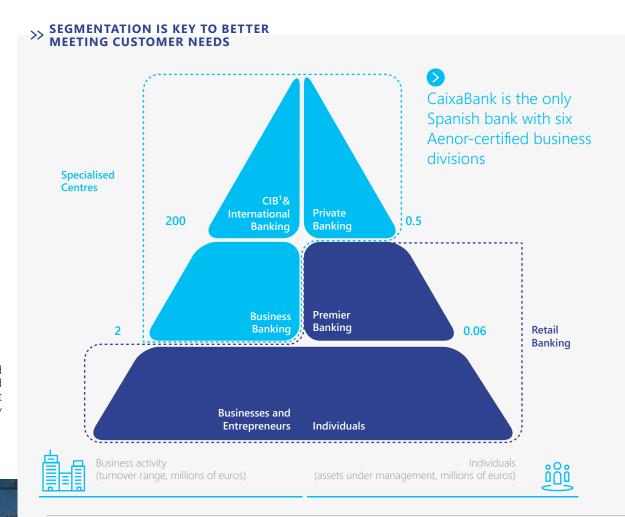


To each customer's way of relating to people



And to each person's way of using technology

The wide range of financial and insurance products and services allows all customer needs to be met. Agility and accessibility make it possible to do so in such a way that each customer's individual experience is the best at any given time.





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## **Retail Banking**

The Retail Banking value proposition is aimed at Individuals, Premier, Business and Entrepreneur customers.

In 2020, the consolidation of The 4 Vital Experiences, the transformation of the distribution network, and the promotion of new models of customer relations continued.

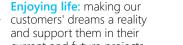
#### Consolidation of the 4 customer-oriented vital experiences

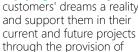


Day to day: making it easy, attractive and interesting for the customer to interact with CaixaBank. Making it easy for customers to access our services quickly at any time and anywhere.



Peace of mind: taking care of what is important to our customers and helping them protect it. To always be at their side with solutions that provide security.





financing.



Thinking about the future: helping our customers plan their savings and face their future with total security.

#### Transformation of the Branch Network

» 548 Stores



» **49** BusinessBank



#### Promoting new models of digital and remote customer service \_

Providing different tools of Omniexperience to make the management/ customer relationship easier:



Confirmed appointment to hold interviews with managers.

1.1m

Customer scheduled appointments

5.5m

Unique customers who have used My Manager



New Meeter app to avoid having to queue at a branch. 1.5m

Appointments set on the Meeter app by 940,000 different customers



Reinforcing the Wall as part of our online banking for fast and secure communication.

34%

2.4m NOW customers Unique Wall who use the Wall customers

15.8m

Messages



New facilities for holding interviews via video calls without needing to go to a branch.

48,000

appointments held by video call











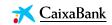






#### >> INDIVIDUALS

Individual customers with a position of up to €60,000



In 2020, "Day by Day" was launched, grouping the most common banking services for individuals (account, card, transfers, bills, ATMs, online banking, etc.) in a single "all-inclusive" package. Customers can enjoy all the advantages without limitation while complying with the required conditions. This package is free for linked customers.

We have also expanded and consolidated our offer through agreements with strategic partners (Samsung, Arval, Securitas Direct, Yamaha, among others), promoting business growth and allowing us to diversify our offer. In addition, with the aim of continuing to provide financing to our customers, this year we have increased the range of products offered through Wivai, boosted the rental vehicle proposal, and launched MyCard, allowing us to easily manage all purchases.

A new element in our commercial offer has been the extension of the Protection proposal through new product launches, which develop and broaden the MyBox offer. MyBox customers can now also contract their services with differential advantages: MyBox Alarm, MyBox Senior Protection, MyBox Life and MyBox Senior Health.

#### Main **indicators**

#### 8.6m

RELATIONAL **CUSTOMERS**<sup>1</sup> 8.5m IN 2019



4.6m

OMNICHANNEL CUSTOMERS (BRANCHES, . . . . . . . . . . . ATMS AND DIGITAL) 4.8m IN 2019



**85.0** (Scale 0-100) **EXPERIENCE RATING** 



76.9% **CUSTOMERS WITH AN** ASSIGNED MANAGER





<sup>1</sup>All segments.

+ 507,000

policies marketed by MyBox in 2020

- >> Comprehensive and competitive protection solutions
- >> Fixed fee for 3 years
- >> Flat monthly rate
- >> Exclusive coverage







COVID-19 with







Statement of Non-financia Information

Glossary and Group structu

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#### >> PREMIER BANKING

Individual customers with a position of from €60,000 to €500,000



With the opening of 6 new Store Premier branches, the value proposal continued to be consolidated in 2020, reaching a total of 14 throughout the country.

The launch of the new Smart Allocation portfolios, a new discretionary management solution, offers dynamic management with greater control of volatility through a quantitative model that identifies different market scenarios to adjust the risk level of the portfolio, modifying the weight in equities within each profile.

CaixaBank has also opened Ocean, its digital third-party fund management platform, allowing contributions from €600 upwards to all its customers.

In 2020, several specific webinar sessions were held for the segment on different topics (investment guidelines, preparing for retirement, financial planning, among others).





#### 2020

















#### >> BUSINESSES AND ENTREPRENEURS

Self-employed customers, professionals, businesses and micro-enterprises with turnover up to €2 million





With an exclusive service model, CaixaBank has established itself as a benchmark institution for Business and Entrepreneurs.

The network of specialist managers (2,434 in 2020) and the Business branch network have continued their consolidation, reaching 49 branches in 2020.

The value proposition has been enriched with exclusive protection products for Business customers, such as MyBox Business and MyBox Life Business. The Social Commerce application has also been consolidated, providing payment and product marketing solutions through social media to businesses that do not have a website or virtual store and only operate on a face-to-face basis.

The new NOW Business has been launched, a digital banking platform exclusively for these customers. Digital signatures for business and entrepreneurs have also been implemented.

# RESPONSE TO THE COVID-19 EMERGENCY

<sup>>></sup> +€ 4,600m

granted in ICO loans in 154,000 transactions

We adapt the terms and conditions of the TPV2 service to the personal circumstances of each customer.

We have also made e-commerce solutions available to our customers so they can sell through online channels:

#### >> SOCIAL COMMERCE

To make online sales through social media without the need for a website.

#### >> PAYGOLD

Allowing customers to be charged remotely without the need for a virtual POS and just by sending an e-mail or SMS with a link to make the payment conveniently and securely by card.

#### Main indicators \_

85.1 (Scale 0-100) EXPERIENCE RATING 85.1 IN 2019



PENETRATION IN MICRO-ENTERPRISES<sup>1</sup>



33.1%

PENETRATION OF SELF-EMPLOYED WORKERS¹

33.4% IN 2019



1 As of November 202





















## **Private Banking**

Individual customers with a position of more than €500,000



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 68 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).

#### Main **indicators** \_\_\_\_\_

**87.6** (scale 0 - 100) **EXPERIENCE RATING** 87.6 IN 2019



ADVISORY **CUSTOMERS** 94% IN 2019



€80,834m IN ASSETS AND SECURITIES UNDER MANAGEMENT +€4,564m, +6%

OF MANAGERS WITH THE CNMV FINANCIAL ADVISORY ACCREDITATION



#### Milestones of 2020

Consolidation of the customer base and growth of the Private Banking business. Boosting of consulting as a growth area thanks to the strengthening of our TIME objective advisory model.

Consolidation of CaixaBank Wealth: the first independent advisory unit integrated into a banking organisation in Spain.



**€10,798m** +€6,031m COMPARED WITH 2019

Boosting a discretionary management model and completing the wide range of products with the launch of the new Smart Allocation portfolios, which use a quantitative model that identifies different market scenarios to adjust the portfolio's risk level. These are aimed at customers who want to participate in the market while avoiding excessive risk.



€14,09m in discretionary management of portfolios



Market leaders in discretionary management in Spain.

+8.6% COMPARED WITH 2019

Ocean, the first online third-party fund platform with personalised information and conditions for each customer according to their profile. In the Ocean platform, customers can view the details of their service based on their profiles (rates, fund offers, custody services). Access to nearly 2,000 funds with more than 140 managers.



28,639 operations on the Ocean platform

FOR MORE THAN €1,100m

**Specialisation:** specific value proposals and a team dedicated to groups that, by their nature, share the same asset management needs and objectives (nonprofit organisations, religious institutions and professional athletes). Analysis of customer segmentation and their range of Private Banking needs drives the specialisation of managers.

We have the widest range of alternative investments in the Spanish market, both in terms of balances and options. Throughout 2020, Buy Out, Venture Capital, Debt, Infrastructures, Renewables, Circular Economy and Real Estate funds were distributed.



















### **Socially responsible investment** and Philanthropy \_\_



#### **SRI Funds**

176% increase in average balance of our Private Banking customers in this type of products. In addition, two capital risk impact vehicles have been marketed.



#### **Donations**

€1.2 million raised for various social causes among Private Banking customers in 2020 (+10% compared to 2019), mainly through the #Ningúnhogarsinalimentos campaign.



### Third edition of the Private Banking Charity Awards

The awards recognise our customers' contribution to projects of general interest in two categories: Best Project and Best Track Record. 88 candidates have been included in the third edition, covering various areas of philanthropy.



## **Training and Outreach**

12 sessions were held with customers.



## **3rd Annual Social Value Project Report**

A publication that takes stock of our service and in which high quality specialists help deepen knowledge of Philanthropy and Sustainable Investment in Spain.

















## **Business Banking**

€200m in turnover

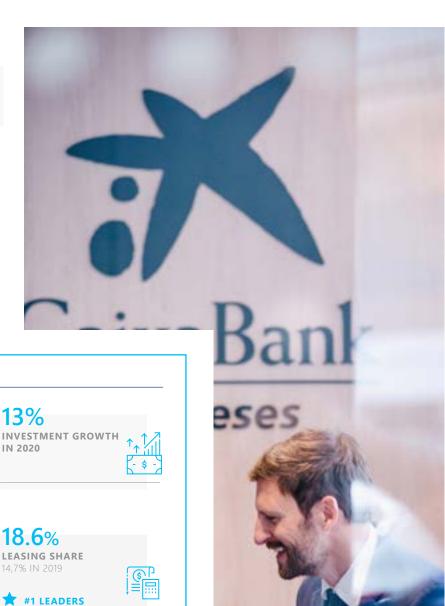


CaixaBank Business has consolidated its position as the favourite bank of Spanish companies.

Certified by AENOR in Business Advice and in Foreign Trade and Cash Management, it incorporates a value proposition that offers innovative solutions and specialised attention in 125 centres distributed throughout Spain, providing advanced advice through videoconferencing and the Business Wall.

Business Banking presents a model of exclusive assistance where a team of professionals respond to the needs of each company.

The Entity wants to continue increasing its relationship with customers, as well as broadening the business customer base to continue promoting credit with the best service.



## Main **indicators**

87.2

**EXPERIENCE RATING** 



47,651 INVESTMENT



**INVESTMENT GROWTH** IN 2020

16.5% **SHARE OF LOANS TO** COMPANIES1



29.3% 33.1% RECEIVED **ISSUED** SHARE OF INTERNATIONAL **GUARANTEES** #1 LEADERS

18.6% **LEASING SHARE** 14,7% IN 2019

















#### Milestones of 2020

New CaixaBank NOW Businesses, with new digital service features.

New service model 2.0 promoting digital channels.

Boosting digital signatures for businesses.

#### **Hotels & Tourism**

We have accompanied the tourism sector in these very complex times and will continue to do so to support its recovery. We have also received recognition from the UNWTO<sup>1</sup> for initiatives that have helped mitigate the impact of COVID-19 in the sector.

#### **Real Estate & Homes**

Strong consolidation of the Real Estate Commercial business, positioning us as a benchmark in the market.

#### **Structured Financing**

With more than 270 signed operations, CaixaBank has set the record of Structured Financing operations in the business sector in Spain. With a solid consolidation of the commercial Real Estate business, CaixaBank has continued to be, for another year, a benchmark entity in the market.

RESPONSE TO THE COVID-19 EMERGENCY

in moratoria and aid to the most affected companies by COVID-19

ICO loans granted

Collaboration with the "la Caixa" Foundation's programmes has been fostered as part of corporate responsibility.



Programme for child



+2,000 companies

+300 jobs already participating in the programme





















## **CIB & International Banking**

Corporate customers with a turnover of over €200m, international institutions and customers



The CIB & International Banking service 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 develops and manages the relationship with national and international corporate clients with the objective of becoming their financial institution of reference. It has a customer-sector coverage structure (Energy & TMT<sup>1</sup>, Construction and Infrastructure, and Real Estate, Industries and FIG<sup>2</sup>) and a unique offer of structured financing products, Working Capital, Trade Finance, Capital Market and Consulting. It also engages with international and domestic multilateral entities (BEI Group<sup>3</sup>, IFC<sup>4</sup> and ICO<sup>5</sup>).

International Banking offers support to branch, CIB and Corporate Banking customers operating abroad and to large local corporates through its 27 international points of presence and 166 representatives.

Institutional Banking serves public and private sector institutions with a value proposition

#### International presence \_\_\_\_\_



Representation offices

Milan, Beijing, Shanghai, Dubai, New Delhi, Istanbul, Singapore, Cairo, Santiago de Chile, Bogotá, New York, Johannesburg, Sao Paulo, Hong Kong, Lima, Algiers, Sydney, Toronto.



International branches (7 offices)

Warsaw Morocco with three branches: Casablanca -Tangier - Agadir London Frankfurt Paris



Spanish Desks

Mexico City Vienna



















#### Milestones of 2020

Growth of 42.3% in the turnover of international branches.

Boost in credit investment in countries covered by the network of Representative Offices, for a total of €2,889 million.

IFC award as Best Confirming Bank worldwide, within the framework of the Trade Finance Programme (GTFP).

Open Gates events in 10 countries and 234 interviews with 112 clients. Sessions with 96 customers have also been carried out online.



## RESPONSE TO THE COVID-19 EMERGENCY

Issuance of 200,000 social cards for the management of canteen grants in support of public administrations.

€21.4m in loans to third sector entities.

Formalisation of liquidity operations by volume greater than €4,000m, supporting our customers and contributing to their viability in the long term.

New products / services launched in 2020



#### LAUNCH OF CAIXABANK **FX NOW**

The platform that allows customers to securely manage their foreign currency transactions in real time.

#### CREATION OF THE STRUCTURED TRADE FINANCE TEAM

Dedicated to the development and formalisation of national and international operations with coverage of Export Credit Agencies.



operations that meet Socially Responsible

#### **DEVELOPMENT OF CIRCULATING AND FOREIGN TRADE PRODUCT DEVELOPMENT**

of the BANK-to-BANK portfolio.

#### **FACTORING FCI/CESCE**

**DIGITAL SIGNATURE FOR DERIVATIVES** 

















# **BPI**

BPI is a financial institution focused on commercial banking operations in Portugal, where it is the fifth largest bank in terms of assets, with market shares over 10% in loans and deposits.

BPI's business is distributed across Personal, Business, Premier and InTouch and Private Banking, and across Business and Institutional, and Corporate and Investment Banking. BPI offers a complete range of financial products and services, adapted to the specific needs of every sector through a specialised, omnichannel and fully integrated distribution network.

BPI's product range is complemented with investment and savings solutions from CaixaBank's Asset and Insurance Management department and with the distribution of Allianz Portugal's non-life insurance and Cosec's loan insurance. In 2020, BPI began marketing life risk insurance policies for VidaCaixa, S.A., following the conclusion of the distribution agreement for these insurance policies with Allianz Portugal.

#### >> Acknowledgements







#### Strategic **priorities**



Sustainable growth in profitability



Boosting the transformation of customer experience



Developing the bank's human resources



Improving operational and organisational Improving operational efficiency



Consolidating the bank's reputation based on the quality of customer service and social commitment



Best large bank in

Brand of



#### Main **indicators** \_\_\_

1.9m **CUSTOMERS** 



4,622 **EMPLOYEES** 4,840 IN 2019



**BRANCHES** 477 IN 2019



€37,564m

OF TOTAL ASSETS €31,444m IN 2019

€25,647m GROSS LOANS AND **ADVANCES TO CUSTOMERS** 

+5.5% COMPARED TO



€32,614m TOTAL CUSTOMER

RESOURCES

+9.5% COMPARED TO 2019







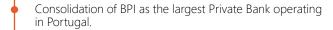






#### Milestones of 2020

First Bank to obtain the **Covid safe brand in Portugal**, recipient of the APCE-Covid Grand Prize for internal communication, and the first to be distinguished by a Global Finance Award in Crisis Leadership



Promoting digitisation and improving customer experience in digital channels:

- > New digital sales solutions (insurance) and increased operations available.
- > Innovative digital signature system.
- > Internet and Mobile Banking: #2 in market share of individuals and #1 for companies.

Creation of the Automation Centre to contribute to efficiency gains and cost savings.

First Bank in Portugal to obtain CMMI L3 certification.







Best Private Mana-

Bank for Portfolio gement Technology in Europe





## IN-TOUCH

Private customers have an assigned manager with whom they can communicate by telephone or chat via the BPI App or BPI Net and carry out remote operations from anywhere during extended hours.

#### **FAMILY EXPERIENCES**

A platform that allows customers with Valor and BPI Net accounts to get discounts on more than

#### MY PLANNING

A financial planning service at BPI Net and BPI App for Premier Banking customers.

#### PERSONAL CREDIT

New functions: renovations, car, renewable energy and health.

#### **BPI DRIVE**

New products / services launched in 2020 \_\_\_\_\_

finance cars in a completely digital, secure and innovative environment.

#### **BPI/EIF AGRICULTURAL LINE**

In March 2020, BPI signed an agreement with the European Investment Fund (EIF) to provide customers with the BPI/EIF Agricultural Line of Funding, with a total amount of €95 million. Its objective is to offer greater support to investment projects in agriculture and agro-

#### **BPI-ROTA EN2 LINE OF FUNDING**

BPI and Associação dos Municípios da Rota this tourist route. BPI offers a €100m line of funding to support companies that form part of the EN2 Agents Network.



## RESPONSE TO THE COVID-19 EMERGENCY

- 100% of the business centres in operation and more than 86% of the retail offices and premier centres.
- Implementation of support measures for individuals and companies.
- Simplification of processes that improved customer experience and adaptation to working from home.
- The "la Caixa" Foundation, in association with BPI, has maintained all the programmes planned for 2020. They have also developed specific initiatives for the most vulnerable groups affected by the pandemic.

















# Risk management

CaixaBank aims to keep its average risk profile low, with a comfortable capital adequacy ratio and comfortable liquidity metrics, in line with its business model and the risk appetite defined by the Board of Directors.

The risk management systems implemented are adequate in relation to the approved risk profile and risk appetite and consist of the following elements:

#### **GOVERNANCE AND ORGANISATION**

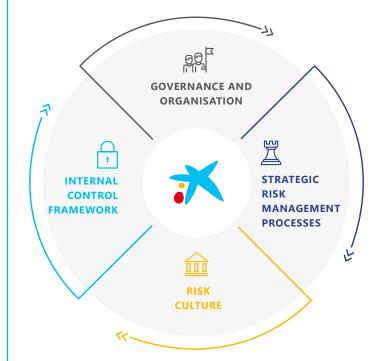
Internal policies, rules and procedures ensure adequate supervision by the governing bodies, steering committees, an by CaixaBank's specialised teams.



#### **RISK CULTURE**

The Group's risk culture is imparted through training, communication and the performance-based assessment and remuneration of staff.

## >> CORE ELEMENTS OF THE GROUP'S RISK MANAGEMENT FRAMEWORK





#### STRATEGIC RISK MANAGEMENT SYSTEM

**Identification and assessment of risks.** *Risk Assessment:* A six-monthly risk self-assessment of the Group's risk profile. This involves identifying strategic events associated with one or more risks which, based on their potential mid- to long-term impact, may require specific monitoring.

**Classification and definition of Risks. Risk Taxonomy:** An annually-reviewed list and description of the material risks identified in the Risk Assessment. Facilitates the internal and external monitoring and reporting of risks.

**Risk Appetite Framework (RAF):** 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 in relation to the risks included in the Risk Taxonomy.



#### 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.

Note 3 to the Consolidated Annual Financial Statements for 2020 provides additional information on risk management and the Group's internal control model

















The most noteworthy aspects of risk management and activities in 2020 for the various risks identified in the Corporate Risk Taxonomy are detailed below:

#### >> BUSINESS MODEL RISKS



#### **DEFINITION**

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.

#### RISK MANAGEMENT

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 any deviations and identifying their cause, conclusions are presented to the management and governing bodies to evaluate what adjustments need to be made to ensure that internal targets are met.

#### **MAIN MILESTONES** IN 2020

The return on tangible equity (RoTE) in 2020 was lower than the cost of capital as a result of the global economic crisis caused by the pandemic.

Core income held up, however, despite the economic climate and continued low interest rates, staying virtually in line with that reported in 2019. The Group continues to focus on the insurance and asset management business, on business segments which are less sensitive to interest rates and on adapting the management of liabilities and customer liquidity. Recurring operating expenses have also been significantly reduced. As a result of all of the above, the Group's margins and core efficiency ratio have improved. The Group has also set up a €1,252 million general reserve for future impairments to the loan portfolio.



Risk resulting from constraints on the CaixaBank Group's ability to adapt its level of own funds to regulatory requirements or to a change in its risk profile.

The COVID-19 pandemic had a profound effect on the management of capital in 2020. On 26 March 2020, the Board of Directors agreed a series of measures to bring the bank's position into line with the new climate impacted by the pandemic and with the measures adopted by the authorities (see inside information

Taking into account new regulatory and supervisory considerations including, among others, the impact of regulations established in the Capital Requirements Directive V (CRDV) regarding the composition of Pillar 2 Requirements (P2R), the Board agreed to reduce the CET1 target established in the 2019-21 Strategic Plan for year-end 2021 to 11.5%, suspending the former target of 12%, plus a 1% buffer to absorb the impact of implementing regulatory requirements including Basel IV.

The regulatory CET1 ratio is 13.6%, meeting the minimum requirements with ease, and situating the MDA (Maximum Distributable Amount) buffer at €7,985 million. Tier 1 capital was strengthened via a €750 million issue.

During 2020, active management measures were taken to meet MREL (Minimum Required Eligible Liabilities) requirements: a €1,000 million green bond was issued in the form of senior non-preferred debt (SNP) and two issues were made of senior preferred debt (SP), of €1,000 million each, one of which is a social bond.







Strategic Line



Statement of









#### >> BUSINESS MODEL RISKS



Liquidity and funding

#### **DEFINITION**

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.

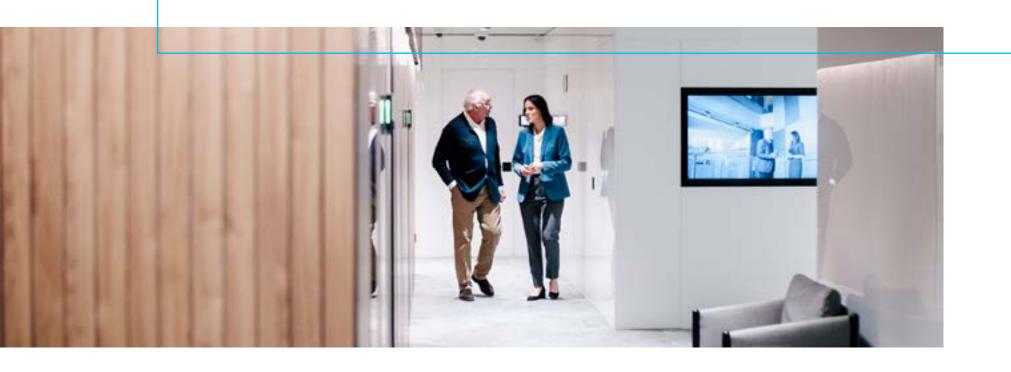
#### RISK MANAGEMENT

The management approach is based on a decentralised system with the segregation of functions aiming to maintain an efficient level of liquid assets; the active management of liquidity and the sustainability and stability of funding sources in both normal and stress scenarios.

#### **MAIN MILESTONES** IN 2020

The generation and contribution of collateral to the European Central Bank credit facilities, the net contribution to liquidity of the commercial funding gap and the fact that new issuances have outpaced maturities have resulted in total liquid assets of €114,451 million, a 12-month average liquidity coverage ratio (LCR) of 248% and an NSFR (calculated per Regulation (EU) 2019/876) of 145%.

Institutional financing amounted to €35,010 million, performing very well in 2020 due to the Group's success in accessing markets with different debt instruments.















#### >> RISKS AFFECTING FINANCIAL ACTIVITY

#### DEFINITION

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.

#### RISK MANAGEMENT

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 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 quality of assets throughout their life cycle based on preventive management and early recognition of impairment.
- > Up-to-date and accurate assessments of the impairment at any given time and diligent management of nonperforming loans and recoveries.

#### **MAIN MILESTONES** IN 2020



Credit

Reduction of the carrying amount of the equity portfolio and non-financial and other assets) of the CaixaBank

Management based on monitoring the processes of assessing impairment and asset write-down tests, as well as compliance with the policies for optimising shareholding and real estate investments within strategic objectives.

















#### >> RISKS AFFECTING FINANCIAL ACTIVITY

#### DEFINITION

performance of these.

Risk of a loss or adverse change to the value of the commitment assumed through insurance or pension contracts with customers or employees due to the differences between the estimated actuarial variables used in the tariff model and reserves and the actual

#### RISK MANAGEMENT

This risk is managed in order to ensure the Group has the capacity to meet commitments to its insured parties, to optimise the technical margin and to keep balances within the limits established in the risk appetite framework.

#### **MAIN MILESTONES** IN 2020



**Actuarial** 

Structural rate risk

Negative impact on the economic value of balance sheet's items or on the financial margin due to changes in the temporary structure of interest rates and its impact on asset and liability instruments and those outside of the financial assets held for trading.

This risk is managed by optimising the net interest margin and keeping the carrying amount of assets within the limits established in the risk appetite framework.

This risk is managed by optimising the net interest margin and keeping the carrying amount of assets within the limits established in the risk appetite framework.



Market

Loss of value, with impact on results or solvency, of a portfolio (set of assets and liabilities), due to unfavorable movements in prices or market rates.

Risk management is based on maintaining risk low, stable, and within the established risk appetite

The market risk of the trading book is measured daily using an internal model subject to regulatory



















#### >> OPERATIONAL AND REPUTATIONAL RISK

#### **DEFINITION**

#### The application of conduct criteria that run contrary to the interests of its 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

#### RISK MANAGEMENT

#### Conduct and compliance risk management is not just the responsibility of a single department, but of the entire CaixaBank Group. All employees must strive to ensure compliance with current legislation and to implement procedures to translate this legislation into their dayto-day work.

#### **MAIN MILESTONES IN 2020**

The Group has continued to foster a culture of good conduct and to raise awareness in the organisation through training programmes linked to its variable remuneration scheme and by building conduct indicators into corporate targets. The compliance target set for 2020 in this respect was met.

A new confidential channel for enquiries and complaints was launched in 2020. This key Compliance tool has been developed in line with best market practices.

CaixaBank has also obtained UNE 19601 certification for its criminal compliance management systems.



Legal / Regulatory

Conduct

The potential losses or decrease in the profitability of the CaixaBank Group as a result of changes in legislation, the incorrect implementation of thislegislation 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 risks are managed so as to safeguard the Group's legal integrity and to anticipate and mitigate future economic harm by monitoring rea predictable, efficient and sound legal framework, and interpreting and impleachieved by managing the case-by-case defence of the Group in judicial and extrajudicial proceedings, and monitoring the impact of such proceedings on the

The monitoring of regulatory framework easing measures in response to the COVID-19 pandemic has been a central issue in 2020. Key measures at the European level include the 'quick fix' review of the CRR and the reactivation of the EBA's Guidelines on legislative and non-legislative moratoria, while in Spain Royal Decree Laws (RDL) 6/2020, 8/2020 and 11/2020, on extraordinary urgent measures to address the economic and social impact of COVID-19 were approved and came into force. The proposed amendment to the Benchmarks Regulation (BMR) to prevent systemic risks arising when the LIBOR is phased out is also significant. The Group also tracks the regulatory changes planned for 2021, particularly regarding sustainable finance, corporate governance, payments, data and cyber-security. Significant legislation implemented in the year includes: Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector; Order ETD/699/2020 of 24 July, regulating revolving loan facilities; and Bank of Spain Circular 4/2020, of 26 June, on advertising banking products and services.

















#### >> OPERATIONAL AND REPUTATIONAL RISK

#### **DEFINITION**

# Risks of losses due to hardware or sof-

tware 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.

#### RISK MANAGEMENT

Managing this risk involved identifmonitoring and reporting the risk levels involved in the governance and management of Information Technology.

The governance frameworks used have been designed according to internationally recognised standards.

#### **MAIN MILESTONES** IN 2020

The implementation of the new Technology Risk control framework was completed, based on an advanced control and monitoring methodo-

This methodology follows the banking supervisor's guidelines on technological risk, covering scenarios affecting the availability of IT, cybersecurity, including cyber-attacks, cyber-espionage or information leaks, and the operation of information technologies.



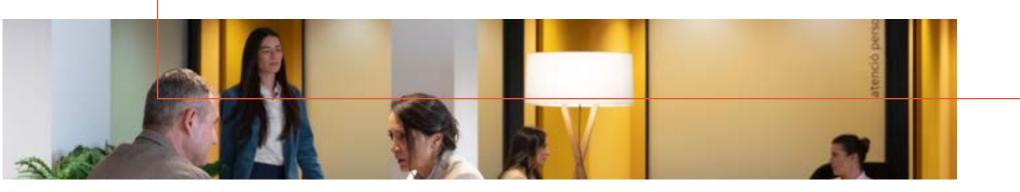
**Technological** 

Deficiencies in the accuracy, integrity and criteria of the process used when preparing the data and information necessary to evaluate the financial and equity position of the CaixaBank Group, as well as the information disclosed to market and stakeholders that offers a holistic view of positioning in terms of sustainability with the environment and that is directly related to environmental, social and governance aspects (ESG principles).

Financial information risk is mainly managed through oversight of the monthly account closing process and ensuring there are properly functioning and monitored internal control systems for financial reporting (ICFR) and non-financial reporting (ICNFR), as well as other metrics and policies related to financial

The risk affecting the Reliability of Non-Financial Information was added to the Corporate Risk Taxonomy in 2020. The Reliability of Financial Information risk was consequently renamed Information Reliability Risk, covering both financial and non-financial information.

A Corporate Financial Information Reliability Risk Management Policy was also established, replacing the Corporate Policy on the System of Internal Controls over Financial Reporting and the Corporate Policy on Disclosure and Verification of Financial Information. This details the governance and review process covering the non-financial information statement included in the Management Report.



















#### >> OPERATIONAL AND REPUTATIONAL RISK

#### DEFINITION

#### Possible adverse consequences for the Group that could arise as a result of decisions mainly based on internal models' results with construction,

#### RISK MANAGEMENT

Model risk is managed on the basis of three main strategies:

- > Identifying existing models, assessing the quality thereof and how they are used by the Group.
- > The establishment of a framework of governance, managing each model according to its materiality (management based on Tier).
- > Monitoring using a set of KPIs to flag up model risk, breaking model risk down into its main sub-risks (quality, governance, control environment).

#### **MAIN MILESTONES** IN 2020

A governance framework for the models was defined in 2020, with a comprehensive approach that focuses on key stakeholders and is Tier-based to ensure they are managed efficiently. The Corporate Model Risk Management Policy that sets out this framework was approved by the Board of Directors on 28 January 2021.

Model risk has also been classified as a level 1 risk, ensuring that a suitable and coherent control framework is in place and that this risk is actively managed in accordance with the defined risk appetite framework.



Model

Other operational risks

or faults in processes, due to external events, or actions of third parties outside the Group, whether acciamong others, risk factors related to outsourcing, the custody of securities

The management and control of this risk seeks to avoid or mitigate negative impacts on the Group, either directly or indirectly due to the impact on relevant stakeholders (e.g. customers), arising from internal processes and systems or from the actions of third parties.

A specialised second line of defence function was rolled out in 2020 to deal with risks such as external fraud, outsourcing and operational continuity, as part of the goal of implementing a comprehensive three-line defence structure for the management and monitoring of risks.



Reputational

The possibility that the CaixaBank Group's competitive edge could be blunted by loss of trust by some of its stakeholders, based on their assessment of real or purported actions or omissions carried out by the Group, its Senior Management or Governing Bodies, or due to the bankruptcy of related unconsolidated entities (stepin risk).

The risk is managed to meet satisfactory targets for CaixaBank's main reputation indicators and to enhance the monitoring of preventive measures and control.

In line with the requirements of the CNMV's Code of Good Governance, the Board of Directors of CaixaBank approved a new Corporate Communication Policy, setting out the Group's main strategies and principles regarding the provision of key financial, non-financial and corporate information to its main stakeholders.

The frequency of reputational surveys of customers and shareholders has been increased from annual to quarterly in order to improve the measurement of reputational indicators. This will ensure CaixaBank has better and more up-to-date information on the perceptions of its most important stakeholders.







to the emergency and contribution to recovery



Statement of Non-financia





Annual Corporate

# **COVID-19:** CaixaBank's response to the emergency and contribution to recovery

- CaixaBank has received the Euromoney Award for Excellence in Leadership in Western Europe 2020 for social commitment in its response to the COVID-19 crisis.
- >> CaixaBank, recognised for leadership in its response to the COVID-19 crisis by Global Finance. CaixaBank is the only European entity among the global winners of the **Outstanding Crisis Leadership** awards, which acknowledge companies and entities that have demonstrated their business leadership with measures to promote economic and social recovery.

# #CONTIGO MAS QUE NUNCA

## Support for customers and suppliers

The CaixaBank Group aims to play a key role in **contributing to the well-being of society**, especially the most vulnerable groups, and **helping the Spanish and Portuguese economies to recover as quickly as possible**. To achieve this, it has implemented a series of measures, and products have been developed with conditions adapted to the current context, taking into account the impact that decisions of this kind can have on growth and the generation of income.

#### **#CONNUESTRASFAMILIAS**

> Moratoria: in Spain, two types of adapted moratoria have been implemented; (i) a mortgage moratorium due to coronavirus approved by the Government, which offers a three-month deferral of principal and interest (this can also be applied to personal loans over the same period); (ii) a mortgage moratorium put in place by most banks in the country, covering a deferral period of up to twelve months (and up to six for personal loans), only in respect of capital. In Portugal, customers who meet the relevant conditions are eligible for capital-only or capital and interest moratoria, both on mortgages, initially with a deferral until 30 September 2020, extended in June until 31 March 2021, and for personal loans, with a deferral of up to twelve months.

#### >> DETAILS OF MORATORIA APPROVED

AT 31 DECEMBER 20201

Total **moratoria** granted during 2020 amount to €17,224 million (497,253 transactions). Total moratoria at 31 December 2020 are shown in the table below, 65% end during the first half of 2021.

	31.12.20						
	Spain		Portugal		Total		
	No. of opera- tions	Amount in millions	No. of opera- tions	Amount in millions	Amount in millions	% of portfolio	
Moratoria for individuals	122,213	8,204	68,722	2,932	11,136	9.2	
Home purchase	71,597	6,473	39,233	2,495	8,968	10.5	
Other	50,616	1,732	29,489	437	2,168	6.2	
of which: consumer goods	17,743	80	27,675	329	409	2.9	
Moratoria for companies	1,206	532	28,762	2,656	3,188	3.0	
Productive sectors (exc. property developers)	988	479	27,219	2,393	2,872	2.9	
Property developers	218	54	1,543	263	316	5.5	
Public sector moratoria	-	-	4	32	32	0.2	
Total moratoria approved	123,419	8,737	97,488	5,620	14,356	5.9	

<sup>&</sup>lt;sup>1</sup> Moratoria according to RDL 8/2020, 11/2020, 25/2020, 26/2020 (101/2020 in Portugal) or Sector Agreement.





COVID-19 response to the emergency and contribution to recovery

Strategic Line

Statement of Non-financia

Glossary and Group struct

Independ Verificatio Report

Annual Corporat Governance Rep 2020 > ICO rentals: agreement with the ICO for the launch of a new line of financing aimed at tenants in a situation of economic vulnerability who cannot afford to pay the rent for their homes because of the COVID-19 crisis. These are loans, guaranteed by the ICO, for customers and non-customers who need help with paying rent, for 6 months.

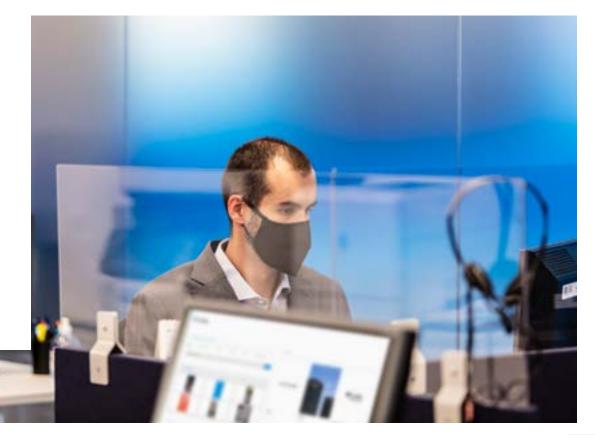
- > Family microcredits: access to family microloans extended to account holders with joint income of less than €19,300 (previously €17,200). This figure corresponds to the result of multiplying the Public Multiple Purpose Income Indicator (IPREM) by 3.
- > Rentals of own property waived: in April-May-June 2020, CaixaBank waived 100% of rentals from its property and 50% in July, in cases of a loss of income by the tenant or a member of the family unit (unemployment, reduction in working hours, closing of business or reduction in income by more than 40%).

4,786
TENANTS HAVE BENEFITED FROM THIS MEASURE



> Insurance cover in the event of a pandemic: all our insurance policies have continued to offer cover, even if the entitlement is related to the CO-VID-19 pandemic (not applying the exclusion justified by a pandemic), in order to ensure the best protection for all our customers.

Working jointly with Allianz, Banco BPI provided all customers with a 24-hour help line for medical consultations.







COVID-19 response to the emergency and contribution to recovery



Statement of Non-financial Information







#### **#CONNUESTRASEMPRESAS / #CONNUESTROSAUTÓNOMOSYPYMES**

> Loans to businesses: facilitating the granting of credit where it is needed is a priority, carried out in coordination with the national support schemes established by the authorities. CaixaBank has launched various financing lines for self-employed workers and SMEs, available to those who need new financing, in addition to the ICO facility promoted by the Government to help companies affected by the COVID-19 crisis.

In Portugal, businesses that meet the relevant conditions are eligible for capital-only or capital and interest moratoria on loans, initially with a deferral until 30 September 2020, which was extended in June until 31 March 2021. BPI has also promoted the placement of publicly guaranteed credit lines created in response to the COVID-19 crisis. To speed up access to credit lines guaranteed by the state, BPI created a simplified line that allows up to 20% of the funds to be advanced, subject to analysis and approval by the Bank.

#### >> BREAKDOWN OF FINANCING WITH PUBLIC GUARANTEE

Details of publicly guaranteed financing, based on the State guarantee schemes implemented in response to COVID-19, are shown below:

	31.12.20			
Amounts € million	Spain (ICO)	Portugal	Total	
Loans to individuals	1,196	20	1,216	
Other purposes (self-employed)	1,196	20	1,216	
Loans to business	11,437	530	11,967	
Productive sectors (exc. property developers)	11,396	529	11,925	
Property developers	41	1	42	
Public sector	6	-	6	
Loans and advances to customers, gross <sup>1</sup>	12,640	551	13,191	

CaixaBank has decided to maintain access to financing for working capital for businesses and self-employed workers, despite the drop in their turnover that may have occurred, and periods of grace have been granted in the area of equipment rental and vehicle renting fees. To support small businesses, POS charges were also discounted and a new e-commerce technology solution was launched by CaixaBank and made available to small retailers to help them boost online sales.

In Portugal, the credit lines already contracted were maintained, until 30 September 2020, without changing the interest rate. To support business, BPI eliminated the minimum charge on POS transactions and waived POS and monthly fees for those who had temporarily closed their establishments as a result of the pandemic.

> FEI-Covid19 Business Loan: a new credit line has been made available to self-employed workers and micro-enterprises to meet working capital needs arising from the crisis. This line has been implemented thanks to the European Commission's COSME COVID19 sub-programme, and offers a credit line of 310 million euros for businesses that have liquidity problems and cannot access ICO credit or need to complement it. The maximum amount of these loans is €50,000 and borrowers can request a period of grace for capital repayments of up to 12 months.

**3,424** operations approved for €54 million in volume

- > Social companies EaSI Loan: aimed at social enterprises whose purpose is to generate a positive impact on society, this type of loan has been a great alternative at this difficult time, especially for front-line companies related to sectors such as health, the fight against poverty and social and employment inclusiveness. This line is supported by the European Investment Fund.
- > Payment to suppliers expedited: CaixaBank has made an effort to speed up the flow of payment to our suppliers, providing them with essential liquidity at this time and contributing to the maintenance of their businesses. The measures implemented have focused on making payments as far in advance as possible, without considering due dates, streamlining invoice authorisations and making a special effort to settle old invoices. In just over a month, during the state of alarm, the amount corresponding to invoices pending payment was reduced by 79%.

<sup>&</sup>lt;sup>1</sup> Corresponds to the amount of credit granted and drawn down by customers. CaixaBank has also granted loans and credit of €1,679 million not yet drawn down by customers at 31 December 2020





and contribution to











#### #CONNUESTROSMAYORES / #CONLOSQUEMÁSNOSNECESITAN

> Advance payment of retirement pensions and unemployment benefit: after the announcement of the state of alarm due to the COVID-19 epidemic, Caixa-Bank was one of the first financial institutions to advance the payment of unemployment benefits and retirement pensions, by 7/10 days.

The measure had a dual purpose: on the one hand, it helped people to face their expenses at the beginning of each month; on the other hand, it helped reduce and stagger the influx of customers in our branches. These early payments were made automatically.

In April and May BPI also paid retirement pensions early.

At 30 June 2020, the details of customers receiving pensions or unemployment benefit were as follows:

2.0<sub>m</sub> pension (≈€1,800m)

customers receiving unemployment benefit

(≈€1,200m)

pension

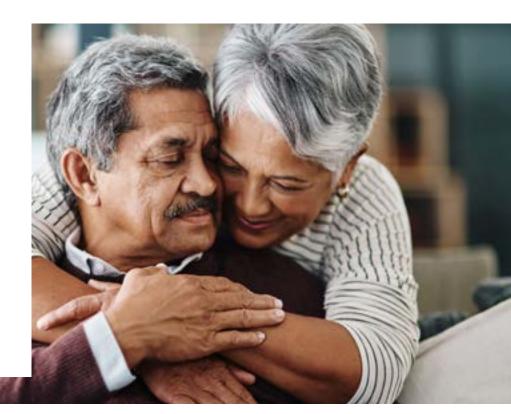
customers with direct deposit of pension in Portugal

customers with direct deposit of

1 Includes the contribution of SegurCaixa Adeslas.

#### **#CONLOSQUECUIDANDENOSOTROS**

> Protection for health care workers: in order to help protect the health of those who are fighting for society as a whole in this pandemic, VidaCaixa has participated in the creation of a solidarity fund for the sector of over €37 million to protect our country's health care workers. The fund, supported by more than 100 insurers, offers free life and hospitalisation insurance to 700,000 doctors, nurses, nursing assistants, orderlies and ambulance staff and those working in care homes in the fight against coronavirus. CaixaBank has contributed 8.5 million euros to this initiative<sup>1</sup>









cOVID-19 response to the emergency and contribution to recovery









Annual Corpo



## Continuing to offer an essential service

Maintaining business continuity at all times, offering customers the financial and insurance services that are essential for their day-to-day lives, with the highest safety standards for all, has been a priority for CaixaBank.

For CaixaBank, financial inclusion, a cornerstone of responsible banking, also means a commitment to stay close to its customers, providing local, accessible banking services. **Our firm commitment in recent years to a multichannel approach** has been a determining factor in the good performance of the business during this period of mobility restrictions.

#### **Branch** network \_

CaixaBank kept an average of around 90% of its branches open in the period March to June 2020. The highest percentage of branch closures was around 15%, between the third week of March and the second week of April.

100% of ATMs have remained operational, even those at branches that were temporarily closed. CaixaBank also joined the other institutions in the Spanish Confederation of Savings Banks (CECA) in not charging fees at ATMs during the state of alarm.

From 16 March, the BPI network began operating with limited access to the customer service area. During the state of alarm BPI ensured that more than 86% of its retail and premier branches remained open, and over 94% from early June (99% at the end of 2020), and 100% of its corporate centres.









to the emergency and contribution to recovery

Strategic Line



Glossary and Group struct



Independer Verification Report



## Digitalisation, a key factor \_\_\_\_\_

To avoid unnecessary travel, and to protect the health of customers and employees, we have promoted the use of digital channels, reviewing and strengthening the main processes and increasing our ability to provide services remotely and make new products and services available to customers.

It is worthy of note that applications for credit moratoria can now be made through CaixaBank Now, BPI Net and BPI Net Empresas.

Another example is the increased number of operations linked to VidaCaixa products available through digital channels. During the COVID-19 crisis, the option of making an online request to redeem savings plans (PPI, PPA, EPSV and PPE) has been activated, in response to the new temporary contingency plan for redeeming these products approved by the Government for people affected economically by the health crisis. Similarly, partial and total redemptions were made available online for managed savings insurance.

The growth recorded during the first half of 2020 consolidated CaixaBank as the leading digital banking institution in Spain.

The limit for contactless card payments without entering a PIN was increased from 20 to 50 euros, helping shoppers to avoid any contact with physical surfaces.

## Customer Contact Centres (CCC)

During the exceptional situation caused by COVID-19, the non-contact services that the Group offers to customers have been particularly important. CaixaBank has strengthened these services, increasing the number of staff and reassigning resources.

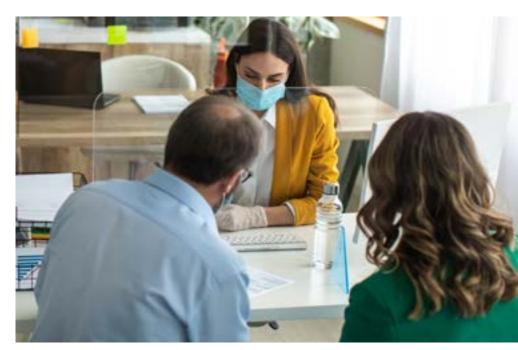
The virtual assistants (bots) that CaixaBank has developed in recent years to respond automatically to customer enquiries have been a determining factor in our ability to attend to a greater number of customers, improving the service and making it more flexible.

+51% contacts received, compared with 2019

## Focus on **cybersecurity** \_\_\_\_\_

The situation arising from COVID-19 has led CaixaBank to prioritise certain aspects of cybersecurity. Among others, we would highlight:

- > Responding to the greatly increased needs for remote working by adapting security levels to the new requirements and by using collaborative tools intensively.
- > Improving monitoring controls and protection against phishing campaigns (malicious e-mails) related to COVID-19, which has been a theme used by external attackers to compromise the security of companies' systems around the world.
- > Adapting security controls to mitigate the impact of the increase in malware that was infecting customers' computers in order to reveal fraud, especially RAT (Remote Access Trojan) malware, which allows the remote control of customers' computers.









COVID-19 response to the emergency and contribution to recovery

Strategic Line

Statement of Non-financial Information

Glossary and Group structi



Annual Corpora Governance Rep 2020

## Responsibility for CaixaBank staff

#### **Health and safety** measures \_

The changing situation of the health crisis means that it is constantly necessary to modify the measures adopted in response to the epidemiological scenario and the range of regulations introduced at regional and local level.

It is up to companies to assess the extent to which their staff may be at risk in the tasks they carry out and to follow the guidelines and recommendations formulated by the health authorities to prevent infection, bearing in mind that CaixaBank's activity can be considered essential.

Prior to the adoption of preventive measures, the bank carried out a specific COVID-19 risk assessment, which concluded that there was a low probability of exposure. This assessment is constantly being reviewed. A protocol has been drawn up to identify and manage situations that might pose a risk of infection or where there is possible contact with positive cases, on a personal or professional level. It is regularly updated in line with health authority criteria and the preventive measures specified by CaixaBank's risk prevention service at any time.

Finally, a protocol has also been drawn up to resume face-to-face activity, which includes all the measures introduced to minimise the risk of contact in our work centres, also constantly reviewed and updated, depending on the epidemiological context, health authority recommendations and applicable legislation.

BPI is also represented on the Business Continuity Monitoring Committee, so that equivalent prevention measures are implemented in Portugal.

#### **Organisational measures**

Introduced gradually to minimise the contact of staff with third parties, ensuring that the safety distance is respected at all times:

- > Business activities are coordinated with regard to the prevention of COVID-19, both with suppliers and in the case of corporate buildings leased or shared with other companies.
- > Only essential travel is allowed, taking into account any restrictions established by the authorities.
- > Temporary suspension of public events.
- > Restriction of face-to-face meetings except for those strictly necessary with limited capacity (currently a maximum of 6 people).
- > Preference is given to the use of video conferencing and other collaborative tools to avoid travel. If face-to-face meetings are necessary and they are held in closed spaces, such as a meeting room or Team Room, the maximum number of attendees allowed at any time cannot be exceeded.
- > Remote work in Corporate and Regional Services with different percentages of on-site work, depending on the epidemiological situation and regulations in force in each autonomous community.
- > In Corporate Buildings and InTouch centres, the entry/departure of staff is staggered and the building's entry/exit points are limited according to its size, occupation and flows in and out. In particular, in Store and All in One branches, measures have

been established to organise and plan visits and tasks, work spaces being assigned so that rotations are not necessary and offices do not need to be shared.

- > The number of customers admitted to branches is limited, their entry is staggered and the time they spend in the branch is limited to what is essential. 24-hour zones are reserved for people using the ATM service. In general, cash management is carried out through ATMs. To ensure social distancing, the floor is marked with vinyl strips indicating points which customers should not pass.
- > Customers over 65 years of age should preferably make an appointment to visit branches.
- > All desks in public service positions are fitted with **protective screens**.
- > Social distance between work stations. If it is not possible to guarantee this distance, a protective screen will be installed
- > Implementation of a clean desk system: at the end of the day, the desk must be cleared. An employee who has occupied one position is not allowed to move to another.
- > Tools and equipment should not be shared or taken from one branch to another.
- > If the health authorities establish restrictions on catering or mobility, flexible arrival and departure times are authorised and in some cases remote work is approved.







and contribution to











#### Hygiene measures

These affect personal cleanliness and keeping premises and air clean:

- > CaixaBank has placed a waste bin at the entrance to all buildings, and hand sanitiser is available at various points in each work centre.
- > Surfaces which are frequently touched are cleaned more often, with cleaning products that follow the recommendations of the health authorities according to an action protocol that minimises any risk to staff carrying out the operation.
- > In addition to the normal cleaning service in the centre, a surface disinfectant kit is available, for employees who wish to use it.
- > When a case of COVID-19 is reported in one of the work centres, CaixaBank will disinfect and clean it (according to a specific protocol). The Joint Prevention Service assesses the suitability of the measures taken and draws up a report on the resumption of activity.
- > With regard to the use of **personal protective** equipment, the bank follows the recommendations of the relevant authorities for a low probability of exposure scenario. Following the recommendations of the health authorities, the following are used:
  - > Gloves: recommended when handling cash and replenishing ATMs. At other times the cleaning and disinfection of staff's hands must be a priority. In cases where customer operations require digital signatures, disposable plastic gloves will be provided in branches, so that customers do not have physical contact with the pad or the optical pencil.
  - > Masks: In the branch network, surgical or hygienic masks must be used at all times. For customer assistance at ATMs, an FFP2 mask or similar must

be used. In corporate buildings and InTouch centres, surgical or hygienic masks will be provided for staff to use in all parts of the workplace, except for their own work station; unless in the latter case safe distancing cannot be maintained (although their use is recommended at all times).

Specific campaigns are organised, in response to the recommendations of the health authorities, with the aim of promoting good environmental conditions inside work centres. Whenever possible, the recirculation of air is reduced and it is replaced more often, while grids, diffusers, filters and batteries in HVAC systems are cleaned and/or replaced more frequently. Regular checks are also carried out on the internal air quality of centres.

#### Informative measures

Employees are informed about the risks to which they are exposed while carrying out their usual tasks in this exceptional situation, and about the preventive measures that must be applied:

> Information is available on the corporate intra**net**, including recommendations on keeping hands clean, a self-assessment questionnaire on the remote work environment, ergonomic recommendations for working healthily and avoiding psychosocial and emotional strain.

- > A compulsory course for the entire workforce on the preventive measures to be taken against COVID-19, via the Virtaula online learning platform.
- > Customers receive information via signs at the branch entrance indicating the measures they must take, and reminding them that it is preferable to use the electronic channels available to prevent unnecessary travel to branches.
- > A series of meetings have been held with the legal representatives of workers, for consultation and their participation in all approaches, protocols and measures related to this matter.









and contribution to



#### Measures to control infection

- > Staff are recommended to check their temperature every day and, if it is higher than 37.5 degrees, not to go to work.
- > If employees have any symptoms indicative of Covid, they must remain at home and contact the public health services, their manager and HR to check for possible contacts.
- > Through Health Surveillance, tests are performed on employees who have any symptoms indicative of COVID-19, as well as their close contacts. In the case of larger centres, the scope of testing has been extended to all employees in the centre, even if they are not close contacts.
- > Screening test for employees who have been in contact with a person who has tested positive outside the workplace.
- > Prior to staff's incorporation in Corporate Buildings and InTouch centres and at regular intervals they are tested or, failing this, they complete a declaration confirming that they understand the preventive measures in place in accordance with established guidelines, they do not have symptoms indicative of COVID-19, and have not had contact with people who have had the disease diagnosed, giving a commitment to report any changes to Human Resources. Tests have been planned for all other centres in the network (branches). At the same time, specific testing campaigns are carried out in areas with a high transmission rate in the community. The type of test used varies depending on the specific needs: it may be a PCR, antigen or serology test. Currently, a pilot antigen test is being carried out using a sample of saliva.

The COVID-Pass application has also been launched on the corporate smartphone for internal management of COVID-19. This application allows users to check for symptoms of COVID-19, receive notifications adapted to each employee to keep up-to-date, and it facilitates monitoring of all staff in connection with COVID.

In the event of an outbreak in a work centre (3 positive cases or more), a procedure is applied that involves analysing the causes, containing transmission (preventive isolation and programming tests) and reviewing the prevention measures in the centre.

#### Follow-up, advice and assistance for employees

CaixaBank's staff includes employees with pre-existing conditions that make them particularly sensitive to COVID-19. The management of this group will be coordinated through the Health Surveillance Service, which, according to medical criteria, will comply with the decisions of the relevant authorities at any time.

The Health Surveillance Service also monitors the following groups:

- > People who have had close contact with confirmed
- > Confirmed cases of infection

This monitoring makes it possible to monitor changes in employees' condition, advise them and make medical recommendations.

Medical, psychological and emotional health care are provided for the entire workforce through a free, unlimited and anonymous medical and psychological telephone counselling service to support them and help resolve any doubts or concerns that may arise.







and contribution to











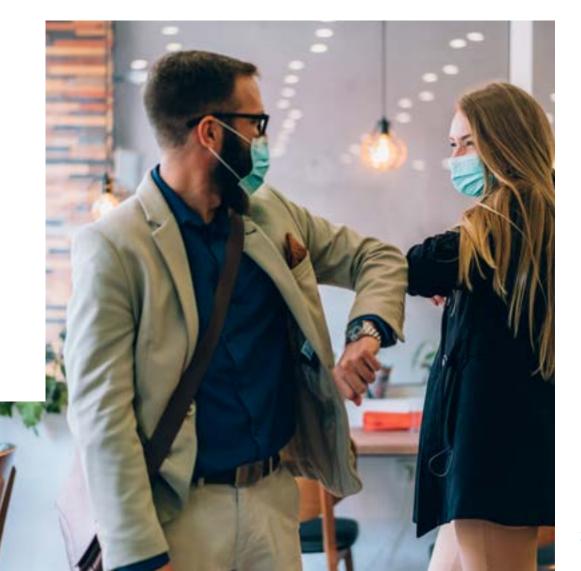
#### Remote work and the resumption of on-site work.

CaixaBank facilitated and promoted remote work by staff in Corporate and Regional Services from the start of the state of alarm, especially during the lockdown period, with the aim of safeguarding the health of employees and guaranteeing the continuity of the business in the best possible conditions, except in the case of critical staff or teams who could not carry out their work in this way for technical reasons.

The gradual return to face-to-face activity in Corporate and Regional Services was carried out after the implementation of the preventive measures included in the specific protocol for this purpose, making the necessary adjustments at any given time, according to the development of the pandemic and the recommendations of the health authorities. Given that the financial sector was considered a Core Service from the outset of the pandemic, and that we therefore needed to keep the branch network open, a shift plan was established whereby part of the staff worked remotely.

For organisational reasons some branches were closed and to mitigate the impact on the network, remote support hubs for branches were created. As the situation regarding the pandemic improved, the percentage of staff working on site was increased to 75% and then 100%.

Currently, management and prevention protocols are being constantly reviewed, the necessary adjustments being made according to the restrictions and recommendations of the relevant authorities.









and contribution to









#### Work-life balance and flexibility \_\_\_\_\_

Support during major life events is of huge importance to CaixaBank employees, who appreciate the institution's willingness to adapt to personal situations and provide support when it is needed. This perception is due to the large number of measures that the bank makes available to the entire workforce, designed to facilitate work-life balance.

In response to the pandemic, additional measures to improve work-life balance have been implemented for those employees who had already made use of their full holiday allowance, subject to the organisational possibilities of the work centre to which staff are assigned.

#### Recoverable paid leave

Recoverable paid leave may be requested, in writing and when justified. It is limited to 100 hours and must comprise full days.

#### Improvement in legal leave of absence for childcare

Exceptionally, the age of minors for whom this leave can be taken has been raised to 14. When the child turns 14, if there is still a need for special leave, other measures that are in force at any given time must be used.

#### **Unpaid leave**

For extraordinary needs linked to COVID-19, unpaid leave can be requested. It is subject to approval and can be granted for up to 3 months.

#### Holidays 2020

To help with employees' work-life balance, their 2020 holidays do not have to be taken exclusively in the three periods established by internal regulations.









and contribution to









## Consolidating financial stability

#### Changes to the application of 2019 financial results \_\_\_

In order to adapt the bank's position to the new circumstances, the Board of Directors, at its meeting of 26 March 2020, agreed to defer the application of the profit for the year ended 31 December 2019, as proposed by the Board of Directors on 20 February 2020, as specified in the individual and consolidated financial statements of CaixaBank for the financial year ended 31 December 2019. A dividend of 0.15 euros/share was planned in accordance with CaixaBank's dividend policy and the 2019-2021 Strategic Plan, which envisaged the distribution of an amount in cash greater than 50% of consolidated net profit.

Within the framework of the measures adopted as a result of the situation created by COVID-19, at the same meeting on 26 March 2020, the Board of Directors, exercising caution and social responsibility, agreed to reduce the dividend from 0.15 to 0.07 euros per share, which represents a payout of 24.6%. The dividend was paid on 15 April against 2019 profits, this being the only shareholder remuneration expected for 2019.

Total profit to be distributed (€)	2,073,521,148
Interim dividends (April 2020)	418,445,322
To voluntary reserves	1,655,075,826

**€0.07**/share Shareholder returns in 2019 3.33% Dividend yield (on share price at 31.12.20)

On 28 January 2021 the Board of Directors cancelled the policy of allocating at least 50% of consolidated net profit to dividends, which had been in place prior to 2020, and announced that the policy for 2021 and subsequent years would be published at the appropriate time, but not in any case before the merger with Bankia, as it will need to be decided by the new Board when it has reviewed and approved the 2021 budget.

#### Changes to capital objectives

After considering new regulatory and supervisory aspects, including the impact of the standards established in Capital Requirements Directive V (CRD V) with regard to the composition of Pillar 2 Requirements (P2R), the Board agreed to reduce to 11.5% the target for the CET1 capital adequacy ratio established in the 2019-2021 Strategic Plan for December 2021, suspending the CET1 target ratio of 12% plus a buffer of 1%, which was intended to absorb the impacts of the implementation of Basel IV and other requlatory impacts, the implementation of which is now expected to be delayed.

#### Remuneration of **Senior Management** \_

Following the principle of prudence in variable remuneration and assuming joint responsibility CaixaBank's Senior Management, the Entity, the CEO and the members of the Management Committee decided to waive their variable remuneration for 2020, regarding both annual bonuses and their participation in the second cycle of the 2020 Long-Term Incentives Plan. It was also agreed that there should be no proposal to grant shares to the other 78 managers included in the Long-Term Incentives Plan.

#### Reinforcement of credit-risk provisions

CaixaBank has strengthened credit risk coverage with an extraordinary provision of €1,252 million, anticipating future impacts caused by COVID-19.

#### 2020







and contribution to











### **Social action -** Specific COVID-19 measures

CaixaBank has acted quickly to identify social problems at any given time, reassigning resources to help alleviate the difficulties of the most vulnerable groups. At the most critical moments in the COVID-19 crisis, we have carried out the following measures:

> Decentralised Social Work: channelling funds to where they are urgently needed, €9.2 million for 1,682 social activities, notably:

**#CON LOS QUE MÁS NOS NECESITAN** 



Food €5.6 M activities

Medical and

Senior citizens €0.3 M /9 activities

Other vulnerable groups €2.0 м activities

emergency equipment €1.3 м

235 activities

- > NoHomeWithoutFood (project to help Food Banks): €2.3 million raised and €1 million contributed by "la Caixa" Banking Foundation.
- > New online activities by the CaixaBank Volunteer Association: more than 400 activities with over 1,600 volunteers registered.
- > Over 192,000 telephone calls showing solidarity with customers over 75 years of age.
- > Distribution of more than 2.400 tablets, to more than 700 institutions which accommodate vulnerable people, in liaison with Samsung Spain.
- > ReuseMe: 14 donations made to 13 different organisations by 5 CaixaBank customer companies, which have donated clothing, hygiene products and leisure equipment to hospitals.
- > WithOurTraditions: social communication to keep our customers informed about festivities that are being organised differently because of the pandemic.

Cooperation between BPI and "la Caixa" Banking Foundation during this period has focused on responding to the health care and social emergency caused by COVID-19 through the following projects:

- > Food emergency network: through the association with RTP (Portuguese Radio and Television), the public were mobilised to support the food emergency network. €1.7 million was donated.
- > **Donation of 526 tablets:** a joint project with the Ministry of Health to facilitate communication between patients and their relatives.
- > €1.8 million for innovation projects linked to COVID-19, allocated through the Caixalmpulse express tender.
- > Support for the development of the Portuguese lung ventilator at the CEiiA-Center for Engineering and Product Development, with a contribution of €300,000.
- > The "BPI la Caixa" Awards were adapted to support the groups most affected by COVID-19; they were assigned to 5 social entities, with a total allocation of €3.75 million.
- > Support for artists with the Portugal #EntraEmCena initiative. The creation of this digital marketplace, with the support of the Ministry of Culture, allows artists to launch ideas and obtain investment.

























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02

# **Strategic** Lines

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### Context and outlook for 2021

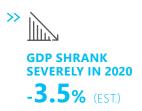
#### The **economic** climate

The global economy and the euro zone



In 2020 the COVID-19 epidemic and the restrictions that were necessary to contain the virus plunged the world into an abrupt and widespread recession, (with global GDP falling by an estimated 3.5%). The economic impact was particularly severe in the first half of the year. In emerging markets, China's quarter-on-quarter GDP shrank by -10% in the first three months of the year, while the advanced economies contracted severely in the second quarter (USA: -9.0% quarter-on-quarter; Euro zone: -11.8%; Japan: -8.2%; United Kingdom: -19.8%).

Following these crashes, economies began to recover as restrictions on movement were lifted, and the GDP of the main global economies picked up notably (USA: +7.4% quarter-on-quarter; Euro zone: +12.7%; Japan: +5.0%; United Kingdom: +15.5%). However, economic activity remains well below pre-pandemic levels (with the exception of China). In fact, indicators suggest that the recovery slowed towards the end of 2020, as COVID-19 infections surged again.















Context and outloo













New outbreaks are being tackled using more targeted measures and the situation is more positive than that of Spring 2020. It is clear, however, that the global economy will remain subject to significant uncertainty.

Over the coming quarters, the pandemic and the associated medical advances will continue to be the main factors determining how economies will perform. The uncertainty, combined with local restrictions on movement to tackle outbreaks, will limit economies' capacity to recover over the coming months. Recent medical advances, however, in particular the development of highly effective vaccines, should mean significant segments of the population will be vaccinated by mid-2021, helping to improve market sentiment and drive recovery. Economic activity is therefore expected to rebound substantially in 2021 (global growth of 5.5%).

It should be noted that **the events of 2020 had major repercussions for economic policy around the world.** In the US, significant fiscal and monetary measures were rolled at and will remain in place over the coming quarters.

After aggressively cutting rates to 0.00%-0.25% and launching a wide range of measures (in particular, extensive asset purchases), in August **the Fed signalled that it will maintain an accommodative policy for a long period** (continuing beyond the recovery of the economy). In fact, it modified its strategic framework, indicating that, in the future, it will temporarily tolerate inflation rates of above 2%.

In the euro zone, activity rallied notably in the third quarter, but the latest figures suggest the economy will have shrunk in the fourth quarter, but without putting growth in future quarters in question, although there will be significant differences between countries. Economies less affected by the pandemic, those whose economic structure is less sensitive to restrictions on movement and/or those with a greater capacity to apply fiscal policy measures will be better able to weather the crisis.

Recent medical advances, in particular the development of highly effective vaccines, should mean significant segments of the population will be vaccinated by mid-2021, helping to improve market sentiment and drive recovery

Different countries have been affected to different extents. In the light of this, the Next Generation EU (NGEU) Recovery Plan proposed by the European Commission to drive a synchronised Europe-wide recovery effort will be of great importance. The funds (€360,000 million in loans and €390,000 million in transfers) are large enough to support short-term economic recovery. The Plan also includes stimuli for transforming and modernising economies (with an emphasis on technological and environmental change) and contains features (such as the issue of significant volumes of EU debt) that could help kickstart the process of rebuilding European economies.









Context and outloo











#### Spain and Portugal evolution \_\_\_\_\_

#### Spain

The Spanish economy is likely to follow a similar pattern to that of the rest of Europe, although its high dependence on sectors that are especially sensitive to restrictions on movement have meant economic activity has been even further depressed (the tourism sector represents 12.3% of GDP while, overall, sectors including catering and hospitality, retail, leisure and transport account for around 25% of GDP).

Spanish GDP shrank by 11% overall in 2020. **The recovery that began in mid-2020 is expected to gain traction in 2021,** with GDP rallying by 6%. This will be helped by domestic and EU fiscal stimulus measures and the availability of a range of vaccines to bring the epidemic under control.

The recovery that began in mid-2020 is expected, therefore, to gain traction in 2021, with GDP rallying by 6%

#### **Portugal**

Portugal, whose economy is also significantly weighted towards tourism (at over 14% of GDP), is facing a similar scenario to that of Spain. Given the difficulties facing the tourism sector and the likelihood that activity will be resumed only gradually, GDP in 2020 shrank by -7.6% and is expected to rally by around 5% in 2021.



There is much uncertainty surrounding this recovery, especially in relation to the pandemic and the medical advances that will be needed to bring it under control, as well as in relation to the roll out of the European recovery plan. The economy will recover more quickly and the damage to economic infrastructure reduced if effective vaccines can be rapidly deployed and the NGEU can be quickly rolled out. However, the possibility of even tighter restrictions on movement cannot be ruled out, especially in the short term, if the pandemic worsens.















#### Regulatory context

CaixaBank shares its opinions on regulatory processes with public authorities through position papers and impact analysis documents, either at their request or on its own initiative.

CaixaBank takes a broad-based approach to influencing public policy, with the ultimate aim of supporting the economic development and growth of the regions in which it operates. CaixaBank is particularly in favour of regulatory initiatives designed to enhance financial stability and underpin good practice in the European banking system, especially those intended to further progress on the Banking Union, including the development of an effective resolution mechanism and the creation of a common deposit guarantee fund. Caixa-Bank also supports the development of a regulatory framework for sustainable finance to meet the goals of the 2030 Agenda for sustainable development and the Paris Agreement on Climate Change. Other areas CaixaBank has worked on include measures to drive digital transformation, improve transparency and protect consumers.

CaixaBank does not engage direct lobbying or interest representation services to influence public authorities. Instead, in general, it shares its views through various associations to try to come to an understanding on the industry's position, although in some specific cases it may communicate directly with regulators and public authorities.

The **Regulation Committee** is the body responsible for defining CaixaBank's regulatory strategy and its position on regulatory and legislative initiatives. The Committee uses internal studies of proposed regulatory changes to identify potential unwanted effects or impacts that could be disproportionate in relation to the desired aim of the legislation. After analysing the

€2.7 m contribution to industry associations1

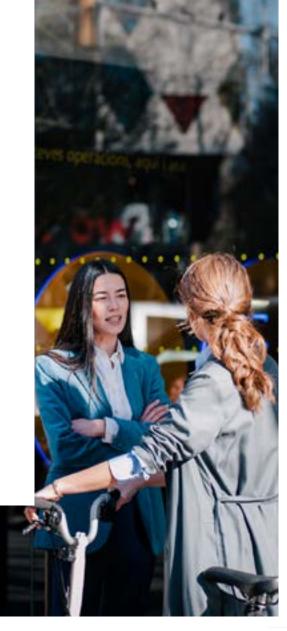
€2.8 m

proposals, the Committee decides on the regulatory strategy that will be channelled through associations or communicated directly to the authorities.

Relationships with political parties and public authorities are subject to CaixaBank's Code of Ethics and Action Principles and its Anti-Corruption Policy. These documents inform all of CaixaBank's interactions in regulatory processes.

CaixaBank's Code of Ethics and Anti-Corruption Policy are intended to ensure not only compliance with applicable legislation, but also to underscore our firm commitment to its ethical principles as signatories to the United Nations Global Compact and our determination to combat corruption in all its forms.

Section 6 of the CaixaBank Anti-Corruption Policy prohibits donations to political parties and their associated foundations. CaixaBank has controls to ensure that donations are not made to political parties.











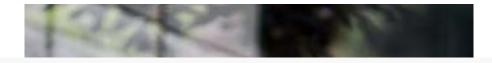








#### >> MAIN INITIATIVES MONITORED BY CAIXABANK DURING THE YEAR THAT HAVE AN IMPACT ON THE GROUP





#### Sustainable finance

- > Developments in the regulations on sustainability-related disclosures for the sector
- > Consultation of the EC Directive on Non-Financial Reporting
- > Regulation on the establishment of a framework to facilitate sustainable investments
- > Delegated acts to amend MiFID, IDD, UCITS, AIFIMD and Solvency II to include ESG criteria
- > ECB Guide to climate-related and environmental risks
- > EBA consultation on the management and supervision of ESG risks for credit institutions and investment service companies



#### **Taxation**

> Financial Transactions Tax Law



#### Innovation and digitalisation

- > Digital Finance Strategy
- > European Commission Data Strategy
- > The Digital Operational Resilience Act (DORA)
- > Legislative proposals on crypto-assets
- > Regulation on responsible artificial intelligence
- > Regulation on digital services and digital markets
- > ECB report and consultation on a Digital Euro



#### **Financial stability** and strengthening of the financial sector

- > Flexibility measures in response to COVID-19, including:
  - > "Quickfix" Capital Requirements Regulations (CRR 2.5)
  - > EBA Guidelines on the regulatory treatment of public and private moratoria.
- > International Financial Reporting Standards
- > Benchmark Regulations
- > EBA Guidelines on loan origination and monitoring.
- > ECB Guide on the supervisory approach to consolidation in the banking sector
- > The EC Action Plan of the Capital Markets Union
- > The EC Action Plan for tackling non-performing loans in the aftermath of the COVID-19 pandemic



#### Consumer protection and transparency

- > Retail payment strategy
- > Royal Decree-Law transposing EU legislation on the distribution of insurance and, in part, on occupational pension plans and funds
- > Order to strengthen the protection of revolving credit

















#### **Technological, social and competitive** context

#### Business profitability and solvency

The COVID-19 pandemic has had an unprecedented impact on economic activity. This has markedly weakened the aggregate returns of the European banking sector. ROE decreased by approximately 3.2 percentage points to 2.5% in the third guarter of 20201.

This decline in the sector's profitability is partly explained by its reduced capacity to generate income, as a result of lower interest rates and the decrease in activity.

In Spain, net interest income and fees have been particularly hard hit, falling by almost 5% year-on-year in the first half of 2020.

Profits were also severely impacted by the need to make significantly higher allowances for impairment losses in anticipation of the potential negative impact of the pandemic on credit quality. To date, credit quality has remained stable, thanks to a range of measures introduced by the Government and the sector (moratorium, furlough programmes and public guarantee schemes), which have significantly mitigated the effects of the pandemic on household and business incomes and prevented non-performing loans suddenly surging. A speedy economic recovery and the introduction of flexibility measures (such as extending the maturity of ICO facilities) will help contain the possible increase in non-performing loans. Meanwhile, higher levels of capital (compared to the 2008-2014) crisis mean the Spanish banking sector has greater capacity to absorb potential losses, even in more adverse scenarios.

However, the expected rise in non-performing loans while interest rates are held low for longer will result in continued weakened profits for the banking sector over the coming quarters, with a very gradual recovery.

Falling income for banks means additional efforts will be needed to reduce operating costs and improve efficiency. The expected rise in nonperforming loans while interest rates are held low for longer will result in continued weakened profits for the banking sector over the coming quarters, with a very gradual recovery.





See section **Generating an** attractive return, while maintaining financial stability

















#### **Digital** transformation \_

The process of digitalising the economy has been given a major nudge by the health crisis and the measures to restrict movement, with both higher usage of digital tools and advances in response to the need to digitalise processes and services.

In the financial sector in particular, digitalisation is leading to greater demands from customers to ensure their satisfaction, and facilitating the emergence of new competitors with business models that leverage new technologies (fintech and bigtech). In turn, access to data and the ability to generate value from them have become an important source of competitive advantage.

Meanwhile, payment habits are changing. The decline in the use of cash in favour of electronic payments has accelerated. Digital payment systems are also evolving, away from a model dominated almost exclusively by card systems (linked to bank deposits) towards a more mixed model in which fintech and Big Tech also participate (and are beginning to offer alternative payment solutions), with the emergence of new types

The digital transformation process brings new opportunities for CaixaBank to get to know its customers and offer them a value proposition through an omni-channel service model. In response to changing habits resulting from the health crisis, special emphasis is also being placed on initiatives that allow for improved interaction with customers through non-face-to-face channels. The digital transformation is also helping the organisation to develop enhanced capabilities such as advanced analytics and the provision of native digital services. In this latter area, CaixaBank will continue to promote new business models, such as Imagin, a digital ecosystem aimed at young people, offering financial and non-financial products and services. The Entity is also developing new, more transversal and collaborative, ways of working, seeking active partnerships with new entrants to improve the service offered to customers, and participating in sector level initiatives to develop new payment solutions.



See section on Customer solutions



Digital ecosystem designed for our youngest customers











Mobiletab











Digital transformation is vital for the competitiveness and efficiency of banking, but it also brings increased technological risks. In particular, the amount and seriousness of cybercrime has increased, especially as more operations have moved online as a result of the pandemic. The issues of cybersecurity and data protection are, therefore, increasingly dominating the strategy focus of banks as well as the agenda of supervisory bodies.

To address external threats that may arise in this area, to ensure the integrity and confidentiality of information and the availability of IT systems, and to guarantee business continuity, CaixaBank constantly monitors its technological environment and applications. This monitoring is carried out through planned reviews and a continuous audit (including the monitoring of risk indicators). CaixaBank also performs the studies needed to ensure its security protocols are adapted to new challenges, with a strategic information security plan that is designed to keep the bank at the forefront of data protection, in accordance with the best market standards.

The Entity also participates in international research projects related to cybersecurity and protecting customers' privacy and data against cyber threats. Participating in these projects helps CaixaBank to continually improve its cybersecurity environment and work in partnership with other industries at European level.



See section on Cybersecurity



















#### Sustainability

The goal of decarbonising Europe's economies in the medium-term has led to increased regulatory activity at all levels and growing pressure (from investors as much as regulators and supervisors) on companies to adjust their strategies accordingly.

Newstandards and recommendations are being issued to guide companies, investorsand supervisors, and provide them with the tools needed for proper managementand governance. These include the new green taxonomy approved by the European Union (which comes into force in 2022), and establishes a system for classifying sustainable activities. Another key event is the recent publication of the European Central Bank's guide on climate-related and environmental risks, covering the disclosure of non-financial information, and how entities can manage climate risks and decarbonise their portfolios.

The EU, meanwhile, has begun to roll out measures to reduce greenhouse gas emissions (GHG) and move towards a zero carbon economy. The Next Generation EU (NGEU) recovery plan is also intended to make a major contribution to the climate neutrality of the European economy. The European Commission will, therefore, require Member States to allocate a minimum of 37% of the European recovery funds granted to supporting climate targets.

This commitment offers a unique opportunity to support investments that accelerate the green transition and help in mitigating and adapting to climate change, highly exposed to transition risks.

Against this background, transitioning to a low carbon economy that encourages sustainable development and is socially inclusive is essential, in CaixaBank's view. For this reason, CaixaBank has built an environmental strategy into its Socially Responsible Banking Plan, and works to contribute to this transition by reducing the direct impact of its operations and by financing and investing in sustainable projects. CaixaBank is also a signatory of the Collective Commitment for Climate Action (CCCA), promoted by the United Nations and the banking sector, aimed at mobilising the financial sector's capacities and resources to facilitate the transition to a low carbon economy, in line with the objectives of the Paris Agreement. CaixaBank is also a signatory to and is associated with a range of initiatives and working groups set up to improve the management and reporting of information on these areas.

Social and governance matters are also receiving increasing attention from investors and society as a whole. CaixaBank is highly committed to promoting a financial culture and fostering inclusion to help all members of society access financial services, and to developing active social policies that go beyond its financial activities and seek to help with social problems.

This commitment has been particularly evident in the COVID-19 crisis, during which the company has worked hard to mitigate the economic and social effects of the pandemic and to help the hardest hit groups.

CaixaBank

In the COVID-19 crisis, the company has worked hard to mitigate the economic and social effects of the pandemic and to help the hardest hit groups



See section on Leading the way on responsible management and social commitment



















### **Strategy**

The COVID-19 crisis has hit a banking sector that was already dealing with major challenges. The profitability of the European banking sector has been under enormous pressure since the financial crisis, in large part due to persistently low interest rates that have depressed net interest income. The digitalisation of the environment in which banks operate, meanwhile, has meant banks have had to make major investments in technology.

The COVID-19 epidemic has accentuated both of these factors, due both to its macroeconomic effects and to the changes, potentially permanent, that it has wrought in people's behaviour, such as a greater inclination to interact digitally and higher rates of remote working. In these circumstances, the pressure on the banking sector to consolidate has intensified. As well as generating greater efficiency and profitability, these mergers also serve to increase investment capacity in technology and to further roll out the new business models arising through the digitalisation process. These models are based on online economies and require the largest possible customer base in order to develop cost-effective digital financial services ecosystems.

#### Merger

In September 2020, the company announced its plans to merge with Bankia. The operation will bring together a large customer base while giving the new entity a balanced and diversified geographical presence. Bankia is also a highly robust financial institution that shares similar roots and founding values with CaixaBank, based on its origins as a savings bank. The merger, in addition to providing significant cost savings (around €770 million per year), offers an enormous potential for income synergies (close to €290 million per year), with the Caixa-Bank Group's financial products and services becoming available to Bankia's current customers. The operation will produce a stronger, more efficient and more profitable entity that will generate more value for customers, shareholders, employees and for society in general.

Following the recent approval of the operation by shareholders, the merger is expected to take place in the first guarter of 2021, once the required regulatory and administrative authorisations have been obtained. It is planned that the operations of the two entities will be merged by the end of 2021.

#### **Strategic priorities**

In the new context marked by the pandemic, and pending completion of the merger with Bankia, the entity has decided to maintain the priorities set in the 2019-2021 Strategic Plan. CaixaBank considers that the five strategic lines defined in the Plan remain fully relevant, as they reflect trends that have accelerated during the pandemic. However, initiatives have been redefined and some of the targets set have been reviewed to adapt them to the new environment.

In particular, many of the financial targets in the Plan (including profitability) will be not be met until after 2021 due to the impact of the COVID-19 crisis and the deteriorating economic climate. For the same reason, some business priorities have been adjusted to reflect the worsening macroeconomic scenario. Changes brought about by the pandemic, such as the increased use of digital and remote tools by customers and employees, have led to other priorities being redefined. These include accelerating the bank's digital transformation and improving the capabilities of its digital channels, and making it possible



for a substantial part of the organisation's employees to work from home.

Work will begin on drafting the next strategic plan when the merger of the two entities is more advanced and there is greater visibility with regard to the economic cli-

















### Offer the **best customer experience**

Customisation of service, enhancing user experience, the increasing importance of financial advice, increased interaction through mobile channels and other innovations are all trends changing customer behaviour.

One of the Group's strategic priorities is to offer the best customer experience. That is, to place the customer at the centre and build a more emotional relationship with the company.



### **Strategic** priorities

- Setting the benchmark
- Relationship based on proximity and trust
- Commitment to innovation
- Value proposition for each segment
- Excellence in service



#### Levers

- Agreements to expand the service offer and build an ecosystem that goes "beyond" banking
- Continuing to transform the distribution network to give greater value to the customer
- Intensifying the digital remote service model
- Segmentation and focus on customer journeys



#### >> MAIN MONITORING METRICS

2019-2021 STRATEGIC PLAN

#### 2019

>> 86.3

>> 61.7%

Digital customers

>> 458

#### 2020

>> 86.1

IEX (Scale 0 - 100)

>> 67.6%

>> 548

#### **Objective 2021**



\*Established taking into account Bankia's

>> ≈70%

Digital customers

>> >600







Offer the best customer experien



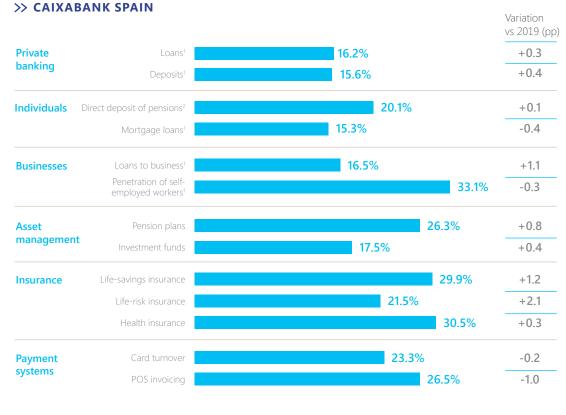


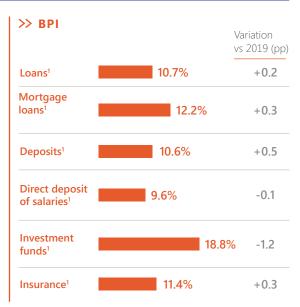




#### Customer solutions

**Setting the benchmark**, customer confidence translates into high market shares







<sup>&</sup>lt;sup>2</sup> Data as at September 2020.



30.9% #1 in market share private customers (Spain)

23.9%

#1 Main bank for private customers (Spain)

#### 2020









Offer the best









#### **Responding to the 4 life stages** through a powerful platform and strategic alliances \_\_

Own factories together with strategic agreements with leading companies allows us to offer customers the best value proposition in an efficient manner.

#### **DAILY BANKING**

#### >> Day to Day

Making the customer's day-to-day life easier by offering our services quickly and easily whenever they are required.

Accounts, payments, transfers, bills, cards, donations, etc.

















points of sale



3<sub>m</sub>

Bizum customers

Alliances to improve the value proposition with new services









#### FINANCING

#### >> Enjoying life

Making financing easier to help their dreams and projects become a reality.

#### PRODUCTS

Mortgages and personal loans, consumer loans, guarantees, working capital lines, microloans, etc.









114,969

160,000 in 2019



67,747 security systems



14,785 rental cars

Agreements with manufacturers to finance and distribute























#### **INSURANCE AND PROTECTION**

#### >> Piece of mind

Being by our customers' side to take care of what is important to them and help them protect it.

#### **PRODUCTS**

Life insurance, Non-life insurance (health, home, car, funerals, etc.), Home and personal protection services, etc.













#### LONG-TERM SAVING

#### >> Thinking of the future

Helping our customers plan their savings and face their future with total security.

#### PRODUCTS

Savings accounts and insurance, investment funds, pension plans, life annuities, Unit Linked, managed portfolios, securities and other financial instruments









insurance and assets under management



#### 2020 Management Report







Offer the best







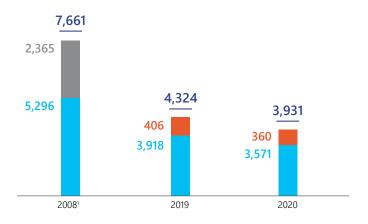
#### Continuous development of the omnichannel distribution network

The growth of digital channels, especially the mobile channel, is one of the main changes in the financial sector in recent years, yet the key importance of branches remains.

The last decade has been an intense period of optimisation of the distribution network for CaixaBank, reducing the number of branches and increasing their efficiency, continuing a commitment to specialisation while developing digital and remote channels.

#### >> RESIZING THE NETWORK

**Retail branches,** not including specialised centres



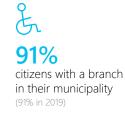
Pro-forma acquisitions¹ CaixaBank

> <sup>1</sup> Pro-forma acquisitions: Banca Cívica, Barclays Spain, Banco de Valencia and Caixa

#### >> SPANISH NETWORK







#### >> PORTUGUESE NETWORK





<sup>2</sup> In 2020 it includes an external network as well as the own network (171 ATMs)

#### >> AT THE FOREFRONT **OF BANKING TRANSFORMATION**

# All in one centres

in Valencia and Barcelona

Innovative experiences beyond banking, with specialised attention to all value proposals in the same space



### 548 store centres

Advice centres that enable a more efficient and proximate organisation

















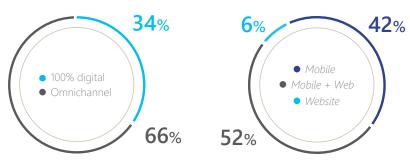
#### >> DEVELOPMENT OF THE BEST DIGITAL OFFER

The highest level of digital penetration

**34.4%** penetration among digital customers (Spain)<sup>1</sup>

CaixaBank customers require omnichannel services (digital and physical)

+6.9m of digital customers, 67.6%



» <u>Q</u>

122%

higher margin of the omnichannel customer compared to physical customers (112% in 2019)

**>>** 

69% higher average omnichannel customer

engagement compared to physical customers (71% in 2019)



≈2,5 m customers connect daily (+30% in 2019)

### Internet and Mobile Banking **BPI** Net 46.7% #2 in individual customers **#1** in business customers digital customers

#### CaixaBank Now

CaixaBank Now brings all the bank's digital services together in one place. Now Mobile is an app with customisation and artificial intelligence that allows transactions to be initiated from a mobile phone.





Best **private banking** mobile app in Western Europe by Global Finance.

#### >> MARKETING THROUGH DIGITAL CHANNELS

The digital channel is becoming one that generates sales and has undergone sustained growth in recent years.

51.7%

Savings insurance (38.3% in 2019)

#### >> THE CRITICAL MOBILE CHANNEL

#### 109<sub>m</sub>

purchases made with mobile phones (58% compared to 2019)

+2.3m

cards downloaded from mobile phones

















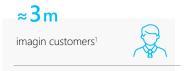








**New imagin:** From a purely online bank to a lifestyle community to promote the loyalty of younger customers



- > Financial and non-financial products, including digital content and experiences.
- > The relationship with users does not start with a bank account, but with registering as a user of the platform with an e-mail and password.
- > imagin's digital content is organised along five major themes: music (imaginMusic), video games (imaginGames), trends (imaginCafé), technology (imaginShop) and sustainability (imaginPlanet).
- > Three differentiated value proposals depending on age.







#### imaginKids (0 to 11 years old)

With a focus on financial education through games and designed for parents to decide when and how it is used. It offers all its content free of charge, even if the family is not a CaixaBank customer.



#### imaginTeens (for adolescents between 12 and 17 years old)

Initiation in the management of personal finances and first purchases. Designed for the direct use of young people, with digital resources related to music and gaming.

The basic modality has a free family allowance management tool, imaginTeens' affordable financial offer consists of a prepaid card with parental control so that parents can have full knowledge and control of their child's transactions.



#### imagin (from 18 years of age)

A platform that includes financial and non-financial services, such as digital content and experiences. Part of this offer is available to any user registered on the platform, regardless of their level of banking. There are three profiles:

- > imaginers can access a selection of digital content and the most outstanding experiences offered by the app and also use imagin&Split, an exclusive service to share expenses with friends.
- > In addition to all the basic benefits, imaginers reload users want an imagin Reload prepaid card with exclusive benefits for travelling abroad (including free withdrawals at European ATMs and commission-free currency exchange, for example). These services are available without a bank account.
- > Infinity imaginers are those users with an imagin bank account. In addition to having an account and a card with no fees, they have full access to the entire imagin range of financial and non-financial services.

In all cases, imagin maintains the characteristics that have made it a leading player in the field of banking for millennials: mobile-only operations (services are provided exclusively through the app, with no branches and no website, which only serves informative purposes), no fees for the user and with clear, simple language, especially tailored for direct communication with young people.



















#### >> OPEN INNOVATION MODEL

- > Application of agile and design thinking methodologies to best identify users profiles and adapt products to their needs. Co-creation sessions have been held with more than 200 real users.
- > New technological architecture in which third-party technologies and products can be offered alongside the bank's.
- > We highlight imagin's collaboration with Plug and Play, the world's leading innovation and venture capital platform, identifying disruptive fintech proposals from entrepreneurs around the world.



#### **IMAGIN HAS OBTAINED B CORP CERTIFICATION FOR ITS POSITIVE IMPACT ON THE ENVIRONMENT AND SOCIETY**

imagin has obtained the B Corp seal, which certifies the organisation's compliance with the strictest standards for social and environmental matters, public transparency, and corporate social responsibility to balance financial profits with social goals. With this certification, imagin is the first B Corp mobile-only financial services platform.























### inTouch

Remote service with personal managers, created for clients with a digital profile, low branch use and reduced time availability.

1.4<sub>m</sub>

Customers using inTouch 1.3 in 2019



Based on a remote service model with the advantage of having a personal manager. The InTouch model is an opportunity to grow a hybrid service model, generating efficiencies. The number of customers of the InTouch manager is 2.5 times that of physical branches.























#### Creation of specialised value proposals

Our mission to provide the best customer experience has led to an increased level of specialisation and customisation, and, as a result, the creation of specialised businesses/centres where expert managers offer the specific and customised financial advice services that our customers deserve.

### **AgroBank**

343,000

AgroBank's proposal is based on 3 axes:

- > The most complete offer of products and services,
- > The specialisation of branches and teams
- > And a series of actions to boost the sector.

It is aimed at all customers belonging to the agri-food sector, covering all links in the value chain, i.e. production, processing and marketing.

Agrobank branches located in towns where

the agricultural sector is the main or one of





Penetration rate for selfemployed farmers (+11 bp vs. 2019)



### **€7,954**m

of new financing production for customers in the segment



Leading institution in number and size of operations in the SAECA

- MAPA 2020<sup>1</sup> Loans programme























#### Commitment and promotion of the sector

- > Digitisation of the aid processing service of the Common Agricultural Policy online (carried out in our offices by external agents).
- > Online courses on vine pruning and plant protection treatments in vineyards, in collaboration with the Wine Technology Platform.
- > Presentation of the second study of the agri-food sector, including:



The **strength** of the agri-food sector during the coronavirus crisis



Changes in consumption patterns during confinement:from restaurant to home



The resilience of Spanish agri-food exports



**Digitalisation** of the agri-food sector

- > 6 technical AgroBank virtual seminars with more than 3,600 attendees, dealing with the main subsectors (wine, olive oil, pork, etc.).
- > AgroBank Chair, in collaboration with the University of Lleida, with the aim of promoting the transmission of scientific and technocal knowledge between the academic institution and professionals in the sector.

In 2020, in addition to the usual Awards for Knowledge Transfer in the Agri-Food Sector and the Award for the Best Doctoral Thesis, we have created a new Award for the Best Master's Thesis by a woman.

- > AgroBank magazine: sent to more than 65,000 customers electronically.
- > Entrepreneur XXI Awards, where we have an Agro segment that rewards the best start up helping to solve the challenges of the sector.
- > Collaboration with the **Incorpora** programme to find employment for disadvantaged groups in the agri-food sector.
- > Agreements with **AFAMER and FADEMUR** to promote diversity and promote women in rural areas.
- > Training of rural women to participate in the governing bodies of cooperatives and in the congress of rural women in Spain, with Agro-food Cooperatives and the Foundation. "la Caixa".





























### **\*** day**one**

DayOne is a new kind of financial service exclusively created to accompany global start-ups and scale-ups with activity in Spain with high growth potential. The Entity has specialised managers and physical spaces that function as hubs for the meeting of talent and capital in Barcelona, Madrid and Valencia. There are also two specialised managers in Bilbao and Malaga. The hubs serve as meeting points between founders of technology companies, partners helping them to grow their business, and investors interested in innovative companies with growth potential.

In addition to offering a specialised line of products and services for these customers, CaixaBank makes its network of contacts available to them in order to boost and promote the innovation economy through all its agents.

Meanwhile, DayOne has designed and is promoting a programme of networking initiatives tailored to entrepreneurs and investors.

#### >> ENTREPRENEUR XXI AWARDS

The 14th edition of the Entrepreneur XXI Awards was launched in 2020. This initiative promoted by *DayOne* aims to identify, recognise and accompany newly created innovative companies with great growth potential. These awards are co-managed with the Ministry of Industry, Trade and Tourism in Spain and with BPI in Portugal.

#### **2020 EDITION**



Spain and Portugal





international training and



+480

and professionals involved in committees and judging







Our Identity

Strategio Lines

Offer the best

Statement of Non-financial Information

Glossary and Gro

Independe Verification Report

Annual Corporate Governance Repo 2020



The best companies in each autonomous community and two in Portugal are recognised; Alongside 8 companies that make the best contribution to the following 8 challenges:



#### CiudadXXI

Solutions to transform our cities into more sustainable, secure, connected and adapted places.



#### **PlanetaXXI**

Innovative proposals focused on environmental sustainability and building a better planet for young generations.



#### ViveXXI

Proposals for digitisation, new business models and reactivation of the hotel, catering, leisure and tourism sector.



#### **BancaXXI**

Solutions to create a new banking model that is closer to the customer.



#### **BienestarXXI**

Improvements in citizen health.



#### JuntosXXI

Social Impact initiatives.



#### SemillaXXI

Ideas for digital transformation and innovation in the agri-food sector.



#### DeeptechXXI

Solutions to increase the competitiveness and scope of the industry through the transfer of science and technology.



- > DayOne, with the support of other areas of the entity, has organised the **first Entrepreneur XXI Investors Day**. The objective of the event is to put winning startups into contact with the main investors of the sector ecosystem and corporates with an interest in innovation.
- > DayOne has organised the first **Open Innovation Programme** aimed at companies participating in the Entrepreneur XXI Awards, with 4 selected to carry out a concept test with the bank's different business teams: AgroBank, MicroBank, CaixaBank Payments & Consumer and CaixaBank Senior.
- > In 2019, in collaboration with the IESE Innovation and Entrepreneurship Centre, the **DayOne Iberian Startups Observatory** was born with the aim of generating information and research on the *start-up* sector in Spain and Portugal. The second report corresponding to the 13th edition has been published.













### Customer experience and quality

#### Voz360° Model

Throughout 2020, CaixaBank's listening model has further pursued its aim of hearing the voice of customers and employees to obtain relevant information and recommendations that facilitate the design of high-impact improvements to their experience.

The extraordinary situation this year has meant adapting our listening methods to get even closer to our customers and employees, promoting improvement and change more quickly.

#### Radar 360°

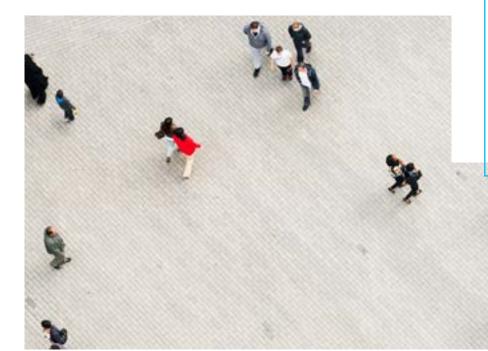
To learn more about various concerns and needs, qualitative methods have been developed to collect customer and employee opinions through online and telephone interviews and other dynamics. Immediacy and simplicity have also been promoted with surveys based on the experience of visiting a branch being initiated on mobile devices.

#### Knowledge

Agile methods of information analysis have allowed us to obtain insights more quickly and to adapt to the needs of each business segment.

#### Action

Based on the voices identified, actions have been implemented to improve the experience of customers and employees through accelerated change, especially to enhance accessibility to financial services.









Strategi

Offer the best

Statement of Non-finance

Glossary and Gro





The VOZ360° model has been delivered in 2020 through three lines of work

#### 01. CONSTANT LISTENING TO THE CUSTOMER AND EMPLOYEES

- > **Touchpoints** An increase in the number of automated surveys at key times of interaction for customers and employees.
- > **Near Real Time** Initiation of "immediate" surveys launched shortly after an experience, such as a visit to a branch or the resolution of a technical issue for employees.
- > **Listening dynamics** Promoting different activities (workshops, interviews, etc.) that provide qualitative information to co-create and improve products, services and processes.
- > **Text Mining** Implementation of tools to optimise voice analysis.

#### 02. IMMEDIATE ACTION

- > 360° transversal immersion Creation and development of new and existing transversal and multidisciplinary working groups with agile working methods to promote actions that reflect customer and employee insight as a lever for transformation.
- > Close the loop (actions with customers and employees) - Deployment of a process to manage and respond to customer and employee feedback from surveys at different key moments.

## 03. DISSEMINATION OF VOZ TO THE ENTIRE ORGANISATION

- > VOZ360° Platform
- > Voice Indicator Tracking Publication of key indicators to provide feedback from customers and employees in order to accelerate change.







Offer the best customer experience

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Independe Verification Report

Annual Corporate Governance Repor 2020

#### >> MEASURING CUSTOMER EXPERIENCE



120,150 USING TOUCH POINTS

86,317 IN 2019

107,070

BY MEANS OF SURVEYS

312,767 IN 2019



#### >> CAIXABANK SPAIN



28.9%
NET PROMOTER SCORE
RETAIL (NPS)<sup>2</sup>

29.8% IN 2019

54.5%
NPS SALARY DEPOSITS

48.8% IN 2019

>> BPI



1 % of the total number of customers surveyed who assess experience, loyalty and recommendation with ratings of 9 or 10 across the board.

2 The NPS measures likelihood of recommendation by Caixa-Bank customers on a scale of 0 to 10. The Index is the result of the difference between the % of Promoter customers (ratings 9-10) and Detractor customers (ratings 0-6).









be more efficient









# **Accelerate digital** transformation to be more efficient and flexible

CaixaBank continues to focus on improving the flexibility, scalability, and efficiency of its IT infrastructure, an approach which enables us to improve cost efficiency, potentially diversify outsourcing, reduce timeto-market, produce new versions more speedily, and become more resilient.

CaixaBank's constantly increasing investment in technology is a key part of our strategy, as it enables us to satisfy customer demands, ensure growth and adapt to changing business needs. The robustness of the infrastructure and constant innovation work ensure the availability of information with full guarantees of security.

Our constant search for efficiency and better service involves a firm commitment to emerging and pioneering technologies, ranging from blockchain to robotics, and including artificial intelligence and quantum computing.

#### >> MAIN METRICS FOR MONITORING THE

2019-2021 STRATEGIC PLAN

#### 2019

>> -5.8% Improved project time-to-

>> 9.9% Level of cloud adoption

>> 20% of IT personnel using agile approach

#### 2020

>> -11%

Improved project time-tomarket

>> 16.6%

Level of cloud adoption

>> 25%

of IT personnel using agile approach

#### Objective 2021

>> -25%

Improved project time-to-

>> 24%

Level of cloud adoption

>> 33%

of IT personnel using agile approach

€933m

**INVESTMENT IN TECHNOLOGY AND DEVELOPMENT IN 2020** 



€931 MILLION IN 2019











be more efficient









### Cybersecurity

Cybersecurity is one of CaixaBank's top priorities and, given the importance and level of threats that emerged throughout 2020, many of them related to Covid-19, we have reviewed security protocols to adapt them to this situation, continuously monitoring the threats so that these protocols can be changed quickly and effectively if it should prove necessary.

All measures taken are in line with the Strategic Information Security Plan, which continuously assesses our capabilities against industry's best practices and benchmarks.

This year, CaixaBank has incorporated 10 independent experts to reinforce our security strategy and performance.

#### Highly trained team using a multi-site model

39

Employees

24 hours

x 7 days External SOC +50 Certification

60% Outsourcina

#### Robust Governance

#### Information security policy

Intended to establish corporate principles on which to base actions in the field of information security.

Last updated: November 2019

#### Certified advanced

cybersecurity model



We hold recognised and prestigious certifications which are updated annually. It includes ISO 27001 certification of all our cybersecurity processes, and CERT, which accredits our CyberSOC 24x7 team and allows us to actively cooperate with other national and international CERTs.

#### Monitoring cybersecurity:

three lines of defence

The first line, **Information Security**, is responsible for implementing policies, identifying and assessing risks, identifying weaknesses in monitoring and executing action plans.

The second line of defence. Non-Financial Risk Responsibility, is responsible for issuing an independent assessment of performance in Information Security.

The third line of defence, Internal Audit Responsibility, supervises the two above. Approximately 592 internal audit reviews have been conducted during the last 3 years, indicating a high degree of maturity and control and covering 99% of the NIST cybersecurity control framework.

<sup>1</sup> Security Operations Center.



A brand that has integrated all safety awareness initiatives aimed at employees and customers since 2015.



2020

Management Report





digital be more efficient and flexible











### +€50m

#### **INVESTED IN INFORMATION SECURITY IN 2020**

+€50m IN 2019



**54**%

0-CLICKERS IN PHISHING **CAMPAIGNS** 

48% IN 2019



#### **PHISHING SIMULATIONS** PER EMPLOYEE



98%

OF EMPLOYEES HAVE COMPLETED THE **SECURITY COURSE IN** 2020

#### **TEAM NETWORK EXERCISES FOR** THE YEAR

The robustness of our systems is tested with controlled real attacks by indepen-









### IN 2021, WE WILL CONTINUE TO INVEST AND PROMOTE INITIATIVES THAT HELP US IMPROVE IN THIS AREA:



#### TRAPEZE

Improved control of the privacy of customer data in financial services by end users



#### **CONCORDIA**

Pan-European X-sector Cybersecurity Centre



#### ப்பட் ENSURESEC

**REWIRE** 

Improved surveillance of e-commerce services

Certification of skills for professionals dedicated

to cybersecurity in the European financial field



#### INFINITECH

Monitoring based on data analytics for the assessment of security risk and fraud in the financial environment

#### >> ALL THIS MAKES IT POSSIBLE FOR CAIXABANK TO GAIN THE MOST IMPORTANT ACCREDITATIONS AND BE AMONG THE MOST **HIGHLY VALUED IN THE SECTOR:**

#### **Benchmarks**

	CNPIC <sup>1</sup>	DJSI <sup>2</sup>
CABK	8.6 (+1.2)	8.5
PEERS	8.2 (+1.0) 3	8.5

#### Certification









#### BITSIGHT<sup>3</sup>

PEER 3 × 800

PEER 1

PEER 4 770

INTERMEDIATE

PEER 5 770





<sup>&</sup>lt;sup>3</sup> Spanish financial institutions.

















#### **Technology and Digitalisation**

#### Technological infrastructure \_

120,666

98,963

In recent years, the increasing use of digital channels by customers and the digitalisation of processes has led to an exponential rise in the number of transactions.

The continuous improvement of IT infrastructure is a cornerstone of the Group's management. The Group has two high quality operational Data Processing Centres (DPCs), connected to each other to support and develop the Group's activities.

We are also continuing to focus on a progressive migration to cloud solutions and processing, which allow us to significantly reduce operating costs by more than 50% and develop applications more flexibly.

million transactions processed

million transactions processed

**79**% of significant incidents resolved

in less than 4 hours

In this sense, the continuous improvement of IT infrastructure allows:

≈**16,000** 



> 14,000 IN 2019

476

applications managed

in the internal cloud 400 IN 2019

In addition:





89% IN 2019













be more efficient





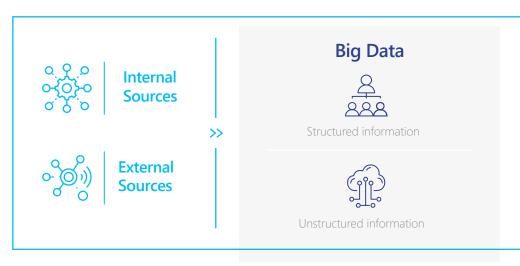




### Big Data \_

In an era marked by the mass data revolution, CaixaBank continues to develop its Big Data model to ensure greater reliability and productivity in data processing.

#### >> A BIG DATA MODEL THAT ALLOWS FOR GREATER ADAPTABILITY





CaixaBank has a single information repository called Datapool with information governance and data quality; and a significant increase in the use of information and related knowledge.

82.2% OF REGULATORY REPORTS **GENERATED USING** DATAPOOL 77.5% IN 2019

OF AREAS ARE ENGAGED IN **BIG DATA PROJECTS** 93% IN 2019

**1,100** TB OF DATA MANAGED DAILY 650 TB IN 2019











Accelerate digital transformation to be more efficient and flexible









#### Implementation of **new technologies**

The digitalisation of CaixaBank's processes, initiated in recent years, is promoted through various projects and initiatives. Digital transformation and technological development constitutes one of CaixaBank's strategic pillars, with a view to improving efficiency and flexibility.

The digital transformation must allow for greater capacity to identify and adapt to the needs of customers and an improvement in processes, ensuring greater productivity and reliability.

In recent years, CaixaBank has been implementing Robotics and artificial intelligence in its processes with the aim of automating back-office tasks and improving administrative processes in branches.

Because of the situation caused by the pandemic, various *Workplace Experience* projects were expedited in 2020. The move to teleworking has been totally successful, thanks to the availability of Windows 10 and Office 366 on 92% of corporate equipment, while the Teams platform was used for 30,000 conferences and 1,200 million minutes of audio per day.

The various virtual assistants also experienced great growth in 2020, especially during lockdown, when over 2 million conversations per month took place.

### >> FOR CAIXABANK ADOPTING THE LATEST TECHNOLOGY IS KEY TO INCREASING PRODUCTIVITY

#### **Robotics**

295

NUMBER OF CASES WHERE ROBOTICS HAVE BEEN IMPLEMENTED

144 IN 2019

#### **Artificial intelligence**

3

NUMBER OF COGNITIVE ASSISTANTS FOR ADMINISTRATIVE PROCESSES

3 IN 2019

89%

AUTOMATED RESPONSES BY VIRTUAL ASSISTANTS WITH EMPLOYEES - BRANCH CHANNEL

81% IN 2019

5,034,060

CONVERSATIONS INITIATED WITH EMPLOYEES'
VIRTUAL ASSISTANT - BRANCH CHANNEL

4,782,790 IN 2019













be more efficien











#### >> THE IMPLEMENTATION OF NEW TECHNOLOGIES IS KEY TO OPERATIONAL EFFICIENCY

At CaixaBank, the implementation of new technologies has made it possible to reduce the time spent on administrative processes in branches, as in the automatic management of incidents in the charging of bills.

16.5%

time dedicated to administrative processes in branches

-2.0 pp

reduction in time spent on administrative processes in branches compared to 2019



Partnership with Salesforce to boost the digital transformation of banking services

CaixaBank continues to promote the creation of a network of strategic alliances that will contribute to the advancement of the technological transformation process. This agreement allows us to study how technological innovation allows us to better understand the needs of our customers. With this objective, a state-of-the-art CRM will be implemented and integrated into the international R&D programme "Salesforce Financial Services Cloud Design Partner Program" to develop new ways of knowing customers and understanding their needs.



CaixaBank signs an agreement with IBM Servicios to speed up its transition to cloud computing and promote innovation in financial services

CaixaBank and IBM Servicios have reached an agreement to speed up the bank's transformation and promote innovative digital solutions that improve its financial service users' experience.

The agreement extends the exclusive service provided by the IT Now technology joint venture by six years.



CaixaBank develops the first risk classification model in Spanish banking using quantum computing

The Bank is furthering its strategy of preparing for the supremacy of quantum computing and has developed a machine-learning algorithm for classifying customers according to credit risk.

By carrying out these projects, CaixaBank has become the first bank in Spain, and one of the first in the world, to incorporate quantum computing into its R&D activity.







Foster a peoplecentric, agile and collaborative culture









# Foster a people-centric, agile and collaborative culture

Our strategic objective is to strengthen the corporate culture and keep people at the centre of the organisation, based on the following three axes:

- > Promoting talent, ensuring that people can develop their potential with equal opportunities, based on meritocracy, diversity and empowerment.
- > Defining and offering the best value proposition by improving employee experience.
- > Promoting the attributes of agility and collaboration.

#### >> MAIN MONITORING METRICS<sup>1</sup> 2019-2021 STRATEGIC PLAN



#### 2018

#### >> 39.9%

% of women in management positions from large branch submanagers and up<sup>2</sup>

#### >> 73%

Assessment of employee perception of empowerment

#### >> 45.9%

% of professionals certified above and beyond compulsory MIFID II training

#### 2019

#### >> 41.3%

% of women in management positions from large branch submanagers and up<sup>2</sup>

#### >> 72%

Assessment of employee perception of empowerment

#### >> 47.3%

% of professionals certified above and beyond compulsory MIFID II training.

#### 2020

#### >> 41.6%

% of women in management positions from large branch submanagers and up<sup>2</sup>

#### >> 70%

Assessment of employee perception of empowerme

#### >> 15.5%

% of employees with flexible remuneration measures

#### >> 48.8%

% of professionals certified above and beyond

#### **Objective 2021**

#### >> 43%

% of women in management positions from large branch submanagers and up<sup>2</sup>

#### >> 75%

Assessment of employee perception of empowerment

#### >> 25%

% of employees with flexible remuneration measures

#### >> 55%

% of professionals certified above and beyond compulsory MIFID II training.

<sup>1</sup>Metrics relating to CaixaBank, S.A. <sup>2</sup> A and B branches

#### 2020









centric, agile and collaborative



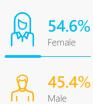






#### **CAIXABANK GROUP**







Average age 43.7 years



Average length of service

16.3 years

#### CAIXABANK, S.A.







16.8% Directors

Middle management 20.7%

62.5% Other employees



99.3% Permanent contracts



Average age 43.6 years



Average length of service 17.1 years

#### BPI, S.A.









8.5% Directors Middle 13.3% management

**78.2%** Other employees



99.5% Permanent contracts



Average age 45 years



Average length 17.8 years Average length of service







Strategi Lines

> Foster a peoplecentric, agile and collaborative culture

Statement of Non-financi Information

Glossary a Group structure

Independ Verificatio Report

Annual Corporati Governance Repo A value proposal is set out to contribute to the objectives of the 2019-2021 Strategic Plan, through six lines of action that define the road map.

	STRATEGIC LINES	VALUE PROPOSAL	LINES OF ACTION
01.	Offering the best customer experience	Accompanying the transformation of the commercial model, reinforcing cultural, structural and training aspects	Supporting the new distribution model with highly trained professionals and the most efficient organisational structure
02.	Speeding up digital transfor- mation to become more effi- cient and flexible	Championing digitalisation, implementing new agile forms of work	Digital transformation, implementing agile and collaborative forms of work and systems, focusing on new customer behaviours
		Adopting efficient organisational models with a Group approach	Organisational transformation through organisational and corporate governance models that simplify the structure and improve efficiency with a customer vision at its centre
03.	Championing an agile and collaborative culture that puts people first	Deploying the <b>Corporate Culture Plan</b> throughout the Group	Strengthening the behaviours that define how we act at CaixaBank and that will ensure future success and the best experience for our employees
04.	Generating an attractive return while remaining financially sound	Restructuring the workforce and implementing a new labour agreement	Contributing to the bank's profitability and efficiency with new labour agreements and the relaxation of the employment framework in the future
05.	Setting the benchmark for responsible management and social commitment	Ensuring that we have a diverse and skilled team	Guaranteeing the best professional team, adjusted to the leadership model















## **Corporate Culture**

Culture determines how an organisation works and the way people act. The world moves fast and therefore we must advance and adapt permanently to continue being a leading entity. It is necessary to strengthen those aspects that have led CaixaBank to success and adapt a series of behaviours that ensure the company maintains its leading position in a changing environment.

The Culture Plan facilitates behaviours that are in line with CaixaBank culture and are included in the concept **We Are CaixaBank**.



#### >> PEOPLE, OUR PRIORITY

- > Committed: we encourage actions that have a positive effect on people and society as a whole.
- > Close: we listen and support everyone, providing solutions to their current and future needs.
- > Responsible and demanding: we act guided by criteria of excellence, thoroughness and empowerment with the aim of adding value to others.
- > Honest and transparent: we build trust by being upright, honest and coherent.



## >> COLLABORATION, OUR STRENGTH

> **Collaborative:** we think, share and work transversely as a single team.



## >> AGILITY IS OUR ATTITUDE

> Flexible and innovative: we promote change with foresight, swiftness and flexibility.

#### 2020

















With the goal of offering the best customer service, it is ii. Training essential to progress in a value proposition for employees. Active and continuous listening to employees and the awareness-raising of corporate culture help us adapt to a changing environment. In 2020, the impact of the Covid-19 served to rethink the behaviour associated with each of the attributes of the CaixaBank Culture.

Five levers have been promoted in order to transmit and involve all professionals in the integration of We Are CaixaBank behaviour:

#### i. Communication

With the aim of improving knowledge and awareness of the attributes of Culture, driving participation and generating commitment:

- > 2020 Stars Campaign: videos where our colleagues talk about the attributes that define us, explain what we at CaixaBank are all about, and the application in their day-to-day actions, and support materials for managers.
- > CaixaBank Talks: activities carried out with the staff of the different Regional Departments to inform them of the Culture Plan and the behaviour that identifies us, featuring external speakers, who address issues related to cultural change in organisations.
- > Reinforcement material on new ways of working: publishing infographics with tips and recommendations to promote digital disconnection and protocols making it possible to adapting to new ways of working.
- > Other digital actions such as a new Culture Portal.

- > Face-to-face workshop for managers of retail banking and Central Services branches, seeking to integrate culture within the Leadership Model and the Commercial Model, developing knowledge and skills in a practical way for their day-to-day application in the branch.
- > Online reformulation and launch of the training on commercial culture, with content seeking to reinforce the role of the manager as a transformer, dynamiser, motivator of results and enabler.

## iii. Active listening

Active listening allows us to obtain information on the perception of Culture by professionals, to provide feedback for behaviour and the action plan. The active listening model has also been implemented in the main companies of the Group. The different studies carried out in 2020 included:

- > Launch of the Commitment Study, enabling us to analyse the climate, commitment and culture, as well as their progress with regard to previous stu-
- > Strategic gauging: in April 2020, 2,500 employees were gauged on the employment situation during the COVID-19 emergency, seeking to improve the ways of working. This gauging was also conducted in Group companies on 3,200 people.
- > Specific gauging: customised listening is done according to specific issues, such as the adoption of Office 365.
- > Inclusion of listening in new touchpoints.

## 2020









centric, agile and collaborative









## iv. Employee experience

In 2020, with the aim of improving the employee experience, we focused on the following moments in the employee's life cycle:

## **ATTRACTING** AND SELECTING 1. I am interested 2. Apply to offers



**SELECTION** 

Objectivity Transparency Innovation

**EMPLOYEES** 

**MANAGERS** 

Greater autonomy Agility

Employer branding



3. Selection

- 4. I am hired
- Onboarding



**ONBOARDING/ CHANGE OF POSITION** 

Support Accompaniment Autonomy

Agility

Speed in immersion Facility



#### LINKING

- Daily work with my manager
- 7. My physical environment relationship with colleagues
- 8. Development of My
- Assessment of My
- 10. I am paid
- 11. Vital moments
- 12. I seek/receive communication
- 13. Change of position
- 14. Areas as customer



**DEVELOPMENT OF MY** 

**ASSESSMENT OF MY** 

**CHALLENGES AND** 

**SKILL ASSESSMENT** 

Growth Motivation

Strengthening the role of Belonging

Recognition Leadership Closeness

Objectiveness

Bidirectional communication

Developing talent

Meritocracy and diversity

Strengthening the managerial role

**AREA AS A CUSTOMER**  Linking Support Efficiency Prescribing



#### **FINISHING**

15. Departure

















#### **Attracting and Selecting**

Improving the candidate's and manager's experience by using technology predictably in order to get the best candidate for each position, while boosting the company as employer branding through digital actions and communications. Actions carried out:

> Adapting internal Career site and creating the external site.



- > Automated social media management.
- > Creating *PeopleXperience* HUB, a disruptive innovation, learning and talent ecosystem on the CaixaBank Group brand, to attract talent and to be a benchmark in innovation.
- > CaixaBank digital footprint as employer branding.
- > Talent programmes (WonNow, Young Management Program and New Graduates).
- SAP implementation, Success Factors Recruiting, to improve the experience of the candidate and manager.
- > Predictive selection through improving data quality.

## Welcoming

Implementing a stand-out experience by creating a structured onboarding process with automated accompaniment. *Actions carried out*:

- > Creating the Welcome Pack and new tutor figure.
- > Digital agent figure as a dynamiser.
- > Improving the (electronic) contractual pack and the delivery of computer equipment.

> Onboarding programmes: CaixaBank First Experience (lasting 2 years) to attract and retain young talent; CaixaBank Executive Experience to expedite the "revitalising" of incorporation into the management team

#### **Developing and Assessing**

Developing internal talent, enhancing acknowledgement and recurring feedback. *Actions carried out:* 

- Non-managerial training plan, in three blocks: Compulsory, Recommended and Self-training.
- > Digital proximity itineraries for customer management.
- > In 2020, around 16,000 Skills Assessments have been carried out in the Branch Network.
- > Programmes for the detection, development and accompaniment of young talent (Early Talent) and pre-managerial talent (Mentoring).
- > The Managerial Development Plan, which accompanies the role from the moment they are onboarded into the position and throughout their career, with coaching actions and programmes suited to their needs at each stage; in addition to a wide range of "à la carte" Self-training Programmes.

#### Area as a customer

Facilitate employees's procedures when they interact as customers of our products and services.

In 2020, a focus group was created to detect areas for improvement and to define the new relationship model.

#### v. Ambassadors \_\_\_\_\_

People who help to deploy the corporate culture in the bank as branch managers trained in commercial culture, acting to boost the various actions that are put into place.



<sup>1</sup> https://www.caixabankcareers.co















Annual Corporate Governance Report The objectives of the 2019-2021 Strategic Plan and CaixaBank's corporate culture give rise to the following people management policies and principles. Under the provisions of the 2019-2021 Strategic Plan, the policies and processes are of a corporate nature.

CaixaBank promotes its policy of people management with respect for diversity, equal opportunities, and the inclusion and non-discrimination on the basis of gender, age, disability or any other factor. The Group believes it is essential to ensure transparency in the selection and internal promotion of its professionals.





To ensure that talented individuals can develop their potential based on meritocracy, diversity, transversality and empowerment.



To offer the best value proposition for employees and renew it (new environments and spaces, methodologies and applications, assessment and recognition systems, etc.) enhancing their experience, promoting well-being in a healthy and sustainable environment.



To promote the attributes of agility and collaboration, adapting structures and processes towards more agile and transversal work models.



To develop communication channels to encourage participation and collaboration.

All of this serves to achieve the satisfaction and motivation of staff in a positive work environment.

















## **Diversity and equal** opportunities

CaixaBank is committed and works to promote diversity in all its dimensions as part of its corporate culture, by creating diverse, transversal and inclusive teams, recognising people's individuality and differences and eliminating any exclusionary and discriminatory conduct.

To this end, the company has a solid framework of effective policies that guarantee equal access for women to management positions (internal promotion), and ensures fairness in recruitment, training and professional development, promoting policies of flexibility and conciliation and reinforcing an inclusive culture with principles set out in the **Diversity Manifesto**.



The **Wengage programme** promotes gender, functional and generational diversity. It is a programme based on meritocracy, equal access to opportunities, and which promotes participation and inclusion.

## **Gender** diversity

On an internal level, the **gender diversity** programme seeks to increase representation of women in management positions, promoting the value of diversity and raising awareness of gender biases and stereotypes. The core initiatives implemented are:



THE ROLE
OF WOMEN
IN THE
ORGANISATION

- > Women's mentoring programme focused on the Network (108 participants in 2020).
- > II Networking Directives 2020. Event to present the progress of the Wengage programme and draw up new challenges.
- > 1st edition of the online programme AED Lead Mentoring Women Managers by CaixaBank (with 60 participants). The Spanish Association of Directors (AED) and CaixaBank are promoting a mentoring programme to champion the presence of female directors in the large corporates.



- > Dissemination of content on the corporate intranet related to the Guidelines on Egalitarian Communication.
- > Gender Test. An internal tool to analyse whether our external communication is egalitarian and stereotype-free.



CONTRIBUTING FROM HUMAN RESOURCES PROCESSES

- > New Equality Plan 2020. Agreement with the entire trade union representation that expands on the 2011 Equality Plan commitments (work-life balance, harassment and mediation protocols, common law couples and digital disconnection agreement).
- > Fostering remote working. In 2020, as a result of the pandemic, it focused on improving the connectivity of equipment, using collaborative tools such as Teams and Office365.
- > Designing the Gender Journey. Analysing the employee experience, focused on gender and the development of an action plan.



- > ThinkTank meeting with equality agents and teams from Regional Management.
- > Communication and dissemination of diversity to all the workforce through the Diversity News Channel on the corporate intranet.



¹http://www.inequality-tracke

Management Report















Externally, we want to contribute to raising awareness of the value of diversity and equal opportunities in society, focusing our efforts into three areas:



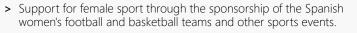


- > CaixaBank Women in Business Community. A new LinkedIn network which brings together regional and national winners of the four editions of the CaixaBank Women in Business Award.
- > Global Mentoring Walk in Madrid and Mallorca featuring over 300 participants, where CaixaBank is the main sponsor in Spain of this initiative promoted by Vital Voices.
- > Professional Self-employed Women's Award, to reward the careers of selfemployed workers in Spain.



- > CaixaBank Talks: over ten live talks on innovation matters from a gender viewpoint.
- > Raising awareness and driving STEM careers among the female population. Together with Microsoft, CaixaBank held the WONNOW Awards for the academic excellence of women in STEM (Science, Technology, Engineering and Mathematics) careers. The 3rd edition was held in 2020, with a case prize and 10 CaixaBank scholarships.







In 2020, 219 contents linked to **Diversity and Human Resources** were published on Corporate Social Networks with a scope of 44 million impressions.







#### 2020









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#### ADHERENCE TO NATIONAL AND INTERNATIONAL PRINCIPLES OF PROMOTING DIVERSITY

#### DIVERSITY CHARTER



Code of Commitment promoted at a European level by Fundación Diversidad.

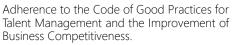
TARGET GENDER EQUALITY



Adherence to the new United Nations Global Compact initiative.

EJE&CON

## EJE&CON





UN WOMEN'S EMPOWERMENT **PRINCIPLES** 



Adherence to the initiative promoted by the UN.

MORE WOMEN. BETTER COMPANIES



An initiative that seeks to promote a balanced participation of women and men in decision-making in the business and economic sphere.

CaixaBank has obtained the world's highest score in the **Bloomberg 2021 Gender Equality Index,** a selection comprising the companies most committed to gender equality internationally, according to Bloomberg data.

#### RECOGNITION

**BLOOMBERG** 



**EWOB** 



For the management carried out in terms of diversity, CaixaBank has been included on the prestigious Bloomberg Gender Equality index in 2021 for the third consecutive year, which is a worldwide seal of acknowledgement of the effort in transparency and in achieving progress of women in the business world. It is also part of the new Gender Diversity index of the European Women on Boards (EWoB) association, which has analysed female representation in leadership positions in companies of the market indicator Stoxx Europe 600.

#### EFR CERTIFICATE



The EFR certification has been renewed for the tenth consecutive year. We are the 1st Spanish financial institution to achieve the A excellence level in EFR certification.

VI INTERNATIONAL DIVERSITY MANAGEMENT AWARDS 2020



CaixaBank has been awarded the International Diversity Management Award by the Diversity Foundation for the first time, in the large corporates category.

RECOGNITION "IN-COMPANY EQUALITY"



Recognition granted by the Spanish Women's Institute for equal opportunities, corresponding to 2018.

CAIXABANK ASSET MANAGEMENT



CaixaBank Asset Management, CaixaBank group management company, recognised as "European Leader in diversity management," by Citywire.









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#### >> GENDER DIVERSITY IN NUMBERS

#### Employees distributed by gender

	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
Male	16,302	16,091	12,397	12,271	2,123	2,005
Female	19,434	19,343	15,175	15,133	2,717	2,617
Total	35,736	35,434	27,572	27,404	4,840	4,622

#### Employees by contract type and gender

CaixaBank Group	Full-time, fixed or indefinite- term contract		Part-time, fixed or indefinite- term contract		Temporary contract	
	2019	2020	2019	2020	2019	2020
Male	16,020	15,963	30	27	252	101
Female	19,101	19,206	23	21	310	116
Total	35,121	35,169	53	48	562	217

#### New hires by gender

	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
Male	615	333	222	190	117	26
Female	510	307	209	163	127	30
Total	1,125	640	431	353	244	56

#### Redundancies by gender

	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
Male	52	43	36	24	2	4
Female	40	45	24	24	7	2
Total	92	88	60	48	9	6

CaixaBank S.A. there have been a total of 208 voluntary redundancies due to the agreement reached on January 31, 2020.

#### Average remuneration by gender

		_				
	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
Male	65,857	66,591	70,318	71,343	41,431	40,876
Female	53,076	54,285	57,564	58,919	30,542	30,352
Total	58,902	59,864	63,294	64,471	35,310	34,918

#### Average remuneration by professional category and gender in 2020

	Directors	Middle management	Rest of employees
Male	105,478	74,807	50,884
Female	87,683	66,703	46,161
Total	98,509	70,601	48,100

#### Average remuneration of Directors by gender - CaixaBank S.A.¹ (in thousands of euros)

	2019	2020
Male	289	308
Female	146	175
Total	246	261

<sup>&</sup>lt;sup>1</sup>It does not include the remuneration derived from positions other than those of representation of the Board of Directors of CaixaBank, S.A.

The comparison of salaries is calculated as the average for women minus the average for men and is 18% (19% in 2019).

#### Salary gap

	CaixaBank Group	CaixaBank, S.A.	Banco BPI
2019	1.69%	0.63%	5.30%
2020	1.77%	0.64%	5.55%

Unwanted turnover is 0.25%, calculated as total redundancies (excluding the restructuring plan and voluntary redundancies) over the average workforce. Additionally, in same length of service in the company, performing the same role or position and with



















Governance Repor 2020

## **Functional diversity** .

The **functional diversity** programme is based on respect for people, their differences and capabilities, equal access to opportunities and non-discrimination.

#### **PRINCIPLES**



Non-discrimination



Inclusion



Recognition of capabilities, merits and skills

Fostering receptive



Fight to combat stereotypes, prejudices



EMPLOYMENT COMMITMENTS
AND RECRUITMENT OF PEOPLE

Improving the presence of people with disabilities at the Organisation annually

Fostering the hiring of people with a legally recognised disability

**Promoting inclusion** and hiring of people with functional diversity

In 2020, CaixaBank and 100% of the employee trade union representation signed the **new inclusive policy for people with disabilities.** Its principles and commitments are geared towards respect for people with functional diversity and fostering their integration into the Organisation under the same conditions as the rest of the workforce, establishing a series of social benefits.









**DEVELOPING TALENT AND CHAMPIONING** 

PROFESSIONAL OPPORTUNITIES FOR PEOPLE WITH FUNDIONAL **DIVERSITY** 

Some of the benefits or measures implemented include: adapting the workstation, extension of a day's paid leave to cover any medical needs and free advice for legal procedures.

At the internal level, the following objectives and the main initiatives implemented include:



- > Championing external hiring. Identifying labour exchanges through a collaboration agreement with Incorpora.
- > Contracting services with Special Employment Centres (CEE) to promote the inclusion of people with functional diversity in the workplace and people's professional development.



- > Training to raise awareness among managers and employees.
- > Proprietary space made available in PeopleNow for Wengage programme communication geared towards functional diversity.

Externally, support is offered to the community by championing the hiring and inclusion of people with functional diversity, and generating a short and long-term social impact. Some of the initiatives carried out include:



DIVERSITY

## **SERVICE ADAPTED**

TO OUR CUSTOMERS WITH FUNCTIONAL DISABILITIES.



**COMMITMENT TO** SOCIETY, THROUGH CORPORATE **VOLUNTEERING.** 



Local accessible banking



CHAMPIONING ADAPTED AND PARALYMPIC SPORT THROUGH WHEELCHAIR BASKETBALL SPONSORSHIP. A NEW COLLABORATION AGREEMENT HAS BEEN SIGNED IN 2020 WITH FEDDF (THE SPANISH FEDERATION OF SPORTS FOR PEOPLE WITH PHYSICAL DISABILITIES) AND AN AGREEMENT HAS BEEN REACHED BETWEEN CAIXABANK AND THE SPANISH PARALYMPICS COMMITTEE TO SUPPORT PARALYMPIC ATHLETES ON THEIR WAY TO THE 2021 TOKYO GAMES (#SPORTS MAVERICKS).





















## **Generational** diversity \_

The **generational diversity** programme begins with the diagnosis of the situation in the Group, analysing demographic evolution and impacts on structural indicators. Given the ageing of the general population and Caixa-Bank's workforce in particular, generational diversity will be a key factor to be managed in our Organisation, promoting synergies between generations and addressing the different needs and expectations at each stage.

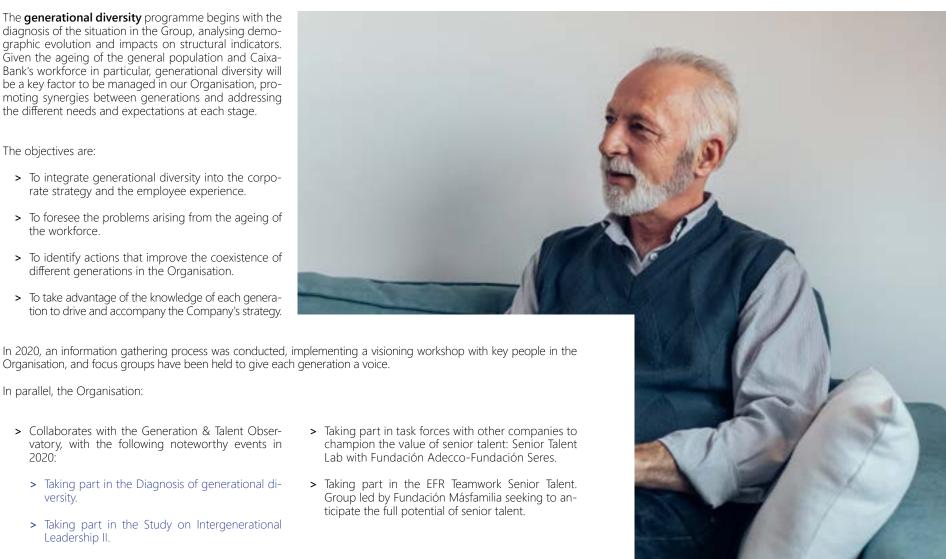
#### The objectives are:

- > To integrate generational diversity into the corporate strategy and the employee experience.
- > To foresee the problems arising from the ageing of the workforce.
- > To identify actions that improve the coexistence of different generations in the Organisation.
- > To take advantage of the knowledge of each generation to drive and accompany the Company's strategy.

Organisation, and focus groups have been held to give each generation a voice.

#### In parallel, the Organisation:

- > Collaborates with the Generation & Talent Observatory, with the following noteworthy events in 2020:
  - > Taking part in the Diagnosis of generational diversity.
  - > Taking part in the Study on Intergenerational Leadership II.

















#### >> GENERATIONAL DIVERSITY IN NUMBERS

#### **Employees by gender**

	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
<30 years	1,946	1,655	1,498	1,308	225	146
30-39 years	7,789	6,500	5,912	4,799	1,009	822
40-49 years	20,155	20,657	16,236	16,755	2,461	2,405
50-59 years	5,572	6,384	3,851	4,453	1,004	1,157
>59 years	274	238	75	89	141	92
Total	35,736	35,434	27,572	27,404	4,840	4,622

### Employees by contract type and age

CaixaBank Group	Full-time, fixed or indefinite- term contract		Part-time, fixed or indefinite- term contract		Temporary contract	
	2019	2020	2019	2020	2019	2020
<30 years	1,477	1,464	5	5	464	186
30-39 years	7,687	6,463	14	13	88	24
40-49 years	20,131	20,641	19	12	5	4
50-59 years	5,555	6,370	12	12	5	2
>59 years	271	231	3	6	0	1
Total	35,121	35,169	53	48	562	217

## Employees dismissed by age

	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
<30 years	8	5	5	3	3	2
30-39 years	18	27	10	15	3	1
40-49 years	49	39	33	21	3	3
50-59 years	15	14	11	7	0	
>59 years	2	3	1	2	0	
Total	92	88	60	48	9	6

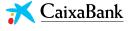
#### Average remuneration by age

	CaixaBar	nk Group	CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
<30 years	25,878	28,311	25,990	28,319	17,580	19,231
30-39 years	45,412	45,318	49,229	48,940	24,512	24,450
40-49 years	61,731	61,718	66,196	66,202	34,520	33,073
50-59 years	77,111	74,856	85,048	82,822	47,360	46,340
>59 years	92,300	107,597	148,917	174,332	68,524	57,429
Total	58,902	59,864	63,294	64,471	35,310	34,918





















Governance Repor 2020

## Professional development and remuneration

## Development of **potential** \_

CaixaBank is committed to strengthening the critical professional skills of its professionals and their development. For that purpose, practically 100% of CaixaBank employees undergo assessments to obtain a global perspective (performance and skills assesment). The Management Feedback process to members of the Senior Management (not belonging to the Management Committee) with evaluations by their teams, colleagues and staff from different areas, was upheld in 2020.

The Skills Assessment model was extended in 2020 to seven Group companies.

99.1% of management positions covered internally in 2020



#### **Management and Premanagement**

CaixaBank promotes professional development programmes at the managerial and pre-managerial level. Highlights include:

- > Managerial Development Plan focused on certifying leadership skills and promoting strategy and transversality in the Company, reinforcing the Transformative Leadership model, whose principles are:
  - > To serve staff by helping them achieve results.
  - > To promote innovation and creativity as levers of change.
  - > To promote the personal and professional growth of staff.
  - > To act as ethical references for stakeholders.
- "Progress" pre-managerial programme, intended for professionals from different areas and Regional Management (branch managers, Central Service managers and Directors of Private Banking and Business Banking), which includes coaching sessions.

Managerial training features two stages (inclusion and consolidation) and a third stage for high-potential groups, and offers incremental development through consolidation in a staff member's position and where the concept of "Certification" is incorporated through Universities and Business Schools. In 2020, the programmes were adapted to online format to continue their activity.

CaixaBank has been recognised by the Spanish Association of Executive and Organizational Coaching at the 2020 AECOP Awards "Culture of Coaching in Business," as a benchmark in actions related to executive coaching. This award represents the recognition of a great deal of work in executive coaching through internal culture, a tool to which CaixaBank has been committed for 10 years as a lever for change and transformation.

> Incorporation: training aimed at developing leadership that is focused on oneself and on laying the foundations of the business. It is proposed for professionals newly accessing management roles. The core programmes include: PROA (Business Area Management), GPS (Central Services), Leadership Certificate C1 Programme and transition coaching assignment processes.

















- > **Consolidation** (between 3 and 5 years in the position): focused on their role as leaders of others and drivers of change and strategy implementation. The core programmes include: C2 Leadership Certificate (Senior Management), programmes related to transformation in the digital age (IMD), online self-training (Positive leadership in times of crisis and uncertainty and Executive Health), and consolidation and mentoring coaching sessions.
- High-potential development: proposals to contribute to and promote the development of leadership in executives with high potential. TOP 200 Programme.

CaixaBank Talks Managerial Development is a new feature in 2020, starting with a new live format allowing for a greater number of participants.

The following managerial development programmes were conducted in Group companies in 2020:

- Leadership Right Now, focused on learning to manage the current situation by improving the ability to adapt.
- > Blended Leadership, which presents the advantages of leading from a distance and developing leadership skills in an uncertain environment.

## Young talent programmes

CaixaBank has talent programmes to identify and develop early talent and thus anticipate future needs. Caixa-Bank's programmes to attract external talent include:

- > Young Management Program (YMP): intended to identify and train future leaders with a four-year time horizon in training and project implementation.
- > WonNow: intended for the best female STEM (Science, Technology, Engineering and Mathema-

- tics) students at Spanish universities, who will be in strategic positions for six months.
- > New Graduates for Central Services: to identify talent for critical positions that cannot be covered internally and for strategic digital positions. A two-year rotational programme with a career plan and the possibility of onboarding into structural positions. For this group, the Developing Skills (ESADE) programme has been carried out in 2020 online.

A transformative talent attraction ecosystem has been launched, under the PeopleXHub brand, which now features 10 Group companies. In order to create a positionion, 24 partnerships have been established with schools and more than 1,500 people are interested in being part of the community.

5,387 participants in the professional development programmes

(Includes pre-managerial level at CaixaBank, S.A.)





















## Ongoing training \_

CaixaBank Campus is the teaching approach under which the Company's training is trainer, as a learning facilitator, plays a key role. This model structures training in three developed, promoting a culture of ongoing learning where the figure of the internal

main blocks:

CalxiaBankCamous



01 Regulations

What is demanded of my by the Regulator

> Compulsory training, required by the regulator: short term, as well as certifications in LCI (Real Estate Credit Act), IDD (Insurance Distribution Directive) and MiFID.

IN THE CAIXABANK, S.A. WORKFORCE

18,710

employees with certification in MiFiD II

6.557

employees with certification above MiFiD II level

18,066 employees are certified in LCI

02

Recommended What CaixaBank

Suggests

> Training recommended by the company to employees according to their role and the segment to which they belong, and which meets business challenges and needs. Commercial culture programme, digital proximity programme and itineraries on transformation in the digital age. The latter are structured into four blocks: The digital environment, Digital skills, Data Academy and Agile work methodologies.

03 Self-learning What I decide

> **Self-training** that responds to the individual needs of our employees: Virtual Academy of English (Education First), Postgraduate in Risks, Training in Agile Methodologies, etc.

The instigators (people and tools) of learning at CaixaBank are:

- > Virtaula: an online learning platform, which has been overhauled to include new digital features and improve the employee experience.
- > Internal trainers: learning community comprising 2,481 employees (1,958 in 2019).
- > Change makers: as a new driver of transformation in CaixaBank, a core element for cultural change and digital transformation.



2,609,008 hours of training in 2020



hours of training per employee



€14.9m total investment in training €16.7m in 2019



investment in training per employee



in online training

















## Appropriate and meritocratic **remuneration**

In 2019, CaixaBank's Board of Directors approved the latest revision of the CaixaBank General Remuneration Policy, which specifies and adapts to the main features of each remuneration type. It can be accessed by all employees via the corporate intranet.

Remuneration at CaixaBank essentially features the following pay items:

- > Fixed remuneration based on the employee's level of responsibility and career path. This accounts for a significant part of total remuneration, also includes the different social benefits, and is governed by the collective bargaining agreement and the various internal labour agreements.
- > A variable remuneration system in the form of bonuses and incentives to achieve previously established objectives and set up to prevent possible conflicts of interest, and, where applicable, to include qualitative assessment principles in line with customer interests, codes of conduct, and prudent risk management.

The principles of the General Remuneration Policy are applicable to all employees of the CaixaBank Group and, among other objectives, they seek to encourage behaviour that ensures the generation of value in the long term and the sustainability of results over time. Furthermore, the strategy for attracting and retaining talent is based on making it easier for professionals to participate in a distinctive social and business project, on the possibility of developing professionally and on competitive conditions in total compensation.

## Compensa+

As a supplement to the abovementioned items of retribution, in 2020, the Flexible Remuneration Programme (Compensa+) was implemented, allowing for tax savings and the customisation of remuneration according to each person's needs. The products offered by the Company in this first phase of implementation up to 30% of gross annual salary are: health insurance for family members, transportation cards, day care services and retirement savings insurance.

To kick off Compensa + two pilot tests were conducted, and it has been available for the entire workforce since October. At the close of 2020, a total of 4,255 employees had subscribed to 1 or more products within the Plan.

#### >> PROFESSIONAL DEVELOPMENT AND REMUNERATION IN **NUMBERS**

#### **Employees by job classification**

	CaixaBank Group		CaixaBa	CaixaBank, S.A.		o BPI
	2019	2020	2019	2020	2019	2020
Directors	5,571	5,236	4,905	4,605	411	395
Middle management	7,000	6,803	5,852	5,666	647	613
Rest of employees	23,165	23,395	16,815	17,133	3,782	3,614
Total	35,736	35,434	27,572	27,404	4,840	4,622

#### Total number of hours of training by employee category

	CaixaBar	CaixaBank Group		CaixaBank, S.A.		o BPI
	2019	2020	2019	2020	2019	2020
Directors	703,195	420,840	685,150	396,889	11,882	17,211
Middle management	847,140	471,116	779,749	415,270	48,415	39,860
Rest of employees	2,037,365	1,717,051	1,706,423	1,410,476	229,107	177,085
Total	3,587,700	2,609,007	3,171,322	2,222,635	289,404	234,157

#### Average remuneration by job classification

	CaixaBank Group		CaixaBa	CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020	
Directors	97,444	98,509	95,513	97,530	95,839	91,080	
Middle management	69,375	70,601	72,022	73,639	43,650	42,493	
Rest of employees	46,497	48,100	50,927	52,554	27,361	27,539	
Total	58,902	59,864	63,294	64,471	35,310	34,918	

#### Employees by contract type and job classification

CaixaBank Group	Full-time indefinite-te	Full-time, fixed or indefinite-term contract		Part-time, fixed or indefinite-term contract		Temporary contract	
	2019	2020	2019	2020	2019	2020	
Directors	5,556	5,224	13	11	2	1	
Middle management	6,995	6,796	3	2	2	5	
Rest of employees	22,573	23,149	37	35	555	211	
Total	35,124	35,169	53	48	559	217	

#### No. of dismissals by occupational classification

	CaixaBank Group		CaixaBank, S.A.		Banco BPI	
	2019	2020	2019	2020	2019	2020
Directors	15	8	14	5	0	
Middle management	11	12	6	6	1	1
Rest of employees	66	68	40	37	8	5
Total	92	88	60	48	9	6

















## Employee experience

#### Work environment \_\_\_

CaixaBank prioritises generating a positive working environment in which teams feel motivated and committed. To achieve this goal, we conduct active listening, pay close attention to the ideas and opinions of our employees, and develop an action plan through this listening to meet their requirements. For this reason, we believe that periodically assessing the social and work environment, the experience of our teams, and the quality of the service provided, helps to generate this positive environment.

The Company measures the commitment and satisfaction of its employees through the internal studies (Commitment Study and the Service Quality Study), as well as through external monitors such as the Employee Experience Measurement Index (IMEX) and MercoTalento, one of the world's benchmark reputational assessment monitors based on the multi-stakeholder methodology.

- > In April, 2,500 employees were gauged on the employment situation during COVID-19, seeking to improve the ways of working in the changing environment.
- > In June, the **Commitment Study** was conducted, geared towards the entire workforce. The study included 70% participation and the TF (total in favour) was 71% (75% in the Study carried out in 2018). Basically, the results were conditioned due to the unique time associated with the pandemic, since the results obtained in the Branch Network were below those of the preceding Committment Study.
- > The Commitment Study has also been carried out in the following Group companies:
  - > CaixaBank Payments & Consumer > CaixaBank Business Intelligence
- - > CaixaBank Equipment Finance
- > CaixaBank Operational Services

> PromoCaixa

- > CaixaBank Facilities Management
- > Telefónica Consumer Finance
- > Joint Prevention Service
- > CaixaBank Asset Management
- > MicroBank
- > Specific gauging is also occassionaly conducted for customised listening according to specific issues, such as the adoption of Office 365, etc.

## More agile and transversal work models \_\_\_\_\_

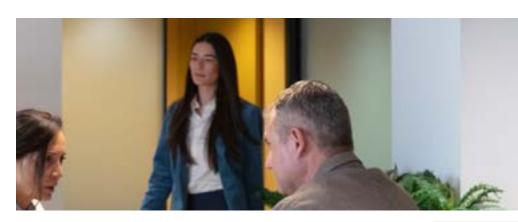
CaixaBank is committed to an agile and collaborative structure, thus, it has conducted a project that seeks to simplify the number of organisational levels that must enable an improved time to market, a reduction in reaction and decision times, while at the same time leading to an improvement in employee commitment, the possibility of developing internal talent, and increasing productivity and delivery quality.

During 2020, we continued with the evolution of the Human Resources processes towards the cloud (SucessFactors solution), implementing the functionalities of Career Site external portal, internal and external personnel selection processes, onboarding, crossboarding and offboarding processes, and lastly, also the internal mentoring and coaching functions.

At the Group level, the corporate model has been evolved and streamlined to improve control, governance and efficiencies through the creation of shared services.

In 2019, the HR Business Partner project was launched, which has evolved in 2020, providing service to all Corporate Services areas. It is worth highlighting the actions carried out, such as a link during the pandemic (in the process of returning to the Central Services buildings) and monitoring the timetable register, among others.

The transition towards more agile work models is part of the agile transformation project that seeks to accelerate and adopt agile methodologies to increase flexibility and efficiency in providing solutions, focusing on the client and breaking silos throuah collaborative work.























## Labour standards and staff rights \_\_\_\_\_

CaixaBank places fundamental importance on compliance with labour standards, the rights of employees and their representatives, and all matters related to consensual frameworks with union representatives. In addition, the Collective Agreement on Savings Banks and Financial Institutions applies to the entire workforce of CaixaBank, S.A. There are also additional agreements to develop and improve the conditions of the Collective Agreement.

In general, most staff follow the working hours established in the Collective Bargaining Agreement on Savings Banks and Financial Institutions, and specific working agreements are made with the Workers' Labour Representation when exceptional cases arise. CaixaBank, S.A. forms part of the Joint Standing Committee on the Interpretation of the Agreement, which aims to develop labour standards that are applicable to all employees in the sector.

CaixaBank, S.A. maintains and promotes total neutrality with the different union representations in the Company. The union representatives involved in the company committees are chosen every four years by means of an individual, free, direct, and confidential voting system. They are notified of any relevant changes that may arise within the Company.

On 30 September 2020, the Collective Bargaining Agreement of Savings Banks 2019-2023 (5 years) was signed and published in Spain's Official State Gazette on 3 December, taking effect from 4 December 2020, which makes it possible to level certain significant inertia of costs not linked to performance (such as wage reviews, triennia and the agreement bonus) and addressing a period of huge complexity in a better situation. The collective bargaining agreement also specifically regulates matters such as teleworking and digital disconnection.

## Equality Plan \_\_\_\_\_

To ensure equal opportunity, CaixaBank, S.A. and other Group entities have different equality plans that they share with the aim of promoting, disseminating and contributing to gender equality, incorporating policies to facilitate the work-life balance for their staff.

It should be noted that the following conditions improve on those included in the Collective Bargaining Agreement and the Workers' Statute: paid leave for marriage, maternity and paternity<sup>1</sup>, illness or death of a family member, moving house, etc., reduced working hours to look after children under the age of 12 years or children with disabilities, leaves of absence to care for dependents, gender-based violence, family relocations, charity, personal reasons, and study purposes.

In January 2020, CaixaBank S.A. signed the Equality Plan with all trade unions, which includes the following annexes: the Work-Life Balance Protocol, the Protocol for the Prevention of Harassment and mediation, and the Protocol for Common Law Couples. The plan contains substantial improvements in terms of:

- > Targets for the representation of women in management positions.
- > Work-life balance: extension of leave on the death of a spouse or common-law partner with minor children and extension of paternity leave by 10 days progressively over 3 years, to encourage co-responsibility in the family. Flexibility is also extended to one hour, respecting organisational needs and reduced working hours are allowed on Thursday afternoons until the child reaches twelve years of age. Lastly, holidays can be taken until 31-01 for work-family balance reasons.



1,080 **REDUCED** WORKING DAYS 1,691 IN 2019

769 **LEAVES OF** ABSENCE 555 IN 2019



CaixaBank, S.A. data

See details on the following pages.







Strateg Lines

> Foster a people centric, agile an collaborative culture

Statement of Non-finance Information







The main conditions that improve upon the conditions set out in the Agreement and the Workers' Statute with regard to maternity and paternity leave are as follows:

#### >> IN TERMS OF PAID LEAVE AND REDUCTIONS IN WORKING HOURS

#### **LEGISLATION**

#### CAIXABANK IMPROVEMENTS (IN THE CAIXABANK WORK-LIFE BALANCE PROTOCOL)

O1. Article 48 of the Workers' Statute

16 weeks of leave for both the biological mother and the other parent.

**10** calendar days of additional paid leave, and **14** calendar days for multiple childbirth or the birth of a child with disability.

O2 Article 37 of the Workers' Statute

Access to a reduced working hours due to caring for a person under 12 years of age, provided that it entails at least 1/8 of the working day.

- > People who directly care for a child under 12 years of age may request **reduced working hours exclusively on Thursday afternoons** (involving a **reduction of less than 1/8 of the working day).**
- > The collective with **children with a disability** is allowed to take **paid leave** on Thursdays until the child's third birthday, and if the child has a disability of 65% or more, the paid leave is **indefinite**.

No legislation is established

Paid leave of 30 days for the birth of a child with disabilities equal to or greater than 65%, which can be taken within 24 months of the birth.

No legislation is established

Two sensitive cases are considered when it comes to **giving preference** to **choosing holidays**, to facilitate the work-life balance:

- > If, due to divorce or separation, a holiday date has been assigned to take care of children under 12 years of age.
- > The case of a disabled child attending specialist school centres, and these centres are closed.















#### >> IN TERMS OF ECONOMIC CONDITIONS

#### **LEGISLATION**

#### CAIXABANK IMPROVEMENTS

01. No legislation is established

Aid of 5% of salary for children until the child reaches the age of 18 or 21.

O2. Collective Bargaining Agreement for Savings Banks and Financial Institutions

€3,400/year in aid for people with disabilities.

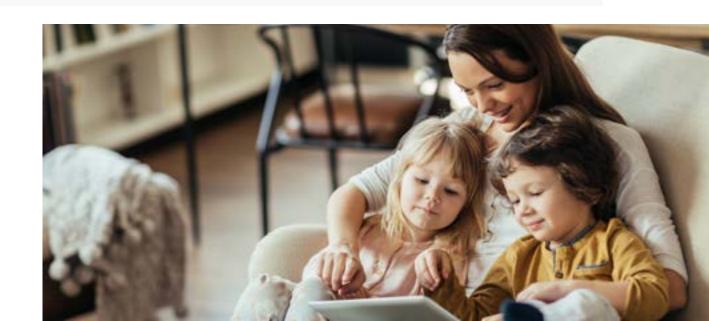
#### Aid for training employees' children:

> Annual benefit of €5,150/year in the case of a disability >= 33% and <65%, and in the case of a disability >= 65% will be €6,300/year.

## 03. No legislation is established

#### Aid for loans and advances:

- > In the event of birth, adoption, and fostering, access to advances up to 1 year.
- > Reductions in working hours due to work-life balance do not imply a decrease in credit capacity.











Lines

Foster a peoplecentric, agile and collaborative









Annual Corporate Governance Report 2020 For years CaixaBank has invested in disconnection policies that promote work-life balance for employees. The internal employment agreements contain rationalisation measures of training and commercial activity for employees. The number of activities that can be conducted outside of normal working hours established in the Collective Agreement are limited. Priority is always given to the willingness and motivation of employees. Focusing on **digital disconnection**, CaixaBank has a protocol whose most important aspects are:



The right not to reply to communications after the working day has ended.



No communications from 7pm to 8am the following day, nor on holidays, during leave or on weekends.



## **Not calling meetings**

that end after 6.30pm.



The incorporation of good practices to minimise meetings and trips by encouraging the use of collaborative tools.

## **Promoting well-being** in a healthy and sustainable environment \_\_\_\_\_

The Management team is acutely aware of the importance of reinforcing initiatives and measures to facilitate proper working conditions. Management is committed to:

- > Fostering a culture of prevention at all levels of the organisation.
- > Ensuring compliance with applicable law and other voluntary commitments to which it subscribes.
- > Considering preventive aspects at the source.
- > Implementing continuous improvement measures.
- > Raising awareness and training staff.
- > Maintaining an Occupational Risk Prevention management system in accordance with the requirements of the OHSAS 18001 standard, which is more demanding than the legal standard.

CaixaBank, S.A. has specific committees to guarantee the health and safety of its staff:

- > Single Occupational Health and Safety Committee. This committee is responsible for establishing the aforementioned objectives and monitoring preventive actions, placing special emphasis not only on statutory audits, but also on other voluntary standards, such as the OHSAS 18001 certification (since 2005).
- > Occupational Risk Prevention Coordination Committee. This committee establishes the policies related to occupational risk prevention, to improve the control, management, and monitoring of the health and safety requirements and to organise and conduct training.

In order to raise awareness and train staff in matters of Occupational Health and Safety, CaixaBank regularly offers training content on branch safety, occupational health and safety, emergency measures and first aid.



















## Healthy company

The healthy company project reaffirms our commitment to the safety, health and well-being of staff, since it:



Has an effect on the productivity and competitiveness of companies and, therefore, their sustainability



Leads to a healthier, more motivated and satisfied staff



**Contributes to increased** commitment and pride of belonging



Improves the corporate image



Encourages the attraction and retention of talent



Improves the work environment



Reduces absenteeism

It is structured along three axes:



**Safety.** Safe and emotionally healthy work environments.

The Company aims to achieve excellence in preventative culture and safe work environments. To this end, the transition to ISO 45001 certification (voluntary certification with requirements above those legally established) is going to be examined, incorporating well-being as a global concept.

In the psychosocial area, an intervention programme has been carried out that assesses psychosocial effects and defines action plans for reducing stress factors.

As proof of its ongoing improvement in prevention, CaixaBank has implemented a comprehensive health and safety management programme for the International Network.



**Health.** Promoting healthy lifestyles and balancing work and health as a priority.

CaixaBank has fitted out physical spaces to promote healthy activities and sports (changing rooms and multi-purpose room) and has strengthened the occupational health and safety section on the corporate intranet (medical advice by subject) with the aim of consolidating itself as a Healthy Company. To do this, the Company offers individual and collective programmes to improve lifestyles and health management through the internal platform and through "Adeslas Health and Well-being", the catalogue of sports actions and health has been expended, which can be extended to the Regional Management. During the pandemic situation, actions have been carried out online.

CaixaBank's activities do not lead to the development in its workers of any of the occupational diseases classified as serious.



**Well-being.** Forging a culture of flexibility with our work environments that promotes the well-being of staff, with benefits that facilitate their day-to-day work.

The Sustainable Performance School in Virtaula features content that contributes to improving the personal well-being of staff with training in health and nutrition, mindfulness, environment and positive thinking, among other topics.

With the expansion of measures to promote new environments and ways of working (remote, agile...) as well as studying formulas to improve the transition of the workforce towards active and healthy ageing, it will be possible to achieve a more emotionally healthy workforce.



The COVID-19 Insurance Protocol certification was obtained in 2020, following a verification process conducted

by specialised external consultants, to ascertain the degree of implementation of the measures and subsequent assessment.

This certification provides confidence with respect to the prevention of COVID-19 in our centres, contributes to the safe reincorporation and return to activity, and highlights the control over risks and the ongoing review of the action protocols, in accordance with the best standards and security measures.

















#### >> WORK ENVIRONMENT IN NUMBERS

#### Accidents at work

	201	19	202	20	
	Not serious	Serious	Not serious	Serious	
Total no. of accidents	516	7	280	5	
Of which:					
Female	345	2	180	3	
Male	171	5	100	2	
	20	19	20.	20	
Accident frequency index	1.7	7	1.0	)4	
Of which:					
Female	2.4	13	1.4	18	
Male	1.0	)1	0.5	52	
Absenteeism					
			2019	2020	
Hours of absenteeisn	n (manageable)		1,684,796	1,952,639	
Manageable absente (illness and accidents	eism rate )		2.82% 3.4%		

During 2020, 710 internal communications were posted on "People" and "PeopleNow," totaling 2,344,556 visits throughout the year in CaixaBank.

## Communication channels to encourage participation and collaboration \_\_\_\_\_

CaixaBank's internal communication focuses mainly on:

- > Promoting and tackling the Strategic Plan challenges and business priorities.
- > Transmitting our corporate values as a differentiating factor.
- > Recognising and reinforcing good professional practices.
- > Promoting the corporate culture and the pride of belonging.



The fundamental instrument for this task, which has so far been the People portal, is now reaching a new dimension with **PeopleNow**, the internal communication channel with social network utilities that has been deployed during 2020. This is a new tool that represents leverage for the Digital and Cultural Transformation that boosts employee participation, improves their experience and evolves towards participatory, modern, visual and multi-platform communication (mobile-first).

PeopleNow groups business, corporate and social content into a smart and modern space in which each professional has a profile to develop their personal brand and creates or participates in communities according to their area of influence, as well as subscribing to information channels according to their interests.

This enables bidirectionality that encourages ongoing listening to what is happening in the Company.

The focus, in 2020, was on offering employees the tools they need to address the situation arising from the COVID-19 pandemic. The following initiatives are noteworthy:

- > Coronavirus portal, to provide access to protocols and measures. Flash Legal has been developed in subsidiaries, featuring new legal developments in the workplace to keep the standards permanently updated.
- > #MASQUENUNCA (#MoreThanEver) #SOMOSOCAIXABANK (#WeAreCaixaBank), to highlight the effort made by the staff, giving a voice to the real stars and their families.
- > Blog: #CONTIGO (#ByYourSide) now more than ever, to spread content in Group subsidiaries.

2020 has seen a surge of communication to all the Group companies on: CaixaBank business information, voluntary actions, employee monitoring and care, safety measures and recommendations, reaching 3,200 employees from 19 companies.









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# Attractive shareholder returns and solid financials

## Evolution of results and business activity

## **Business segmentation**

For financial reporting purposes, the Group is split into the following business segments:

#### **Banking and Insurance**

> Encompasses earnings from the Group's banking, insurance and asset management activities mainly in Spain, as well as liquidity management, ALCO, income from financing the other businesses and the Group-wide corporate operations. It also includes the businesses acquired by CaixaBank from BPI during 2018 (insurance, asset management and cards), as well as the remaining non-core real estate business (except Coral Homes) after the sale of 80% of this business in December 2018.

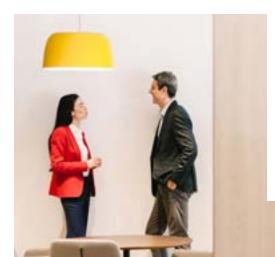
#### **Investments**

- > This line of business essentially encompasses earnings from dividends and/or equity-method profits from finance cost of participated entities, as well as gains on financial transactions, held in Erste Group Bank, Telefónica, BFA, BCI y Coral Homes. It also includes significant impacts on income from other relevant stakes across a variety of sectors.
- > It includes the stakes in BFA, which after reassessing the significant influence at 2018 year-end is classified as Financial assets at fair value with changes in other comprehensive income, and the stakes in Repsol, until completing its sale in the second quarter of 2019.

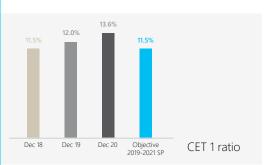
## BPI

> Encompasses the earnings from BPI's domestic banking business. The income statement shows the reversal of the fair value adjustments of the assets and liabilities resulting from the combination of businesses and excludes the results and balance sheet figures associated with the assets of BPI assigned to the equity investments business (essentially BFA and BCI), as discussed previously.

The operating expenses of these business segments include both direct and indirect costs, which are assigned according to internal distribution methods.



# >> MAIN METRICS FOR MONITORING THE 2019-2021 STRATEGIC PLAN





The achievement of a good part of the Plan's financial objectives (including profitability) will be delayed beyond 2021 due to the impact of COVID-19 and the deterioration of the economic environment. For the same reason, some business priorities have been adjusted to reflect the worsening macroeconomic stage.

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#### Results \_

€ million	2018	2019	2020 (breakdo	wn by business)		
	Group	Group	Group	Banking and insurance	Investments	BPI
Net interest income	4,907	4,951	4,900	4,533	(78)	444
Dividend income and share of profit/(loss) of entities accounted for using the equity method	972	588	454	250	186	18
Net fees and commission income	2,583	2,598	2,576	2,330	0	245
Gains/losses due to financial assets and liabilities and others	278	298	238	249	(9)	(2)
Income and expenses under insurance and reinsurance contracts	551	556	598	598	0	0
Other operating income and expense	(524)	(386)	(356)	(338)	(3)	(15)
Gross income	8,767	8,605	8,409	7,623	97	690
Recurring administrative and amortisation expenses	(4,634)	(4,771)	(4,579)	(4,137)	(4)	(439)
Extraordinary expenses	(24)	(979)	0	0	0	0
Operating income/(loss)	4,109	2,855	3,830	3,486	93	252
Impairment losses on financial assets	(97)	(376)	(1,915)	(1,895)	0	(21)
Other provision allowances	(470)	(235)	(247)	(228)	0	(19)
Gains/(losses) on disposal of assets and others	(735)	(167)	(67)	216	(311)	28
Profit/(loss) before tax	2,807	2,077	1,601	1,580	(218)	239
Income tax	(712)	(369)	(219)	(178)	24	(65)
Profit for the period	2,095	1,708	1,382	1,402	(194)	174
Profit attributable to minority interests and discontinued operations	110	3	0	0	0	0
Profit/(loss) attributable to the Group	1,985	1,705	1,381	1,401	(194)	174
Cost-to-Income Ratio	53.1%	66.8%	54.5%			
Cost-to-income ratio excluding extraordinary expenses	52.9%	55.4%	54.5%			
ROE <sup>1</sup>	7.8%	6.4%	5.0%			
ROTE <sup>1</sup>	9.5%	7.7%	6.1%			
ROA	0.5%	0.4%	0.3%			
RORWA	1.3%	1.1%	0.8%			

<sup>&</sup>lt;sup>1</sup> The calculations for ROTE and ROE of 2019 include the valuation adjustments in the denominator, resulting in a restatement of the figures reported from previous periods. Furthermore, the accounting policy associated with the recording of the defined benefit commitments with employees has been modified, resulting in a restatement of the assets and ratios from previous periods.

#### 2020









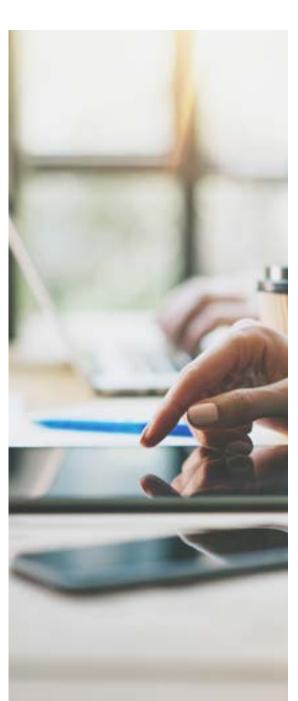
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#### **Evolution 2020 vs. 2019**

Attributable profit amounted to €1,381 million in 2020 (-19%), mainly due to the recognition of an extraordinary provision in anticipation of future impacts associated with COVID-19 (€1,252 million gross).

**Gross income** stood at €8,409 million. Core income¹ remains stable at €8,310 million in 2020 (-0.1%), despite the challenges of the economic environment. The change in gross income (-2.3%) was mainly caused by the reduction in profit from financial operations (-20.1%) and in profit of entities accounted for using the equity method (-22.8%).

Recurring administrative and amortisation expenses reflect the savings associated with the 2019 labour agreement and early retirements in 2020, in addition to the intensive management of the cost base and lower costs incurred in the context of COVID-19. The reduction in expenditure (-4.0%) is clearly lower than that of core income (-0.1%).

Impairment losses on financial assets was impacted by the strengthening of provisions for credit risk, including an extraordinary provision for the future impacts of COVID-19 worth €1,252 million.

**Other provisions** includes €109 million associated with early retirement.

Similarly, the year-on-year changes to **Gains/(losses)** on disposal of assets and others were affected by the recognition in 2020 of the gain on the partial sale of Comercia (€420 million) and the provision associated with the stake in Erste Group Bank (-€311 million), among other factors.

#### **Evolution 2019 vs. 2018**

Attributable profit stood at €1,705 million in 2019 (-14.1%), largely due to the effect of the labour agreement (+20.4% without this effect).

Gross income stood at €8,605 million, with a slight increase in core income1, which stood at €8,316 million in 2019 (+1.2%). The change in gross income (-1.8%) is mainly due to the reduction in the share of profits/ (loss) of entities accounted for using the equity method (-48.5%), which was a consequence of not accounting for Repsol's and BFA's profits. Excluding the contribution from Repsol and BFA in both years, gross income grew by 3.0%.

Other operating income and expenses improved due to lower property expenses, as a result of the sale of this business in 2018.

**Impairment losses** on financial assets was impacted by the extraordinary release of provisions in 2018 worth approximately €275 million.

The 51% repurchase transaction of Servihabitat was included in 2018, which generated a loss of -€204 million (-€152 million recorded in **Other provisions** and -€52 million in Gains/(losses) on disposal of assets and others).

Similarly, the year-on-year changes to **Gains/(losses)** on disposal of assets and others essentially relate to a -€453 million loss recognised in 2018 arising from the agreement to sell the stake in Repsol, and a further -€154 million due to the change of accounting classification of the stake in BFA.

Includes net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for SequrCaixa Adeslas, and income from the insurance investees of BPI.









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#### Net interest income

## Evolution 2020 vs. 2019

Net interest income in 2020 amounted to €4,900 million (-1% compared to 2019) due to:

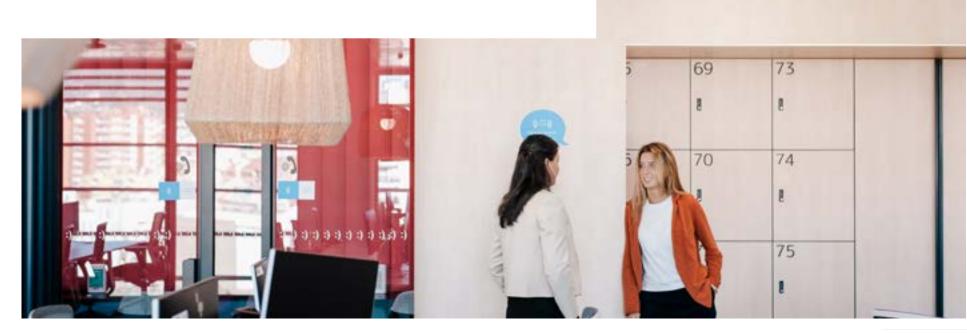
- > Lower credit revenues following a decrease in rates, partly impacted by the change in the structure of the loan portfolio due to the increase in ICO loans, as well as by the reduction in revenues from consumer credit and the decline in the yield curve.
- > Lower contribution from the fixed income portfolio due to lower average rates as a result of high rate maturities at the end of the fourth quarter of 2019.
- > Reduction in the cost of credit institutions and the increase in financing taken out with the ECB on better terms and by the measures established by the ECB in October 2019 (in which the excess over which the cash ratio is not penalised with negative rates was increased).
- > Savings in institutional financing costs due to lower prices following the lowering of the curve. A slight decrease in retail financing costs due to a decrease in the rate.
- > Greater contribution of the insurance business (savings products).

#### **Evolution 2019 vs. 2018**

Net interest income in 2019 amounted to €4,951 million (+0.9% compared to 2018) due to:

- > Higher income from loans, mainly due to a rise in volume.
- > Sound management of retail funding, which involved a reduction in costs due to the cancellation of retail subordinated debt in June 2018 and to the reduction of 4 basis points in the cost of deposits at maturity.
- > Savings in the costs of institutional financing due to lower prices. A higher volume in the fixed income portfolio.
- > Greater contribution of the insurance business (savings products).

The change also reflects the reduction in returns from loans and from fixed-income securities.







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To help correct 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 intermediaries on the assets side includes the negative interest on the balances of financial intermediaries held on the liabilities side, the most significant being ECB financing measures (TLTROs and MROs). Conversely, financial intermediaries on the liabilities side shows the negative interest on the balances of financial intermediaries on the assets side. Only the net amount between income and expenses for both line items has economic significance.
- > The "Other assets with returns" and "Other funds with cost" line items relate primarily to the Group's life insurance business.
- > The balances of all headings except "Other assets" and "Other funds" correspond to balances with returns/cost. "Other assets" and "Other liabilities" incorporate 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.

- > Until the fourth quarter of 2018, BPI's interest rate hedges were accounted for at net value in the Other liabilities heading. As of the first quarter of 2019, the presentation criteria has been unified with the rest of the Group's, and the impacts are recognised in the headings that include the hedged elements. The reclassification had a positive impact on Maturity deposits and Other liabilities and a negative impact on Debt securities and Loans and advances to customers.
- > Since 31 December 2019, the offsetting criteria set out in IAS 32 have been met to compensate for trading derivatives held through the LCH and EUREX clearing houses. This resulted in a reduction in the balance of "Other assets" and "Other liabilities" compared to quarters prior to that date.

€ million	2020		2019		2018	
	Average balance	Rate %	Average balance	Rate %	Average balance	Rate %
Financial Institutions	42,313	0.95%	25,286	0.65%	21,241	0.83%
Credit portfolio (a)	223,864	1.99%	213,298	2.24%	208,470	2.27%
Debt securities	42,616	0.61%	36,184	0.92%	34,723	1.05%
Other assets with returns	64,954	2.52%	61,643	2.84%	54,174	3.03%
Other assets	58,959	-	67,431	-	65,193	-
Average total assets (b)	432,706	1.56%	403,842	1.75%	383,801	1.81%
Financial Institutions	52,390	0.39%	36,076	0.67%	43,601	0.45%
Resources of retail activity (c)	230,533	0.01%	214,136	0.02%	199,220	0.04%
Institutional bonds and marketable securities	30,341	0.73%	28,343	0.87%	26,822	0.98%
Subordinated debt securities	5,547	1.30%	5,400	1.36%	6,346	1.73%
Other funds with cost	73,652	1.75%	70,437	2.04%	63,366	2.14%
Other funds	40,243	-	49,450	-	44,446	-
Average total funds (d)	432,706	0.43%	403,842	0.52%	383,801	0.53%
Customer spread (a-c)		1.98%		2.22%		2.23%
Balance sheet spread (b-d)		1.13%		1.23%		1.28%



















#### Fees and commissions

#### **Evolution 2020 vs. 2019**

Fee and commission income reached €2,576 million, -0.9% compared to 2019.

- > Banking fees, securities and other fees include the same items as the previous year. Annual performance (-3.8%) was characterised by a fall in fees from payment methods and solid growth of fees from wholesale banking.
- > Insurance marketing fees dropped from 2019 (-4.7%), mainly due to lower commercial activity in the second and third quarters.
- > Commissions from mutual funds, managed accounts and SICAVs came to €546 million (+1.4%).
- > Commissions from the management of pension plans stand at €235 million (+5.9%).
- > Unit Link fees and commissions and others stood at +€149 million (+19.3%). This is mainly due to the higher volume managed.

#### **Evolution 2019 vs. 2018**

Fees and commissions income reached €2,598 million, +0.6% compared to 2018.

- > Fees from banking, securities and other services includes income on securities transactions, transaction processing, risk activities, deposit management, payment methods and investment banking. Annual growth (+0.8%) was largely influenced by the growth of payment methods. The fees and commissions from marketing insurance dropped when compared to 2018 (-6.6%) affected by the launch schedule of new products.
- > Commissions from investment funds, portfolios and SICAVs came to €538 million (-2.6%). 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 trend at the end of 2018.
- > Pension plan management fees stood at €222 million (+2.4%).

€ million	2020	2019	2018
Banking services, securities and other fees	1,443	1,500	1,488
of which: recurrent income	1,262	1,343	1,329
of which: wholesale banking	181	157	159
Investment funds, portfolios and SICAVs	546	538	552
Pension plans	235	222	217
Insurance sales	203	213	227
Unit Link and other <sup>1</sup>	149	125	99
Net fees and commission income	2,576	2,598	2,583

## Income from equity investments \_

Profit of entities accounted for using the equity method decreased by €118 million (-27.9%) compared to the previous year, due to lower Profit/(loss) of affiliates in the current economic context, except for SegurCaixa Adeslas, which significantly improved its annual profit due to lower accident rates and one-off aspects in the context of COVID-19.

In 2019, its development was also negative: -€401 million (-48.5%), mainly due to the non-attribution of the profits of BFA and Repsol (€434 million attributed in 2018).

Dividend income in 2020 was made up essentially of the dividends of Telefónica and BFA, worth €100 million and €40 million, respectively.

€ million	2020	2019	2018
Dividend income	147	163	146
Entities accounted for using the equity method	307	425	826
Income from equity invest- ments	454	588	972

<sup>&</sup>lt;sup>1</sup> Includes income corresponding to Unit Link and Flexible Investment Life Annuity (the managed part).







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## Gains on financial assets \_\_\_\_\_

Net trading income amounted to €238 million in 2020 (-20.1%). Its evolution is partly due to greater gains in fixed-income assets in 2019.

## Income and expenses under insurance and reinsurance contracts

Revenues from the life insurance business amounted to €598 million, up a solid 7.5% compared to 2019. In 2019, this stood at €556 million, up 1.0% in the year.

## Other operating income and expense \_\_\_\_\_

Other operating income and expenses (-7.8%) mainly reflects an increase in income associated with SegurCaixa Adeslas latest *earn out*.

The heading includes, among other items, income and expenses at non-real estate subsidiaries, income from rentals and expenses incurred in managing foreclosed properties and contributions, levies and taxes.

€ million	2020	2019	2018
Contribution to the Single Resolution Fund / Deposit Guarantee Fund	(355)	(345)	(325)
Other real estate income and expenses (including Spanish Property Tax)	(22)	1	(147)
Other	21	(42)	(52)
Other operating income and expense	(356)	(386)	(524)

- > Recognition of the contribution to the Deposit Guarantee Fund (DGF) for €243 million (€242 million in 2019 and €228 million in 2018).
- > This includes the contribution to the Single Resolution Fund (SRF) of €111 million (€103 million in 2019 and €97 in 2018).
- > Recognition of Spanish Property Tax (€16 million for 2020 and 2019, compared to €48 million in 2018).
- > The year-on-year change for 2019 (-26.4%) is essentially impacted by lower property expenses (Property Tax and maintenance and management costs from the portfolio of foreclosed assets), as a result of the sale of the real estate business in the fourth quarter of 2018.











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#### Administration expenses and depreciation and amortisation

Administrative expenses and amortisation stood at €4,579 million (-4.0%). The year-on-year performance was impacted by:

- > Personnel expenses decreased by 4.6%, including the savings associated with the 2019 Labour Agreement and the early retirement payments in 2020 (effective 1 April 2020), which compensate for the vegetative increase.
- > A decrease of 3.9% in general expenses for the year. The decrease in 2019 is of 3.5% compared to 2018, mainly due to the implementation of IFRS16.
- > Depreciation and amortisation decreased by 1.0% in the year, while in 2019 it increased by 34.9%, largely as a result of the entry into force of IFRS16, which implies the activation and subsequent amortisation of rights of use of leased assets, essentially offset by the reduction in general expenses. Without this effect, the increase in depreciation and amortisation expenses would be approximately 1.5%.

€ million	2020	2019	2018
Gross income	8,409	8,605	8,767
Personnel expenses	(2,841)	(2,978)	(2,937)
General expenses	(1,198)	(1,247)	(1,292)
Amortisation expenses	(540)	(546)	(405)
Recurring administrative and amortisation expenses	(4,579)	(4,771)	(4,634)
Extraordinary expenses		(979)	(24)

In 2020, no extraordinary expenses are recorded, while 2019 includes the agreement reached with workers' representatives in the second guarter on a plan with severance payments with a gross impact of €978 million. Most of the agreed departures took place on 1 August 2019. Extraordinary expenses in 2018 were associated with the integration of BPI.

## Allowances for insolvency risk and other charges to provisions

Loan-loss provisions amounted to -€1,915 million (-€376 million in 2019). Its evolution is marked by the modification of macroeconomic scenarios and the weighting given to each scenario used in the estimate of the expected loss due to credit risk. To this end, scenarios have been used with internal economic forecasts of different severity levels, incorporating the effects on the economy of the health crisis caused by COVID-19. As a result, a credit risk provision of €1,252 million was established in 2020, anticipating future impacts associated with COVID-19.

2019 reflected various one-off factors, including the reversal of provisions associated with the €275 million restatement of the recoverable amount of the exposure to a large borrower, the negative impact of the recalibration of models in an environment of macroeconomic slowdown, and the release of provisions following the revision of the expected loss associated with the credit risk adjustments in the context of the acquisition of BPI for €179 million.

Other charges to provisions shows mainly the coverage of future contingencies and impairment of other assets. The main impact of this change is the recognition of €109 million associated with early retirements in 2020. 2019 includes the recognition of allowances for legal contingencies with a conservative outlook.

€ million	2020	2019	2018
Insolvency allowances	(1,915)	(376)	(97)
Other charges to provisions	(247)	(235)	(470)
Allowances for insolvency risk and other charges to provisions	(2,162)	(611)	(567)





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## 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 sale and write-off of assets. The year-on-year trend (-59.8%) was mainly impacted by the following extraordinary events:

#### In 2020:

- > The recognition of the gain of €420 million derived from the partial sale of the stake in Comercia.
- > A provision of €311 million associated with Erste Group Bank was recognised, due to the impact of Covid-19 on the economic environment, as well as the lengthening of the low interest rate scenario.

In the evolution of 2019 vs 2018, it should be noted that the latter year included:

- > The real estate results include the impairment of the 49% stake held at that time in Servihabitat to adjust its carrying amount to the new fair value (-€52 million). It also includes the formalisation of the sale of the real estate business (including expenses, taxes and other costs) for -€60 million.
- > Other gains/(losses) includes the negative impact derived from the agreement to sell the stake in Repsol (-€453 million), the change of accounting classification of the stake in BFA (-€154 million), as well as the profit from the sale of BPI's purchasing business(+€58 million).

€ million	2020	2019	2018
Real estate results	(134)	(84)	(117)
Other	67	(83)	(618)
Gains/(losses) on disposal of assets and others	(67)	(167)	(735)







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## Balance sheet and operations \_\_\_\_\_

Total assets stood at €451,520 million at 31 December 2020 (+15.4% in the year).

With regard to Shareholders' equity in 2019, the change in accounting criteria for defined benefit obligations led to a restatement of the comparative figures for previous periods.

The allocation of capital to BPI is at sub-consolidated level, i.e., taking into account the subsidiary's own funds. The capital consumed in BPI by the investees allocated to the investment business is allocated consistently to the investment business.

The difference between the Group's total own funds and the capital assigned to the other businesses is attributed to the banking and insurance business, which includes the Group's corporate centre.

€ million	31.12.18	31.12.19	31.12.20 (breal	31.12.20 (breakdown by business)			
	Group	Group	Group	Banking and insurance	Investments	BPI	
Total assets	386,546	391,414	451,520	410,690	3,267	37,564	
Total liabilities	362,182	366,263	426,242	389,083	2,565	34,595	
Equity	24,364	25,151	25,278	21,607	702	2,969	
Total equity assigned	-	100 %	100%	85.5%	2.8%	11.7%	











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#### Loans and advances to customers \_

Gross lending to managed customers stood at €243,942 million (+7.3%). In the annual change by segment, the following trends are of particular note:

- > Loans for home purchases (-3.3% in the year) continues to be marked by the deleveraging of families.
- > Loans to individuals other purposes fell by 2.2% in the year as a result of the 3.8% drop in consumer loans due to the decrease in economic activity following continuous restrictions on mobility.
- > Financing for companies grew by 16.6% in the year in response to credit demand in a context in which companies anticipated, after the start of the health crisis, their liquidity needs for subsequent quarters.
- > Public sector lending increased by 43.2% in the year, impacted by one-off transactions in a highly liquid environment.

€ million	31.12.18	31.12.19	31.12.20 (brea	31.12.20 (breakdown by business)		
	Group	Group	Group	of which: banking and insu- rance	of which: BPI	
Loans to individuals	127,046	124,334	120,648	106,941	13,708	
Home purchases	91,642	88,475	85,575	73,586	11,989	
Other	35,404	35,859	35,074	33,355	1,719	
Loans to businesses	85,817	91,308	106,425	96,331	10,094	
Productive sectors (exc. property developers)	79,515	85,245	100,705	90,767	9,938	
Property developers	6,302	6,063	5,720	5,564	156	
Public sector	11,830	11,764	16,850	15,005	1,845	
Loans and advances to customers, gross	224,693	227,406	243,924	218,277	25,647	
Provisions for insolvency risk	(5,728)	(4,704)	- 5,620	- 5,105	- 515	
Loans and advances to customers (net)	218,965	222,702	238,303	213,172	25,131	
Contingent liabilities	14,588	16,856	16,871	15,254	1,616	





# 2020 Consolidated Management Report





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### Customer funds

Customer funds amounted to €415,408 million, +8.1% in 2020.

On-balance sheet funds amounted to €303,650 million (+9.5%).

- > Growth in demand deposits to €220,325 million (+16.2%). The strength of this evolution is explained by a context in which families and companies have managed their liquidity needs.
- > Term deposits totalled €21,909 million. Their evolution continues to be marked by a decline in deposits in the renewal of maturities in an environment of negative interest rates.
- > Increase in liabilities under insurance contracts<sup>2</sup> (+3.3% in the year) thanks to Unit Link's positive net subscriptions.

Assets under management grew to €106,643 million. Its annual performance (+4.2%) was marked by the fall of the markets in the first part of 2020, and their subsequent gradual recovery throughout the year, especially during the last quarter. Positive net subscriptions are also noteworthy.

- > Assets managed in investment funds, portfolios and SICAVs stand at €71,315 million (+4.0% in the year).
- > Pension plans totalled €35,328 million (+4.7% in the year).

Other accounts mainly includes temporary funds associated with transfers and collections.

€ million	31.12.18	1.12.18 31.12.19 31		31.12.20 (breakdown by business)		
	Group	Group	Group	of which: banking and insurance	of which: BPI	
Customer funds	204,980	218,532	242,234	216,432	25,802	
Demand deposits	174,256	189,552	220,325	202,980	17,344	
Term savings¹	30,724	28,980	21,909	13,451	8,458	
Liabilities under insurance contracts <sup>2</sup>	53,450	57,446	59,360	59,360		
Repurchase agreement and others	2,060	1,294	2,057	2,044	13	
On-balance sheet funds	260,490	277,272	303,650	277,835	25,815	
Investment funds, portfolios and SICAVs	64,542	68,584	71,315	65,852	5,463	
Pension plans	29,409	33,732	35,328	35,328		
Assets under management	93,951	102,316	106,643	101,180	5,463	
Other accounts	5,108	4,698	5,115	3,778	1,336	
Total customer funds	359,549	384,286	415,408	382,794	32,614	

 $<sup>^1</sup>$  Includes retail borrowings of €1,436 million at 31 December 2020 (2019: €1,625 million).

<sup>&</sup>lt;sup>2</sup> Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Linked and Flexible Investment Life Annuity assets (the part managed).

### 2020

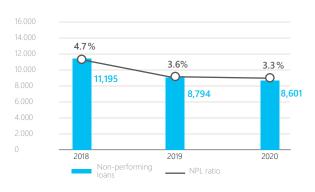




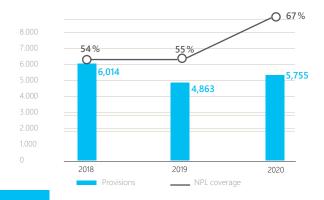


and solid financials

### >> NON-PERFORMING ASSETS



# >> COVERAGE



### Asset quality \_\_\_

NPLs dropped €193 million in the year, despite the slowdown in recovery activity during the start of the health crisis, with the NPL ratio standing at 3.3% (-30 basis points in the year). Of note was the €477 million reduction in the fourth quarter, with a fall in all risk segments as a result of the recovery activity, and the impact of portfolio sales.

As at 31 December 2020 funds for credit losses stood at €5,755 million. Their evolution was marked by the creation of the fund assigned to Covid-19, reaching €1,252 million. Its evolution in 2019 and 2018 was influenced by adjustments to the value of credit exposures, the write-off of debt arising from the purchase and foreclosure of real estate, and the derecognition of assets and transfers to write-offs.

The coverage ratio increased to 67% (+12 percentage points versus 2019).

(%)	31.12.18	31.12.19	31.12.20 (breakdown by business)		
	Group	Group	Group	of which: banking and insurance	of which: BPI
Loans to individuals	4.7%	4.4%	4.5%		
Home purchases	3.8%	3.4%	3.5%		
Other	7.2%	6.7%	6.9%		
Loans to businesses	5.4%	3.2%	2.7%		
Productive sectors (exc. real estate developers)	4.7%	2.9%	2.4%		
Property developers	14.3%	8.0%	6.7%		
Public sector	0.4%	0.3%	0.1%		
NPL ratio (loans + guarantees)	4.7%	3.6%	3.3%	3.4%	2.3%
NPL coverage ratio	54%	55%	67%	65%	88%













Attractive shareholder returns and solid financials









# Liquidity and financing structure

The Bank manages liquidity risk in order 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, operating at all times within the risk appetite framework.

Note 3.12 "Liquidity risk" to these financial statements describes the Bank's strategic principles, risk strategy and risk appetite in relation to liquidity and financing risk.

Total liquid assets stood at €114,451 million at 31 December 2020, up €25,024 million in the year, mainly due to the generation and contribution of collateral to the ECB policy and the net contribution of liquidity from the commercial gap.

€ million and %	31.12.18	31.12.19	31.12.20
Total liquid assets	79,530	89,427	114,451
Of which: balance available in non-HQLA facility	22,437	34,410	19,084
Of which: HQLA	57,093	55,017	95,367
Institutional financing	29,453	32,716	35,010
Loan to deposits	105%	100%	97%
Liquidity Coverage Ratio	196%	186%	276%
Net Stable Funding Ratio	117%	129%	145%

The Liquidity Coverage Ratio of the Group (LCR)<sup>1</sup> on 31 December 2020 stood at 276%, well above the minimum required level of 100%.

The Net Stable Funding Ratio (NSFR)<sup>2</sup> on 31 December 2020 stood at 145%, above the regulatory minimum of 100% required as of June 2021.

The available balance of the ECB policy on 31 December 2020 stood at €49,725 million corresponding to the TLTRO II. The amount drawn down increased by €36,791 million in the year due to the early repayment of €3,909 million from TLTRO II and the drawdown of €40,700 million from TLTRO III.

CaixaBank maintains a solid retail financing structure with a loan-to-deposit ratio of 97%, while institutional financing amounts to €35,010 million, with a range of instruments, investors and maturities. The public sector and mortgage covered bond issuance capacity of CaixaBank, S.A. reached €8,222 million at the end of December 2020.

A green bond issue of €1,000 M of 8-year senior non-preferred debt was launched in February 2021, with an annual yield of 0.50%, equivalent to midswap +90 basis points.

### >> INFORMATION ON ISSUANCES IN 2020

### € million

Issuance	Amount	Maturity	Cost <sup>3</sup>	Employment requests	Issuer
Senior debt preferred	1,000	5 years	0.434% (mid-swap + 0.58%)	2,100	CaixaBank
Senior debt preferred <sup>4</sup>	1,000	6 years	0.835% (mid-swap + 1.17%)	3,000	CaixaBank
Additional Tier 1	750	Perpetual	6.006% (mid-swap + 6.346%)	4,100	CaixaBank
Senior non-preferred debt <sup>5</sup>	1,000	6 years	0.429% (mid-swap + 0.85%)	4,000	CaixaBank

<sup>&</sup>lt;sup>1</sup> Average for the last 12 months.

<sup>&</sup>lt;sup>2</sup> Calculations from 30 June 2019 applying the regulatory criteria established as per Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, which enters into force as of June 2021.

<sup>3</sup> Meaning the yield on the issuance.

<sup>&</sup>lt;sup>4</sup> COVID-19 Social Bond.

<sup>&</sup>lt;sup>5</sup> Green Bond.















# Capital management

€ million and %	31.12.20	31.12.19	31.12.18
Common Equity Tier 1 (CET1)	13.6%	12.0%	11.5%
Tier 1 ratio	15.7%	13.5%	13.0%
Total capital	18.1%	15.7%	15.3%
MREL	26.3%	21.8%	18.9%
Risk-weighted assets (RWAs)	144.073	147,880	145,942
Leverage ratio	5.6%	5.9%	5.5%

The **Common Equity Tier 1 (CET1)** ratio was 13.6%. The annual evolution of +161 basis points includes +32 basis points due to the extraordinary impact of the dividend reduction charged to 2019 as one of the measures adopted by the Board of Directors in light of COVID-19, as well as +55 basis points for the application of the transitional adjustment of the IFRS9 regulations<sup>1</sup>. The rest of the accumulated change is explained by +99 basis points of organic variation, -15 basis points for the dividend forecast for the year, and -10 basis points due to the evolution of the markets and other factors, including the impact of Comercia's partial sale, the provision on the stake in Erste Group Bank, and the entry into force of the new software processing<sup>2</sup>.

The CET1 ratio without application of the IFRS9 transitional period is 13.1%.

Following new regulatory and supervisory conditions due to the COVID-19 situation, the Board of Directors agreed to reduce the target of the CET1 solvency ratio to 11.5%.

The **Tier 1** ratio reached 15.7%. In October, a new issue of 750 million AT1 instruments was carried out. After this issue, the Group fully covered the AT1 bucket, both in terms of Pillar 1 requirements (1.5%) and the corresponding part of the P2R requirements (0.28%).

The Total Capital ratio stands at 18.1% and the leverage ratio stands at 5.6%.

With regard to the MREL requirements, the new recovery and resolution directive (BRRD2) that entered into force in December establishes 1 January 2024 as a deadline for complying with MREL requirements, with an intermediate requirement that must be met on 1 January 2022. It also determines that the total and subordinated MREL requirements must be expressed as a percentage of both RWAs and the leverage ratio exposure. From 1 January 2024, the CaixaBank Group must reach a minimum volume of own funds and eligible liabilities<sup>3</sup> of 22.95% of RWAs. With regard to the intermediate requirement, the SRB has determined that, from 1 January 2022, CaixaBank must reach a total MREL requirement of 22.09% of RWAs. Similarly, from 1 January 2022, CaixaBank must comply with a total MREL requirement of 6.09% of LRE. In December, CaixaBank

had a RWAs ratio of 26.3% and a LRE ratio of 9.4%, reaching the level required for 2024. At a subordinate level, excluding Senior preferred debt and other pari passu liabilities, the MREL ratio reached 22.7% of the RWAs and 8.1% of the LRE, comfortably above the regulatory requirements of 16.26% RWA and 6.09% LRE. An issue of €1,000 million of senior non-preferred (SNP) debt in the fourth guarter improved MREL ratios.

In the other hand, CaixaBank is subject to minimum capital requirements on an individual basis. The CET1 ratio in this perimeter reached 15.1%.

BPI is also compliant with its minimum capital requirements. The company's capital ratios at the sub-consolidated level are: CET1 of 13.9%, Tier1 of 15.4% and Total Capital of 17.1%.

The decisions of the European Central Bank and the national supervisor, including the measures taken in the wake of the COVID-19 health crisis, require the Group to maintain capital requirements of 8.10% for CET1, 9.88% for Tier 1 and 12.26% for Total Capital during 2020. At 31 December, CaixaBank had a margin of 554 basis points, this is, €7,985 million, up to the Group's MDA trigger.

The current ratios show that the requirements imposed on the Group will not trigger any of the automatic restrictions envisaged in applicable capital adequacy regulations relating to payouts of dividends, variable remuneration and interest to holders of additional Tier 1 capital instruments.

- <sup>1</sup> In March CaixaBank accepted the transitional provisions of the IFRS9 regulation, which allows its solvency calculations to mitigate, in part, the procyclicity associated with the provisions model under IFRS9 regulations throughout the established transitional
- <sup>2</sup> The European Commission approved the RTS on the processing of software for the calculation of CET1 in December.
- <sup>3</sup> Among the liabilities eligible by the Single Resolution Board are the senior non-preferred debt, senior preferred debt and other pari passu liabilities







shareholder returns and solid financials

Key figures of the CaixaBank Group

		January-December			Variation	
€ million and %	2020	2019	2018	2020-19	2019-18	
Results						
Net interest income	4,900	4,951	4,907	(1.0%)	0.9%	
Net fees and commission income	2,576	2,598	2,583	(0.9%)	0.6%	
Gross income	8,409	8,605	8,767	(2.3%)	(1.8%)	
Recurring administrative and amortisation expenses	(4,579)	(4,771)	(4,634)	(4.0%)	2.9%	
Operating income/(loss)	3,830	2,855	4,109	34.2%	(30.5%)	
Pre-impairment income stripping out extraordinary expenses	3,830	3,834	4,133	(0.1%)	(7.2%)	
Profit/(loss) attributable to the Group	1,381	1,705	1,985	(19.0%)	(14.1%)	
Profitability indicators (last 12 months)						
Cost-to-Income Ratio	54.5%	66.8%	53.1%	(12.3)	13.7	
Cost-to-income ratio excluding extraordinary expenses	54.5%	55.4%	52.9%	(0.9)	2.5	
ROE	5.0%	6.4%	7.8%	(1.4)	(1.4)	
ROTE	6.1%	7.7%	9.5%	(1.6)	(1.8)	
ROA	0.3%	0.4%	0.5%	(0.1)	(0.1)	
RORWA	0.8%	1.1%	1.3%	(0.3)	(0.2)	





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### >> OTHER INDICATORS

	December 2020	December 2019	December 2018	Variation 2020-2019	Variation 2019-2018
Balance sheet and operations					
Total assets	451,520	391,414	386,546	15.4%	1.3%
Equity	25,278	25,151	24,364	0.5%	3.2%
Customer funds	415,408	384,286	359,549	8.1%	6.9%
Loans and advances to customers, gross	243,924	227,406	224,693	7.3%	1.2%
Risk management					
Non-performing	8,601	8,794	11,195	(193)	(2,401)
NPL ratio	3.3%	3.6%	4.7%	(0.3)	(1.1)
Cost of risk (last 12 months)	0.75%	0.15%	0.04%	0.60	0.11
Insolvency risk provisions	5,755	4,863	6,014	892	(1,151)
NPL coverage ratio	67%	55%	54%	12	1
Net foreclosed available for sale real estate assets <sup>1</sup>	930	958	740	(28)	218
Foreclosed real estate assets held for sale coverage ratio	42%	39%	39%	3	-
Liquidity					
Total liquid assets	114,451	89,427	79,530	25,024	9,897
iquidity Coverage Ratio (last 12 months)	248%	186%	196%	62	(10)
Net Stable Funding Ratio (NSFR)	145%	129%	117%	16	12
oan to deposits	97%	100%	105%	(3)	(5)
Solvency					
Common Equity Tier 1 (CET1)	13.6%	12.0%	11.5%	1.6	0.5
Tier 1 ratio	15.7%	13.5%	13.0%	2.2	0.5
Total capital	18.1%	15.7%	15.3%	2.4	0.4
MREL	26.3%	21.8%	18.9%	4.5	2.9
Risk weighted assets (RWAs)	144,059	147,880	145,942	(3,821)	1,938
everage ratio	5.6%	5.9%	5.5%	(0.3)	0.4
Market value ratios <sup>1</sup>					
300k value per share (€/share)	4.22	4.20	4.07	0.02	0.13
Tangible book value (€/share)	3.49	3.49	3.36	-	0.13
Net income attributable per share (€/share) (12 months)	0.21	0.26	0.32	(0.05)	(0.06)
PER (Price/Profit; multiple)	10.14	10.64	9.94	(0.50)	0.69
P/B ratio (listed price/tangible book value)	0.60	0.80	0.94	(0.20)	(0.14)

<sup>&</sup>lt;sup>1</sup> Exposure in Spain.









Attractive

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# **Ratings**

	Long-Term	Short-Term	Outlook
<b>S&amp;P Global</b> Ratings	BBB+	A-2	stable
FitchRatings <sup>2</sup>	BBB+	F2	Negative
Moody's 3	Baa1	P-2	stable
d d	Α	R-1(low)	stable

Last confirmation date:

1 As of 23 September 2020

<sup>3</sup> As of 22 September 2020.

4 As of 30 March 2020.

# **Dividend** Policy

On 15 April 2020,  $oldsymbol{\in} 0.07$  were paid per share. As the total shareholder remuneration paid in 2019, this represents a payout of 24.6%.

With regard to the dividend policy of distributing a cash dividend in excess of 50% of consolidated net profit, the Board of Directors, in pursuit of prudence and social responsibility, agreed to modify it exclusively for financial year 2020, limiting the distribution to a cash dividend in a percentage not exceeding 30% of consolidated net profit.

The Board of Directors has resolved to propose to the next Annual General Meeting of Shareholders the distribution of a cash dividend of €0.0268 gross per share¹,

to be charged against 2020 profits<sup>2</sup> and paid during the second quarter. The potential approval of this dividend by the General Shareholders' Meeting and the specific conditions for its payment, subject to the merger with Bankia, will be communicated to the market in due course. With the payment of this dividend, the amount of shareholder remuneration for 2020 will be equivalent to 15% of CaixaBank and Bankia's pro forma adjusted consolidated profit, in line with the recommendation made by the European Central Bank. The dividend will be paid to all the shares in circulation at the time of payment. It has also been agreed to terminate the previous dividend policy and to publish a new policy in due course after the planned merger with Bankia, agreed by the new Board after the review and approval of the 2021 budget.



<sup>&</sup>lt;sup>2</sup> As of 29 September 2020.

<sup>&</sup>lt;sup>1</sup>Assumes distribution on total post-merger shares.

<sup>&</sup>lt;sup>2</sup> Maximum amount distributable 15% of the CaixaBank Group's profit plus Bankia, adjusted for the payment of coupons of both entities, the reclassifications of OCIs against P&L and the amortisation of intangibles with a neutral impact on solvency.

















# A benchmark in responsible banking and social commitment

One of CaixaBank's strategic priorities is to be an industry leader in socially responsible banking, by reinforcing responsible business management (with an emphasis on transparency with customers) and ensuring best practices in internal control and corporate governance.

### >> MAIN MONITORING METRICS

2019-2021 STRATEGIC PLAN

### 2019

- >> Inclusion in DJSI for the 8th year in a row
- >> Issuance of the **first social bond** for **€1,000m** with the
  aim of reducing poverty and
  generating employment
- >>> €725m new MicroBank concession in 2019

### 2020

- >> Inclusion in DJSI for the 9th year in a row
- >>> Issuance of €3,000m in SDG bonds
- >>> €1,625 M new MicroBank concession in 2019-2020 accumulated

## **Objective 2021**

- >>> Continued inclusion in the DJSI
- >>> Issuance of €1,500m in SDG bonds
- >>> ≈€2,181m new MicroBank concession (2019-2021)













banking and social









# **Corporate Responsibility Governance**

### >> COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY IS BASED ON A SOUND FRAMEWORK OF GOVERNANCE

### MISSION AND VALUES >> 2019-2021 STRATEGIC PLAN

### **BOARD OF DIRECTORS**

Approves the Sustainability / CSR policy and strategy





CaixaBank's Sustainability / 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.

Through the Policy, CaixaBank assumes the following guidelines for the management and conduct of its activity: comprehensive, responsible and sustainable action; high quality service; economic efficiency; the adoption of a long-term view in decision-making; and constant innovation, which contributes as much as possible to the sustainable development of communities.

This commitment provides added value to the Company and to its stakeholders and affects the entire value chain of the organisation: economic and financial factors of the business, environmental responsibility, customer satisfaction, creation of value by shareholders and investors, the needs and aspirations of employees, the relationship with suppliers and contributors, and its impact on the communities and environments in which it operates.

The Policy is a Group document that serves as a reference for all Group companies



### 2020



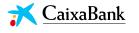




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**DISSEMINATION PLAN** 

**DIALOGUE PLAN** 

### >> PRIORITIES 2019-2021

In this framework, CaixaBank's Corporate Social Res-

ponsibility Policy (approved by the Board of Directors

in 2017), based on ESG criteria (Environmental, Social

and Corporate Governance), has established five key

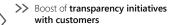
strategic areas as a guide, contributing to putting the

focus on strategic priorities in the field of responsible



management.

INTEGRITY, TRANSPARENCY AND DIVERSITY



>> Boost of transparency initiatives >> Strengthen an upstanding attitude

>> Maintain support for the dissemination of diversity issues and consolidate the Wengage programme



**GOVERNANCE** 

>> Consolidate the **governance of** corporate responsibility from the Group perspective

>> Measure production with a social or positive environmental impact and incorporate ESG criteria in the business

>> Consolidate the management, measurement and monitoring of reputational risk



**ENVIRONMENT** 

>>> Promote green production and issue sustainable bonds >> Advance in the measurement and management of environmental and climate risk

>>> Implement the Environmental and Energy Management Plan and renew certifications



FINANCIAL INCLUSION

>>> Promote **investment** with a social impact

>> Strengthen and develop the Financial Culture Plan

>> Maintain positioning in **proximity** and reinforce accessibility



**SOCIAL WELFARE AND VOLUNTEER PROJECTS** 

>> Maintain the promotion of Decentralised Social Work, with a focus on capillarity

>> Consolidate the Corporate Volunteering Plan

>>> Promote cooperation with "la Caixa" programmes



# 2020 Management Report







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### Alliances and affiliations

For CaixaBank, it is essential to be part of the network of alliances and initiatives that are woven at a global, national and local level. CaixaBank contributes its vision, as a bank committed to society since its creation in 1904, and works to disseminate and raise awareness of these principles and values, demanding, at all times, the highest standards of management derived from these alliances and initiatives

**SDG 17** 



A successful sustainable development programme requires partnerships between governments, the private sector and civil society. These inclusive alliances built on principles and values, a shared vision and shared goals, which place people and the planet at the forefront, are necessary at a global, regional, national and local level.

### >> CROSS-DISCIPLINARY ESG



Body responsible for promoting the principles of the United Nations (2012).



Principles for Responsible Banking. Promoting sustainable finance and the integration of environmental and social aspects in business (2018).



The pension plan management company, VidaCaixa (2009), the Group's asset management company, CaixaBank Asset Management (2016), and BPI Gestão de Activos (2019), are signatories.



Entity that represents savings and retail banking institutions in Europe. There are different committees with the participation of CaixaBank teams.



Strives to fulfil SDGs by promoting high-impact investments. CaixaBank Asset Management holds the presidency of the Spanish National Advisory Board (2019).



Principles that promote integrity in green and social bond markets (2015).



United Nations body responsible for promoting responsible and universally accessible tourism (2019).



Defending CSR and the fight against corruption in Spanish companies (2019)



Entity that represents savings banks in Spain. There are different committees with the participation of CaixaBank teams.



They strive to ensure enough private capital is allocated to sustainable investments. Members of the network of UN European sustainability centres



VidaCaixa is a signatory to the PSI to develop and expand innovative risk and insurance management solutions that contribute to environmental, social and economic sustainability (2020).



Promotes the integration of social, environmental and governance aspects in the management of companies



Promotes the commitment of companies to improving society through responsible action. CaixaBank is on the Board of Trustees and the Advisory Board (2011).



Spanish Association of CSR Professionals, CaixaBank is a member of the Board (2011).



Monitors compliance with the SDGs by Spanish companies. Created by "la Caixa" in collaboration with the Leadership and Democratic Governance Chair of ESADE



Commitment to promoting, fostering and disseminating new knowledge about corporate social responsibility (2008).

### 2020









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### >> ENVIRONMENTAL



Commitment to ESG risk assessment\* in the financing of **PRINCIPLES** projects of more than 7 million euros (2007).



Defining the role and responsibilities of the financial sector to guarantee a sustainable future (2019).



Promoting sustainable finance and the integration of environmental and social aspects in business (2018).







initiative to encourage the disclosure of climate-related risks in companies (2018).



Initiative to foster dialogue with companies around the globe with high greenhouse emission levels (2018).



Global and corporate initiative for companies committed to using 100% renewable electricity (2016).



Promotes economic growth linked to a low-carbon economy through collaboration between the public and private sectors (2016).



Chair to promote innovation and sustainability in the agribusiness industry (2016).

### >> SOCIAL



Partnership with the "la Caixa". the first Social Action Project in Spain and one of the largest in the world.

Its mission is to promote

cohesion and strengthen social

projects with a strong social

component. (2008).

integration in Europe by financing



Long-term financing institution of the European Union, whose shareholders are its Member States (2013).

Promotes microfinance as

a tool to combat social and

financial exclusion in Europe

through self-employment

and the creation of micro-

enterprises.



Its main mission is to support European microbusinesses and small and medium-sized enterprises (SMEs), by helping them to access financing (2018).



Signatory to the Financial Education Plan promoted by the Bank of Spain and the Spanish Securities Market Regulator (CNMV) to improve society's knowledge of financial matters (2010).

### >> GOVERNANCE



Promoted by the United Nations Global Compact with the aim of increasing the representation of women on boards of directors and in executive management positions (2020)



Public commitment to aligning policies to advance gender equality (2013).



### 2020

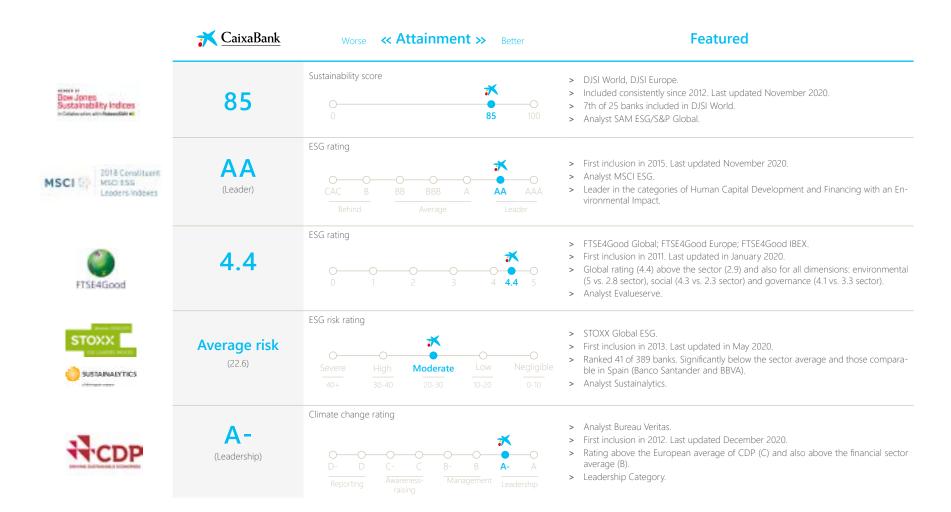




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Sustainability indices and ratings \_\_\_\_\_

Widespread recognition by the main sustainability rating indices and agencies.

















Annual Corpora Governance Rep



Worse **« Attainment »** Better

### **Featured**



- > Analyst ISS ESG.
- > First inclusion in 2013. Last updated in May 2020.
- > CaixaBank is in the top 10% of the sector (Financials/Public & Regional Banks, which includes 277 companies).
- > Analyst ISS.
- > Updated monthly, latest information available from January 2021.
- > Rated "1" in environmental and social and "2" in corporate governance.
- > ETHIBEL Sustainability Index Europe; Euronext Eurozone 120 and Europe 120.
- > Analyst VigeoEiris.
- > First inclusion in 2013. Last updated December 2020.
- > Global category Robust above the sector average. Advanced category in environmental strategy and some areas of human resources.

# Other recognitions

ISS ESG >>

EURONEXT

vigedeiris



Sustainability Yearbook 2020

- > Included in the Sustainability Yearbook 2020 for the ninth year in a row.
- > SAM bronze category for the fourth year in a row.

# Brand Finance

The Banker and Brand Finance: Top 500 Banking Brands 2020

- > No. 80 in the global ranking.
- > AA+ rating





















Annual Corporate Governance Repo

### >> DOW JONES SUSTAINABILITY INDEX

The Dow Jones Sustainability Index (DJSI) is a project for the continuous improvement of organisations. For CaixaBank, inclusion in the DJSI is a level one metric of the Strategic Plan.

In 2020, CaixaBank was among the top 10 banks in the index. It has experienced significant improvement in the areas of *Governance* and Environmental aspects. In the following areas, CaixaBank scores well above average: risk management, tax strategy, privacy protection, human capital development.



HUGE RISE IN SUSTAINABLE FINANCE



### CAIXABANK INCLUDED IN DJSI 20201

7th Bank (of 25) in DJSI World

2nd Bank (of 10) in DSJI Europa

### CaixaBank in 2020

	Score	Improvement vs 2019	Average for banks DJSI World	Best in banks DJSI World
Global rating	85	+4p	83	89
Economic dimension	80	+4p	78	86
Environmental dimension	90	+4p	92	99
Social dimension	89	-1p	87	93











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# Reputation

### **Global Reputation Index (GRI)**

CaixaBank has developed a continuous system for measuring and analysing the Company's reputation, applying qualitative and quantitative criteria to monitor and manage its corporate reputation, reporting its status and evolution to the governing bodies on a regular basis.

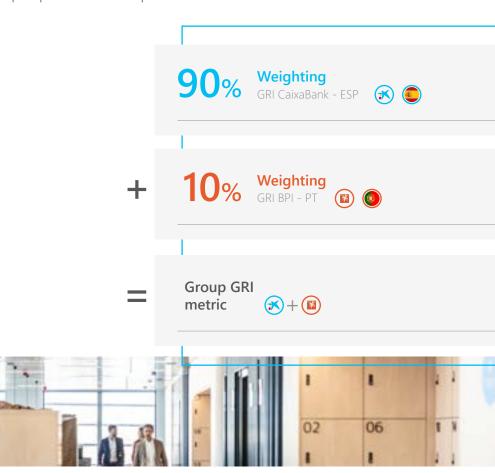
### >> ASSESSING REPUTATION





The GRI is a metric of the Strategic Plan, which includes the perceptions of stakeholders regarding the entity on a scale of 0 to 1,000 and it is considered to be a best practice due to its multi-stakeholder approach. The GRI, together with the Materiality Study, allows us to capture the sensitivity of stakeholders to different aspects that may be critical for CaixaBank and that might impose stress on its future profitability and sustainability.

The frequency of reputational surveys of customers and shareholders has been increased from annual to quarterly in order to improve the measurement of reputational indicators. This will ensure CaixaBank has better and more up-to-date information on the perceptions of its most important stakeholders.





















### Reputational Risk Response Service (RRRS)

The Reputational Risk Response Service (RRRS) contributes to the fulfilment of responsible policies (Human Rights, Sustainability and Corporate Social Responsibility and Defence, among others) and reputational risk management, providing support to the commercial network, and other corporate departments (Risks and Compliance). The SARR analyses queries about potential operations that may infringe on codes of conduct or which could have an effect on the Entity's reputation. External tools provided by reputational risk analysis providers are used for this analysis.

The RRRS's activity is periodically reported to the Corporate Responsibility and Reputation Committee, and the issues considered to require a decision at a higher level are raised for approval by the Committee. During 2020, 6 transactions were raised to the Committee for approval.

In 2020, 279 enquiries were resolved (310 in 2019), 37% of which were related to the Defence sector and the rest were related to other responsible policies or to customers and operations with a potential reputational impact.











banking and social











# **Stakeholders Dialogue**

The CaixaBank Group has various channels of communication, participation and dialogue at the disposal of its stakeholders and will commit to making them as widely available as possible.

These channels may include, among others: Free telephone numbers and digital service inboxes for customers, shareholders and investors and suppliers; customer and shareholder service offices; online participation platforms for customers and employees; meetings and conferences; periodical opinion surveys; press releases and other channels for active dialogue with the media.

### Customers \_\_\_\_\_

The aim is to foster active dialogue with customers and provide them with the necessary channels so that they can send their queries and complaints, and offer them an agile, customised and quality response.

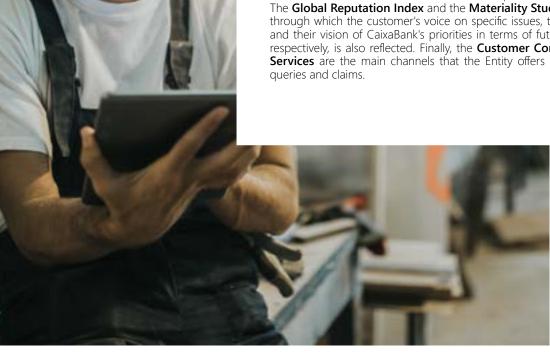
The customer's voice is mainly reflected through the VOZ360° Model, which gives rise to indices that allow us to measure their experience and the quality of the service. The Global Reputation Index and the Materiality Study are two tools for dialogue, through which the customer's voice on specific issues, their perception of reputation and their vision of CaixaBank's priorities in terms of future impact and sustainability, respectively, is also reflected. Finally, the Customer Contact Center and Customer Services are the main channels that the Entity offers customers to attend to their gueries and claims.



VOZ360° Model



Materiality



















Annual Corporate Governance Repo

### **Customer Contact Centres**

During 2020, the Customer Contact Center (CCC) consolidated its 360° global customer vision model, promoting interaction with the different business areas to make them in reach of the customer's voice and anticipate any changes, with the aim of improving customer attention and experience.

Starting in March, the healthcare context required a review of procedures and service management to adapt to an increase of more than 30% of non-face-to-face management with respect to the expected volume in certain months.

The CCC service manages queries, requests, suggestions and complaints from customers and non-customers reaching it by phone, through written channels (chat, WhatsApp, e-mail and letter) and also through social networks (Twitter and app comments). The unification of most service numbers into a single line (900 40 40 90) is intended to make it easier for customers and non-customers to communicate with the Group.

Since 2019, work has been underway to incorporate the artificial intelligence of bots to make call management more efficient. 75% of calls received on the single line are correctly referred to the relevant service, using Cognitive technology.

>4m +23% interactions in CCC in 2020 interactions with respect to 2019

CaixaBank Now digital banking customers also have a virtual assistant (Neo) at their disposal. In 2020, 5,087,191 interactions took place, 98.6% of which were resolved without being forwarded to an agent thanks to the Cognitive structure.

The quality of the CCC service is constantly assessed through audits, both internal and external, to ensure that customers receive satisfactory attention and their issues are resolved, in order to achieve the standards of quality and excellence set by CaixaBank.

In the specific Contact Center services for Banco BPI and Consumer Finance, in 2020 they dealt with 1,035,254 and 1,321,413 interactions, respectively.









banking and social







### **Customer Service Office (SAC)**

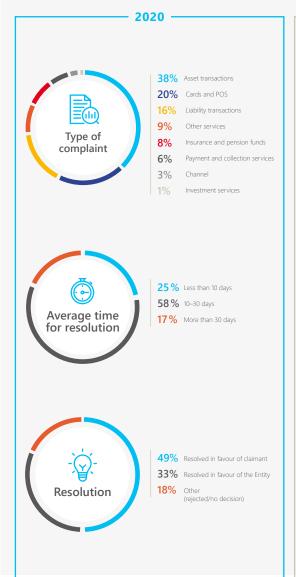
The Customer Service Office is responsible for handling and resolving customer complaints and claims. This office has no connection with our commercial services. It performs its duties based on its independent judgement, with reference to customer protection regulations, regulatory requirements and best banking practices.

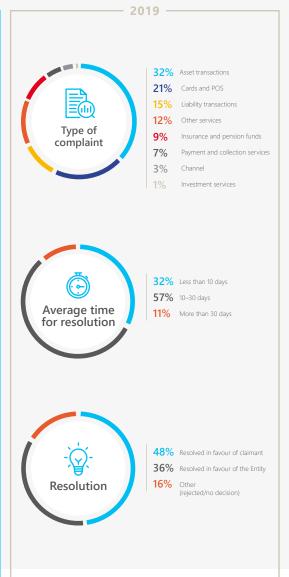
Claims received <sup>1</sup>	2020	2019
Customer Services	119,361	75,766
Submitted to Supervisor's complaints services	1,598	1,322
Bank of Spain	1,350	1,116
Comisión Nacional del Mercado de Valores (Spanish securities market regulator)	82	85
Directorate-General for Insurance and Pension Plans	166	121

In 2020, there was a 57.6% increase in claims received in the CSO. To a large extent, this increase is due to shortterm factors such as new judicial rulings by the Supreme Court (Sentences on usury or mortgage expenses), the prescription of civil actions by application of the 2015 Civil Code reform or, to a lesser extent, COVID-19 (legal and sectorial moratoria, financing with public backing), which have led to an increase in claims, especially related to mortgages.

In 2020, BPI implemented a new Complaints and Claims Treatment Policy (excluding dissatisfaction from this channel); the total claims received amounted to 5,181 (3,967 in 2019), with 22% of claims concluded in favour of the customer (14% in 2019).

### >> BREAKDOWN AND MANAGEMENT OF COMPLAINTS RECEIVED BY THE CSO





<sup>&</sup>lt;sup>1</sup> More information in Note 42.2. "Customer services" of the attached consolidated annual financial statements. The claims detailed here do not include those received by Credifimo (266 received in 2020 and 1 registered with the Bank of Spain), with a 10% resolution in favour of the customer.

















### **Shareholders and Investors**

CaixaBank works to live up to the trust that shareholders and investors have placed in it and, to the extent possible, meet their needs and expectations. To do this, it seeks to offer tools and channels to facilitate their involvement and communication with the Group, as well as their ability to exercise their rights.

It is essential to provide clear, complete and truthful information to markets and shareholders, including financial and non-financial aspects of the business, and to promote informed participation in the General Shareholders' Meetings.

Customised support is provided through the **Shareholder Service and the Institutional and Analyst Investor Services**, in accordance with the Policy on Information, Communication and Contact with Shareholders, Institutional Investors and Voting Advisers.

CaixaBank, best shareholder service for a listed company 2019 In the V Rankia Awards

CaixaBank develops different **training and information initiatives for shareholders** and its voice is also reflected through **annual opinion surveys** (Global Reputation and Materiality Study Index, among others). Shareholder information is structured through the monthly newsletter and corporate event emails (with a scope of more than 200,000 shareholders), SMS alerts or other subscription materials available on the corporate website.

### **Shareholders**

### 2020 General Shareholders' Meeting (GSM2020)

As a result of the evolution of the health risk situation arising from the spread of COVID-19, the limitations on mobility and the inability to hold meetings with multiple people, the GSM2020 was held exclusively online through a platform enabled on the CaixaBank corporate website.



66.3%

Quorum of total share capital with a

95.9%

of average approval at the Annual General Meeting of 22 May 2020



70.3%

Quorum of total share capital with a

99.6%

of average approval at the Extraordinary General Shareholders' Meeting of 3 December 2020

### **Shareholder Advisory Committee**

Non-binding advisory body created to learn first-hand about the assessment of initiatives aimed at the share-holder base, and contribute to the continuous improvement of communication and transparency.

### **Corporate meetings**

In 2020, these meetings were held digitally and were strengthened during lockdown, with the aim of being even closer to retail shareholders. CaixaBank's management sessions explain results to shareholders first-hand.



12 Members





3 Meetings 2,315

### **Shareholder service**

(telephone, email and video call)















### **Aula Programme**

Aula is a training programme on economics and finance aimed at CaixaBank's shareholder base.



Courses for shareholders 6,084
Attendees



+18,000
Shareholders have participated in the programme since its launch in 2010

### Investors

Roadshows and talks with institutional investors



>520

meetings with investors with variable income and fixed income in the main financial periods

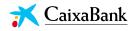
### Meetings with analysts

(financial and sustainability)



analysts' reports published on CaixaBank, including sector reports with analysis of CaixaBank





# 2020 Consolidated Management Report







A benchmark in responsible banking and social commitment









# Suppliers — Corporate Procurement

CaixaBank has a corporate procurement procedure organised and specialised by category (Facilities & Logistics, Works, IT, Professional Services and Marketing) with a transversal view and management of all Group purchases¹. Its objective, in line with our business strategy, is to obtain the goods and services required in a responsible and sustainable manner subject to the time limits, quantity and quality required, at the lowest total cost and with the minimum risk for our business, according to unified performance criteria for the entire Group.

CaixaBank seeks to establish quality relationships with suppliers who share the same ethical principles and social commitment, having established criteria and control mechanisms, such as carrying out audits to ensure compliance with them. The continuous improvement of relations with suppliers is key to creating value in CaixaBank.

In 2020, BPI started adhering to the CaixaBank Procurement Principles and the Supplier Code of Conduct.

### >> PRINCIPLES OF PROCUREMENT

They establish a balanced framework for cooperation between CaixaBank and its suppliers, which promotes stable business relationships, consistent with our values.

# **01.** Efficiency

Optimise the impacts of purchases with an emphasis on quality, service, cost, security of supply, sustainability and innovation.

# 03. Integrity and transparency

Guarantee equal opportunities, applying objective, transparent, impartial and non-discriminatory selection criteria. Totally reject corruption in any form, direct or indirect.

# 02. Sustainability

Disseminate ethical, social and environmental considerations in CaixaBank's network of suppliers and partners and promote the contracting of suppliers who implement best practices in ethical, social and environmental matters, as well as good corporate governance.

# 04 Compliance

Formalise the terms of procurement by means of a contract that seeks a fair balance between the rights of CaixaBank and those of the supplier, to ensure that they are fulfilled in time and form by both parties.

# **05.** Proximity and monitoring

Implement mechanisms for ongoing assessment of supplier performance and promote dialogue, through an institutional compunication channel.



<sup>&</sup>lt;sup>1</sup>Applicable to Group companies with which it shares a procurement management model















### **Supplier Code of Conduct and Procurement Policy**



The **Supplier Code of Conduct** aims to disseminate and promote the values and ethical principles that will govern the activity of CaixaBank's suppliers of goods and services, subcontractors and third parties working with CaixaBank.



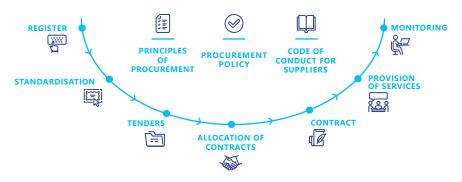
This Code sets out guidelines for the conduct of companies that work as suppliers will follow in relation to compliance with current legislation, ethical standards and measures to prevent bribery and corruption, security, the environment and confidentiality.

The **procurement policy** establishes the criteria to be followed when selecting and negotiating with suppliers.

<sup>1</sup> https://www.caixabank.com/deployedfiles/caixabank\_com/Estaticos/PDFs/responsabilidad\_corporativa/Principios\_de\_Compras\_ESP.pdf

2https://www.caixabank.com/deployedfiles/caixabank\_com/Estaticos/PDFs/responsabilidad\_corporativa/Codigo\_de\_Conducta\_Proveedor\_ESPpc

### >> PROCUREMENT PROCESS

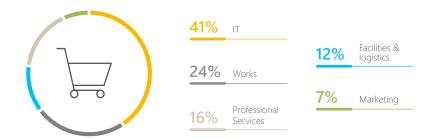


In 2020, a new comprehensive management tool for the supplier, negotiation and contractual management cycle was implemented.

### >> CORPORATE PROCUREMENT INDICATORS1

	2020	2019
Number of management suppliers	2,393	3,006
Volume invoiced (€M)	2,120	2,183
Suppliers approved (new procedure)	688	584
Average payment period to suppliers (days)	21.0	22.5
Volume negotiated through electronic trading (€M)	642	574
Processes negotiated through electronic trading	540	n/a
% volume of management corresponding to local suppliers - Spain	97%	95%

### >> % OF PROCESSES NEGOTIATED BY CATEGORY OF PURCHASES



<sup>&</sup>lt;sup>1</sup> All indicators refer to Corporate Procurement management. BPI, BuildingCenter and VidaCaixa Group are not included. Suppliers whose turnover in 2020 is over €30,000 are included. Official bodies and property owners' associations have been excluded.









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€5.4m

### **VOLUME AWARDED TO SEE (SPECIAL EMPLOYMENT CENTRES)**

€4.6m IN 2019



In 2019 the Supplier Audit Plan was launched. Through an on-site validation process, the Plan seeks to gather evidence to ensure that CaixaBank has the information necessary to generate a risk map for our main suppliers. As well as reducing risk, with on-site evaluation, we seek continuous improvement in the management of our suppliers and aim to provide them with added value by assisting in their development.

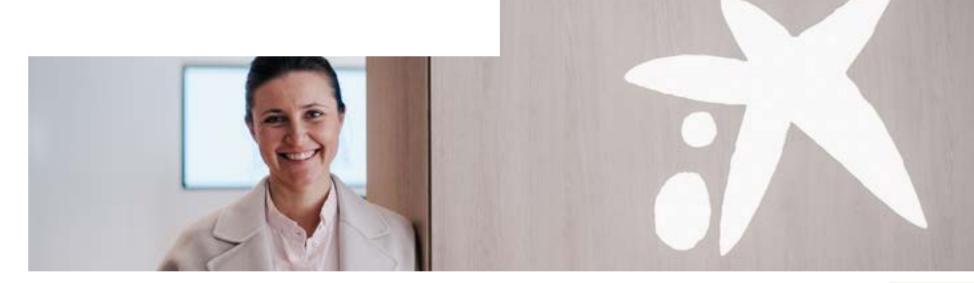
In 2020, 16 audits were carried out, including all the categories of procurement (Facilities & Logistics, Works, IT, Professional Services and Marketing). Corrective measures have been defined.

Additionally, the management of procurement processes through electronic trading is an indication of CaixaBank's efforts to guarantee traceability and integrity in the contracting process. Electronic negotiation begins with the approval of all the suppliers involved in the process and ensures that, during the process, information will be the same for all participants and the selection will be based on objective criteria.

Since 2020, new supplier certifications have been taken into account in the registration and approval process with regard to corporate social responsibility: OH-SAS18001/ISO45000 certification and social audit and/or certification SA8000/BSCI/Responsible Business Alliance.

In addition, supplier contracts include a specific clause on Human Rights.

**1,226** suppliers with ISO14001 certification (858 in 2019)



















# **Financial** Inclusion

Financial inclusion is a key factor in reducing poverty and promoting shared prosperity. Promoting financial inclusion is in CaixaBank's DNA and is one of its strategic priorities. CaixaBank understands inclusion from the following perspective:

- > CaixaBank channels funds towards specific actions, contributing directly to the SDGs.
- > Products and services for vulnerable groups. An active support policy for housing problems.
- > Access to financial services through microfinance and the Micro-Bank social bank.
- > Presence in most municipalities in Spain through a wide network of branches.
- Adoption of physical and technological accessibility measures for groups with physical or cognitive difficulties.
- > Contribution to improving financial culture.



Since the start of the 2019-21 Strategic Plan, CaixaBank has issued, within its **Framework for issuing bonds linked to SDG** <sup>1</sup> (August 2019), two social bonds, whose funds are exclusively intended for new financing or refinancing operations that contribute to decent work, job creation and the fight against poverty. The health emergency arising from COVID-19 has accentuated the need to work along this line, supporting vulnerable groups and focusing efforts on the most affected regions, contributing to building a more egalitarian society.



<sup>1</sup>Through the following link, you can access detailed information on the Issuance Framework, the Social Bond Monitoring Report and the presentations of each of the issues <a href="https://www.caixabank.com/en/shareholders-investors/fixed-income-investors/fixed-income-investors/fixed-income-investors/fixed-investors/fixed-income-investors/fixed-investors/fixed-income-investors/fixed-investors/fi

SOCIAL BOND

September 2019



>>> Loans are issued to fight poverty, create decent jobs and boost employment in the most disadvantaged areas of Spain. The funds will be allocated to assets granted in the last three years prior to the issue, and 25% to new financing (granted in the year of the issue or thereafter).



Funding loans granted by MicroBank without guarantees or collateral to indivi-

duals or families who live in Spain and whose total available income to fund daily needs such as health care, education or household and vehicle repairs is 17,200 euros or less.



Funding loans granted to self-employed workers, micro-businesses

and small businesses operating in Spanish provinces with lower per capita GDP and/or a higher unemployment rate.



Mention social bond of the year (banks) by Environmental Finance.

### In October 2020, the FIRST FOLLOW-UP REPORT WAS PUBLISHED12:



160,945 loans granted



147,868 to families 13,077 to self-employed workers and small

enterprises

<sup>2</sup> Impacts calculated through surveys using the input-output model and with the collaboration of an independent external consultant.



**87**%

of beneficiaries state that the financing has had a positive impact on their well-being and has helped them achieve their objectives



€1,480m of contribution to Spanish GDP



created

COVID-19 SOCIAL BOND

July 2020





100% of the funds will be allocated to financing granted in 2020 arising from Royal Decree-Law 8/2020 of 8 April on anti-COVID measures, with the aim of mitigating the economic and social impacts arising from the pandemic. Loans will be offered to entrepreneurs, microbusinesses and SMEs in the most disadvantaged regions of Spain.

### 2020



Management Report

2 EW 2





banking and social









### Response to the context of COVID-19

In 2020, the clear commitment to financial inclusion was materialised when broad and decisive measures were launched to address the COVID-19 crisis.



>€13,000<sub>m</sub>

of loan production with state guarantees within the framework of COVID-19

388.641

moratoria granted in Spain by €11,097m

108,612

moratoria granted in Portugal by €6,127m

>4,700

tenants benefiting from the write-off of rent on own properties

### >> INEQUALITY MONITOR



In 2020, CaixaBank Research and Universitat Pompeu Fabra promoted the Inequality Monitor, a pioneering international project that aims to monitor the evolution of inequality and the role of welfare in Spain, using big data techniques.

The Inequality Monitor aims to make the impact of the COVID-19 crisis known across Spanish households and, especially, on the most vulnerable groups in society, as well as to contribute to the debate on the effectiveness of public sector protection mechanisms.





**Social Account** 

CaixaBank has its Social Account in a product catalogue. The account is a package of essential banking services free of charge for vulnerable groups. It is offered to those who receive the Minimum Vital Income (IMV) or the minimum integration income of the Autonomous Communities, as well as others who meet the requirements stipulated. In 2020, a Social Account was automatically registered for all customers receiving the IMV (25,912 automatic registrations).

125,878

Social accounts at 31 December 2020

+50% Compared with 2019

62,377 Social accounts

open in 2020 17,622 in 2019





### 2020









banking and social













### An active support policy for housing problems.

CaixaBank has an active support policy for housing problems, structured around two focuses:

- i. On the one hand, early and specialised care for customers with difficulties,
- ii. And on the other, the promotion of social housing programmes.

The Bank is a signatory to the Spanish Government's Code of Good Practice on the viable restructuring of mortgage debt on the main home of families at risk of exclusion.

CaixaBank has a specialist team providing solutions to customers who are struggling to meet their home mortgage repayments. In 2013, it set up a Mortgage Customer Service; a free telephone service for customers whose property is affected by a foreclosure suit.

The CaixaBank Group has a social housing programme with an impact throughout Spain, mainly for former debtors and Group tenants who are in a situation of vulnerability and at risk of residential exclusion.

The recipients of social rent are people who have not been able to cover their debts and have suffered a foreclosure or a payment commitment, or those who have at some point had a rental contract with the CaixaBank Group and are facing difficulties in making payments. For all these people, rental amounts are adapted to their capacity to pay, with special consideration being given to: families with a member with disabilities, single-parent families with dependent children, families with minors, family units with a dependent member or illness that makes them officially temporarily or permanently unable to work, and family units in which there is a victim of gender violence or elderly people.

In addition, this year, the CaixaBank Group has taken special consideration with tenants who, as a result of COVID-19, have lost their jobs, have been or are receiving ERTE provisions (temporary unemployment benefit), and self-employed or professional workers who have closed the business or have reduced their turnover by 40% or more. All those affected by the pandemic who requested it were granted 100% of the rental of the properties during the months of April, May and June, and 50% in July.

Similarly, all rental contracts maturing up to 1 October 2020 were extended for a period of 1 year, notwithstanding legal provisions in force at any time.



4,786

Contracts with beneficiaries of support measures related to the COVID-19 crisis

Within the framework of the social housing programme, CaixaBank maintains its commitment to the Government's Social Housing Fund and has signed collaboration agreements with various public administrations in the field of housing, making a total of 2,629 homes available.

In 2020, CaixaBank launched a new management model with a Family Coordinator, who will act as an intermediary between the Bank and tenants, and will assist with reintegration into the labour market (referral to the "la Caixa" Incorpora programme) and social accompaniment of the family unit.

14.455

**Social rent programme** properties (includes 1,325 contracts for the centralised programme of Obra Social "la Caixa")



properties without a subsidy

Rent less than €285

2.534 Rent between **€285 & €428** 

Rent higher than €428

€236 amount average rent

properties with a subsidy 4.087 With subsidy

5,562

50% lower than income

With subsidy 50% higher than income











banking and social











MicroBank, the Group's social bank, is a leader in the field of social inclusion using micro-credits. MicroBank combines the contribution of value in social terms, satisfying needs that are not sufficiently covered by the traditional credit system, with the generation of the resources needed so that the project can continue to grow at the pace required by existing demand, following the parameters of rigour and sustainability of a banking institution. This establishes a social banking model that facilitates access to credit through quality financial services, with the following objectives:



Job creation through the launch or expansion of businesses through granting micro-credits to business people and social enterprises.



Financial inclusion, promoting equal access to credit, especially to those without collateral, as well as equal access to banking services for new customers through CaixaBank's extensive commercial network.



The promotion of productive activity, granting financial support to self-employed professionals and micro-enterprises as an instrument to stimulate the economy, encouraging the start-up and consolidation of businesses.



The generation of environmental and social impact, providing financial support to projects that have a positive and measurable impact on society.



Personal and family development,

meeting the financial needs of people on low incomes through micro-credits and helping them to get through difficult periods.



The direct, indirect and induced contribution to the Spanish economy in terms of impact on GDP and job generation

MICROBANK IN 2020

**€900**<sub>m</sub> granted in 2020

€725m in 2019

105,378

micro-credits granted and other loans with social impact

8,737

jobs created with micro-credit support

5,416

**new businesses** created with the support of micro-credits

outstanding portfolio balance at 31 December 2020

+15.7% compared with 2019

0.33%

2.3% in 2019

accumulated non-payment of matured loans













banking and social







### What is a micro-credit?

Micro-credits are collateral-free loans of up to €25,000 granted to individuals whose economic and social circumstances make access to traditional bank financing difficult. Its purpose is to promote productive activity, job creation and personal and family development.

### MicroBank customer distribution

**57.1%** Families

40.6% Entrepreneurs and microbusinesses

2.3% Social businesses





**42.4%** Families

53.4% and micro-businesses

**4.2%** Social businesses

### **Institutional support**

The support of leading European institutions in the promotion of entrepreneurship and micro-businesses is key to the achievement of MicroBank's goals.



INVESTMENT BANK

2008 start of the



DEVELOPMENT BANK

2008 start of the



INVESTMENT BANK

MicroBank became the first European bank to receive financing to grant





















### **Business microcredit**

**Aimed at:** entrepreneurs and micro-enterprises with fewer than 10 employees and with a turnover not exceeding two million euros a year that need financing to start, consolidate or expand the business, or to meet working capital needs.

### Main features:

- > Fixed-rate loan with personal guarantee.
- > Business Microcredit is granted based on trust in the applicant and their business project, and without collateral.
- > The maximum repayment period is 6 years, with an optional grace period of 6 months.

2019

16,812 transactions

€204<sub>m</sub> amount of the operations

€12,110 average amount

2020

32,331

operations (including specific COVID-19 lines)

€374<sub>m</sub>

amount of the operations

€11,571

average amount







A specific new credit line has been made available to entrepreneurs and micro-enterprises **to meet working capital needs** arising from the crisis: FEI-Covid19 Business Loan. This line has been carried out thanks to the European Commission's COSME COVID19 subprogramme, and offers:

A line of loans of

» €310<sub>m</sub>

for businesses that have liquidity problems and that cannot access an ICO facility or need to complement it.

The maximum amount of these loans is €50,000 and borrowers can request a period of grace for capital repayments of up to 12 months.

3,424

Loans granted with a volume of

€54m

MicroBank and the EIB have agreed to extend the validity of this product until 30 June 2021

The 302 active entities, with which a collaboration agreement has been signed to promote self-employment, are an essential part of the programme. Collaborating entities allow for a better assessment of operations, because of their knowledge of customers, provide technical support to entrepreneurs and contribute to the expansion of the distribution network of MicroBank products and services.



80 non-profit organisations



other public administrations



universities and business schools



chambers of commerce



















### Microcredit for families

**Aimed at:** people with limited income, up to 19,300 euros/year<sup>1</sup>, who want to finance projects linked to personal and family development, as well as needs arising from unforeseen situations.

The income criterion is reviewed periodically, in order to always keep the focus on groups that continue to have greater difficulties in accessing credit, assuming on many occasions the impact that decisions of this type may have on growth, the risk profile of the portfolio and the generation of profit.

### Main features:

- > Fixed-rate loans.
- > Family Microcredit is granted without collateral.
- > The maximum repayment period is 6 years, with a grace period of up to 6 months.

# **\***

### **#FAMILY MICROCREDIT**

Access to family microcredit has been extended to account holders with joint income of less than

>> €19,300 (previously €17,200)

This figure corresponds to the result of multiplying the Public Multiple Purpose Income Indicator (IPREM) by 3.

### **#ICO RENTALS**

New financing facility for customers and non-customers in a vulnerable situation who could not afford to pay for their home rental.

» 2,110 homes have benefited from this measure

+€7.6m of the totam amount granted

### 2019

79,789

transactions

**€422**<sub>m</sub>

amount of the operations

€5,172

average amount

2020

67,764

transactions

€373<sub>m</sub>

amount of the operations

€5,497

average amount

### PROYECTO CONFIANZA



MicroBank signed a collaboration agreement with the Asociación Proyecto Confianza in 2016, to contribute to the social and financial inclusion of people in situations of extreme vulnerability.

In 2020, 133 loans were granted for a total amount of approximately 354,000 euros to people in extremely vulnerable situations, who had previously received support through group dynamics aimed at improving self-esteem and dignity.

Each year, MicroBank carries out a study to measure the impact of its financing on improving the well-being of families, economic development and contributing to the whole of society in general.





<sup>1</sup> To determine the income level, the INE poverty threshold for a family with two children and the Public Multiple Purpose Income Indicator (IPREM) have been taken into account.

https://www.microbank.com/impacto-social\_es.html



















### Other financing with a social impact

Loans that generate a positive social impact on society, in sectors related to the social economy, health, education and innovation.

2,727
transactions
€109m
amount of the operations
€39,802

5,283
transactions
€154m
amount of the operations
€29,059
average amount

Highlights include:

### >> INNOVATION LOAN

average amount

### Differential characteristics:

- > Amount: Up to 50,000 euros.
- > Purpose: start-up or expansion of innovative business projects.
- > **Term:** the maximum repayment period is 7 years, with a grace period of up to 24 months.

### >> SOCIAL ENTERPRISE EASI LOAN

### Differential characteristics:

- > **Amount:** up to 500,000 euros.
- > **Purpose:** financing for the creation and development of social enterprises. Social enterprises are considered to be those that specialise in labour insertion, as well as those that develop their activity in sectors such as the promotion of personal autonomy and care for disabled and dependent persons, the fight against poverty, social exclusion, interculturality and social cohesion.
- > **Term:** up to 10 years (with optional capital grace period of up to 12 months).

### >> EDUCATION LOAN

**Intended for:** Students who want to finance their expenses arising from the completion of a master's degree or postgraduate studies. These are products created specifically for each of these purposes and have characteristics adapted to each of them.

> **Purpose:** They cover the enrolment cost and the associated maintenance costs.

### >> HEALTH LOAN

**Intended for:** Loan to finance medical treatments and temporary assistance to people with mental health disorders (eating disorders, behavioural disorders, etc.), with the aim of helping to improve their quality of life and personal autonomy.

### Differential characteristics:

- > Amount: up to 25,000 euros.
- > **Purpose:** expenses arising from treating these people.
- > Term: up to 6 years.















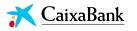
banking and social











# Local accessible banking

CaixaBank's understanding of financial inclusion also means local, accessible banking, with an unwavering commitment to stay close to its customers.

### **Proximity**

CaixaBank strives to maintain and adapt its network of offices in towns and villages with under 10,000 inhabitants, in order to guarantee the sustainability of its financial inclusion model. It is also committed to keeping branches open where it is the only bank operating.



100%

Spanish towns and villages > 10,000 inhabitants with the presence of CaixaBank

(100% in 2019)



94% Spanish towns and villages > 5,000 inhabitants with the presence

of CaixaBank (94% in 2019)



215 Spanish towns and villages CaixaBank is the only

(229 in 2019)



91% Citizens (in Spain) have a branch in (91% in 2019)



83% Portuguese towns and villages >10,000 inhabitants with BPI presence

(85% in 2019)

The reduction in the number of branches in locations where CaixaBank is the only banking institution is a result of the implementation of the Ofibus model, which is a themed 'ofimóvil' (mobile office) that caters to several towns according to an established route. Thus, CaixaBank covers 33% of the Spanish population in small municipalities (less than 5,000 inhabitants).















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### **Accessibility**

CaixaBank uses a broad definition of accessibility, which means not just offering the greatest range possible of channels for accessing its products and services, but also striving to ensure that these channels can be used by as many people as possible. CaixaBank therefore works to eliminate any physical and sensory barriers that could prevent people with disabilities accessing its premises, products or services. CaixaBank bases its accessibility model on the APSIS4all Project, a European Union project, which aims to establish an interoperability standard regardless of the device used.



Accessible branches

(93% in 2019)



49 **Branches where** barriers have been removed in 2020 (64 in 2019)



99% Accessible **ATMs** (99% in 2019)



99.8% ATMs with video screens providing assistance (99.6% in 2019)

Information on CaixaBank Spain

### >> ATM ACCESSIBILITY

CaixaBank ATMs are accessible to:

- > People with reduced mobility: people with reduced mobility: the screen is at a height and angle that make it easier to see. The numerical keyboard position facilitates their use, and the Contactless System facilitates the operation for people with difficulty using their upper limbs.
- > People with visual and auditory difficulties: it has an audio jack entrance, so that the user can follow the instructions of the ATM, as well a voice prompt system. All the inputs, outputs and keyboards (numerical and alphabetical) have Braille. They also have special operations using screen contrast and simplified transactions, and an avatar that helps by using sign language.
- > Senior citizens: the Easy Menu has larger buttons, with the customers' usual operations.



### >> DIGITAL ACCESSIBILITY (CAIXABANK NOW WEB PORTAL AND APP)

CaixaBank's commercial website complies with the AA accessibility level of the W3C-WAI Web Content Accessibility Guidelines 2.0 (the only portal of the main Spanish competitor banks accredited with this level). This accessibility protocol is taken into account in all the new contents of the CaixaBank commercial portal, to continue guaranteeing the best service to all online users.

CaixaBank Now, in its web version and app, takes the following into account, among other aspects:

- > Possibility to increase the text size on the website and enable screen reader software for visually impaired users (JAWS).
- > The colour contrast has been approved to make it accessible and allow people with reduced visibility to read correctly.
- > Different signature and authentication adapted to the disabilities of our customers have been provided.
- > The App is designed under mobile accessibility standards and making use of all the technical possibilities offered today by iOS and Android operating systems. This includes VoiceOver (iOS) and TalkBack (Android) browsing design so that our apps allow voiceover of all screen information and actions.

# 2020 Management Report







banking and social











CaixaBank is aware of the importance of building up the public's financial knowledge, so that people can make better decisions and thus improve their own well-being. To this end, different initiatives have been developed that aim to strengthen financial knowledge of society in general and, in particular, of the most vulnerable groups.

In the exceptional context of 2020, as a result of the COVID-19 crisis, we have made a special effort to reach all groups despite the impossibility of carrying out traditional face-to-face activities.



式 CaixaBank 🛚 💵 A unique platform that integrates financial culture and social awareness initiatives with innovative formats on social media and networks. Throughout the year, activities to build awareness were carried out on social networks with innovative formats.

mucho por hacer

Launch of the #muchtodo (#muchoporhacer) programme of digital financial education content, based on emotional content that connects with society's vital financial concepts: entrepreneurship, retirement, investment.

# 67m

impressions number of impacts on digital media

8.3m



of audiovisual content

New content for Shareholders.

Aulatalks -Courses for shareholders with 30,668 views

12

**Courses for shareholders** with 6,084 attendees



A new comic book, Operation Junta, has also been published this year, explaining how the Shareholders' Meeting

Basic finance workshops in face-to-face and webinar format, aimed at different groups and carried out by the CaixaBank Volunteers Association.

People with intellectual disabilities

112

workshops and 1,191 attendees Young people

866 workshops and 12,667

attendees

Adults at risk of exclusion

213 workshops and 3,048 attendees

Talks on financial education

162 workshops and 2,020 attendees

CaixaBank Research has carried out:

82 talks held

690 articles published 4.603 followers of @ CBK Research on Twitter

+123 % increased users on CABK Research

website

CaixaBank Talks meetings on retirement, protection for self-employed workers, protection and savings for entrepreneurs and inheritances.

32 talks held

attendees

CaixaBank Corporate Social Responsibility Chair with the IESE Business School.Generation and dissemination of content on corporate responsibility trends aimed at the business sector: social impact measurement, socially responsible companies in the context of COVID-19, smart cities and corporate reputation.

9,380 views

booklets published webinars issued

Since 2018, CaixaBank has been part of the Fundación Funcas' Financial Education Stimulus Programme. 1 https://www.caixabank.es/particular/

# 2020 Consolidated Management Report







A benchmark in responsible banking and social commitment









# Socially responsible investment

CaixaBank is committed to sustainable investment, understood as one that not only offers economic returns for investors, but also promotes management that is coherent with the creation of value for society at large.

The initiative **Principles for Responsible Investment (PRI)** is an international network of investors working together to implement six principles. Its aim is to disseminate the implications of environmental, social and corporate governance factors (ESG) for investors and to help signatories to incorporate these considerations into their investment and decision-making processes. By applying these principles, the signatories contribute to the development of a more sustainable global financial system. PRI has the support of the United Nations.

#### The six principles of SRI

Principle 1:	Organisations affiliated to the principles agree to incorporate ESG considerations into investment analysis and decision-making processes.
Principle 2:	Organisations undertake to be active owners, incorporating ESG issues in their investment policies (for example, by being active on the boards of companies in which they invest).
Principle 3:	Investors will seek appropriate disclosure on ESG issues by the entities in which they invest.
Principle 4:	Investors are committed to promoting acceptance and implementation of the SRI Principles among investors.
Principle 5:	Organisations agree to work together to implement the Principles more effectively.
Principle 6:	Organisations are required to report their progress in implementing the Principles.

>> VidaCaixa and CaixaBank Asset
Management have revalidated their A+
rating for outstanding management in
Strategy and Good Governance.

>>> BPI Gestão de Activos signed up to the PRI in 2019, and in 2020 it achieved the highest rating (A+) in strategy and governance.

### How do we approach SRI? \_\_\_\_\_ 1) Integrating ESG criteria to build up the investment portfolio Integration Include ESG criteria in analysis and decision-making aimed at improving risk management and profitability. Monitoring Have access to full information about companies' ESG performance, jointly with partners, to ensure transparency in management and the possibility of establishing investment criteria and filters. Specific lines of action seeking to **Impact** maximise returns with products having social or environmental impact. 2) Improving the ESG positioning of companies in the portfolio and third-party fund managers Commitment - Engagement Discussions and action with companies in the portfolio and third-party fund managers to promote ESG improvements in their management and in the dissemination of these matters.

The implementation of regulatory requirements derived from the European Commission's Sustainable Finance Plan has focused the efforts of VidaCaixa, CaixaBank Asset Management and CaixaBank, and will continue to do so in 2021, in turn fostering significant advances in the Group's role as an agent of change.

Positioning on specific issues related to ESG through voting at Shareholders' Meetings.









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# VidaCaixa

Leading company in the insurance sector in Spain

€9,609m

PREMIUMS AND CONTRIBUTIONS COMMERCIALISED €11.785m IN 2019

€96,467m

**CUSTOMER FUNDS** MANAGED

€93,011m IN 2019

€4,171m

PROVISIONS PAID 3,954 IN 2019



**Distribution** customers

Individual customers 4.0<sub>m</sub> 4.2m in 2019

Large companies and groups 1.1<sub>m</sub> 1.1m in 2019

SMEs and self-employed workers 0.3<sub>m</sub> 0.3m in 2019

29.3%

**MARKET SHARE OF** LIFE INSURANCE<sup>1</sup>

28.1% IN 2019



26.3%

**MARKET SHARE IN PENSION PLANS** 

25.5% IN 2019





- >> 100% of investments take ESG criteria into account<sup>2</sup>
- >> VidaCaixa received an A+ rating in the Strategy and Governance category, the highest possible rating from PRI, for the third year in a row.

The rating has improved in the areas of direct equities and active ownership by increasing dialogue with companies and through participation in the AGMs of investee companies.

<sup>1</sup> Technical provisions

<sup>&</sup>lt;sup>2</sup> Does not include information on BPI Vida e Pensoes (€4,045 million of its own portfolio and managed assets at 31/12/20). The Portuguese subsidiary is in an advanced integration process, although this does not reach all the assets at the close of the financial year. The indicators presented include BPI Vida y Pensiones.











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Annual Corpora Governance Rep 2020

#### >> SRI INDICATORS1

4

**EXCLUSIONS** 

4 IN 2019

€452m

EXPOSURE TO SOCIAL OR SUSTAINABLE BONDS<sup>2</sup>

€152m IN 2019

€852m

EXPOSURE TO GREEN BONDS<sup>2</sup>

€321m IN 2019

3.0%

EXPOSURE OF PORTFOLIOS TO ECONOMIC ACTIVITIES CONSIDERED TO BE LINKED TO HIGH CO2 EMISSIONS<sup>3</sup>

### **Engagement**

63

NUMBER OF DIALOGUES WITH MANAGERS FOR ESG REASONS 20

COMPANIES SUBJECT TO ENGAGEMENT PROCESSES (DIRECTLY)

0 IN 2019

6

COLLECTIVE ENGAGEMENTS (THROUGH INVESTOR GROUPS, E.G. PRI

6 IN 2019

## **Proxy Voting**

380

GENERAL SHAREHOLDERS
MEETINGS VOTED DURING THE
YEAR

325 IN 201

52

MEETINGS WHERE SHARE-HOLDERS VOTED IN FAVOUR OF PROPOSALS ON ESG

67 IN 201

12

MEETINGS WHERE
MEMBERS OF THE BOARD
HAVE BEEN VOTED AGAINST
FOR ESG PURPOSES

13 IN 201

VidaCaixa is generally opposed to investing in companies or states that engage in reprehensible practices that contravene international treaties such as the United Nations Global Compact. Neither does VidaCaixa invest in the arms sector, in line with its policy on defence.



<sup>&</sup>lt;sup>1</sup> Includes information on BPI Vida e Pensões.

<sup>&</sup>lt;sup>2</sup> 2020 exposure includes pension fund portfolios, while in 2019 only VidaCaixa Aseguradora portfolios were considered.

<sup>&</sup>lt;sup>3</sup> Based on the definition suggested by the Task Force on Climate-related Financial Disclosure (TCFD), and for portfolios of VidaCaixa Aseguradora (not including pension funds).









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Leaders in asset management

17.5% MARKET SHARE **OF INVESTMENT FUNDS IN SPAIN** 17.1% IN 2019



€60,486m<sup>1</sup> **OF ASSETS** UNDER **MANAGEMENT** 

€59,628m IN 2019



€28,997m<sup>1</sup> **DISCRETIONARY PORTFOLIO MANAGEMENT** 

€27,095m IN 2019





- >> For the second year in a row, CABK AM received the A+ rating in the Strategy and Governance category, the maximum possible for PRI. Improving with respect to the previous year in the listed equities section
- >> BPI Gestão de Activos achieved the highest rating (A+) in strategy and governance in 2020
- >> 88.2% of investments take ESG criteria into account<sup>2</sup>





#### >> SRI INDICATORS

**EXCLUSIONS** 

€1,040m

**EXPOSURE TO GREEN** BONDS

€242m

**EXPOSURE TO SOCIAL** BONDS

€48m

**EXPOSURE TO** SUSTAINABLE BONDS

### **Engagement**

105

NUMBER OF ANALYSES AND DIALOGUES WITH THIRD-PARTY MANAGERS FOR ESG REASONS

42

COMPANIES SUBJECT TO ENGAGEMENT **PROCESSES** (DIRECTLY)

COLLECTIVE **ENGAGEMENTS** (THROUGH INVESTOR GROUPS, E.G. PRI)

# **Proxy Voting**

603

GENERAL SHAREHOLDERS **MEETINGS VOTED DURING THE YEAR**  57

MEETINGS WHERE SHAREHOLDERS **VOTED IN FAVOUR OF PROPOSALS ON ESG** 

MEETINGS WHERE MEMBERS OF THE **BOARD HAVE BEEN VOTED AGAINST FOR** 

**ESG PURPOSES** 



<sup>1</sup> Aggregated data from CaixaBank Asset Management, S.A., BPI Gestão de Activos and CaixaBank Asset Management

<sup>2</sup> Calculated on investment funds in Spain (cash).













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Statement of Non-financial Information







#### >> SOCIALLY RESPONSIBLE PRODUCTS

> CaixaBank Selección Futuro Sostenible will invest a minimum of 75% in collective investment institutions that follow sustainable investment criteria and are managed by companies of recognized international standing in the field of investment with ESG criteria: environmental, social and corporate governance.

> MicroBank Fondo Ético, FI is a mixed, ethical and socially supportive fund that combines the search for returns with criteria linked to social responsibility. It also has a charitable component, as MicroBank Fondo Ético FI transfers 25% of the management fee to non-profit organisations, while the "la Caixa" Foundation contributes an equivalent amount to an international cooperation project.

> MicroBank Fondo Ecológico is an international equity fund that invests in a selection of environmentally responsible funds in sectors such as renewable energy, organic food, recycling and waste water treatment, among others.

€509.1m

CAIXABANK SELECCIÓN FUTURO SOSTENIBLE

€136.1m IN 2019



# €116.0m

OF TURNOVER MICROBANK FONDO ÉTICO

€91.2m IN 2019

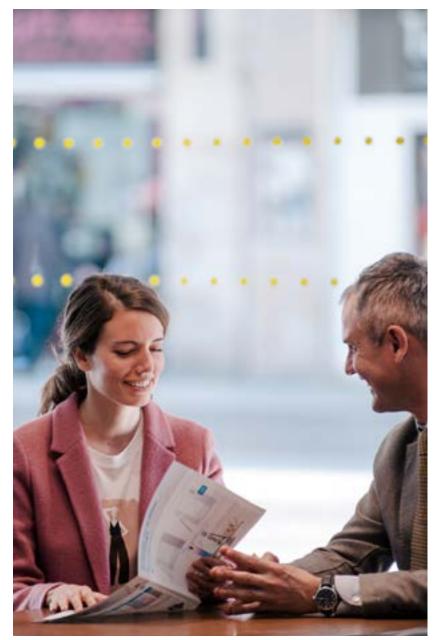


€61.5m

OF TURNOVER MICROBANK FONDO ECOLÓGICO

€32.7m IN 2019













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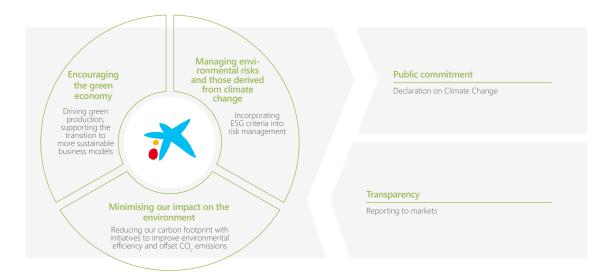




# **Environmental** Strategy

Protecting the environment is one of CaixaBank's strategic priorities and one of the five main points of its Socially Responsible Banking Plan. The Environmental Strategy, approved by the Management Committee in line with internal policies and standards, is composed, in turn, of five lines of action:

#### **ENVIRONMENTAL STRATEGY:** Lines of action





Transitioning to a low carbon economy that encourages sustainable development and is socially inclusive is essential, in CaixaBank's view.

In February 2019, CaixaBank published its

Statement on climate change, which was approved by the Board of Directors, in which it undertakes to take the necessary measures to comply with the Paris Agreement.

The Declaration on Climate Change is a declaration of intent based on the five lines of the Bank's Environmental Strategy. The Declaration argues that climate change is one of the main challenges facing the planet, with impacts on the physical environment, society and the economy. It is a source of physical and transition risks, as well as opportunities for countries, businesses and people.

In December 2019, CaixaBank signed up to the **United**Nations Collective Commitment to Climate Action.
Under this commitment, which was announced within the framework of the Principles for Responsible Banking, banks undertake to align their portfolios to reflect and finance the low-carbon, climate-resilient economy required to limit global warming to below 2 degrees Celsius.

CaixaBank is also a signatory to the Climate Commitment published by the Spanish Confederation of Savings Banks and the Spanish Banking Association.

- In 2020, CaixaBank signed the Manifesto for a sustainable economic recovery. The manifesto, addressed to the Commission for Social and Economic Reconstruction that has been created in the Congress of Deputies, asks for the stimulus policies derived from COVID-19, in addition to being effective from an economic and social perspective, to be aligned with sustainability policies and with the European Green Deal. The initiative has been promoted, among others, by the Spanish Green Growth Group, which CaixaBank is a part of.
- In the same vein, CaixaBank has signed up to the Green Recovery Call to Action initiative, promoted in the European Parliament, which seeks to align economic recovery plans in Europe with the Paris Agreements and a sustainable future.

https://www.caixabank.com/deployedfiles/caixabank\_com/Estaticos/PDFs/Sostenibilidad/StatementonClimateChange\_eng.pdf









Lines

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Annual Corporate Governance Repo 2020 With the environment as one of CaixaBank's strategic priorities, in 2020, the 2019-2021 Road Map was drawn up to advance the implementation of the bank's environmental strategy.

The **2019-2021 Road Map** to roll out the Environmental Strategy, in line with the Bank's Strategic Plan and presented to the Risk Committee, includes the following areas of action:

### **Environmental Risk Management Policy**

To implement the Environmental Risk Management Policy and review risk concession procedures to take into account regulatory and market changes.

### Definition and roll out of the governance model

To implement a coherent, efficient and adaptable governance model for managing environmental and climate change risks that ensures the CaixaBank Group's targets are met within an appropriate framework.

#### Risk Metrics

To develop indicators to measure the CaixaBank Group's compliance with its defined risk appetite, and ensure it meets current legislation on environmental risk management and climate change and the expectations of stakeholders.

#### **External Reporting**

To establish an external reporting model to ensure information on the environment and climate change is publicly disclosed in accordance with the regulations applicable at all times.

#### **Taxonomy**

To structure and categorise customers, products and services in accordance with environmental and climate change criteria in line with current regulatory requirements.

### **Business opportunities**

To ensure that CaixaBank takes advantage of current and future business opportunities related to sustainable financing and investment within the framework of the Environmental Strategy, including the issue of social and/or green bonds.



# 2020 Consolidated Management Report







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## Managing environmental risks and risks related to climate change

CaixaBank is making progress on the management and analysis of environmental risks and risks arising from climate change in accordance with the regulatory framework the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the European Commission's Guidelines on Non-Financial Reporting.

During 2020, the regulatory framework for climate and environmental risk management, the promotion of green business and reporting was extended, highlighting the following initiatives:

- > EBA Guideline Loan origination and monitoring, of 6/2020, with specific requirements for the consideration of environmental and climate risk in the loan origination and monitoring processes.
- > ECB Guide on climate-related and environmental risks, of 11/2020, which includes this body's understanding of the safe and prudent management of climate-related risks within the current prudential framework.

In addition, the EBA has published (10/2020) the advisory document Management and supervision of ESG risks for credit institutions and investment firms, which presents a proposal on how ESG factors and risks could be included in the framework of financial regulation and supervision.

In this regard, CaixaBank has established cross-disciplinary projects within the company to ensure that its processes are aligned with the new regulatory and supervisory framework.

Conceptually, the risks associated with climate change are classified as either physical risks or transition risks. The first arise as a result of climate or geological events and changes in the balance of ecosystems and may be gradual or abrupt. They can cause physical damage to assets (infrastructure. properties), disruption to production or supply chains and/or may affect the productivity of economic activities (agriculture, energy production).

Transition risks, meanwhile, are associated with the fight against climate change and the transition to a low-carbon economy. They include factors such as changes in regulations and standards, the development of alternative energy-efficient technologies, changes in market tastes or reputational issues affecting the sectors that cause the greatest damage.

CaixaBank actively manages environmental risks and those associated with climate change through the lines of action set out in its Road Map.

#### **Environmental Risk Management Policy**

The Environmental Risk Management Policy was approved by the Board of Directors in February 2019. The most-affected subsidiaries (BPI, Vidacaixa and Caixabank Asset Management) have approved their own policies, aligned with that of CaixaBank, taking into account the specific nature of their businesses.

The policy established the Group's global principles for managing environmental risk. Environmental risk is one of the ESG (environmental, social and governance) risks and it is managed via the lines of action set out in Caixa-Bank's Environmental and Climate-related Risk Management Strategy.

The Environmental Risk Management Policy establishes criteria to be built into the Bank's procedures for accepting new customers and operations, with general and sector-based exclusions whereby CaixaBank will not assume credit risk linked to activities that could have a significant environmental impact.

The sectors subject to specific exclusions of certain activities are as follows:









In accordance with the Environmental Risk Management Policy, a questionnaire to assess and classify customers and operations forms part of the environmental risk analysis built into the credit process for business and corporate customers. The most complex operations are assessed by specialised analysts from the Corporate Directorate of Environmental Risk Management.

Adicionalmente, durante 2020 se ha lanzado un plan dln addition, during 2020, a training plan was launched for the Risk Admission Centres (RACs) and the International Branches, so that the analysts of these centres could also classify the customers managed in their area and analyse the corresponding operations in terms of environmental risk, defining powers that allow them to sanction independently, with operations that exceed this level of authority being elevated to the team of specialised analysts of the Corporate Directorate of Environmental Risk Management (DCGRMA). The training plan includes sessions focused on environmental risk analysis, and is scheduled to be completed in 2021.

This analysis process, and within the framework of applying the Equator Principles, which CaixaBank signed up to in 2007, includes a review of issues related to the categorisation of and compliance with these principles.











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¹https://www.caixabank.com/ en/sustainability/environment/

### **Equator Principles**

### Scope

- > Project finance and project finance advisory services where total project capital costs are US\$10 million or more.
- > Project-related corporate loans with a total aggregate loan amount of at least US\$100 million and an individual commitment by CaixaBank of at least US\$50 million, and a loan term of at least two years.
- > Bonds linked to projects in an amount of at least US\$10 million.
- > Bridge Loans with a term of less than two years that are intended to be refinanced by project finance or a project-related corporate loan that meet the aforementioned criteria.
- > CaixaBank voluntarily applies this procedure to syndicated operations with a term of 3 years or more and when Caixa-Bank's individual commitment is between €7 million and €35 million. The procedure also applies to other operations to finance investment projects with a minimum term of 3 years and a minimum amount of €5 million when the holder is a medium-sized, large or very large legal entity.

Version 4 of the Equator Principles entered into force on 1 October 2020, the most significant changes being:

- > Extending the scope of application, reducing the amount for project-related corporate loans to US \$50 million, and adding the refinancing and acquisition of Projects provided that they meet certain requirements (the original project being financed under the Equator Principles, there being no material changes in the scope of the project and it not yet being operational).
- > New aspects related to Human Rights and Climate Change have been added.

On the date of this report, CaixaBank is already applying these new criteria.

### Application

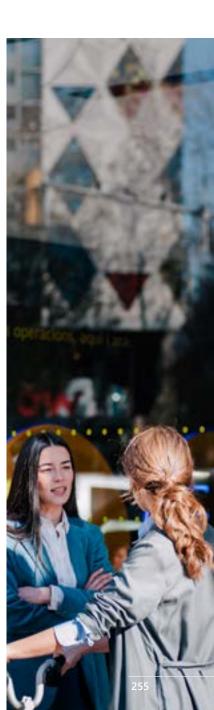
- > Projects with high and irreversible risks and potential impact, where it is not deemed possible to establish a viable action plan, or projects that contravene the Bank's corporate values, are rejected.
- > In other instances, an independent expert is appointed to evaluate each borrower's social and environmental management plan and system. Projects are classified as category A, B or C according to the risks and potential impacts detected in the due diligence process carried out by teams from the commercial and risk areas, together with external experts.
- > Category A and certain Category B projects may have potentially significant adverse impacts. In these cases, an action plan must be drawn up to help prevent, minimise, mitigate and remedy the adverse social and environmental impacts.

In 2020, the Entity financed 19 projects (18 CaixaBank and 1 BPI) for a total investment of €17,930m (€17,818m CaixaBank and €112m BPI), with a stake of €1,430m (€1,376m CaixaBank and €54m BPI).

The assessment carried out to categorise the projects was performed with the support of an independent expert.

### **Operations financed**

	2019		2020	
	units	€m	units	€m
Category A (projects with significant potential environmental/social impacts)	2	313	2	225
Category B (projects with limited and easily offset potential ESG risks)	13	1,099	14 (1 BPI)	1,042 (54 BPI)
Category C (projects with minimal or no adverse social or environmental impacts, including certain projects of financial intermediaries with minimal or no risks)			3	163
Total	15	1,412	19	1,430











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# Definition and roll out of the governance model for environmental and climate change risk

The highest management body with responsibility for managing environmental risk is the Environmental and Climate-related Risk Management Committee, which was set up and approved by the Board of Directors in February 2019. The Environmental Risk Management Committee (CGRMA) operates on a quarterly basis. The Committee reports to the Management Committee, is chaired by the Chief Risk Officer and its deputy corresponds to the Executive Division of Communication and Corporate Social Responsibility. It is responsible for analysing and, where appropriate, approving the proposals made by the various functional areas with regard to the strategic positioning of the Bank in relation to Environmental and Climate-related Risk Management, in addition to identifying, managing and controlling the risks associated with this area on the front line.

In late 2018 a Corporate Directorate for Environmental Risk Management (DGRMA) was created, reporting to the Directorate General for Risk. This new directorate is responsible for managing environmental and climate-related risk. The DGRMA coordinates the implementation of the Road Map for deploying the Environmental Strategy, and oversees the analysis of environmental risk within the Bank's risk concession processes.

The targets of the CEO, the Chief Risk Officer and the Director General for Environmental Risk Management include indicators linked to the management of environmental and climate-related risk. These objectives are focused on contributing to the alignment of Caixa-Bank's credit portfolio with a low-carbon economy that is resistant to climate change, in accordance with the Commitments acquired by the Entity within the framework of the United Nations Environmental Program Finance Initiative (UNEP FI)-Principles for Responsible Banking Collective Commitment to Climate Action. On a more general level, objectives linked to the deployment of the Road Map for the Environmental Strategy are also established.

In 2020, climate risk was incorporated into the Corporate Risk Catalogue as a level 2 credit risk. Furthermore, since 2018, environmental risk has remained a level 2 risk of reputational risk.

#### **Risk Metrics**

The lending portfolio is managed with the intention of aligning its indirect impact on climate change with the Bank's risk appetite and its commitment to sustainability goals. Since 2018, therefore, it has measured its lending exposure to economic activities considered to be linked to high CO2 emissions.

For better comparability, the main indicator is based on the definition suggested by the TCFD, and includes exposure to activities linked to the energy and utilities industries, excluding renewables (carbon-related assets, as defined in Implementing the Recommendations of the TCFD). In 2018, 2019 and 2020, such activities accounted for around 2% of the total financial instruments portfolio.

Additional management metrics are currently being developed.

CaixaBank is analysing climate risk transition scenarios with a qualitative and quantitative approach. The qualitative analysis focuses on the Energy, Transport and Construction sectors, and will identify the segments potentially most affected by transition risk by studying the main variables and establishing heat maps for different time horizons (2025, 2030, 2040 and 2050), geogra-

phies and climate scenarios, taking into account the characteristics of CaixaBank's loan portfolio.

The quantitative analysis still underway focuses on the Energy sector, differentiating between Oil & Gas and Power Utilities. The Energy sector is considered one of the most affected by transition risk. Based on participation in the UNEP FI working group, the pilot exercise assesses how climate transition risk can be translated into key financial metrics for a sample of companies in these sectors in the short, medium and long term (2025, 2030, 2040), under the most stringent transition scenario, the 1.5°C scenario, which limits the average global temperature increase to 1.5°C above pre-industrial levels. To this end, the predictions of the Potsdam Institute for Climate Impact Research (PIK) and the IAM model (Integrated Assessment Models), which integrates climate models with macroeconomic models, are taken as the basis. The study involves a detailed analysis of the transition strategies towards a low-carbon economy of a sample of CaixaBank's main customers in the Energy sector (bottom-up analysis). The analysis is complemented by an engagement process, which is materialised through meetings with the customers included in the sample, incorporating their positions on climate change.

The pilot exercise is being extended for different temperature scenarios and to the rest of the energy portfolio (top-down analysis).







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The pilot exercise, and subsequent exercises underway, are the first step in deploying the scenario analysis on a recurring basis. Based on the study of the energy portfolio, the extension of the analysis to other relevant sectors in terms of climate transition risks is currently being prepared. Similarly, the decarbonisation path has been monitored based on the strategic plans of the main companies in the sectors analysed, to ensure the resilience of the Entity's strategy. There are also plans to extend the engagement process to the Entity's most important customers in the most relevant sectors from a climate risk perspective.

With regard to the assessment of physical risks derived from climate change, the initial focus of analysis is the mortgage portfolio in Spain. To this end, a preliminary qualitative analysis has been carried out, which identifies exposure by geographical risk areas under various climate scenarios for the main physical risks affecting the portfolio (rise in sea level, floods and fires resulting from the increase in temperature). Based on the qualitative analysis, a quantitative analysis of these risks is planned out.

Furthermore, since July 2020, CaixaBank has been participating in the EBA 2020 Pilot Position Exercise on climate risk, stipulated in the 2019 EBA Action Plan, to carry out a preliminary assessment of banks' exposure to climate risk. The exercise is expected to end during 2021.

The analysis of climate risk scenarios is also a milestone for meeting the commitments made within the framework of the Collective Commitment to Climate Action (CCCA). The signing of this agreement, in December 2019, involves establishing objectives for aligning the credit portfolios with the Paris Agreement no later than 2022, and starting to take action during the first twelve months of the agreement. Following these guidelines, during 2020 CaixaBank has actively participated in the working group

established by UNEP FI to collectively advance and report on the progress of the agreement. The first published report includes a statement expressing the willingness of CCCA signatories to work beyond the objectives of the Paris Agreement, in line with the initiative that aims to achieve zero global net emissions in 2050, laid out as part of the COP 26 in Glasgow. The specific measures adopted by CaixaBank during the first twelve months have been made public.



CaixaBank is committed to complying with the transparency recommendations of the TCFD, a work group of the Financial Stability Board set up to raise awareness of climate-related risks and opportunities through financial reporting, in order to encourage market participants to take them into account.

In 2019 and 2020, CaixaBank participated actively in the second United Nations Environment Programme Finance Initiative (UNEP FI) pilot project to implement the recommendations of the TCFD in the banking sector (TCFD Banking Pilot Phase II). The case study carried out by CaixaBank within the framework of the pilot has been included in the report 'Pathways to Paris. A practical guide to transition scenarios for financial professionals', on the UNEP FI website.

CaixaBank's participation in the stage 3 of the TCFD programme by UNEP FI scheduled for 2021 has been confirmed.



















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#### Taxonomy

The European Union (EU) is developing a European standard for the classification of economic activities according to their environmental risk. The Taxonomy is a European standard for determining whether an economic activity contributes significantly to climate change mitigation and adaptation without damaging other EU environmental objectives. CaixaBank intends to implement this standard wherever it is applicable once it is approved. In this regard, CaixaBank is working in the following areas:

- > In November 2019, CaixaBank joined the UNEP FI working group to draw up a guide for banking to adapt to the EU taxonomy (High Level Recommendations for Banks on the Application of the EU Taxonomy). Within the framework of this working group, in 2020, the challenges of applying Taxonomy to banking products were analysed collectively, and case studies were drawn up. The conclusions and recommendations are included in the report 'Testing the application of the EU Taxonomy to core banking products: High level recommendations'.
- > In line with the Technical Expert Group 'Taxonomy Technical Report March 2020', operational and documentary criteria have been established for the classification of operations in the most relevant sectors of the CaixaBank portfolio, including projects for renewable energy and the real estate sector. The criteria established will be reviewed with the publication of the definitive version of the EU Taxonomy.
- > CaixaBank's IT systems have been adapted to collect information on energy efficiency certificates for home purchase financing operations..

Furthermore, during 2020, CaixaBank participated in a case study by the EBA on taxonomically aligned metrics within the framework of the survey on ESG risk disclosures in Pillar 3 (Survey: *Pillar 3 disclosures on ESG risks under Article 449a CRR*).

Pending the approval of the European Union Taxonomy of environmentally sustainable activities, CaixaBank has already internally approved criteria for considering loans as environmentally sustainable, including the following categories:

- Assets eligible for a Green Bond, according to the Issuance Framework of Bonds linked to CaixaBank's Sustainable Development Goals. It includes the following types of financing for, among other objectives, improving the environment and/or contributing to a reduction of Greenhouse Gas emissions:
  - > Renewable energy and energy efficiency
  - > Certified energy-efficient property
  - > Access to clean mass transport systems
  - > Efficiency in Water use and quality
  - > Activities that contribute to the prevention, minimisation, collection, management, recycling, reuse or processing of waste for recovery (Circular economy)
  - > Protection of healthy ecosystems and mitigation of climate change in the agricultural sector (forests and woods)
- > Assets certified by a third party in accordance with commonly accepted market standards, such as LMA or ICMA...
- > Operations indexed to ESG indices.
- > Eco-funding lines for consumer products (household appliances, renovations and energy-efficient vehicles).

Article 449a CRR).

<sup>&</sup>lt;sup>1</sup> https://www.ebfeu/wp-content/ uploads/2021/01/Testing-the-application-of-the-EU-Taxonomy-to-corebanking-products-EBF-UNEPFI-reports

# 2020 Management Report







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## Promoting green business

Climate change involves risks, but it also offers business opportunities for financing activities that contribute to mitigating climate change or help us to adapt to it. Caixa-Bank is committed to sustainability through the design and marketing of products that integrate environmental and sustainability criteria and promote environmentally sustainable activities that contribute to the transition to a low-carbon economy.

CaixaBank already has personnel who are specialised in some of the most sensitive economic activities from a climate and environmental risk perspective. It has teams specialising in corporate and international banking for infrastructure, energy and sustainable financing projects, as well as in real estate, agricultural, business banking and private banking business. In this regard, the aim is to facilitate the transition to a low-carbon economy for all customers (engagement). The main engagement actions with customers have been carried out within the framework of the climate change scenarios analysis exercise, as well as the environmental risk analysis process established in the Environmental Risk Management Policy.

#### Sustainable environmental financing

#### >> LOANS LINKED TO SUSTAINABILITY **VARIABLES**

These are loans linked to ESG criteria where the conditions will vary depending on the achievement of sustainability objectives. An external adviser assesses and establishes the objectives acording to Sustainability Linked Loan Principles. In this area, CaixaBank has led outstanding operations such as those of Naturgy and El Corte Inglés, and has stood out for its innovation in incorporating ESG criteria in short-term financing, as well as sustainable factoring with Endesa and Siemens Gamesa.



#### >> 'GREEN' LOANS1

These loans have a positive environmental impact, the underlying aspects of which are eligible projects or assets, including: renewable energies, energy efficiency, sustainable transport, waste treatment, reduction of emissions and sustainable building, which comply with the principles of the Green Loan Principles (GLP) issued by the Loan Market Association. This type of financing includes renewable energy operations (SeaGreen), property or logistics with certification (Montepino), as well as a precursor line of green guarantees to Siemens Gamesa...



### 2020 ranking on sustainable financing

REFINITIV T Refinitiv recognises CaixaBank in its League Table as:

global bank - Global

Bank at EMEA1-Top Tier Green & ESG EMEA Top Tier Green & ESG Loans

## Bloomberg

Bloomberg recognises global bank -CaixaBank in its League "Sustainability Linked Table as:

Loans"

6° global bank - Top Tier Green Use of Proceeds



<sup>2</sup> Europe, Middle East and Africa.

<sup>&</sup>lt;sup>1</sup>This category includes some operations included in financing energy-efficient properties and renewable energies-Project Finance.

## 2020







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#### >> RENEWABLE ENERGIES - PROJECT FINANCE

As part of its commitment to the fight against climate change, CaixaBank supports environmentally friendly initiatives that contribute to the prevention and mitigation of climate change and the transition to a low-carbon economy, mainly through the financing of renewable energy projects.

During 2020, Caixabank registered record financing in renewable-energy generation initiatives, participating in the financing of 39 projects for the amount of 3,163 mi-Ilion euros. Photovoltaic initiatives accounted for more than 60% of total investment this year, consolidating the distribution of the renewable energy portfolio. Wind energy, both onshore and offshore, continues to represent more than 50% of the renewable energy portfolio.

The Entity has also participated in two outstanding transactions. In the United Kingdom, it has financed the Dogger Bank project, which consists of two marine wind

farms with a combined installed capacity of 2,400 MW, awarded as "Global Green Deal of the Year," and in France, Fecam Marine Wind Farm has been financed, with an installed capacity of 497 MW, which has been recognised as "EMEA Green Deal of the Year."



projects financed €3,163m that become 5,730 MW of renewable energy capacity installed €2,453m / 8,322 MW

# Portfolio exposure Renewable energy

represents 81% of the project finance energy project



2020		2019	
55%	Wind	58%	Wind
38%	Photovoltaic	31%	Photovoltaic
6%	Solar thermalthermal	10%	Solar thermalthermal
1%	Other	1%	Other

#### >> FINANCING ENERGY-EFFICIENT **PROPERTIES**

Operations for which there is documentary evidence of an energy efficiency certificate with A or B rating are considered environmentally sustainable. CaixaBank captures information and documentation regarding the energy certificate when operations are formalised.



€306m financing of Commercial Real Estate €248m in 2019











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#### >> ECOFINANCING

CaixaBank has specific financing lines for buying environmentally-friendly vehicles and household appliances, investing in energy efficient housing, promoting investments to make resources more efficient and reduce their environmental impact.

Since 2013, CaixaBank has implemented an EcoFinancing line to make more loans available for agricultural projects related to energy efficiency and water use, organic farming, renewable energy, waste management, and the development of rural areas.



for **€54m** €10.2m in 2019

#### >> BPI

Aware of the importance of adopting measures to guarantee environmental sustainability in our products, we offer different credit lines that promote energy efficiency and support various renewable energy investment projects. In 2020, total financing granted amounted to €226m, by type:

€ million	2019		2020	
	Granted in 2019	Portfolio exposure	Granted in 2020	Portfolio exposure
Renewable energy	38	332	70	231
Urban renovation				
IFRRU, Financial Instrument for urban rehabilitation	80	202	45	150
Jessica Line	8	259	16	156
BEI - Energy efficiency in business	7	9,4	5	12
Green bonds/ESG	50	50	90	140









# 2020 Consolidated Management Report







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In November 2020, CaixaBank issued its inaugural Green Bond, according to the Issuance Framework of Bonds linked to CaixaBank's Sustainable Development Goals.

The detailed information on the inaugural Green Bond will be included in the Impact Report to be issued in the first half of 2021.

In February 2021, CaixaBank issued its second **Green Bond for €1,000m**. The bond will be used to finance renewable energy projects and energy-efficient buildings.





This issue finances loans to reach Goal 7 (affordable and clean energy) and Goal 9 (industry, innovation and infrastructure).

On the date of issuance of the Green Bond, €2,300m of assets were identified, primarily Project Finance, which met the requirements established in the SDG Framework.

Meanwhile, CaixaBank has been a signatory of the Green Bond Principles established by the International Capital Markets Association (ICMA) since 2015. Since then, the Bank has participated in the placement of green bonds for projects with a positive impact on climate.

In 2020, CaixaBank participated in the placement of 6 green bond issues for investment in environmentally sustainable assets with a total volume of  $\le$ 4,700m (4 for  $\le$ 2,500m in 2019). It also participated in the placement of 4 sustainable bond issues amounting to  $\le$ 1,700m (2 issuances for  $\le$ 1,600m in 2019).

#### **GREEN BONDS**

#### CaixaBank

Inagural Green Bond

€1,000m

Maturity 2026-XS225897107

**BPCE SFH** 

Green Bond

€1,250m

Maturity 2030\_EP001351450

Telefónica

Green Bond

€500m

Perpetual Maturity NC7-XS210981985

Prologis

Green Bond

€500m

Maturity 2032-XS2187529180

REE

Green Bond

€700m

Maturity 2028-XS2103013210

**EDP** 

Green Bond

€750m

Maturity 2080-PTEDPLOM0017

# See the presentations of Green Bond

<sup>1</sup> https://www.caixabank.com/ershareholders-investors/fixed-inv

#### SUSTAINABLE BONDS

### **Basque Government**

Sustainable

€500m

Maturity 2030-ES0000106643

# Xunta de Galicia - Government of Galicia

Sustainable

€500m

Maturity 2027-FS0001352592

#### **Basque Government**

Sustainable

€500m

Maturity 2031-ES0000106684

#### Caja Rural de Navarra

Sustainable

€100m

Maturity 2025-ES0415306069

# 2020 Management Report







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## **Environmental Management Plan**

CaixaBank carries out its activities taking into account environmental protection, and seeks to achieve maximum efficiency in the use of the natural resources it needs, in accordance with the requirements established in standard ISO 14001, the European EMAS environmental management regulation and the ISO 50001 energy management standard, as established in the CaixaBank, S.A. **Environmental and Energy Management Principles** (updated in May 2020).

CaixaBank regularly monitors a series of environmental performance indicators, which measure the bank's efficiency with regard to its main consumption and impacts. It also has its 2019–2021 Environmental Management Plan, which, within the framework of a continuous improvement process, includes impact reduction goals based on innovation and efficiency, priority lines of work and initiatives to disseminate and promote good practices.

Due to the impact of COVID-19 on the Entity and its consequences on environmental variables (reduction of mobility, increase in ventilation needs, the rise in remote working, etc.), the Environmental Management Plan was updated in 2020.1

#### >> FOCUS OF THE 2019-2021 **ENVIRONMENTAL MANAGEMENT PLAN**

Carbon Neutral strategy

Minimising and offsetting all calculated CO<sub>2</sub> emissions that it has not been possible to eliminate.

Measures on **environmental efficiency** and certification

> Minimisation of the bank's impact, implementation of new energy saving measures and renewal of certification and environmental commitments.

Extension of the environmental 03. Extension of the crivile chain commitment to the value chain

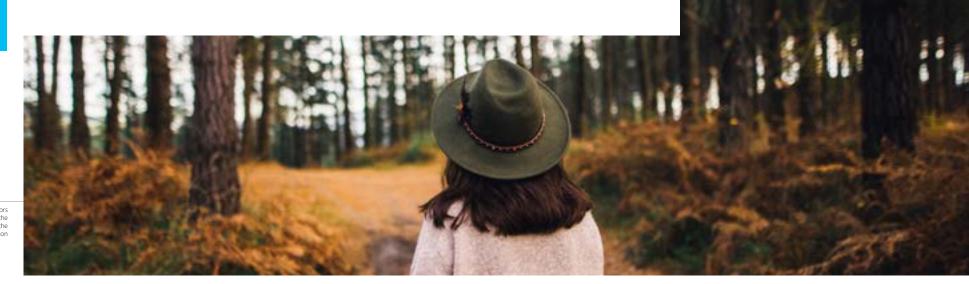
Action plans for suppliers to assume our environmental values as their own and to comply with the commitments they have made.

Boost in sustainable mobility

Measures to encourage sustainable mobility to minimize emissions by the organization, its workforce and suppliers.

Commitment, transparency and **engagement** 

Engagement actions with employees strengthen commitment and improve environmental information for the public.



<sup>1</sup> Since 2020, environmental indicators are calculated from 1 October of the previous year to 30 September of the current year to ensure the publication of certified data in this report.





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The 2019–2021 Environmental Management Plan establishes quantitative objectives for all the years covered by the plan, so that the extent to which it has been successfully implemented can be measured:

Objective	Indicators 2018		18 2019		2020		2021	
		objective	actual	objective	actual	objective	actual	objective
Carbon Neutral Project								
Minimising and offsetting the carbon footprint	Reduced CO <sub>2</sub> emissions (v. 2015)	10%	38%	11.5%	50%	20%	63%	34%
	Scope 1			11.5%	71%	20%	81%	40%
	Scope 2			11.5%	82%	75%	87%	75%
	Scope 3			11.5%	30%	15%	46%	25%
	CO <sub>2</sub> emissions offset	100%	100%	100%	100%	100%	100%	100%
100% renewable energy contracted	Energy consumed from renewable sources	100%	100%	100%	100%	100%	100%	100%
Environmental efficiency and ce	ertification							
Implementation of energy efficiency measures	Energy consumption savings (v.2015)	5.5%	9%	7%	13%	10.5%	18.8%	15%
Value chain								
Environmental Procurement Plan (environmental criteria in purchasing and contracting of services and extension of the environmental commitment to the value chain)	Categories of environmental purchases/Total categories of environmental purchases	N/A	N/A	50%	50%	75%	75%	100%

### >> OTHER INITIATIVES





**Automated systems** in the branch network



engagement











Each year, CaixaBank publishes a report, audited by an external and independent firm, detailing the main environmental actions carried out by the Company. This report, referred to as *the Environmental Sta*tement, along with the environmental and energy management principles can be accessed on the CaixaBank website.



<sup>&</sup>lt;sup>1</sup> https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad\_corporati-va/68411 Declaracio Mediambiental 2109 ANG sellada.pdf







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#### Main **environmental initiatives**

### **Electricity**

> CaixaBank has implemented an automation project that allows it to monitor energy consumption in corporate buildings and the branch network, evaluate the energy savings of the measures implemented and define new efficiency initiatives.



685 Branches monitored

19 Corporate buildings

monitored



Remotely managed stores

- > In recent years, several initiatives have been implemented to reduce consumption in the branch network, based on the savings potential: Replacing fluorescent lights with LED lighting, replacing HVAC equipment with more efficient equipment, presence sensors and automatic light shut-off, single shut-off switches associated with the alarm connection, hibernation strips for peripheral circuits, replacement of computer equipment, etc.
- > The two Data Processing Centres (DPCs) have LEED certification, with the silver and gold category, respectively.
- > In 2020, electricity consumption fell by 7.4% compared to 2019. This reduction has been the result both of the management measures and energy savings implemented, and of the increase in remote working among corporate service staff. It should be noted that health-related safety measures are detrimental to the reduction goal, given that a larger surface area must be air-conditioned in relation to the number of employees, and air renewal needs are greater.

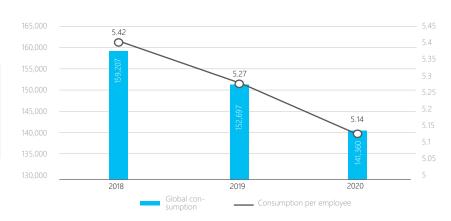


of electric energy consumed is from renewable sources.



reduction in electric energy consumption over 10 years

### >> ELECTRIC ENERGY CONSUMPTION - CaixaBank, S.A. (MWh)



















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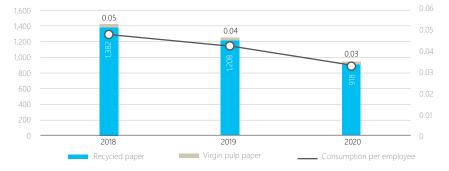




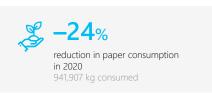
#### **Paper**

- > In recent years, several initiatives have been implemented to reduce paper consumption:
  - > The digitalisation project allows digital signatures for 100% of processes.
  - > ATMs allow for deposits without an envelope and offer the option to view information on-screen and not print a receipt.
  - > Invoicing is done electronically.
  - > The sending of notifications to customers has been reduced by 55% in the last 5 years.
  - > Reduction and centralisation of printers in multifunctional teams with a user identification system.
- > The company is committed to the preferential use of recycled paper.
- > Publications are produced on paper with FSC and PEFC certificates.

### >> PAPER CONSUMPTION - CaixaBank, S.A. (tonnes)



97.5% recycled paper of all paper consumed. 97.2% in 2019



#### Water

- > Water consumed in the branch network is for sanitary use. Even though it is not a significant consumption, traditional taps are replaced by taps with interrupted flow and toilet cisterns are replaced by others with smaller capacity and a double flush button.
- > In unique buildings, the best technologies have been introduced to optimise water consumption associated with the refrigeration processes: Data Processing Centres use free cooling technology, which uses no water, and in the Barcelona corporate centre, the evaporative cooling towers have been replaced with adiabatic towers, with much lower water consumption.
- > The reduction in water consumption in 2020 (–14% vs 2019) is largely associated with the implementation of remote working.









Strategi

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Statement Non-financ Information

Glossary a Group structure

Independ Verification Report

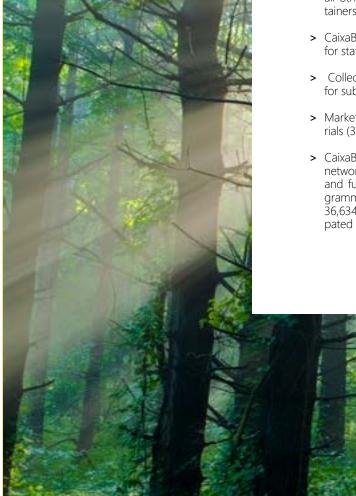
Annual Corpor Governance Re 2020



- > Selective collection allows for waste to be recovered and recycled.
- > In corporate buildings, waste is accounted for and managed by authorised managers. Corporate Services' cafeterias are free of single-use plastic.
- > In the branch network, waste from toner and maintenance operations is collected to be recycled. For all other waste, municipal selective collection containers are used.
- > CaixaBank launches regular awareness campaigns for staff to reduce waste generation.
- > Collection of obsolete cards in the branch network for subsequent recycling.
- > Marketing of cards made from biodegradable materials (33,192 units in 2020).
- > CaixaBank has 'Reuse me', a new plan for the branch network with the aim of donating both IT equipment and furniture to social solidarity entities. The programme is also open to customers and, in 2020, 36,634 items were donated, 13 companies participated and 159 companies benefited.

#### Sustainable mobility

- > Deployment of remote work tools and online communication options with customers (such as the Wall), which reduce the number of physical journeys.
- > Electric vehicle charging points (50 new points in 2020) and private bicycle parking in several corporate centres have been installed.
- > Reduction of the fleet of own vehicles and transition to hybrid cars.
- > Internal car-sharing programme in regional centres.
- > Delivery of packages in the last mile using an electric scooter.
- > Inclusion of environmental criteria for reducing the impact associated with mobility in events and trips, with the aim of making them sustainable (prioritisation of collective transport, use of more sustainable means of transport, proximity between hotel and event, etc.).









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## **Carbon footprint**

#### COMBATING CLIMATE CHANGE



# Calculating the Bank's carbon footprint

Each year CaixaBank carries out an inventory of greenhouse gas (GHG) emissions generated as a result of its corporate activity, to calculate its carbon footprint and establish measures aimed at progressively reducing it



### Reduction in CO<sub>2</sub> emissions

Through the introduction of technological improvements and good environmental practices



100% certified renewable energy consumption



# Offsetting emissions that could not be avoided

Both in corporate buildings and throughout the commercial network (scopes 1, 2 and 3)

Since 2009, CaixaBank S.A. has calculated its carbon footprint as part of its commitment to minimise and offset the Bank's CO<sub>2</sub> emissions.

CaixaBank S.A. has been carbon neutral since 2018, when total emissions in 2017 were offset. In 2020, the offsetting of emissions that could not be eliminated was provided through the participation in a project in India, recognised by Verified Carbon Standard (VCS), consisting in the installation and setup of wind turbines, as well as two own projects of  ${\rm CO_2}$  absorption by reforesting burned areas on the mountain of Montserrat, Barcelona, and in the town of Ejulve, Teruel.

The carbon footprint of CaixaBank S.A. is verified by an independent external firm in accordance with standard ISO 14064.

During 2020, work was carried out with the Group's subsidiaries to calculate its main environmental impacts and carbon footprint, with the aim of unifying the calculation methodologies and making the data public in 2021, after the merger with Bankia (in order to facilitate the year-on-year comparison).

#### >> EMISSIONS GENERATED

In 2020, emissions were reduced by 23% compared to the previous year. Changes in emissions have been due both to the impact of COVID-19 on our activity (reduction of emissions associated with corporate journeys or increases due to the provision of IT equipment needed to cover new remote working needs) and improvements implemented in recent years (reduction of emissions of cooling gas leaks due to the renewal of air-conditioning units or reductions in the consumption of materials such as paper).

## >> CARBON FOOTPRINT OF CAIXABANK S.A. (T CO, EQ)

	2018	2019	2020
t CO <sub>2</sub> eq Scope 1	8,576	5,573	3,597
t CO <sub>2</sub> eq Scope 2	403	459	287
t CO <sub>2</sub> eq Scope 3	18,355	15,092	12,361
t CO <sub>2</sub> eq per employee	0.93	0.73	0.59









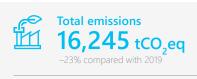


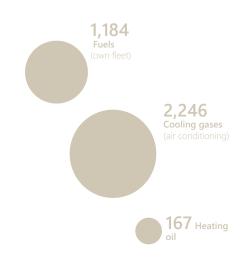




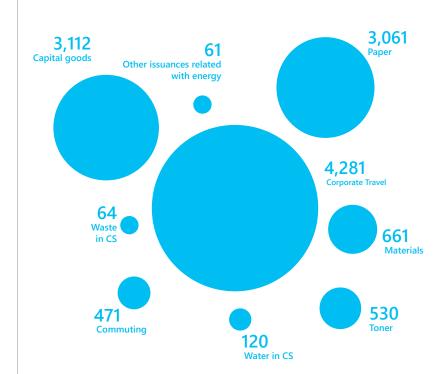
in responsible banking and social commitment

#### >> BREAKDOWN OF THE CARBON FOOTPRINT OF CaixaBank S.A. 2020









Total emissions SCOPE 1 3,597 tCO<sub>2</sub>eq Direct Emissions

Fuels and refrigerants

287 tCO<sub>2</sub>eq Indirect Emissions Purchase of energy for own use

**Total emissions SCOPE 3** 12,361 tCO<sub>2</sub>eq Other Indirect Emissions Products and services consumed

## 2020









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# Social action and voluntary work

## Social action and volunteering

Thanks to its capillary nature and proximity to people, CaixaBank's branch network is a very effective means for detecting needs, thus enabling "la Caixa" to allocate resources to great effect in all the areas where CaixaBank is present.

## 44.8

millions of euros of "la Caixa" 's budget has reached a multitude of local social entities thanks to the CaixaBank branch network

8,557

activities related to projects set up by local social organisations

6,904 recipient entities

# >> TYPES OF PROJECT THAT HAVE RECEIVED FUNDS FROM THE DECENTRALIZED SOCIAL PROGRAMME



## Digital Social Week

During the company's Social Weeks, employees and customers are invited to participate in local volunteering activities, mostly linked to entities receiving aid from the decentralised social work. In 2020, the format was adapted to the situation caused by COVID-19.

# 177

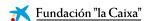
activities carried out in 111 local entities

# 17,017 hours of volunteering

### >> PARTICIPANTS IN THE DIGITAL SOCIAL WEEK







CaixaBank's partnership with the "la Caixa" Banking Foundation, its main shareholder, extends to philanthropic and solidarity programmes that help to create opportunities for people and respond to the most pressing social challenges.

CaixaBank promotes initiatives and programmes among its customers, employees and shareholders, while publicising and promoting those of the "la Caixa" Banking Foundation.









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Annual Corporate Governance Repo 2020 Solidarity projects \_

#### #No home without food

Campaign to collect food in collaboration with Banco de Alimentos food bank.

**€2.4m** collected

#### El árbol de los sueños

Customers and employees commit to giving socially vulnerable children the gift they have requested in their letter to the Three Kings.

23,946

children in Spain who have received a gift

6,946

children in Portugal who have received a gift

## "la Caixa" and BPI programmes \_\_

In 2020, "Ia Caixa" and BPI carried out social, cultural, educational and research initiatives with an overall value of €28.9 m, 33% more than in 2019, and with the aim of reaching a budget of €50m in 2022.



>> BUDGET ALLOCATION

**53%**Social Programmes

\$ ::

18 % Culture and science

16 % Research and health The BPI "la Caixa" Foundation Awards finance projects implemented by private institutions aimed at people in vulnerable situations.

Support for the country's most prestigious cultural institutions Serralves, Casa da Música and the Gulbenkian.

The Health Research and Caixalmpulse competitions are of particular note in this area.

The Health Research competition launched in 2020 aims to grant support to projects of research centres operating in the neurodegenerative and oncological fields, among others.

The Caixalmpulse Programme seeks to promote scientific knowledge in the field of health sciences. The allocation for projects linked to Covid-19 is of particular note in 2020.

This area includes support for students in pursuing training in advanced studies and support for the teaching of entrepreneurial skills.

İstisi





14%

Education and

### 2020



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# **Non-financial** information statement

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- O Task Force on Climate-related Financial Disclosures (TCFD)











Act 11/2018 on non-financial information and diversity and GRI







# Act 11/2018, of 28 December, table of contents

In accordance with the provisions of Law 11/2018 of 28 December on non-financial The following shows the content requirements to be disclosed as specified in the Act information and diversity, CaixaBank presents in the Statement of Non-financial Information, among other matters, the information necessary to understand the evolution, results and situation of the Group, and the impact of its activity with respect to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as in relation to staff.

and their agreement with the contents of the 2020 Consolidated Management Report.

Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Description of the business model and strategy		
Description of the business model	"Business Model" section of the 2020 Consolidated Management Report (CMR 2020)	102-1 / 102-2
Business environment and markets in which the Group operates	"Context and outlook for 2021" section of CMR 2020	102-3 / 102-4 / 102-6
	"Business model" section of CMR 2020	
Organisation and structure	"Glossary and Group structure" section of CMR 2020	102-7
Objectives and strategies	The priorities of the 2019-2021 Strategic Plan are the guidelines to structure this report in section 02 Strategic Lines. Some of the most relevant objectives are set out at the beginning of each of these, and are further elaborated upon in each of the chapters.	
Main factors and trends that can affect future evolution.	"Context and outlook for 2021" section of CMR 2020	
Description of the policies applied to the Group, which will include due	"Risk management" section of CMR 2020	103 Approaches to managing
diligence procedures applied to identify, assess, prevent and mitigate significant risks and implications, and control and verification procedures,	"Ethical and responsible behaviour" section of CMR 2020	each area within the economic, environmental and social
including any measures adopted	"Corporate Responsibility Governance" section of CMR 2020	scopes
The results of the policies, including key indicators that allow for progress	"Risk management" section of CMR 2020	General or specific GRI
to be monitored and assessed	Similarly, the specific indicators for each non-financial area are detailed below in the successive sections of this table.	standards of the economic, environmental and social scope are reported in the following blocks
The main short, medium and long-term risks associated with the group's	"Risk management" section of CMR 2020	102-15
activities. These include, inter alia, trade relations, products or services that can have negative effects in these areas	"Stakeholders dialogue - Suppliers - Corporate procurement" section of CMR 2020	
	"Environmental strategy - Managing environmental risks and risks due to climate change" section of CMR 2020	











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Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Matters relating to human rights and ethical conduct		
Application of due diligence procedures regarding human rights;	"Risk management" section of CMR 2020	103 Management approach to
prevention of risks of human rights violations and, where applicable, measures to mitigate, manage and redress possible abuses committed	"Ethical and responsible behaviour" section of CMR 2020	Assessment of human rights and non-discrimination
	"Corporate Responsibility Governance" section of CMR 2020	102-16 / 102-17
Allegations of cases of human rights violations	"Ethics and integrity" section of CMR 2020	405.1
	"Queries and reporting channel" section of CMR 2020	406-1
Promotion of and compliance with the provisions of fundamental	"Ethics and integrity" section of CMR 2020	
Conventions of the International Labour Organisation related to respecting the freedom of association and the right to collective bargaining	"Employee experience - Labour standards and staff rights" CMR 2020	407-1
The elimination of discrimination in employment and the workplace	"Diversity and equal opportunities" section of CMR 2020	103 Non-discrimination management approach
		406-1
The elimination of forced or compulsory labour and the effective abolition of child labour	"Ethics and integrity" section of CMR 2020	408-1 / 409-1
Measures adopted to prevent corruption and bribery	"Queries and reporting channel" section of CMR 2020	103 Anti-Corruption
	"Ethics and integrity" section of CMR 2020	Management Approach
	"Risk management - Operational and reputational risk - Conduct and compliance" section of CMR 2020	102-16 / 102-17 / 205-1 / 205-2 / 205-3
Measures to combat money laundering	"Queries and reporting channel" section of CMR 2020	103 Anti-Corruption
	"Ethics and integrity" section of CMR 2020	Management Approach
	"Risk management - Operational and reputational risk - Conduct and compliance" section of CMR 2020	102-16 / 102-17 / 205-1 / 205-2 / 205-3
Contributions to foundations and non-profit entities	"Social action and volunteering" section of CMR 2020	413-1
	"Covid-19: response to emergency and contribution to recovery - Social action - Specific COVID-19 measures" section of CMR 2020	
Subcontracting and suppliers: inclusion of social, gender equality and environmental matters in the procurement policy; in relationships with suppliers and subcontractors, consideration of their social and environmental responsibility; oversight systems and their audit and results	"Stakeholders dialogue - Suppliers - Corporate procurement" section of CMR 2020	103 Management approach to procurement practices and environmental and social assessment of suppliers
		102-9 / 204-1 / 308-1 / 414-1











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Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Environmental issues		
Detailed information on the current and foreseeable effects of the company's environmental activities	"Environmental strategy - Managing environmental risks and risks realted to climate change green business" section of CMR 2020	103 Management approach to each area within the environmental scope
		201-2
Detailed information on the current and foreseeable effects of the company's health and safety activities	This is not relevant for the CaixaBank Group	103 Management approach to each area within the environmental scope
Environmental assessment or certification procedures	"Environmental strategy - Environmental management plan" section of CMR 2020	103 Management approach to each area within the environmental scope
Resources dedicated to the prevention of environmental risks	"Environmental strategy - Managing environmental risks and risks related to climate change/ Promoting green business" section of CMR 2020	201-2
Application of the principle of precaution	"Environmental strategy - Managing environmental risks and risks due to climate change green business" section of CMR 2020	102-11
Amount of provisions and guarantees for environmental risks	Given the Group's activities, there is no significant risk of an environmental nature. CaixaBank did not receive any relevant fines or sanctions related to compliance with environmental regulations in 2020	307-1
Measures to prevent, reduce or restore carbon emissions that seriously affect the environment, taking into account any activity-specific form of air pollution, including noise and light pollution	This is not relevant for the CaixaBank Group	103 Management approach to Emissions/Biodiversity
Prevention, recycling and reuse measures, and other forms of recovering and eliminating waste; actions to fight against food waste	This is not relevant for the CaixaBank Group	103 Management approach to Effluents and waste
Water consumption and supply in accordance with local limitations	This is not relevant for the CaixaBank Group	303-1
Consumption of raw materials and measures adopted to improve the efficiency of their use	This is not relevant for the CaixaBank Group	103 Materials Management Approach
		301-1 / 301-2
Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energy	This is not relevant for the CaixaBank Group	103 Energy Management Approach
		302-1











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Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Environmental issues		
The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and	This is not relevant for the CaixaBank Group	103 Emissions Management Approach
services it provides		305-1 / 305-2 / 305-3
The measures adopted to adapt to the consequences of climate change	"Environmental strategy - Managing environmental risks and risks related to climate change/ Promoting green business" section of CMR 2020	201-2
The reduction goals voluntarily established in the mid and long term to reduce greenhouse gas emissions and the measures implemented for this purpose	Context and outlook for 2021 CaixaBank Group	103 Emissions management approach
Preservation of biodiversity	This is not relevant for the CaixaBank Group	103 Biodiversity management approach
Impacts caused by activities or operations in protected areas	This is not relevant for the CaixaBank Group	304-2
Social and personnel matters		
Dialogue with local communities and measures adopted to guarantee the protection and development of these communities. Relationships with	"Materiality" section of CMR 2019	102-43
agents in local communities	"Stakeholders dialogue" section of CMR 2020	102-43
Measures adopted to promote employment. Impact of the company's	"Financial inclusion" section of CMR 2020	103 Management approach to
activity on employment and local development. Impact of the company on local populations and in the surrounding area	"Social action and volunteering" section of CMR 2020	local communities and indirect economic impacts
	"Covid-19: response to emergency and contribution to recovery - Social action - Specific COVID-19 measures" section of CMR 2020	203-1 / 413-1
Association and sponsorship actions	"Context and outlook for 2021 - Regulatory context" section of CMR 2020	
	"Social action and volunteering" section of CMR 2020	102-12 / 102-13
	"Corporate Responsibility Governance - Alliances and affiliations" section of CMR 2020	
Policies against all kinds of discrimination and diversity management. Measures to promote equal treatment and equal opportunities between men and women	"Diversity and equal opportunities" section of CMR 2020	103 Management approach to Diversity and Equal Opportunities and Non- discrimination











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Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Social and personnel matters		
Equality plans, measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities	"Diversity and equal opportunities" section of CMR 2020  "Queries and reporting channel" section of CMR 2020  "Financial inclusion - Local accessible banking" section of CMR 2020  "Employee experience - Equality Plan" section of CMR 2020	103 Management approach to Diversity and Equal Opportunities and Non- discrimination
Social dialogue; Procedures for informing, consulting and negotiating with staff	"Employee experience" section of CMR 2020	103 Worker–company relationship management approach
Total number of employees by gender, age, country, occupational classification and contract type	"Foster a people-centric, agile and collaborative culture" section of CMR 2020	103 Employment management
classification and contract type	"Diversity and equal opportunities - Tables Generational diversity in figures" section of CMR 2020	approach 102-8 / 405-1
	"Professional development and remuneration- Professional development and remuneration in figures" section of CMR 2020	
	"Diversity and equal opportunities - Tables Gender diversity in figures" section of CMR 2020	
Average annual number of permanent, temporary and part-time	The activities of the Group are not significantly cyclical or seasonal.	102-8 / 405-1
contracts, broken down by gender, age and occupational classification	For this reason, the annual average indicator is not significantly different from the number of employees at year-end.	
Average remuneration and its evolution disaggregated by gender, age and occupational classification	"Diversity and equal opportunities - Tables Gender diversity in figures" section of CMR 2020	103 Management approach to Diversity and Equal
	"Diversity and equal opportunities - Tables Generational diversity in figures" section of CMR 2020	Opportunities
	"Professional development and remuneration- Professional development and remuneration in figures" section of CMR 2020	405-2
Number of dismissals by gender, age and occupational classification	"Diversity and equal opportunities - Tables Gender diversity in figures" section of CMR 2020	401-1
	"Diversity and equal opportunities - Tables Generational diversity in figures" section of CMR 2020	
	"Professional development and remuneration- Professional development and remuneration in figures" section of CMR 2020	











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Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Social and personnel matters		
Salary gap	"Diversity and equal opportunities - Tables Gender diversity in figures" section of CMR 2020	103 Management approach to Diversity and Equal Opportunities
		405-2
Average remuneration of Directors and Managers by gender	"Diversity and equal opportunities - Tables Gender diversity in figures" section of CMR 2020	103 Management approach to Diversity and Equal Opportunities
		102-35 / 102-36 / 102-38 / 102-39
Implementation of policies to disconnect from work	"Employee experience" section of CMR 2020	103 Employment management approach
Number of employees with disabilities	"Diversity and equal opportunities- Functional diversity" section of CMR 2020	405-1
Organisation of working hours	"Employee experience" section of CMR 2020	103 Management approach to
	"COVID-19: response to the emergency and contribution to recovery-Responsability for CaixaBank staff" section of CMR 2020	Employment
Number of hours of absenteeism	"Employee experience - Tables Working environment in figures" section of CMR 2020	403-9
Measures for promoting work-life balance for both parents	"Employee experience - Equality Plan" section of CMR 2020	103 Management approach to
	"COVID-19: response to the emergency and contribution to recovery-Responsability for CaixaBank staff" section of CMR 2020	Employment
Occupational health and safety conditions	"Employee experience" section of CMR 2020	Occupational Health and Safety
	"COVID-19: response to the emergency and contribution to recovery Responsability for CaixaBank staff" section of CMR 2020	Management Approach 403-1 / 403-2 / 403-3 / 403-6
Occupational accidents, in particular their frequency and severity, disaggregated by gender	"Employee experience - Tables Working environment in figures" section of CMR 2020	403-9
Type of occupational illnesses and distributed by gender	CaixaBank's activities do not lead to the development in its workers of any of the occupational diseases classified as serious.	403-10









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Act 11/2018, of 28 December	Section or sub-section of the 2020 CMR index / Direct response	GRI indicator equivalence
Social and personnel matters		
Percentage of employees covered by a collective bargaining agreement by country	"Employee experience - Labour standards and staff rights " section of CMR 2020	102-41
Overview of collective bargaining agreements, particularly in the field of occupational health and safety	"Employee experience - Labour standards and staff rights" section of CMR 2020	403-4
Policies implemented in the field of training	"Professional development and remuneration - Development of potential" CMR 2020	103 Training and teaching management approach
	"Professional development and remuneration - Ongoing training" section of CMR 2020	404-2
Total hours of training by job category	"Professional development and remuneration- Professional development and remuneration in figures" section of CMR 2020	404-1
Protocols for integration and universal accessibility for people with disabilities. Universal accessibility for people with disabilities	"Diversity and equal opportunities - Functional diversity" section of CMR 2020 "Financial inclusion - Local accessible banking" section of CMR 2020	103 Management approach to Diversity and Equal Opportunities and Non- discrimination
Other information		
Complaint systems available to customers	"Stakeholders dialogue - Customers" section of CMR 2020	103 Customer privacy and marketing and labelling management approach
Number of complaints received from customers and their resolution	"Stakeholders dialogue - Customers - Customer Service Office" section of CMR 2020	103 Customer privacy and marketing and labelling management approach
		417-1 / 417-2 / 417-3 / 418-1
Measures for customer health and safety	This is not relevant for the CaixaBank Group	03 Health and Safety Management Approach in customers
Amount of profit obtained, country-by-country	"Tax transparency - Amount of taxes managed by the CaixaBank Group" section of CMR 2020	103 Economic Performance Management Approach
		201-1
Amount of profit tax paid	"Tax transparency - Amount of taxes managed by the CaixaBank Group" section of CMR 2020	201-1 / 207-4
Amount of subsidies received	Annex 6.F of the accompanying 2019 Consolidated Annual Financial Statements	201-4









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# **GRI**, list of contents

GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
General Disclosures		
GRI 101: Foundation		
Organizational profile		
	102-1 Name of the organization	Note 1.1 of the 2020 Consolidated Financial Statements (CFS 2020)
	102-2 Activities, brands, products and services	"Business Model" section in the 2020 Consolidated Management Report (CMR 2020)
		"Customer solutions" CMR 2020
	102-3 Location of headquarters	Note 1.1 CFS 2020
	102-4 Location of operations	"Business Model" CMR 2020
	102-5 Ownership and legal form	Note 1.1 CFS 2020
		"Ownership - Share capital / Significant shareholders / Breakdown of indirect holding" CMR 2020
	102-6 Markets served	"Business Model" CMR 2020
	102-7 Scale of the organization	"CaixaBank in 2020" CMR 2020
GRI 102: General Disclosures		Consolidated balance sheets CFS 2020
	102-8 Information on employees and other workers	"Foster a people-centric, agile and collaborative culture" CMR 2020
	102-9 Supply chain	"Stakeholders dialogue - Suppliers - Corporate procurement" CMR 2020
	102-10 Significant changes to the organization and its supply chain	"Significant events in the year" CMR 2020
		Note 1.9 CFS 2020
	102-11 Precautionary principle or approach	"Corporate Responsability Governance" CMR 2020
		"Environmental Strategy" CMR 2020
	102-12 External initiatives	"Corporate Responsability Governance- Alliances and affiliations" CMR 2020
		"Diversity and equal opportunities - Adherence to national and international principles of promoting diversity" CMR 2020
	102-13 Membership of associations	"Context and outlook for 2021 - Regulatory context" CMR 2020









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# **GRI**, list of contents

GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Strategy	<del></del>	
	102-14 Statement from senior management decision-maker	"Letter from the Chairman" and "Letter from the CEO" CMR 2020
GRI 102: General Disclosures	102-15 Key impacts, risks and opportunities	"Context and outlook for 2021" CMR 2020 "Risk management" CMR 2020
Ethics and integrity		
	102-16 Values, principles, standards and norms of behavior	"Ethics and integrity" CMR 2020
GRI 102: General Disclosures		"Corporate Responsability Governance" CMR 2020
	102-17 Mechanisms for advice and concerns about ethics	"Ethics and integrity" CMR 2020
Governance		
	102-18 Governance structure	"The Administration - General Shareholders' Meeting / The Board of Directors" CMR 2020
		"Senior Management - The Management Committee" CMR 2020
	102-19 Delegating authority	"The Administration - General Shareholders' Meeting / The Board of Directors" CMR 2020"
		"Senior Management - The Management Committee" CMR 2020
		"Ethics and integrity" CMR 2020
	102-20 Executive-level responsibility for economic, environmental,	"Senior Management – Main Committees" CMR 2020
GRI 102: General Disclosures	and social topics	"Corporate Responsability Governance" CMR 2020
		"Environmental strategy - Managing environmental risks and risks related to climate change" CMR 2020
	102-21 Consulting stakeholders on economic, environmental, and	"Materiality" CMR 2020
	social topics	"Corporate Responsability Governance- Reputation" CMR 2020
		"Stakeholders dialogue" CMR 2020









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# **GRI**, list of contents

GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Governance	<del></del>	
	102-22 Composition of the highest governance body	"The Administration - The Board of Directors" CMR 2020
102-25 Conflicts of interest  102-26 Role of the highest governance body in selecting purp values, and strategy  GRI 102: General Disclosures  102-27 Collective knowledge of the highest governance body 102-28 Evaluating the highest governance body's performance	102-23 Chair of the highest governance body	"The Administration - The Board of Directors" CMR 2020
	102-24 Nominating and selecting the highest governance body	"The Administration - Selection, appointment, re-election, assessment and termination" CMR 2020
	102-25 Conflicts of interest	"Corporate Responsability Governance - Best Corporate Governance Practices" CMR 2020
		"Ownership - Shareholder structure" CMR 2020
	102-26 Role of the highest governance body in selecting purpose, values, and strategy	"The Administration - The Board of Directors" CMR 2020
		"Senior Management" CMR 2020
		"Corporate Responsibility Governance" CMR 2020
	102-27 Collective knowledge of the highest governance body	"The Administration - The Board of Directors" CMR 2020
	102-28 Evaluating the highest governance body's performance	"The Administration - Formation of the Board of Directors / Selection, appointment, re-election, assessment and termination" CMR 2020
	102-29 Identifying and managing economic, environmental, and social impacts	"Corporate Responsability Governance" CMR 2020
		"Environmental strategy - Managing environmental risks and risks related to climate change" CMR 2020
	102-30 Effectiveness of risk management processes	"Risk Management" CMR 2020
	102-31 Review of economic, environmental, and social topics	"The Administration - The Board of Directors" CMR 2020
		"Senior Management – Main Committees" CMR 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Governance	<del></del>	
	102-32 Highest governance body's role in sustainability reporting	The Executive Management of Financial Accounting, Control and Capital is responsible for preparing and coordinating the 2020 CMR, which includes the Statement of Non-financial Information.
		This report is subsequently reviewed by the Management Committee, the Audit and Control Committee, and the Board of Directors of CaixaBank. The latter is responsible for formulating the Statement of Non-Financial Information which contains the sustainability information deemed to be significant in accordance with the law and the Materiality Analysis.
	102-33 Communicating critical concerns	"The Administration" CMR 2020
		"Senior Management" CMR 2020
	102-34 Nature and total number of critical concerns	There are no critical concerns in the 2020 financial year
	102-35 Remuneration policies	"Remuneration" CMR 2020
GRI 102: General Disclosures	102-36 Process for determining remuneration	"Remuneration" CMR 2020
	102-37 Stakeholders' involvement in remuneration	"The Administration - General Shareholders' Meeting" CMR 2020
	102-38 Annual total compensation ratio	Note 9.1 CFS 2020
		"Diversity and equal opportunities - Gender diversity in figures" CMR 2020
	102-39 Percentage increase in annual total compensation ratio	Note 9.1 CFS 2020
		"Diversity and equal opportunities - Gender diversity in figures" CMR 2020
	102-40 List of stakeholder groups	"Stakeholders dialogue" CMR 2020
		Corporate Social Responsibility Policy / Corporate Social Responsibility at CaixaBank (section 4.1)
	102-41 Collective bargaining agreements	"Employee experience - Labour standards and staff rights" CRM 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Governance		
	102-42 Identifying and selecting stakeholders	Stakeholders are identified and selected through a process of analysis and internal reflection carried out by the management team. The Corporate Responsibility department continually reviews identified stakeholders, as well as the related active listening, dialogue and monitoring processes, to understand and meet their expectations and needs
<b>GRI 102:</b> General Disclosures	102-43 Approach to stakeholder engagement	"Materiality" CMR 2020
Carlotal Discosures		"A benchmark for responsible management and social commitment- Reputation" CMR 2020
		"Stakeholders dialogue" CMR 2020
	102-44 Key topics and concerns raised	"Materiality" CMR 2020
Practices for creating reports		
	102-45 Entities included in the consolidated financial statements	Note 2.1 and Annexes 1, 2 and 3 CFS 2020
	102-46 Defining report content and topic boundaries	"Materiality" CMR 2020
		In addition, the requirements of Act 11/2018 of 28 December have been taken into account to define the contents of the report
	102-47 List of material topics	"Materiality" CMR 2020
	102-48 Restatements of information	Note 1.4 CFS 2020
GRI 102: General Disclosures	102-49 Changes in reporting	In the list of material topics for 2020, there have been no significant changes related to the periods subject to previous reports
	102-50 Reporting period	Financial year 2020
	102-51 Date of most recent report	The 2019 Consolidated Management Report, drawn up in accordance with the GRI standards framework and incorporating the contents required by Act 11/2018 of 28 December, was registered with the CNMV in February 2020
	102-52 Reporting cycle	Yearly







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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Practices for creating reports		
	102-53 Contact point for questions regarding the report	The usual service channels for customers, shareholders, corporate investors, and media, are available on the company website (investors@caixabank.com, accionista@caixabank.com).
GRI 102: General Disclosures	102-54 Claims of reporting in accordance with the GRI Standards	"Materiality - Criteria and scope of the Report" CMR 2020
	102-55 GRI content index	"Statement of Non-Financial Information - Table of contents Act 11/2018, of 28 December and GRI Content Index" CMR 2020
	102-56 External assurance	"Independent verification report" CMR 2020
Material topics		
Material topic: Cybersecurity and dat	ta confidentiality	
	103-1 Explanation of the material topic and its boundary	"Risk management - Operational and reputational risk - Technological" CMR 2020 "Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
		"Cybersecurity" CMR 2020
	103-2 The management approach and its components	"Risk management - Operational and reputational risk - Technological" CMR 2020
GRI 103: Management approach		"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
		"Cybersecurity" CMR 2020
	103-3 Evaluation of the management approach	"Risk management - Operational and reputational risk - Technological" CMR 2020
		"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
		"Cybersecurity" CMR 2020
GRI 418: Customer privacy		
GRI 418: Customer privacy	418-1 Substantiated complaints regarding breaches of customer privacy and losses of customer data	In 2020, no significant disciplinary action was taken with regard to this topic and no significant sanctions have been received.









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Material topic: Balance sheet soundness	and profitability	
	103-1 Explanation of the material topic and its boundary	"Risk management - Business model risks" CMR 2020 "Attractive shareholder returns and solid financials" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Risk management - Business model risks" CMR 2020 "Attractive shareholder returns and solid financials" CMR 2020
	103-3 Evaluation of the management approach	"Attractive shareholder returns and solid financials" CMR 2020
GRI 201: Economic performance		
	201-1 Direct economic value generated and distributed	"CaixaBank in 2020 - Key indicators and impact on society" CMR 2020 "Tax transparency - Tax contributions handled by CaixaBank Group and amount" CMR 2020
GRI 201: Economic performance	201-2 Financial implications and other risks and opportunities due to climate change	"Environmental strategy" CMR 2020
	201-3 Defined benefit plan obligations and other retirement plans	Note 23.1 CFS 2020
	201-4 Financial assistance received from government	Annex 6.F CFS 2020
GRI 203: Indirect economic impacts		
	203-1 Infrastructure investments and services supported	"CaixaBank in 2020 - Key indicators and impact on society" CMR 2020 "Financial inclusion" CMR 2020
GRI 203: Indirect economic impacts	203-2 Significant indirect economic impacts	"CaixaBank in 2020 - Key indicators and impact on society" CMR 2020 "Financial inclusion" CMR 2020 "Environmental strategy - Promoting green business" CMR 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
GRI 204: Procurement practices		
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	"Stakeholders dialogue - Suppliers - Corporate procurement" CMR 2020
Material topic: Long-term vision and at	nticipating change	
	103-1 Explanation of the material topic and its boundary	"Context and outlook for 2021" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Context and outlook for 2021" CMR 2020 "Risk management" CMR 2020
	103-3 Evaluation of the management approach	"Context and outlook for 2021" CMR 2020
Material topic: Principled, responsible a	and sustainable conduct	
	103-1 Explanation of the material topic and its boundary	"Risk management - Operational and reputational risk - Conduct and compliance / Reputational" CMR 2020
		"Ethics and integrity" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Ethics and integrity" CMR 2020
	103-3 Evaluation of the management approach	"Ethics and integrity" CMR 2020
GRI 205: Anti-corruption		
	205-1 Operations assessed for risks related to corruption	"Risk management - Operational and reputational risk - Conduct and compliance" CMR 2020
		"Queries and reporting channel" CMR 2020
GRI 205: Anti-corruption	205-2 Communication and training on anti-corruption policies and procedures	"Ethics and integrity - Measures to ensure compliance with policies" CMR 2020
	205-3 Confirmed incidents of corruption and actions taken	"Queries and reporting channel" CMR 2020
GRI 206: Anti-competitive behavior		
GRI 206: Anti-competitive behavior	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	On 14 February 2019, a sanction was imposed (albeit not final) and published on the website of the competition authority. At present, an appeal has been filed under contentious-administrative jurisdiction and the total amount of the sanction has been paid. Apart from the aforementioned case, in 2020, there were no other significant legal proceedings.









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Glossary and Group structure





Annual Corporate Governance Repor

GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
<b>GRI 207:</b> Tax		
	207-1 Approach to tax	"Tax transparency" CMR 2020
	207-2 Tax governance, control and risk management	"Tax transparency" CMR 2020
<b>GRI 207:</b> Tax	207-3 Stakeholder engagement and management of concerns related to tax	"Tax transparency" CMR 2020
	207-4 Country-by-country reporting	"Tax transparency" CMR 2020
GRI 412: Human rights assessment		
	412-1 Operations that have been subject to human rights reviews or impact assessments	"Ethics and integrity - Human Rights due diligence and assessment" CMR 2020
<b>GRI 412:</b> Human rights assessment	412-2 Employee training on human rights policies or procedures	"Ethics and integrity" CMR 2020
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	"Stakeholders dialogue - Suppliers - Corporate procurement" CMR 2020
GRI 415: Public policy		
CDI 445 D. I.I.	415-1 Political contributions	"Ethics and integrity" CMR 2020
GRI 415: Public policy		"Context and outlook for 2021 - Regulatory context" CMR 2020
Material topic: Active management of fi	inancial and non-financial risks	
	103-1 Explanation of the material topic and its boundary	"Risk Management" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Risk management" CMR 2020 Note 3 CFS 2019
	103-3 Evaluation of the management approach	"Risk management" CMR 2020 Note 3 CFS 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Material topic: Compliance with and a	adaptation to the regulatory framework	
	103-1 Explanation of the material topic and its boundary	"Risk management - Operational and reputational risk - Legal/ Regulatory" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Risk management - Operational and reputational risk - Legal/ Regulatory" CMR 2020
	103-3 Evaluation of the management approach	"Risk management - Operational and reputational risk - Legal/ Regulatory" CMR 2020
GRI 419: Socioeconomic compliance		
GRI 419: Socioeconomic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	Note 23.3 CFS. There have been no cases of non-compliance leading to any sanctions been received that exceed the threshold considered significant for reporting under the GRI framework (€50m).
Material topic: Ensure operational effe	ectiveness and business continuity	
	103-1 Explanation of the material topic and its boundary	"Risk management - Operational and reputational risk" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Risk management - Operational and reputational risk" CMR 2020
	103-3 Evaluation of the management approach	"Risk management - Operational and reputational risk" CMR 2020 "COVID-19: CaixaBank's response to the emergency and contribution to recovery" CMR 2020
Material topic: Communication of unc	derstandable and transparent information	
	103-1 Explanation of the material topic and its boundary	"Responsible marketing and communication" CMR 2019
		"Risk management - Operational and reputational risk - Reliability of information" CMR 2020
	103-2 The management approach and its components	"Responsible marketing and communication" CMR 2019
GRI 103: Management approach		"Risk management - Operational and reputational risk - Reliability of information" CMR 2020
	103-3 Evaluation of the management approach	"Responsible marketing and communication" CMR 2019
		"Risk management - Operational and reputational risk - Reliability of information" CMR 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
GRI 417: Marketing and labeling		
	417-1 Requirements for product and service information and labeling	"Responsible marketing and communication" CMR 2020 "Risk management - Operational and reputational risk - Reliability of information" CMR 2020
GRI 417: Marketing and labeling	417-2 Incidents of non-compliance concerning product and service information and labelling	In 2020, there have been no cases of non-compliance leading to the imposing of significant final sanctions, other than the aspects detailed in standard 419-1
	417-3 Incidents of non-compliance concerning marketing communications	In 2020, there have been no cases of non-compliance leading to the imposing of significant final sanctions, other than the aspects detailed in standard 419-1
Material topic: Good corporate gove	ernance practices	
	103-1 Explanation of the material topic and its boundary	"Best Corporate Governance practices" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Best Corporate Governance practices" CMR 2020
	103-3 Evaluation of the management approach	"Best Corporate Governance practices" CMR 2020
Material topic: Responsible marketin	g in line with customers' needs	
GRI 103: Management approach	103-1 Explanation of the material topic and its boundary	"Responsible marketing and communication" CMR 2020
	103-2 The management approach and its components	"Responsible marketing and communication" CMR 2020
	103-3 Evaluation of the management approach	"Responsible marketing and communication" CMR 2020
Material topic: Friendly service and s	pecialised advice	
	103-1 Explanation of the material topic and its boundary	"Business model" CMR 2020 "Customer experience and quality" CMR 2020 "Financial inclusion - Local and accessible banking" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Business model" CMR 2020 "Customer experience and quality" CMR 2020 "Financial inclusion - Local and accessible banking" CMR 2020
	103-3 Evaluation of the management approach	"Business model" CMR 2020 "Customer experience and quality" CMR 2020 "Financial inclusion - Local and accessible banking" CMR 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Material topic: Security: health and we	ell-being of employees	<del></del>
	103-1 Explanation of the material topic and its boundary	"Employee experience" CMR 2020 "COVID-19: CaixaBank's response to the emergency and contribution to recovery - Responsibility for CaixaBank staff" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Employee experience" CMR 2020 "COVID-19: CaixaBank's response to the emergency and contribution to recovery - Responsability for CaixaBank staff" CMR 2020
	103-3 Evaluation of the management approach	"Employee experience" CMR 2020 "COVID-19: CaixaBank's response to the emergency and contribution to recovery - Responsability for CaixaBank staff" CMR 2020
GRI 403: Occupational health and safe	ety	
	403-1 Occupational health and safety management system	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
	403-2 Hazard identification, risk assessment, and incident investigation	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
	403-3 Occupational health services	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
<b>GRI 403:</b> Occupational health and safety	403-4 Worker participation, consultation, and communication on occupational health and safety	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
	403-5 Worker training on occupational health and safety	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
	403-6 Promotion of worker health	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
	403-8 Workers covered by an occupational health and safety management system	"Employee experience - Promoting well-being in a healthy and sustainable environment" CMR 2020
<b>GRI 403:</b> Occupational health and safety	403-9 Work-related injuries	"Employee experience - Promoting well-being in a healthy and sustainable environment - Working environment in figures" CMR 2020
	403-10 Work-related ill health	CaixaBank's activities do not lead to the development in its workers of any of the occupational diseases classified as serious.
Material topic: Managing talent and pro	fessional development	
	103-1 Explanation of the material topic and its boundary	"Professional development and remuneration" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Professional development and remuneration" CMR 2020
	103-3 Evaluation of the management approach	"Professional development and remuneration" CMR 2020
GRI 401: Employment		
	401-1 New employee hires and employee turnover	"Diversity and equal opportunities - Gender diversity in figures" CMR 2020
GRI 401: Employment	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Generally speaking, there are no differences in the social benefits received by employees based on the type of contract. However, some contracts contain specific requirements that must be met by employees in order to access the social benefits.
	401-3 Parental leave	"Employee experience - Equality Plan" CMR 2020
GRI 402: Labor/management relations		
<b>GRI 402:</b> Labor/ management relations	402-1 Minimum notice periods regarding operational changes	In 2020, CaixaBank has complied with the deadlines established in current labour law for different circumstances
GRI 404: Training and education		
	404-1 Average hours of training per year per employee	"Professional development and remuneration- Ongoing training" CMR 2020
GRI 404: Training and education	404-2 Programs for upgrading employee skills and transition assistance programs	"Professional development and remuneration" CMR 2020
	404-3 Percentage of employees receiving regular performance and career development reviews	"Professional development and remuneration" CMR 2020









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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Material topic: Responsible use of n	ew technology and ethical data handling	
	103-1 Explanation of the material topic and its boundary	"Risk management - Operational and reputational risk - Conduct" CMR 2020 "Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Risk management - Operational and reputational risk - Conduct" CMR 2020 "Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
	103-3 Evaluation of the management approach	"Risk management - Operational and reputational risk - Conduct" CMR 2020 "Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
Material topic: Solutions for custome	ers with financial difficulties and Investment with a social impact and microf	inance
	103-1 Explanation of the material topic and its boundary	"Financial inclusion" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Financial inclusion" CMR 2020
	103-3 Evaluation of the management approach	"Financial inclusion" CMR 2020
Material topic: Diversity: equality and	d work-life balance	
	103-1 Explanation of the material topic and its boundary	"Diversity and equal opportunities" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Diversity and equal opportunities" CMR 2020
	103-3 Evaluation of the management approach	"Diversity and equal opportunities" CMR 2020
GRI 405: Diversity and equal opportu	nity	
	405-1 Diversity of governance bodies and employees	"Corporate Governance - The Administration - Diversity in Board of Directors" CMR 2020
GRI 405: Diversity and equal opportunity		"Diversity and equal opportunities" CMR 2020
	405-2 Ratio of basic salary and remuneration of women to men	"Diversity and equal opportunities - Gender diversity in figures" CMR 2020











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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Material topic: Working with the Dece	entralised Social Programme and promoting the activities of "la Caixa" Ba	nking Foundation
	103-1 Explanation of the material topic and its boundary	"Social action and volunteering" CMR 2020
GRI 103: Management approach	103-2 The management approach and its components	"Social action and volunteering" CMR 2020
	103-3 Evaluation of the management approach	"Social action and volunteering" CMR 2020
GRI 413: Local communities		
	413-1 Operations with local community engagement, impact	"Financial inclusion" CMR 2020
CRI 102. Management approach	assessments, and development programs	"Social action and volunteering" CMR 2020
GRI 103: Management approach	413-2 Operations with significant actual and potential negative	"Financial inclusion" CMR 2020
	impacts on local communities	"Social action and volunteering" CMR 2020
Material topic: Technological innovation	on and responsible development of new products and services / Develo	pment of digital and remote service channels
	103-1 Explanation of the material topic and its boundary	"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
		"Risk management - Operational and reputational risk - Technological" CMR 2020
		"Customer solutions - Ongoing development of omnichannel distribution network" CMR 2020
	103-2 The management approach and its components	"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
GRI 103: Management approach		"Risk management - Operational and reputational risk - Technological" CMR 2020
J		"Customer solutions - Ongoing development of omnichannel distribution network" CMR 2020
	103-3 Evaluation of the management approach	"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
		"Risk management - Operational and reputational risk - Technological" CMR 2020
		"Customer solutions - Ongoing development of omnichannel distribution network" CMR 2020











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GRI Standard	GRI Content	Section or sub-section of the 2020 CMR index / Reference/ Direct response
Material topic: Managing climate char	nge and environmental risks	
	103-1 Explanation of the material topic and its boundary	"Environmental strategy - Managing environmental risks and risks related to climate change / Driving sustainable business" CMR 2020
<b>GRI 103:</b> Management approach		"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
	103-2 The management approach and its components	"Environmental strategy - Managing environmental risks and risks related to climate change / Driving sustainable business" CMR 2020
		"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
	103-3 Evaluation of the management approach	"Environmental strategy - Managing environmental risks and risks related to climate change / Driving sustainable business" CMR 2020
		"Context and outlook for 2021 - Technological, social and competitive context" CMR 2020
GRI 307: Environmental compliance		
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations	Note 42.1 CFS 2020











Non-financial

Responsible Banking -UNEP FI









**UNEP FI** 

On 22 September 2019, CaixaBank ratified its adherence to the Principles for Responsible Banking of the United Nations Environment Programme Finance Initiative (UNEP FI). The signing of and compliance with the Principles are in line with the commitment to "Setting the benchmark for responsible management and social commitment", a strategic line set down in the Bank's 2019-2021 Strategic Plan.

The objectives of the Principles for Responsible Banking are:

- > To establish a sustainable finance framework for the 21st century.
- > To bring the banking industry in line with the Sustainable Development Goals and the Paris Agreement.
- > To allow banks to demonstrate and communicate their contribution to society.
- > To promote ties with customers and establish specific goals and transparency through public reporting.

Signing the Principles implies aligning the Bank's strategy and management with the Sustainable Development Goals and the Paris Agreement, establishing annual targets and reporting on the progress being made towards compliance. The degree of progress towards compliance with the Principles for Responsible Banking is reported below.













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## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

#### High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

1.1 Describe (high level) the bank's business model, including the main customer segments to which it is addressed, the Types of products and services provided, the main sectors and types of activities and, where applicable, technologies financed in the main territorial areas in which the bank operates or provides products and services.

CaixaBank is committed to a socially-responsible long-term model of universal banking, based on quality, close relationships and specialisation, offering products and services that are adapted to each sector. The Group operates mainly in Spain and, through BPI, in Portugal.

CaixaBank has a 30.9% share of individual customers in Spain. It is the leader in online banking, with a 34.4% share of digital customers in Spain. MicroBank, the Group's social bank, is a leader in the field of social inclusion, using micro-loans and other forms of lending with a social impact. The Group's insurance activity is carried out through VidaCaixa, a leading insurance sector company in Spain, while CaixaBank Asset Management, with a market share of 17.5%, is the Group's asset management company.

"Business Model" section of the 2020 Consolidated Management Report (CMR

### **ALIGNMENT**

We will align our business strategy to be coherent and contribute to the needs of people and the objectives of society, as expressed in the Sustainable Development Goals, the Paris Agreement and relevant national and regional frameworks.

1.2 **Describe** how the bank has aligned or plans to align its business strategy to be coherent with and contribute to the objectives of society, as expressed in the Sustainable Development Goals, the Paris Agreement and relevant national and regional frameworks.

CaixaBank's mission is "to ensure the financial well-being of our customers while pursuing social progress". Accordingly, one of the five priority areas identified in the 2019-2021 Strategic Plan is "setting the benchmark in responsible management and commitment to society". To move forward in this direction, the company has a Corporate Responsibility Plan.

Within this framework, the bank works to contribute to the achievement of all the SDGs, both directly, through its activity and that of its subsidiaries (such as MicroBank, the social bank dedicated to micro-loans and social impact financing), and through strategic alliances with entities such as the "la Caixa" Banking Foundation. CaixaBank places special emphasis on four priority SDGs that are interconnected with the other goals (SDG1, SDG8, SDG12 and SDG17), with specific measures to contribute to their achievement.

CaixaBank is a signatory to the Collective Commitment to Climate Action and, as such, has committed to aligning its portfolio with the objectives of the Paris Agreement. The bank's 2019-2021 Environmental Strategy Roadmap is intended to help meet this commitment.

"CaixaBank's Contribution to Agenda 2030 -Sustainable Development Goals"

Socio-economic Report and CaixaBank's Contribution to the 2020 SDGs (https://www. caixabank.com/es/sobrenosotros/publicaciones. html)

"Environmental strategy" section of CMR 2020

















## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

**IMPACT AND SETTING** 

We will continue to continually

while reducing negative impacts

increase our positive impacts

and managing the risks for

people and the environment

resulting from our activities,

do this, we will establish and

which we can have the most

publish objectives through

significant impacts.

products and services. To

OF OBJECTIVES

### High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

### 2.1 Impact analysis

Show that the bank has identified the areas in which it has its most significant positive and negative (potential) impacts through an impact analysis that complies with the following elements:

- a) Scope: The bank's main areas of business, the products and services provided in the main territorial areas in which the bank operates, as described in point 1.1, have been considered for the scope of the analysis.
- b) Exposure: By identifying its most significant impact areas, the bank has considered where its main business and its main activities are located in sectoral. technological and geographical terms.
- c) Context and relevance: The bank has taken into account the most significant challenges and priorities related to sustainable development in the countries and regions in which it operates.
- d) Magnitude and intensity and relevance of the impact: By identifying its most significant impact areas, the bank has considered the magnitude and intensity and relevance of the (potential) social, economic and environmental impacts resulting from the bank's activities and the provision of products and services.

**Demonstrate** that, based on this analysis, the bank has:

- > Identified and disclosed its most significant (potential) positive and negative impact areas.
- > Identified strategic business opportunities in relation to increasing positive impacts and reducing negative impacts.

CaixaBank has identified 5 areas where it can focus its strategic priorities in the area of responsible management: integrity, transparency and diversity; governance; environment; financial inclusion; and social action. Identified through a context study, an impact analysis according to the company's activity and geographical presence, and a process of internal debate, these priorities are included in the Socially Responsible Banking Plan approved by the Board of Directors.

CaixaBank also conducts an annual Materiality Analysis with the aim of identifying priority financial, economic, social and environmental issues for its stakeholders and business. This analysis, which is based on multiple external and internal sources, is used to detect new priorities or changes in existing priorities, such as those derived from the COVID-19 health and economic crisis. In 2020, a broader list of relevant topics was used with the aim of prioritising the issues in greater

- "Business Model" section of CMR 2020
- "Materiality" section of CMR
- "A benchmark for responsible management and social commitment" CMR 2020

### Provide the bank's conclusion/statement as to whether it has met the requirements related to the Impact Analysis.

CaixaBank has various mechanisms for analysing the environment, engagement with stakeholders (customers, investors and shareholders, employees, regulators, suppliers, etc.), and comprehensive internal tools that allow its sustainability priorities to be identified and updated on the basis of potential positive and negative impacts on the environment. Specifically, these include the Socially Responsible Banking Plan, the materiality analysis, the relationship with stakeholders, and participation in global and sectoral initiatives. The bank also forms part of the working group for the development and application of the Impact Analysis tool promoted by the UNEPFI, with the aim of advancing the measurement of the impact of activity.













## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

**IMPACT AND SETTING** 

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**OF OBJECTIVES** 

High-level summary of the bank's response

2.2 Setting objectives

Demonstrate that the bank has established and published a minimum of two qualitative or quantitative objectives that are Specific, Measurable, Achievable, Relevant and Time-bound (SMART) and address at least two of the most significant impact areas identified, resulting from the bank's activities and the provision of products and services.

Demonstrate that these objectives are linked to and drive alignment with and a greater contribution to the corresponding Sustainable Development Goals, the objectives of the Paris Agreement and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed with regard to a particular year) and set targets with respect to it.

Demonstrate that the bank has analysed and recognised significant (potential) negative impacts of the objectives established in other dimensions of the SDGs, with regard to climate change or social objectives, and that it has established the relevant measures to mitigate them as far as possible to maximise the net positive impact of the objectives established.

CaixaBank's objectives for 2021, which are reflected in the Strategic Plan for 2019-2021, reflect its commitment to being a model of socially responsible banking and contributing to the SDGs.

Social inclusion and governance objectives for 2021: the bank has specific programmes and initiatives that help it to achieve its objectives, such as Wengage, which promotes diversity; MicroBank, a social bank specialising in microfinancing; and the corporate volunteering programme. Initiatives include:

- > €2,181 million in new microcredits granted (2019-2021) SDG 1, 8 and 12
- > Ensuring that CaixaBank continues to be included in the DJSI index
- > 43% of managerial positions held by women in 2021 SDG 5

Objectives linked to sustainable finance and climate change: CaixaBank has an Environmental Management Plan and a 2019-2021 Road Map for its environmental strategy, with objectives such as:

- > 34% reduction in CO<sub>2</sub> emissions (2021 v. 2015) SDG 12
- > 100% of emissions offset SDG 12, 13:
- > 15% savings in energy consumption (2021 v. 2015) SDG 12
- > Issuance of €1,500 million in SDG-linked social, green or sustainable bonds (2019-2021) - SDG 8, 1, 12, 13, 15
- > Publication of targets for alignment of the bank's lending portfolio with the Paris Agreement targets by Q4 2022 - SDG 12, 13

Reference(s) and link(s) to the bank's complete relevant replies and information

- "Promoting a flexible. supportive people-centred culture" section of CMR
- "A benchmark for responsible management and social commitment" section of CMR 2020
- "Offering the best cutomer experience" section of CMR 2020

Provide the bank's conclusion/statement as to whether it has met the requirements related to setting objectives.

CaixaBank has defined sustainability targets in its 2019-2021 Strategic Plan, in the Socially Responsible Banking Plan, and in the programmes derived therefrom. These targets refer to the priority work areas defined by the company and are monitored to assess compliance and reviewed periodically to guarantee relevance.

















## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

**IMPACT AND SETTING** 

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**OF OBJECTIVES** 

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

2.3 Plans for the Implementation and Monitoring of Objectives

Demonstrate that the bank has defined actions and milestones to meet the objectives established.

Demonstrate that the bank has implemented the means to measure and monitor its progress with respect to the objectives established. The definitions of key performance indicators, any changes in these definitions and any changes to the baseline must be transparent.

Monitoring of established programmes and targets is overseen by the Bank's governing bodies and committees defined by the bank. More specifically, these include the Corporate Responsibility and Reputation Committee (CRRC) and the Environmental Risk Management Committee, two high-level committees reporting to the Management Committee and, in the first case, the Appointments Committee delegated by the Board of Directors.

### In relation to social inclusion and governance objectives:

- > MicroBank, the social bank dedicated to microfinance and social impact financing, has set out its own strategic plan and has its own governing bodies.
- > CaixaBank has the Wengage programme, with objectives and actions to champion diversity both inside and outside the Company, the progress of which is monitored by the Equality Committee.
- > The teams that coordinate the Volunteering and Social Action Programmes have plans to engage with employees, working to detect the most urgent social needs and the entities with which to collaborate in order to help provide a response.
- > Digitalisation and cybersecurity are among the bank's priority actions, for which it has specialised teams.

Concerning the goals related to sustainable finance and the environment, CaixaBank has defined an Environmental Strategy that is promoted through specialised teams and two major action plans:

- > 2019-2021 Road Map to deploy the Environmental Strategy. This road map seeks to promote sustainable business and to drive environmental and climate change risk management.
- > 2019-2021 Environmental Management Plan: Reducing energy consumption and offsetting the bank's carbon footprint.
- > Both VidaCaixa and CaixaBank Asset Management have their own strategic plans to promote socially responsible investment.

"Corporate responsibility governance" section of CMR 2020

"Financial inclusion -MicroBank" section of CMR

"Diversity and equal opportunities" section of CMR 2020

"Environmental strategy" section of CMR 2020

"A benchmark for responsible management and social commitment" section of CMR 2020

Provide the bank's conclusion/statement as to whether it has met the requirements related to implementing and monitoring objectives.

CaixaBank has procedures for monitoring the Socially Responsible Banking Plan in order to guarantee regular monitoring of the actions and objectives established. These are made public in the Consolidated Management Report and are verified externally and independently, with corrective measures introduced in the event of deviation. Plans are also reviewed periodically by wide-ranging teams to guarantee their validity and relevance. Finally, the company has a three-line defence model which allows it to anticipate, identify and manage the risks it faces, including ESGs, and to promote the creation of sustainable value.









Statement of Non-financial Information

Principles for Responsible Banking







Principles for Responsible Banking Reporting and Evaluation Requirements

High-level summary of the bank's response

2.4 Progress in the Implementation of Objectives

**UNEP FI, UN Principles for Responsible Banking** 

For each objective separately:

**Demonstrate** that the bank has implemented the measures defined previously to meet the objective established.

Or explain why the measures could not be implemented or needed to be changed and how the bank is adapting its plan to meet the objective set.

**Report** on the bank's progress over the last 12 months (up to 18 months in its first report after becoming a signatory) towards achieving each of the objectives set and the impact of its progress.

#### Progress in social inclusion and governance (in 2020):

- > €900 million granted through MicroBank in the form of microcredits and other financing with a social impact.
- > CaixaBank included in the DJSI index for the ninth consecutive year.
- > 94% of branches accessible and 100% of ATMs accessible (CaixaBank Spain).
- 41.6% of managerial positions held by women (CaixaBank, S.A.) in 2020 and the bank has joined the Target Gender Equality initiative, promoted by the United Nations Global Compact.
- > 18,710 professionals certified for compulsory MiFID II training.
- > €1,000 million issuance of the COVID-19 social bond and publication of the Impact Report on the inaugural issue of social bonds linked to the SDGs in 2019.
- > More than €50 million invested in Information Security.
- > Bcorp certification obtained by Imagin.

The crisis caused by the COVID-19 pandemic has also prompted additional measures to support customers and society, such as:

- > More than 17,000 million euros granted in moratoria
- > More than 13,000 million euros to set up loans with government backing within the context of COVID-19.
- > Issuance of 200,000 social cards.

With regard to the environment and sustainable finance:

- > 23% reduction in CO<sub>2</sub> emissions and 100% of estimated emissions offset.
- > Electricity consumption down by 7.4% compared to 2019.
- > Issuance of green bonds linked to SDG 7 (clean energy) and SDG 9 (industry, innovation and infrastructure) for €1,000 million.

Reference(s) and link(s) to the bank's complete relevant replies and information

"Financial inclusion" section of CMR 2020

"COVID-19: response to the emergency and contribution to recovery" section of CMR 2020

"Environmental strategy" section of CMR 2020

"A benchmark for responsible management and social commitment" section of CMR 2020

# 2. IMPACT AND SETTING OF OBJECTIVES

We will continue to continually increase our positive impacts while reducing negative impacts and managing the risks for people and the environment resulting from our activities, products and services. To do this, we will establish and publish objectives through which we can have the most significant impacts.













## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

**IMPACT AND SETTING** 

We will continue to continually

while reducing negative impacts

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significant impacts.

products and services. To

OF OBJECTIVES

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

2.4 Progress in the Implementation of Objectives

For each objective separately:

**Demonstrate** that the bank has implemented the measures defined previously to meet the objective

Or explain why the measures could not be implemented or needed to be changed and how the bank is adapting its plan to meet the objective set.

**Report** on the bank's progress over the last 12 months (up to 18 months in its first report after becoming a signatory) towards achieving each of the objectives set and the impact of its progress.

- > Participation in the financing of 39 renewable energy projects, worth a total of €3,163 million.
- > 32 loan operations linked to sustainability variables signed for 2,997 million
- > Granting of 788 loans worth €54 million linked to eco-financing.
- Renewal of leadership category (A-) in CDP.
- > Adherence to the United Nations Collective Commitment to Climate Action and to the Climate Commitment promoted by CECA and AEB for Spanish
- > Adherence to the Green Recovery Call to Action.
- > First qualitative analyses of the risks of the climate transition in the short, medium and long terms (2025, 2030 and 2040) through analysis of the energy sector, differentiating between oil & gas and electricity.
- > 88.2% (+2.9 pp compared to 2019) of investments that take CaixaBank Asset Management ESG criteria into account.
- > VidaCaixa's adherence to the Sustainable Insurance Principles (SIP).

The pandemic has involved the replanning of some activities envisaged for 2020, including certain measures in the Sustainable Mobility Plan and face-to-face engagement with employees in Corporate Services (in view of remote working arrangements).

"Financial inclusion" section of CMR 2020

"COVID-19: response to the emergency and contribution to recovery" section of CMR 2020

"Environmental strategy" section of CMR 2020

Provide the bank's conclusion/statement as to whether it has met the requirements related to progress in implementing objectives.

Progress continued throughout 2020 to meet the objectives set out in the 2019-2021 Strategic Plan and the Socially Responsible Banking Plan, new objectives being defined to mitigate the consequences of the COVID-19 pandemic. Similarly, a process has been initiated to review the Socially Responsible Banking Plan and its programmes to ensure that they are well adapted to the new socio-economic and organisational context of the company.











Responsible







## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

3.1 *Provide a general description* of the policies and practices that the bank has implemented or intends to implement to promote responsible relationships with its customers. High-level information should be included on the programmes and actions implemented (or planned), their scope and, where possible, their results.

The company has a Code of Ethics and Principles of Action and other policies to promote ethical and responsible conduct among all its members, including the Anti-Corruption Policy, the Sustainability and Social Responsibility Policy, the Human Rights Policy, the Environmental Risk Management Policy and the Defence Policy. These policies require mandatory training and are reviewed at least biannually.

In 2020, a due diligence process was carried out to assess the degree of compliance with the Human Rights Policy, prior to its update in 2021.

The bank also has a Product Committee, which is responsible for approving any new product or service that the company designs and/or markets, including assessing its corporate and environmental responsibility. This Committee analysed 246 products and services during 2020.

Since 2018, CaixaBank has developed the Transparent Contracts Project to simplify the language of contractual and pre-contractual documents for the products and services it markets. CaixaBank also has a Financial Culture Plan with financial education initiatives aimed at all sectors of the public.

Furthermore, it has created new specialised teams with the aim of driving the transition to a more sustainable and inclusive economy. These notably include sustainable finance teams in corporate and business banking; the environmental risk team; and the social value proposition team in Private Banking.

"Ethical and responsible behaviour" section of CMR

"Business model" section of CMR 2020

"Socially responsible investment" section of CMR

### **CUSTOMERS**

3.

We will work responsibly with sustainable practices and enable economic activities that current and future generations.











3.

**CUSTOMERS** 

We will work responsibly with

enable economic activities that

current and future generations.

sustainable practices and

Responsible









## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

3.2 **Describe** how the bank has worked or aims to work with its customers to promote sustainable practices and enable sustainable economic activities. High-level information should be included on the measures planned or implemented, the products and services developed and, where possible, their impact.

CaixaBank has sustainable financing teams and teams specialising in some of the most sensitive business segments from the point of view of climate and environmental risk, including real estate, infrastructure, energy and agriculture. They work with customers to identify new sustainable business operations and to move forward in the transition to a low-carbon economy.

The products and services offered include green loans and loans linked to ESG indexes or sustainability goals; funding for renewable energy projects and energyefficient buildings; participation in the green bond market; recycled plastic credit cards; and socially responsible investment funds.

Customers and operations with potential environmental, social and/or reputational risks are analysed to ensure they meet criteria set by the bank. Furthermore, the Environmental Risk Management Policy establishes criteria for accepting new customers and credit operations based on exclusions from certain activities that may have a significant environmental impact. The bank also applies the Equator Principles when assessing projects.

VidaCaixa's and CaixaBank Asset Management's investment policies also envisage dialogue and other measures with portfolio companies and managers to promote improvements in ESG management and disclosure.

"Business model" section of CMR 2020

"Environmental strategy" section of 2020 CMR

"Offering the best customer experience" section of CMR 2020

"Socially responsible investment" section of CMR











Principles for Responsible Banking -





Annual Corporat



## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

4.1 Describe the stakeholders (groups or types of group) that the bank has consulted, with whom it has established relationships, collaborated or associated in order to implement these Principles and improve the bank's impacts. A general high-level description should be included of how the bank has identified relevant stakeholders, what problems have been resolved and what results have been achieved.

### 4. STAKEHOLDERS

We will consult, establish relationships with and engage proactively and responsibly with relevant stakeholders to achieve the company's objectives.

High-level summary of the bank's response

CaixaBank actively takes into account the expectations of the main stakeholders set out in its materiality report and identified in the development of the Socially Responsible Banking Plan and the reputational risk road map.

### Engagement and cooperation with the regulator, peers, NGOs and other entities:

- > Participation in UNEPFI working groups to advance impact measurement; implementation of the sustainable taxonomy of banking products; financial inclusion and implementation of TCFD recommendations (analysis geared to climate-change scenarios).
- Regular meetings with other organisations, think tanks and initiatives such as the Spanish Green Growth Group, Global Compact, CECA, WSBI, NAB, Forética and Seres to share knowledge about sustainability and further its implementation.
- > Working with the "la Caixa" Banking Foundation and the SDG Observatory to promote the implementation of the SDGs among Spanish companies.
- > Adherence to the Manifesto for Sustainable Economic Recovery and the Green Recovery Call to Action initiative.
- Monitoring and participation in consultative processes for regulatory initiatives in sustainable finance, taxation, innovation and digitisation, consumer protection and transparency, financial stability and strengthening of the financial sector.

#### Engagement with customers, investors, employees and society in general:

- > Participation in ESG meetings with institutional investors, to share priorities and learn about their expectations, and with eminent sustainability analysts.
- > Processes of engagement related to ESG carried out by VidaCaixa and CaixaBank Asset Management.
- > Meetings to promote and teach our customers about sustainable finance, as well as disseminating this knowledge through the chairs supported by CaixaBank
- > Establishment of the sustainability school for employees.
- > Participation in events as speakers to raise awareness of the importance of the SDGs and the Paris Agreement.

Reference(s) and link(s) to the bank's complete relevant replies and information

"A benchmark for responsible management and social commitment - Stakeholders dialogue" section of CMR 2020











Responsible









## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

**GOVERNANCE AND** 

We will fulfil our commitment

to these Principles through

effective governance and a

responsible banking culture.

CULTURE

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

implementation of the Principles.

and procedures that the bank has implemented or intends to implement to manage significant positive and negative (potential) impacts and to support the effective

5.1 *Describe* the relevant governance structures, policies

In CaixaBank, the definition, follow-up and monitoring of compliance with the Principles for Responsible Banking is the responsibility of the governing bodies and committees defined by the bank. More specifically, these include the Corporate Responsibility and Reputation Committee (CRRC) and the Environmental Risk Management Committee, two high-level committees reporting to the Management Committee and the Appointments and Risk Committees, respectively, and to the Board of Directors.

Other committees and bodies seek to increase the positive impacts and avoid, mitigate or reduce the negative impacts of certain issues that cut across the Bank's entire range of activities. These include the Diversity Committee, the Transparency Committee and the Product Committee. The Bank also has teams specialising in matters such as microfinance, sustainable finance, social action and volunteering, socially responsible investment and environmental and climate risk management.

We highlight in particular the integrity, social and environmental policies defined by the Bank and which govern its full range of activity. These policies are integrated, in turn, into the Socially Responsible Banking Plan, with five broad lines of action in corporate responsibility.

"Corporate Responsibility Governance" section of CMR 2020















## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

5.2 **Describe** the initiatives and measures that the bank has implemented or intends to implement to promote

5.

CULTURE

**GOVERNANCE AND** 

We will fulfil our commitment

to these principles through

effective governance and a

responsible banking culture.

a responsible banking culture among its employees. A general high-level description of skill development, inclusion in remuneration structures and performance management and leadership communication, among others, should be included.

With regard to culture and training, CaixaBank has a corporate culture programme, "We are CaixaBank", which aims to strengthen corporate principles and values, including social commitment and the promotion of actions with a positive impact on people and society; proximity; responsibility, high standards, and honesty and transparency.

Initiatives include:

- > The Sustainability School, with training modules on topics such as climate change and socially responsible investment.
- > Specific teaching modules to ensure compliance with responsible policies.
- > Compulsory training in regulatory matters linked to variable remuneration.
- > Channel for enquiries and complaints regarding the Code of Ethics and action principles, the Anti-corruption Policy and other responsible policies.

With regard to remuneration policies, CaixaBank establishes the policy for its directors on the basis of general remuneration policies, committed to a market position that enables it to attract and retain the talent necessary, while encouraging behaviour that ensures long-term value generation and the sustainability of results over time. The long-term remuneration component is also linked to the Global Reputation Index

"Financial inclusion-Financial culture" section of CMR 2020

"Remuneration" section of CMR 2020

5.3 Governance Structure for Implementation of the Principles

**Demonstrate** that the bank has a governance structure for the implementation of the PRB, including:

a) establishing objectives and measures to achieve the objectives set

b) corrective action if targets or milestones are not achieved or unexpected negative impacts are detected. The implementation of these principles is one of the comprehensive axes of the Socially Responsible Banking Plan, and is therefore subject to the same governance processes as corporate responsibility, described in section 2.3. The establishment, implementation and review of improvement plans, progress targets and remedial action have been integrated across the board among the existing teams and committees in the bank.

"Corporate Responsibility Governance" section of CMR 2020

Provide the bank's conclusion/statement as to whether it has met the requirements related to governance structure for the implementation of the Principles.

The Group has defined a governance model with the objective of ensuring the definition, implementation and monitoring of policies, plans and objectives that contribute to the responsible and sustainable development of its activity, setting a benchmark in socially responsible banking, facing future challenges and contributing to the progress of the whole of society.















6.

of society.

TRANSPARENCY AND

We will periodically review

implementation of these

Principles and we will be

our individual and collective

transparent and responsible

with regard to our positive

and negative impacts and our

contribution to the objectives

**RESPONSIBILITY** 



## **UNEP FI, UN Principles for Responsible Banking**

Principles for Responsible Banking Reporting and Evaluation Requirements

Responsible Banking

High-level summary of the bank's response

Reference(s) and link(s) to the bank's complete relevant replies and information

6.1 Progress in the implementation of Principles for

Demonstrate that the bank has made progress in implementing the six Principles over the last 12 months (up to 18 months in its first report after becoming a signatory) as well as having set and achieved objectives in at least two areas (see points 2.1 and 2.4).

Demonstrate that the bank has considered existing international and regional good practices and those currently undergoing deployment relevant to the implementation of the six Principles for Responsible Banking. On this basis, it has defined priorities and objectives to align itself with good practice.

Demonstrate that the bank has implemented or is working to implement changes in its current practices to reflect and align itself with existing international and regional good practices and those currently undergoing deployment and that it has made progress in implementing these Principles.

CaixaBank's ESG information can be found in the Group's Consolidated Management Report, which is also aligned with the European Non-financial Information Directive and the GRI, SASB and TCFD reporting guidelines. This report is submitted for approval by the Annual General Meeting and is verified by an independent external expert in accordance with standard ISAE3000. The report also complies with the UN Global Compact Progress Report requirements.

CaixaBank and its subsidiaries also publish other annual reports that respond to internationally recognised good practices. They include the CDP and PRI questionnaires, the report on the application of the Equator Principles and the progress report on the Collective Commitment on Climate Action. The bank also publishes a study on its Socio-Economic Impact and contribution to the SDGs, an environmental statement that complies with EMAS certification and details of its

This commitment to external accountability and its adherence to best practice drive the continuous improvement of Group entities. The bank also incorporates good practices and recommendations from the main regulatory bodies, such as the CNMV and its Code of Good Governance for Listed Companies, the OECD and its Guiding Principles for Business and Human Rights, and the evaluation criteria established by the main sustainable rating agencies.

"GRI" section of CMR 2020

"Environmental strategy" section of CMR 2020

CDP questionnaire in "Environmental management" section on corporate website (https://www.caixabank. com/es/sostenibilidad/ medioambiente/gestionmedioambiental.html)

Socio-economic Impact and Contribution to the SDG - https://www. caixabank.com/es/sobrenosotros/publicaciones.html

See section at https:// equator-principles.com/ members-reporting/

Provide the bank's conclusion/statement as to whether it has met the requirements related to progress in implementing the Principles for Responsible Banking.

CaixaBank is committed to transparency and the utmost accountability to its stakeholders. To this end, it makes its progress public through externally verified reports that are aligned with the main standards in the field of non-financial reporting, both regulatory and voluntary.











Financial







### **TCFD**

The Financial Stability Board (FSB) commissioned the TCFD (Task Force on Climate-related Financial Disclosures) to develop a reporting framework that will help the market assess the performance of companies with regard to climate change and contribute to the decision-making of

Summary response

stakeholders. The initiative recommends the disclosure of financial information related to climate change addresses 4 main categories.

The **Environmental Strategy** section of the 2020 Conso-

lidated Management Report reflects CaixaBank's strategy and positioning in this area.

The following table shows the summary of progress of the initiative at 31 December 2020.

#### **TCFD** Recommendation

### 1. **GOVERNANCE**

Reporting on the governance of organisations around climate-related risks and opportunities

### > The CaixaBank Board of Directors is the senior body in charge of **Environmental Risk Management Policy** to be implemented within CaixaBank, S.A.,

- > The supervision of all environmental risk management initiatives is the responsibility of the **Environmental Risk Management Committee**, which reports to the Board of Directors.
- > The Corporate Directorate for Environmental Risk Management (DGRMA), reporting to the Directorate General for Risk, is responsible for managing environmental and climate-related risk.
- > The targets of the CEO, the Chief Risk Officer and the Director General for Environmental Risk Management include indicators linked to the management of environmental and climate-related risk.

### 2. **ENVIRONMENTAL**

Reporting on the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where this information is relevant

- > In line with the Strategic Plan and as part of the Bank's Environmental Strategy, in 2019 CaixaBank established a 2019-2021 Road map for managing environmental risk, focused on 6 lines of action: business opportunities, definition and deployment of governance, environmental risk management policy, taxonomy, risk metrics and external reporting.
- > A pilot has been conducted to analyse transition risk scenarios arising from climate change for the energy sector.
- > Transition risk heat maps have been drawn up for the energy, transport and construction sectors and to assess the risks to which these sectors are exposed in the short, medium and long term in different locations in the 2°C scenario.
- > The inaugural Green Bond has been issued within the framework for issuing bonds linked to the SDGs.

### **RISK MANAGEMENT**

Reporting on the processes used to identify, assess, and manage climate-related risks

- > The Environmental Risk Management Policy establishes general and sector exclusions, whereby CaixaBank will not assume credit risk linked to activities that could have a significant environmental impact.
- > The environmental risk assessment has been incorporated into the operations of the process of accepting corporate customers using a
- > In 2007, CaixaBank adhered to the **Equator Principles**, through which a series of additional processes are established in relation to ESG risk assessment for certain services.
- > Climate risk has been incorporated into the Corporate Risk Catalogue.
- > Environmentally sustainable activities have been defined internally, and the European Union taxonomy is being deployed.
- > Exposure in the environmentally sustainable portfolio.
- Operations financed under the Equator Principles framework.
- > Opinions issued on the environmental risks of lending operations.

approved in February 2019 by the same Board of Directors.

- > Metric of portfolio exposure to carbon-intensive sectors.
- > Within the framework of the Collective Commitment to Climate Action, the Bank has committed to setting objectives for alignment with the Paris Agreement.
- > Carbon footprint of CaixaBank S.A.

### 4. **METRICS AND OBJECTIVES**

Reporting the metrics and objectives used to assess and manage relevant climate-related risks and opportunities

















**Glossary** and Group structure







Statement of

Statement of Non-financi Information







## **Glossary** and Group Structure

### Non-financial information

This glossary contains definitions of the indicators and other terms related to the non-financial information presented in the consolidated management report.

Market share (%) - at December 2020 if no specific period is indicated

### Spain

- Market share in credit to companies: data produced by CaixaBank based on official data (Bank of Spain). Total credit to non-financial resident companies.
- > Share of private customers in Spain: percentage of the market dominated by CaixaBank in terms of customers. The universe comprises bank account holders over the age of 18 years living in towns of more than 2.000 inhabitants. Source: FRS Inmark.
- Digital adoption rate: 12-month average of digital customers divided by the total number of customers. Source: ComScore.
- > **Trade share:** Market share in trade (remittances, documentary credits, and guarantees). Source: Swift – Traffic Watch.
- > Market share in POS: Data produced by CaixaBank based on official data (Bank of Spain).

### Portugal

- Market share in consumer credit: accumulated contracts during the year according to instruction no. 14/2013 of the Bank of Portugal. Source: Bank of Portugal/Bank Customer Website.
- > Market share in deposits: sight deposits and fixedterm deposits. Source: Data produced by CaixaBank based on official data (Bank of Portugal - Monetary and Financial Statistics).
- Market share in investment funds: source: APFIPP (Portuguese Association of Investment Funds, Pension Funds and Asset Management) - Mutual Funds.
- Market share in mortgage loans: total resident mortgage loans including securitised loans (estimate). Data produced by CaixaBank based on official data (Bank of Portugal - Monetary and Financial Statistics).
- > Market share in salary direct deposits: number of salary direct deposits corrected by a factor of 95% due to unavailable information in the Portuguese market. It is considered that 95% of salaried employees receive their salary by direct deposit. Source: National Statistics Institute (INE).
- > Market share in insurance: data produced by Caixa-Bank based on official data. Source: APS (Portuguese Association of Insurers).

### General

- > Contribution to Gross Domestic Product (%): total contribution of CaixaBank (direct and indirect) to GDP is measured by dividing Gross Value Added (GVA) by GDP. The GVA of CaixaBank Group's businesses in Spain and Portugal is calculated as the gross income (excluding gains/losses on financial assets and liabilities and others) minus general expenses. The GVA for the businesses (excluding shareholdings) is multiplied by the fiscal multiplier to include indirect contributions. Source: CaixaBank Research.
- Intensive carbon portfolio: ratio of credit exposure, fixed income and carbon-intensive equities to total CaixaBank Group financial instruments. Some exposures may contain a mix of power generation that includes renewable energies.
- Citizens with a branch in their municipality: total population of Spain in municipalities where CaixaBank has a retail branch or a subsidiary window.
- > **Digital customers:** digital customers between the age of 20 and 74 years who have been active in the last 12 months. As a percentage of all customers and overall value. Spain Network.
- > Client: any natural or legal person with a total position equal to or greater than €5 in the Entity that has

## 2020 Consolidated Management Report





Strategic Line

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- made at least two non-automatic movements in the last two months.
- > **Electricity consumption:** calculated for the network of branches and corporate centres of CaixaBank, S.A. in MWh. Consumption of data per employee is calculated over average staff for the year.
- > Paper consumption: calculated for the network of branches and corporate centres of CaixaBank, S.A. in tonnes. The consumption data per employee is calculated on average staff for the year.
- > Water consumption: estimate based on a sample of corporate buildings and branches in the CaixaBank, S.A. corporate network.
- > Free Float (%): The number of shares available for the public, calculated as the number of issued shares minus the shares held in the treasury, advisers, and shareholders represented on the Board of Directors. The Annual Corporate Governance Report specifies a different free float calculation to that used for management purposes, calculated according to the current regulations for the report.
- Investment (business model context): balance of managed loans excluding investments on a fee or commission basis, foreclosed assets and cash.
- > Investment in development and technology: total amount invested in items identified as technology and computing, taking into account both current expenditure and activable elements, and including, among others, maintenance of infrastructure and software, development projects (digital channels, cybersecurity, business development, regulatory), telecommunications, acquisition of equipment and software, licences and rights of use.
- > Micro-credits: collateral-free loans of up to €25,000 granted to individuals whose economic and social circumstances make access to traditional bank financing difficult. Its purpose is to promote productive activity, job creation and personal and family development.

- > Other financing with social impact loans that contribute to generating a positive and measurable social impact on society, aimed at sectors related to entrepreneurship and innovation, the social economy, education and health. Its aim is to contribute to maximising social impact in these sectors.
- > Businesses created with the support of microloans: the start of business is considered when the application for the microloan is made between 6 months before and 2 years after the start of the activity.
- > Number of jobs created due to the contribution of microloans: based on a survey conducted by STIGA on entrepreneurs that have applied to MicroBank for a microloan to open or consolidate a business during 2020.
- > Number of job positions generated through the multiplier effect of purchases from suppliers: Indicator estimated based on the VAB of CaixaBank, Spanish and Portuguese GDP, the % of employment and productivity per worker according to National Accounting, and based on the input/output tables of the National Statistics Institutes (INE) of both countries with 4th-quarter data. Source: CaixaBank Research.
- > Branches: number of total centres. It includes retail branches and other specialised segments. It does not include windows (public service centres that are displaced, lack a main manager and are dependent on another main branch). It does not include branches and offices outside Spain or virtual/digital offices.
- > Accessible branch: a branch is deemed to be accessible when its features enable all types of people, regardless of their abilities, to enter, move around, navigate, identify, understand and make use of the available services and facilities, and to communicate with staff. The branch must also comply with current regulations.

- > Management suppliers: a professional or company that establishes a commercial relationship with CaixaBank, regulated through a contract, to provide or supply everything necessary for a purpose related to the bank's activity. For management purposes, suppliers with an annual amount of over €30,000 are reported. Excluded are creditors whose entry into competition does not bring value to the company or is not possible, including municipalities, associations, owners' communities, notaries, etc. It is provided for subsidiaries included in the corporate purchasing model.
- > Resources and values managed (business model context): balance of resources managed on the balance sheet and off-balance sheet.

### Customer experience and quality

- Committed customers: percentage of the total number of customers surveyed who assess experience, loyalty and recommendation with ratings of 9 or 10 across the board. Calculated for customers in Spain.
- > Customer Experience Index (IEX): measures the overall customer experience of CaixaBank on a scale of 0 to 100. It is a synthetic index of the Experience Rates of the 8 main CaixaBank businesses: Individuals, Premier, Private, Business, Business-Bank, Companies, Institutions and Corporate. It is weighted on the basis of the contribution to the Bank's Ordinary Margin by each of these businesses, which is obtained monthly.
- > Net Promoter Score (NPS): measures recommendations by CaixaBank customers on a scale of 0 to 10. The Index is the result of the difference between % Promoter customers (ratings 9-10) and Detractor customers (ratings 0-6). It is offered for the retail customer segment of CaixaBank Spain and for specific experiences.













#### **Human Resources**

- > Number of work-related accidents: total number of accidents with and without sick leave occurring in the company during the whole year.
- > Serious accident: injuries that present a risk of death or may leave aftermath behind which causes a permanent disability to develop its habitual profession (partial or total).
- > Pay gap (%): estimates the impact of gender on salary (determined through a model of multiple linear regression of salary, calculated as the sum of fixed and variable remuneration, on gender and other relevant factors, including age, longevity, longevity in duty, professional duty and level) and average salary of the company. The sample excludes duties (homogenous groups) of fewer than 50 observations (people) in CaixaBank, S.A. due to the fact that there are insufficient samples to infer statistically solid conclusions, although this aspect has not been extended to the subsidiaries due to the model's loss of predictive power.
- > Number of employees with disabilities: employees working at the Company with a recognised degree of disability equal to or greater than 33%.
- > Manageable absenteeism hours: total hours of manageable absenteeism (illness and accidents).
- > Hours of training per employee: total hours of training of all staff during the year divided by average staff.
- > Investment in employee training (€): Total hours of training of all staff during the year divided by average staff.
- > Manageable absenteeism rate (%): total hours of manageable absenteeism (illness and accidents) over total working hours.

- > Accident frequency rate: number of accidents resulting in sick leave divided by the total hours worked, multiplied by 10 to the power of 6. The rate does not include accidents which happen on an employee's way to or from work, as they are outside of work hours. In addition, it includes all real hours of work and excludes any permitted forms of absence, holidays, and sick leave.
- > Women in managerial positions (%): percentage of women in assistant management positions of A or B offices (or above) over the total number of employees in managerial positions. Data calculated for CaixaBank, S.A.
- > New additions: total new hires during the year (even if no longer remaining in the company).
- > Number of certified professionals: Number of employees who have passed the Financial Advice Information Course (CIAF). Other related courses officially recognised by the National Securities Market Commission (CNMV) are also included in this calculation.

- > Certified professionals: quotient between the number of certified employees and total emplovees that form part of the Premier and Private Banking group.
- > Average remuneration: average total remuneration (annual remuneration plus variable benefits paid in the year), segmenting if applied as foreseen.
- > Average remuneration of board members: average remuneration of the Board of Directors, including variable remuneration, allowances, severance, long-term savings provisions, and other income.
- > Undesired turnover: total final redundancies in the year over average staff multiplied by 100.
- > Total employees: active or structural workforce at year-end. Absences, partial retirees, non-computable staff, staff in centres pending destination, grant holders and ETTs are not considered.











Statement of Non-financial









### Financial information

In addition to the financial information 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"). Caixa-Bank uses certain APMs, which have not been audited, for a better understanding of the Group'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, following 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. Figures are presented in millions of euros unless the use of another unit is stated explicitly.

### Alternative Performance Measures used by the Group \_

### Profitability and cost-to-income

### a) Customer spread:

**Explanation:** difference between:

- > average rate of return on loans (annualised quarterly income from loans and advances to customers divided by the net average balance of loans and advances to customers for the quarter).
- > average rate for retail customer funds (annualised quarterly cost of retail customer funds divided by the average balance of those same retail customer funds for the quarter, excluding subordinated liabilities).

Note: The average balances are calculated as the average value of the individual closing balances of each month of the analysed period.

**Purpose:** allows the Group to track the spread between interest income and costs for customers

Customer spread	d (%) (a - b)	2.19	1.89
(b)	Average cost rate of retail customer funds (%)	0.02	0.01
Denominator	Average balance of on-balance sheet retail customers funds	217,239	240,052
Numerator	Annualised quarterly cost of on-balance sheet retail customer funds	44	16
(a)	Average yield rate on loans (%)	2.21	1.90
Denominator	Net average balance of loans and advances to customers	214,376	229,195
Numerator	Annualised quarterly income from loans and advances to customers	4,745	4,352
		2019	2020

















### b) Balance sheet spread:

### **Explanation:** difference between:

- > Average rate of return on assets (annualised interest income for the quarter divided by total average assets for the quarter).
- > Average cost of funds (annualised interest expenses for the quarter divided by total average funds for the quarter).

Note: The average balances are calculated as the average value of the individual closing balances of each month of the analysed period.

Purpose: allows the Group to track the spread between interest income and cost for its on-balance sheet assets and liabilities.

		2019	2020
Numerator	Annualised quarterly interest income	7,038	6,863
Denominator	Average total assets for the quarter	407,407	456,953
(a)	Average return rate on assets (%)	1.73	1.50
Numerator	Annualised quarterly interest expenses	2,154	1,878
Denominator	Average total funds for the quarter	407,407	456,953
(b)	Average cost of fund rate (%)	0.53	0.41
Balance sheet sp	pread (%) (a - b)	1.20	1.09

### c) ROE

**Explanation:** Profit/(loss) attributable to the Group (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity) divided by average shareholder equity plus valuation adjustments for the last 12 months.

Note: The average balances are calculated as the average value of the individual closing balances of each month of the analysed period.

**Purpose:** allows the Group to monitor the return on its shareholder equity.

		2019	2020
(a)	Profit/(loss) attributable to the Group 12M	1,705	1,381
(b)	Additional Tier 1 coupon	(133)	(143)
Numerator	Adjusted profit/(loss) attributable to the Group 12M (a+b)	1,572	1,238
(c)	Average shareholder equity 12M	25,575	26,406
(d)	Average valuation adjustments 12M	(843)	(1,647)
Denominator	Average shareholder equity + valuation adjustments 12M (c+d)	24,732	24,759
ROE (%)		6.4%	5.0%
ROE (%) excludir	ng labour agreement	9.0%	-

















### d) ROTE

**Explanation:** quotient between

- > Profit/(loss) 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).

Note: The average balances are calculated as the average value of the individual closing balances of each month of the analysed period.

**Purpose:** metric used to measure the return on a company's tangible equity.

		2019	2020
(a)	Profit/(loss) attributable to the Group 12M	1,705	1,381
(b)	Additional Tier 1 coupon	(133)	(143)
Numerator	Adjusted profit/(loss) attributable to the Group 12M (a+b)	1,572	1,238
(c)	Average shareholder equity 12M	25,575	26,406
(d)	Average valuation adjustments 12M	(843)	(1,647)
(e)	Average intangible assets 12M	(4,248)	(4,295)
Denominator	Average shareholder equity + valuation adjustments excluding intangible assets 12M (c+d+e)	20,484	20,463
ROTE (%)		7.7%	6.1%
ROTE (%) exclud	ing labour agreement	10.8%	-

### e) ROA

**Explanation:** net profit (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity) divided by average total assets for the last 12 months.

Note: The average balances are calculated as the average value of the individual closing balances of each month of the analysed period.

Purpose: measures the level of return relative to assets.

		2019	2020
(a)	Profit/(loss) after tax and before minority interest 12M	1,708	1,382
(b)	Additional Tier 1 coupon	(133)	(143)
Numerator	Adjusted net profit 12M (a+b)	1,575	1,238
Denominator	Average total assets 12M	403,842	433,785
ROA (%)		0.4%	0.3%
ROA (%) excludio	ng labour agreement	0.6%	_



















### f) RORWA

**Explanation:** net profit (adjusted by the amount of the Additional Tier 1 coupon reported in shareholder equity) divided by average total risk-weighted assets for the last 12 months.

Note: The average balances are calculated as the average value of the individual closing balances of each month of the analysed period.

Purpose: measures the return based on risk-weighted assets.

		2019	2020
(a)	Profit/(loss) after tax and before minority interest 12M	1,708	1,382
(b)	Additional Tier 1 coupon	(133)	(143)
Numerator	Adjusted net profit 12M (a+b)	1,575	1,238
Denominator	Risk-weighted assets (regulatory) 12M	148,114	146,709
RORWA (%)		1.1%	0.8%
RORWA (%) excl	uding labour agreement	1.5%	-

### g) Core Income:

**Explanation:** total of net interest income, fee and commission income, income from the life-risk insurance business, the result of using the equity method for SegurCaixa Adeslas and income from the insurance investees of BPI.

**Purpose:** measures the recurring income stemming from the traditional business of the Group (banking and insurance).

		2019	2020
(a)	Net interest income	1,231	1,253
(b)	Equity method - SCA	37	67
(c)	Equity method - BPI Banca seguros	4	4
(d)	Net fee and commission income	694	671
(e)	Income and expense under insurance or reinsurance contracts	149	156
Core Income (a+b+c+d+e)		2,115	2,152

### h) Cost-to-income ratio:

**Explanation:** operating expenses (administrative expenses, depreciation and amortisation) divided by gross income (or core income for the core efficiency ratio) for the last 12 months.

**Purpose:** metric widely used in the banking sector to compare the cost to income generated.

		2019	2020
Numerator	Administrative expenses, depreciation and amortisation 12M	5.750	4,579
Denominator	Gross income 12M	8.605	8,409
Cost-to-income ratio		66.8%	54.5%
		2019	2020
Numerator	Administrative expenses, depreciation and amortisation stripping out extraordinary expenses 12M	4,771	4,579
Denominator	Gross income 12M	8,605	8,409
Cost-to-income	ratio stripping out extraordinary expenses	55.4%	54.5%

		2019	2020
Numerator	Administrative expenses, depreciation and amortisation stripping out extraordinary expenses 12M	4,771	4,579
Denominator	Core income 12M	8,316	8,310
Core cost-to-income ratio		57.4%	55.1%

















### **Risk Management**

### a) Cost of risk

**Explanation:** total allowances for insolvency risk (12 months) divided by average of gross loans to customers plus contingent liabilities, using management criteria.

Note: The average balances are calculated as the average value of the closing balances of each month of the analysed period.

**Purpose:** indicator used to monitor and track the cost of allowances for insolvency risk on the loan book.

		2019	2020
Numerator	Allowances for insolvency risk 12M	376	1,915
Denominator	Average of gross loans + contingent liabilities 12M	243,143	255,548
Cost of risk (%)		0.15%	0.75%

### b) Non-performing loan ratio:

**Explanation:** quotient between:

- > Non-performing loans and advances to customers and contingent liabilities, using management criteria.
- > Total gross loans and advances to customers and contingent liabilities, using management criteria.

**Purpose:** indicator used to monitor and track the change and quality of the loan portfolio.

		2019	2020
Numerator	Non-performing loans and contingent liabilities	8,794	8,601
Denominator	Total gross loans and contingent liabilities	244,262	260,794
Non-performing	loan ratio (%)	3.6%	3.3%

### c) Coverage ratio

**Explanation:** quotient between:

- > Total credit loss provisions for loans and advances to customers and contingent liabilities, using management criteria.
- > Non-performing loans and advances to customers and contingent liabilities, using management criteria.

Purpose: indicator used to monitor NPL coverage via provisions.

		2019	2020
Numerator	Provisions on loans and contingent liabilities	4,863	5,755
Denominator	Non-performing loans and contingent liabilities	8,794	8,601
Coverage ratio (%)		55%	67%

### d) Real estate available for sale coverage ratio

**Explanation:** quotient between:

- > Gross debt cancelled at the foreclosure or surrender of the real estate asset less the present net book value of the real estate asset.
- > Gross debt cancelled at the foreclosure or surrender of the real estate asset.

**Purpose:** reflects the coverage level via write-downs and accounting provisions on foreclosed real estate assets available for sale.

		2019	2020
(a)	Gross debt cancelled at the foreclosure	1,576	1,613
(b)	Net book value of the foreclosed asset	958	930
Numerator	Total coverage of the foreclosed asset (a - b)	618	683
Denominator	Gross debt cancelled at the foreclosure	1,576	1,613
Real estate available for sale coverage ratio (%)		39%	42%











Statement of









#### e) Real estate available for sale coverage ratio with accounting provisions

**Explanation:** quotient between:

- > Accounting coverage: charges to provisions of foreclosed assets.
- > Book value of the foreclosed asset: sum of net carrying amount and the accounting provision.

**Purpose:** indicator of accounting provisions covering foreclosed real estate assets available for sale.

		2019	2020
Numerator	Accounting provisions of the foreclosed assets	414	488
(a)	Net book value of the foreclosed asset	958	930
(b)	Accounting provisions of the foreclosed assets	414	488
Denominator	Gross book value of the foreclosed asset (a + b)	1,372	1,418
Real estate availa	able for sale accounting coverage (%)	30%	34%



#### Liquidity

#### a) Total Liquid Assets

**Explanation:** 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).

**Purpose:** shows the Bank's liquidity position.

		2019	2020
(a)	High Quality Liquid Assets (HQLAs)	55,017	95,367
(b)	Available balance under the ECB facility (non- HQLAs)	34,410	19,084
Total liquid	assets (a + b)	89,427	114,451

#### b) Loan-to-deposits

**Explanation:** quotient between:

- > Net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions).
- > On-balance sheet customer funds.

**Purpose:** metric showing the retail funding structure (allows us to value the proportion of retail lending being funded by customer funds).

		2019	2020
Numerator	Loans and advances to customers, net (a-b-c)	218,420	234,877
(a)	Loans and advances to customers, gross	227,406	243,924
(b)	Provisions for insolvency risk	4,704	5,620
(c)	Brokered loans	4,282	3,426
Denominator	On-balance sheet customer funds	218,532	242,234
Loan to Deposits	(%)	100%	97%







Strategic Line









#### **Stock market ratios**

**a) EPS (Earnings per share):** Profit/(loss) attributed to the Group (adjusted by the amount of the Additional Tier 1 coupon, registered in shareholder equity) divided by the average number of shares outstanding.

Note: The **average number of shares outstanding is calculated** as average number of shares less the average number of treasury shares. The average is calculated as the average number of shares at the closing of each month of the analysed period.

		2019	2020
(a)	Profit/(loss) attributable to the Group 12M	1,705	1,381
(b)	Additional Tier 1 coupon	(133)	(143)
Numerator	Adjusted profit attributable to the Group (a+b)	1,572	1,238
Denominator	Average number of shares outstanding, net of treasury shares	5,978	5,978
EPS (Earnings per share)		0.26	0.21

**b) PER (Price-to-earnings ratio):** share price at the closing of the analysed period divided by earnings per share (EPS).

		2019	2020
Numerator	Share price at the end of the period	2,798	2.101
Denominator	Earnings per share (EPS)	0.26	0.21
PER (Price-to-ea	rnings ratio)	10.64	10.14

**c) Dividend yield:** dividends paid (in shares or cash) corresponding to the last fiscal year divided by the period-end share price.

		2019	2020
Numerator	Dividends paid (in shares or cash) last year	0.17	0.07
Denominator	Share price at the end of the period	2,798	2.101
Dividend yield		6.08%	3.33%

**d) BVPS (Book value per share):** equity less minority interests divided by the number of fully diluted shares outstanding at a specific date.

Fully-diluted outstanding shares equals shares issued (less treasury shares) plus the shares resulting from a theoretical redemption/conversion of the issued exchangeable debt instruments, at a specific date.

TBVPS (Tangible book value per share): quotient between:

> Equity less minority interests and intangible assets.

> The number of fully-diluted outstanding shares at a specific date.

**P/BV:** share price at the end of the period divided by book value.

**P/TBV:** share price at the end of the period divided by tangible book value.

		2019	2020
(a)	Equity	25,151	25,278
(b)	Minority interests	(28)	(26)
Numerator	Adjusted equity (c = a+b)	25,123	25,252
Denominator	Shares outstanding, net of treasury shares (d)	5,978	5,977
e= (c/d)	Book value per share (€/share)	4.20	4.22
(f)	Intangible assets (reduce adjusted equity)	(4,255)	(4,363)
g=((c+f)/d)	Tangible book value per share (€/share)	3.49	3.49
(f)	Share price at end the period	2.798	2.101
f/e	P/BV (Share price divided by book value)	0.67	0.50
f/g	P/TBV tangible (Share price divided by tangible book value)	0.80	0.60

















#### Adapting the layout of the public income statement to management format \_

**Net fee and commission income.** Includes the following line items:

- > Fee and commission income.
- > Fee and commission expenses.

**Trading income.** 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 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.

#### Pre-impairment income.

- > (+) Gross income.
- > (-) Operating expenses.

## Impairment losses on financial assets and other provisions. Includes the following line items:

- > Impairment/(reversal) of impairment losses on financial assets not measured at fair value through profit or loss or gains/(losses) on adjustments.
- > 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 derecognition of assets and others. Includes the following line items:

- > Impairment or reversal of impairment on investments in joint ventures or associates.
- > Impairment or reversal of impairment on nonfinancial 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).

## Profit/(loss) attributable to minority interests and others. Includes the following line items:

- > Profit/(loss) for the period attributable to minority interests (non-controlling interests).
- > Profit/(loss) after tax from discontinued operations.















#### Reconciliation of activity indicators using management criteria \_\_\_\_\_

#### >> LOANS AND ADVANCES TO CUSTOMERS, GROSS

December 2020 € million

Financial assets at amortised cost - Customers (Public Balance Sheet)	(232)
Reverse repurchase agreements (public and private sector)	(960)
Clearing houses	(481)
Other, non-retail, financial assets	85
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	2,715
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	189
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	5,620
Provisions for insolvency risk	243,924

Loans and advances to customers (gross) using management criteria

#### >> LIABILITIES UNDER THE INSURANCE BUSINESS

December 2020 € million

Liabilities under the insurance business (Public Balance Sheet)	75,129
Capital gains/(losses) under the insurance business (excluding unit link and other)	(15,769)
Liabilities under insurance contracts, using management criteria	59,360

#### >> CUSTOMER FUNDS

December 2020 € million

C Trimotr	
Financial liabilities at amortised cost - Customer deposits (Public balance sheet)	245,167
Non-retail financial liabilities (registered under Financial liabilities at amortised cost - Customer deposits)	(2,312)
Multi-issuer covered bonds and subordinated deposits	(2,553)
Counterparties and other	241
Retail financial liabilities (registered under Financial liabilities at amortised cost - Debt securities)	1,436
Retail issues and other	1,436
Liabilities under insurance contracts, using management criteria	59,360
Total on-balance sheet customer funds	303,650
Assets under management	106,643
Other accounts <sup>1</sup>	5,115
Total customer funds	415,408

<sup>&</sup>lt;sup>1</sup> Includes, among others, transitional funds associated with transfers and collection activity, as well as other funds distributed by the Group.

#### >> INSTITUTIONAL ISSUANCES FOR BANKING LIQUIDITY **PURPOSES**

December 2020

35,813
(3,356)
(1,077)
(930)
(1,436)
88
2,553
35,010

<sup>&</sup>lt;sup>1</sup> A total of €2,520 million in multi-issuer covered bonds (net of retained issues) and €33 million in subordinated deposits.













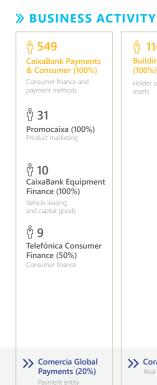
# **Group** structure

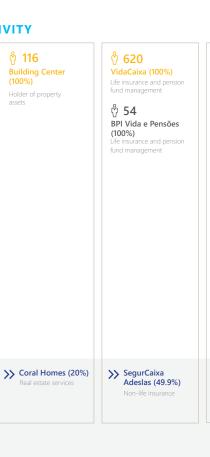
CaixaBank Group >>

CaixaBank, S.A. † 27,404

Credit institution Spain

# **» BUSINESS SUPPORT** Services for back office administration Normalities Management (100%) Project management, maintenance, logistics and % 98 CaixaBank Business % 376 Silk Aplicaciones ຕຸ້ 1 Silc immobles (100%) >> IT Now (49%)









Associates and joint ventures

Technology and IT services and

>> Servired (22%)

>> CaixaBank Electronic Money (49%)

>> Unicre (21%)

>> Cosec (50%)

>>> Banco comercial e de Investimentos (36%)

Company subgroups.

(%) Percentage of stake at 31 December 2020







#### A free translation from the original in Spanish

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

## Independent verification report

To the shareholders of CaixaBank, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31st December 2020 of CaixaBank, S.A. (the Parent company) and subsidiaries (hereinafter CaixaBank or the Group) which forms part of the accompanying Group's Consolidated Management Report.

The content of the Consolidated Management Report includes additional information to that required by the current mercantile legislation related to non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in tables 'Table of contents Act 11/2018, of 28 December' and 'Index of GRI content' included in the accompanying Consolidated Management Report.

#### Responsibility of the Board of Directors of the Parent company

The preparation of the NFIS included in the Consolidated Management Report of CaixaBank and the content thereof are the responsibility of the Board of Directors of CaixaBank, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) in accordance with Exhaustive option in line with the details provided for each matter in tables 'Table of contents Act 11/2018, of 28 December' and 'Index of GRI content' of the aforementioned Consolidated Management Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of any immaterial misstatement due to fraud or error.

The directors of CaixaBank, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

#### Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.



The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

#### Our responsibility

Our responsibility is to express our conclusions in an independent verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial information statement issued by the Spanish Institute of Auditors ('Instituto de Censores Jurados de Cuentas de España').

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several units of CaixaBank that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the CaixaBank's personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2020, based on the materiality analysis carried by CaixaBank and described in section 'Materiality', considering the content required under current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the NFIS for 2020.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.
- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the Group's sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.



#### Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS for 2020 of CaixaBank for the year ended 31st December 2020 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and the GRI Standards in accordance with Exhaustive option in line with the details provided for each matter in tables 'Table of contents Act 11/2018, of 28 December' and 'Index of GRI content' of the aforementioned Consolidated Management Report.

#### Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

## PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by Juan Ignacio Marull Guasch

February 19th, 2021



Consolidated
Management Report













Annual

**Corporate Governance** Report

for 2020







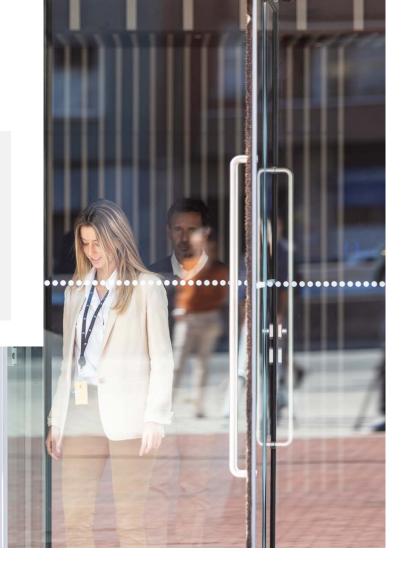


The following document is the free-format Annual Corporate Governance Report of Caixabank, S.A (hereinafter, CaixaBank or the Company) for the 2020 financial year (presented in the chapter on Corporate Governance in the **Group Management Report**) alongside the statistical information required by the CNMV.

The full document is available on the corporate website of CaixaBank (www. caixabank.com) and on the website of the CNMV.

The information contained in the Annual Corporate Governance Report refers to the financial year ending on 31 December 2020.

Abbreviations are used throughout the document to refer to the company names of various entities: FBLC ("La Caixa" Banking Foundation), CriteriaCaixa (CriteriaCaixa, S.A.U.); as well as CaixaBank governing bodies: the Board (Board of Directors) or the AGM (Annual General Meeting).









Strategic Line

Strategic Line

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Glossary and Group struct





# Systems for Risk Management and Internal Control over related to financial reporting (ICFR)

#### Index

## Environment for internal control over financial reporting (F.1)

- > Governance and responsible bodies
- > Organisational structure and Functions
- Code of Ethics and Principles of Action and Other Internal Policies
- > Whistleblowing channel
- > Training

#### Risk assessment in financial reporting (F.2)

## Procedures and activities for control over financial reporting (F.3)

- > Procedures for reviewing and authorising financial reporting
- > Procedures for IT systems
- > Procedures for overseeing outsourced activities and independent experts

#### Reporting and communication (F.4)

- > Accounting policies
- > Mechanisms for financial reporting

Oversight of the operation of the system for Internal Control over Financial Reporting (F.5)

External auditor's report

## **Environment for internal control** over financial reporting (F.1)

#### **Governance** and bodies in charge

## GOVERNING BODIES Board of directors

Senior body responsible for the existence of adequate and effective ICFR.

#### Risk Committee

Advises the Board on the current and future overall risk protection and its strategy, reporting on the risk appetite framework, assisting in the surveillance of the implementation of this strategy, ensuring that the Group's actions are consistent with the risk tolerance level set and monitoring the suitability of the risks with regard the risk profile.

#### **Audit and Control Committee**

Assists the Board in overseeing the process of preparing and submitting the regulated financial information and the effectiveness of the internal control and risk management systems.

#### **COMMITTEES**

#### **Global Risk Committee**

Responsible for knowing and analysing the most relevant events and changes in policies and methodologies regarding the administration, monitoring, mitigation and damage control of all risks under its scope of monitoring and management (such as the reliability of financial information, etc.), approved by the corresponding committees, and for monitoring their impact.

#### **FUNCTIONAL AREAS**

#### **Financial Reporting Areas**

The Executive Directorate of Financial Accounting, Control and Capital is the body that provides most financial reporting and requests the necessary collaboration from the other functional areas of the Company and its Group in order to obtain the level of detail deemed suitable for this information. However, other Directorates are also involved, both in the coordination and the creation of financial reporting.

#### Internal Control over Financial Reporting (ICFR)

Forming part of the Internal Financial Control department, within the Company's Second Line of Defence, ICFR is responsible for identifying, measuring, monitoring and reporting on the risk of the reliability of financial information, establishing the management policies and control procedures. It is also responsible for reviewing the implementation of these policies and procedures in the First Line of Defence.

Hierarchically, the ICFR reports to the Executive Directorate of Financial Accounting, Control and Capital and functionally to the Corporate Risk Management Function, which is responsible for the identification, measurement, assessment, management and reporting of risks under its remit, with a comprehensive overview of all the Group's risks.









In terms of the internal regulations that govern the ICFR, in 2016 the Company drew up and approved a corporate policy on the internal control over financial reporting system (ICFR), which included the more general and standard aspects of the ICFR, such as the financial reporting to be covered, the internal control model, policy supervision, custody and approval.

In March 2018, the Corporate Policy on Disclosure and Verification of Financial Information was approved for the first time. The main objective of this policy was to define the general policy and criteria related to the control and verification of the information to be disclosed.

After detecting **similarities**, as well as the existence of certain common procedures, directives and guidelines for action in both policies, in **2020** it was considered appropriate to draw up a new **Corporate Policy on the management of the Financial Information Reliability Risk**, which brings together the necessary content for the management and control of the Financial Information Reliability Risk as a whole. The objective of this Policy is to establish and define:

> A **reference framework** that enables the management of Financial Information Reliability risk in relation to the information to be disclosed regar-

ding the Company and its Group which is generated at CaixaBank, standardising the control and verification criteria;

- > The **scope** of the Financial information to be disclosed;
- > The **governance framework** to be followed for both information to be disclosed and for the verification of this documentation and;
- > The criteria related to the **control and verifica- tion of the information** to be disclosed in order
  to guarantee the existence, design, implementation and correct operation of ICFR, making it
  possible to mitigate the Financial Information Reliability risk.

**Three specific standards** derive from this policy, which further describe the activities undertaken:

i) ICFR standard, ii) Pillar III disclosure regulation and iii) Disclosure regulation for financial statements, explanatory notes and the management report.

The purpose of the **ICFR standard** is to develop the provisions on ICFR in the "Corporate Policy on the management of the Financial Information Reliability Risk", with the following objectives:



O1. Develop the methodology applied for the management of ICFR as a whole

02. Establish the coordination process with the Group companies,

03. Establish the activities of the Internal Control over Financial Reporting function

**04.** Specify the more functional aspects of ICFR.







Strategic Line



Glossary and Group structu





#### Organizational structure and Functions

The review and approval of organisational structure and the lines of responsibility and authority is carried out by the CaixaBank Board of Directors, through the Management Committee and the Appointments Committee.

The **Organisation** department designs the organisational structure of CaixaBank, and proposes the necessary organisational changes to the Company's bodies. Subsequently, the **Human Resources and Organisation Division** proposes the people to be appointed to carry out the duties defined.

The **lines of authority** and responsibility are defined in the preparation of the financial information, as set out in the 3 lines of defence (LoD) corporate internal control model explained in Note 3.2.4 of the accompanying consolidated financial statements. It also has a comprehensive plan which includes, among other issues, the allocation of tasks, key dates and the various revisions to be carried out by each of the hierarchical levels. Both the lines of authority and responsibility and the above-mentioned planning are documented and have been distributed among all people involved in the financial reporting process.









Strategic Line



Glossary and Group struct





#### Code of Ethics and Principles of Action and other internal policies

CaixaBank has a **Code of Ethics and Principles of Action**, approved by the Board of Directors in January 2019, which establishes the values (quality, trust and social commitment) and ethical principles behind its actions, and which must govern the activity of all employees, executives and members of its management body. These principles are as follows: compliance with laws and regulations at all times, respect, integrity, transparency, excellence, professionalism, confidentiality and social responsibility.

This Code is a **company-wide** document, so it applies throughout CaixaBank Group, serving as a reference for all companies in the Group.

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, fees and procedures for filing claims and resolving incidents. Moreover, CaixaBank provides its 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 advisors.

The degree of internal dissemination of the Code of Ethics and Code of Conduct is universal; it applies to member of the management bodies and all employees of CaixaBank. Specifically:

- > All **new employees** are given a document explaining the Code of Ethics and the main points in the Code of Conduct. Once the content of the Code is explained, the employee declares that /she has read, understands and accepts each of the terms in the document, manifesting his/her acceptance and undertaking to adhere to them.
- > The Code of Ethics and the main points in the Code of Conduct are available for consultation on the company **intranet** and some points in the Code of Conduct are also available on the **corporate** website.
- > Annual training courses are carried out for all employees. This training is mandatory and regulatory it is linked to the receipt of variable remuneration. Training is also carried out through Caixa-Bank's own e-learning platform, which includes a final test. This guarantees continual monitoring of courses taken by the Bank's employees.

The regulatory courses for 2020 were as follows: Whistleblowing channel, Transparency in marketing CaixaBank products and services, Data protection in CaixaBank, Fraud, Information Security and PMLTF update and Sanctions.

- > Sessions on compliance for new BADs (Business Area Directors) were held, an initiative included in the PROA programme; and, for certain groups within the Bank (BADs, Private Banking Centres, Business Centres, Business Control and CIB), awareness sessions that brought together the 4 main aspects of compliance risk: Integrity, Conduct, Prevention of Money Laundering/Sanctions and Markets.
- > In addition to the above, **notices and briefing notes** are sent out to disseminate CaixaBank's values and principles. For example, in the framework of complying with the Code of Ethics and Anti-Corruption Policy, there is an annual notice regarding Gifts for both CaixaBank employees and providers.

Derived from the values and ethical principles stipulated in the Code of Ethics, CaixaBank has put in place a **Code of Conduct** regarding various matters. These standards were approved by the Company's competent management bodies. The following points are particularly relevant:



#### 2020





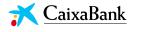












#### >> POLICIES AND CODE OF CONDUCT1



To prevent and avoid the crimes within the organisation, in accordance with the provisions of the Criminal Code in relation to the criminal liability of legal persons. This Policy lays out the CaixaBank Group Crime Prevention Model.



#### ANTI-CORRUPTION POLICY

To prevent both the Company and its external partners, directly or through third-parties, from engaging in conduct that may be contrary to the law or to the basic principles of CaixaBank's activity. This Policy applies to all companies in the CaixaBank Group.

#### GENERAL CORPORATE POLICY ON CONFLICTS OF INTEREST AT THE CAIXABANK GROUP

It provides a global framework for all 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 CODE OF CONDUCT IN SECURITIES MARKETS (ICC)

To foster transparency in markets and uphold the legitimate interests of investors at all times in accordance with Regulation 596/2014 of the European Parliament and the Securities Market Law. It applies to both CaixaBank and the various companies in the Group.



#### CODE OF CONDUCT REGARDING DATA COMMUNICATION

To guarantee the proper use of the resources provided by CaixaBank and raise awareness of information security among employees. The scope of the Code covers, among others, all employees and partners with access to the CaixaBank Group IT systems.

We should also highlight an internal standard on Regulatory Compliance, which describes the content and scope of application of the regulatory compliance function at CaixaBank, a range of internal regulations that must be adhered to by CaixaBank employees, including matters regarding the query and whistleblowing channels.

Finally, and in relation to certain areas of the Group, there is a range of internal policies and standards that serve as a guide to conduct in the following categories (defined according to risk taxonomies): (i) customer protection; (ii) internal governance; (iii) markets and integrity; (iv) prevention of money laundering and terrorist financing; (v) employee activities; (vi) sanctions; (vii) data protection, privacy and regulatory reporting; and (viii) initiatives and AEOI (Tax compliance).

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:

- > The Corporate Criminal Management Committee: A senior committee 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 Crime Prevention Model. It reports to the CaixaBank Global Risk Committee, to which it provides reports at least every six months and, in any event, whenever the Corporate Criminal Management Committee deems it appropriate. It also informs the Management Committee and Governing Bodies through the Risk Committee of the Board when circumstances so dictate.
- > The ICC Committee: A collegiate body responsible for analysing potential breaches and proposing corrective actions and sanctions. Any gueries regarding the ICC can be forwarded to the Secretary of the ICC Committee or the Corporate Regulatory Compliance Division, depending on the issue.

Except for the Code of Conduct regarding Data Communication, all the aforementioned standards of conduct are available on the corporate website. They are all accessible to all staff via the intranet.

#### 2020



















#### Whistleblowing channel

CaixaBank Group has made the Queries and Whistleblowing Channel **available** to all users defined in Caixa-Bank and each of the Group companies with access to this Channel. For CaixaBank, the users with access to it are the following: Directors, Employees, Temporary Staff, Agents and Suppliers.

Through this channel, it is possible to send reports on acts or behaviour, past or present, related to the scope of the Code of Ethics, the Anti-Corruption Policy, the Criminal Compliance Corporate Policy, the Internal Code of Conduct in Securities Markets, the Code of Conduct of Providers or any other policy or internal standards in CaixaBank.

However, this is not the appropriate channel for reporting harassment in any of its manifestations. The potential seriousness of this conduct and the importance that the Group attaches to handling it means there is a specific channel for employees, which is managed by a team of specialised managers.

There are two types of reports:

- > Queries, understood as requests for clarification of specific questions, as a result of the application or interpretation of the texts mentioned above.
- > Complaints, understood as reports of possible irregularities that may involve offences.

Among the categories/ types provided for in the Query and Whistleblowing Channel, there is a specific category for reporting possible **financial and accounting irregularities** in transactions or financial reporting. This is understood to be financial information that does not reflect the rights and obligations through the corresponding assets and liabilities in accordance with applicable regulations, as well as transactions, occurrences or events that:

- > Are included in the financial information but which do not exist or which have not been documented at the corresponding time.
- > Have not been fully included in the financial information and in which the Company is the party concerned
- > Are not recorded or evaluated in accordance with applicable regulations.
- > Are not classified, presented or disclosed in the financial information in accordance with regulations.

In February 2020, a new Query and Whistleblowing Channel was launched, which is essential for the prevention and correction of non-compliance with regulations and fulfils several objectives:

- > Alignment with national and international **best practices**.
- > Compliance with **new legal framework** (Organic Law on the Protection of Personal Data and Guarantee of Digital Rights, Whistleblower Protection Directive).

> Greater **robustness in the management** of the Channel, which leads to increased confidence in its function.

Subsequently, and by agreement by the Governing Bodies of CaixaBank, the roll-out and implementation plan was established for the Query and Whistleblowing Channel at the subsidiaries within the Legal Scope. It was decided that complaints would be managed on a corporate basis by CaixaBank Regulatory Compliance, but that queries would be received and managed by each company.

In 2020, in addition to CaixaBank, the following companies within the Legal Scope have implemented the Query and Whistleblowing Channel:

- 01 VidaCaixa S.A.U. de Seguros y Reaseguros
- O2 CaixaBank Asset Management S.G.I.I.C. S.A.
- **03** BuildingCenter S.A.
- O4 CaixaBank Payments & Consumer, E.F.C., E.P., S.A.
- **05** Telefónica Consumer Finance, E.F.C., S.A.
- CaixaBank Equipment Finance, S.A.
- **07** PromoCaixa, S.A.

The remaining companies in the Legal Scope are expected to join during the first half of 2021.







Strategic Line







Annual Corporate Governance Report for 2020 The main milestones of this channel are:

- > New platform: implementation of a new platform accessible both internally and over the internet, 24 hours a day, 365 days of the year; from both corporate and personal devices; and from both the workplace and from a private home or any other location.
- > Wider scope of users: in addition to employees, the Channel is also open for CaixaBank Directors, temporary staff, agents and suppliers. The appropriate actions are taken to allow all the defined users at the rest of the Group companies to have access to this Channel.

The access given to suppliers is especially significant. This is a user group that CaixaBank Group considers essential to the achievement of its targets for growth and improving the quality of its service. The Group seeks to establish relationships with them based on trust and in line with its values.

- > Anonymous whistleblowing: complaints can be made anonymously or otherwise, whereas queries must be submitted with a name.
- > **Processing partially outsourced:** some of the complaint handling process is carried out by external experts in order to bolster the independence, objectivity and respect for the guarantees offered by the Channel. Specifically, the receipt and pre-analysis of admissibility are outsourced.

The Query and Whistleblowing Channel offers a series of guarantees:

#### Anonymity

CaixaBank is firmly committed to respecting anonymity when this is the option chosen by the whistleblower. To this end, it has put the appropriate IT resources in place to ensure that logins are deleted:

To the company code and

to the Queries and Whistleblowing Channel.

#### Confidentiality

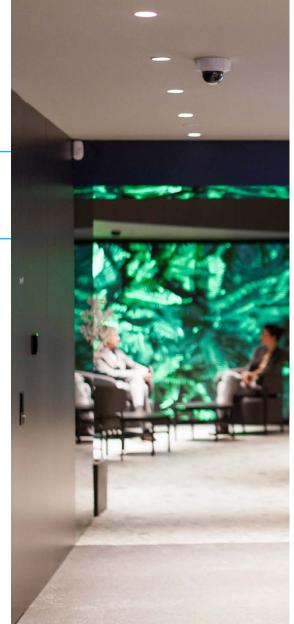
It is expressly forbidden to disclose to third parties any kind of information concerning the content of the complaints or queries. This information will only be known by individuals involved in handling the case.

#### Protection of the reporting party's identity

The protection of the identity of the reporting party is guaranteed and it will not be disclosed to the party being reported under any circumstances.

In the case of complaints, Regulatory Compliance will only provide the name of whistleblower to the Departments who require it to investigate the case, and in all such cases, the prior consent of the whistleblower will be required. Regulatory Compliance will not provide details of a complaint, including the identity of the whistleblower, to any party other than those authorised for that purpose, regardless of the position and functions of the requesting party within CaixaBank.

CaixaBank will take the appropriate disciplinary measures if, outside the provisions of the previous paragraph, the identity of the reporting party is disclosed or enquiries were carried out in order to obtain information on complaints lodged.



Management Report







Strategic Line



Glossary and Group struct





#### **Prohibition on reprisals**

CaixaBank Group expressly prohibits reprisals against individuals who submit a complaint, or against individuals who are involved in or assist in the investigation of the case, provided they have acted in good faith and have played no part in the reported event. CaixaBank Group will take the measures necessary to guarantee the protection of the reporting party.

#### Sharing of the same workplace

If, in the case of a complaint, the reporting party and the party being reported share the same workplace, the Company will determine whether measures should be taken to prevent this.

#### Incompatibilities

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In the event that any party involved in a complaint is related by kinship, marriage or consanguinity with any of the parties tasked with handling, investigating or deciding on the case, the latter will not take part in the process and will be replaced with a person not under his/her authority.

#### Rights of person reported

The person reported must be informed of the complaint maid against him/her as soon as the suitable checks have been made and the case file has been opened for processing.

In any case, CaixaBank will inform the reported person within a maximum of one month from receipt of the complaint and inform him/her of the existence of the complaint and the matter that is the subject of the complaint.

Finally, in terms of governance:

> The CaixaBank Group Query and Whistleblowing Channel is **managed** by the **Regulatory Compliance** function, although the specialised team of CaixaBank's Corporate Regulatory Compliance Division, which reports to the Sub-Directorate General for Compliance, is responsible for managing the complaints and it assumes the senior role of responsibility for the Queries and Whistleblowing Channel.

CaixaBank's Regulatory Compliance may raise queries, request information, require investigations and any other measure or procedure for the proper management of the complaints process.

- > For any complaints in which, according to Regulatory Compliance, there are indications of criminal offences, Regulatory Compliance will inform the Corporate Criminal Risk Management Committee of the reported offence and it will keep this Committee informed of the procedural milestones and the internal strategy to follow in relation to the investigation. The Corporate Criminal Risk Management Committee may propose such aspects as it deems appropriate, and its proposal and the decision taken by Regulatory Compliance will be recorded.
- > CaixaBank's Regulatory Compliance provides Group companies with a general service for the operation and management of the Channel, which includes, among other things: the implementation of the Channel; the management of its operation; support in training and raising awareness regarding the Channel; any other function or assistance for its implementation and correct operation.
- > CaixaBank's Regulatory Compliance reports on the activity of the Channel to the Audit and Control Committee of CaixaBank at least every **six months** and, in any case, when it deems it appropriate according to the circumstances.
- > CaixaBank Group companies with access to the Channel will be responsible for reporting to their Governing Bodies, although they may request that CaixaBank Regulatory Compliance assist their Board of Directors to report on the nature of the complaints received on the platform, as well as the main trends identified



#### 2020





Our Identity



Strategic Lines



Statement of Non-financia Information



Group structu



Report





#### **Training**

CaixaBank Group ensures the provision of **ongoing training plans** adapted to the different positions and responsibilities of the staff involved in preparing and reviewing financial reporting, with a focus on accounting, audits, internal control (including ICFR), risk management, regulatory compliance and remaining up to date on legal/ tax matters.

These training programmes are used by members of the Executive Directorate of Financial Accounting and Control, the Internal Audit, Control and Compliance Division, the Non-performing Loans, Recoveries and Assets Division, as well as the members of the Company's Senior Management. It is estimated that more than **28,026 hours** of training in this area have been provided to **718 Group employees**.

In particular, in terms of ICFR, an **online course** on this subject is launched each year. This year, a new course was designed and launched in the last quarter of 2020 for all employees involved (directly or indirectly) in the financial reporting process. A total of 341 employees from Intervention and Accounting, Corporate Information and Control of Investees, Planning and Capital and Risks, among others, took the course. In 2019, 39 employees took this course and 585 did so between 2013 and 2018. This training is intended to raise awareness among these employees of the importance of establishing mechanisms that guarantee the reliability of the financial information, as well as their duty to ensure compliance with the applicable regulations.

Furthermore, the Executive Directorate of Financial Accounting, Control and Capital is also active, alongside other areas of the Group, in sector-specific working groups on both the national and international levels. These groups address topics relating to accounting standards and financial matters.

In terms of **training carried out for Company Directors**, in 2020, a session on the Prevention of Money Laundering and Terrorism Financing was given to all members of the Board of Directors. In addition, the Risk Committee included 12 single-topic presentations into the agenda at its ordinary meetings. These presentations looked in detail at relevant risks, such as reputational risk, compliance risk, reliability risk of financial information, structural balance sheet interest rate risk, legal risk, market risk, operational risk and cybersecurity, among others. The Audit and Control Committee has also included a total of 7 single-topic presentations in the agenda of its meetings, covering matters relating to audit, supervision and control. These committees also held two joint sessions to discuss important aspects of solvency.









Annual Corporate Governance Report for 2020

### Risk assessment in financial reporting (F.2)

The Group's Internal Control of Financial Reporting function adheres to the international standards established by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO) in its framework published in 2013, which covers the control objectives regarding the effectiveness and efficiency of operations, the purpose of financial reporting and compliance with applicable laws and regulations.

The Group has its own methodology for **identifying the risks**, which is implemented in the Group's main subsidiaries in a homogeneous manner, with regard to (i) the responsibility and implementation and updating; (ii) criteria to be followed and information sources to be used; and (iii) criteria to identify the significant components with regard to ICFR, as reflected in the following process:

- Determining the scope, including the selection of the financial information, relevant headings and entities of the Group generating it, using quantitative and qualitative criteria.
- Identifying the key Group entities and classifying them to determine the required standard of control for each one.
- Identification of the Group's material processes which are involved, either directly or indirectly, in preparing financial information
- Identification of the risks associated with each process.
- Documentation of existing **controls** to mitigate the identified risks.
- Continuous assessment of the effectiveness of Internal Control over Financial Reporting.
- Reporting to Governing Bodies.

Risks relate to possible errors with potential material impact, including error and fraud, in relation to financial reporting objectives, and are categorised as follows:

- > Transactions and events included in the financial information genuinely exist, and were documented at the right time (existence and occurrence).
- > The information includes all transactions and events in which the Company is the party concerned **(completeness)**.
- > Transactions and events are recorded and assessed in accordance with regulations in force (valuation).
- > The transactions and events are classified, presented and disclosed in the financial information in accordance with applicable regulations (presentation, disclosure and comparability).
- > On the corresponding date, the financial information reflects rights and obligations through the corresponding assets and liabilities, in accordance with applicable regulations (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 entity 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 ICFR Function, at least once a year, reviews the risks within its scope and the control activities designed to mitigate these. If, during the course of the year, 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.

Finally, the Audit and Control Committee is tasked with overseeing the regulated financial reporting process of the Group and ICFR, supported by the work of the Internal Audit function and the conclusions of the external auditor.





Statement of Non-financia







## Procedures and activities for control over financial reporting (F.3)

In line with regulatory guidelines and best practices in the industry, the **Internal Control Framework** applicable to CaixaBank Group's ICFR is structured around the three **Lines of Defence** model.

# 1st LoD 2nd LoD 3rd LoD «

# What do they do?

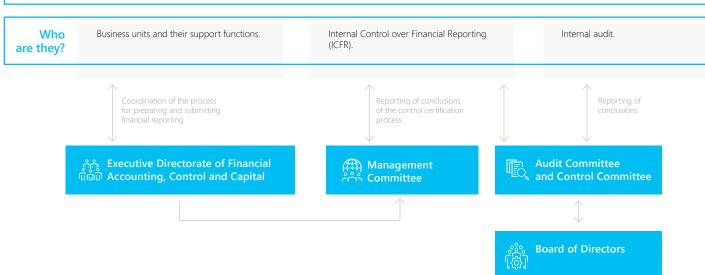
Responsible for developing and maintaining effective controls over their businesses, and for identifying, managing and measuring, controlling, mitigating and reporting the main risks regarding the Reliability of Financial Reporting.

Collaborating with the ICFR in identifying the risks and controls, as well as the formalisation and descriptive documentation of the activities and process controls that affect the generation of financial information.

Responsible for identifying, measuring, monitoring and reporting risks, establishing the management policies and control procedures and reviewing their implementation by the 1st LoD, from which it is independent.

The periodic compliance review is carried out on the basis of certifications (incorporated into the ICFR process).

Responsible for assessing the effectiveness of risk management and the internal control systems (ICFR), applying principles of independence and objectivity.



## 2020

Consolidated
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Our Identity



Strategic Line



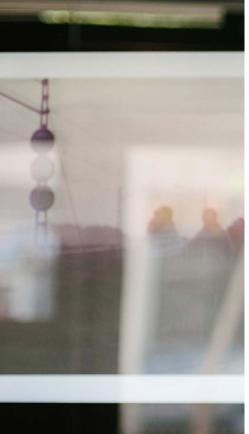
Non-financia Information





Annual Corporate Governance Report for 2020







#### **Review and authorisation procedures** for financial reporting

The professional profile of the personnel involved in reviewing and authorising the financial information is of a suitable standard, with knowledge and experience in accounting, audit and/or risk management.

The preparation and review of financial information is carried out by the various areas of the **Executive Directorate of Financial Accounting, Control and Capital**, which requests collaboration from the business units and support functions, as well as companies within the Group, in order to obtain the level of detail it deems necessary for this information. Financial reporting is monitored by the various hierarchical levels within this Executive Directorate and other areas within the Company. Finally, the relevant financial information to be disclosed to the market is presented by the Executive Directorate, alongside the conclusions of the ICFR certification, to the responsible Governing Bodies and to the Management Committee, where the information is examined and, if appropriate, approved.

CaixaBank has in place a process whereby it **constantly revises all documentation concerning the activities** carried out, any risks inherent in reporting the financial information and the controls needed to mitigate critical risks:

#### >> DOCUMENTATION WORKFLOW

O1.

PROCESSES/
SUBPROCESSES

02.
ASSOCIATED
FINANCIAL
RISKS/ ASSERTIONS

- > Existence and Occurrence
- > Completeness
- > Valuation
- > Rights and Obligations
- > Presentation, Disclosure and Comparability
- > Possibility of fraud?
- > Connection to corporate risk catalogue

03.
CONTROL
ACTIVITIES

- > Importance (key/ standard)
- > Automation
- > Evidence
- > System (linked computer applications)
- > Purpose (preventive, detective, corrective)
- > Frequency
- > Certification
- > COSO Component
- > Executor
- > Validator

Certification of effectiveness of key

>>>

04.

REPORTING
TO SENIOR

MANAGEMENT
AND
GOVERNING
BODIES

Revision prior to the lesign and implementation of controls



ICFR function

Revision of the effectiveness of the control and certification process

Internal Audit function







With respect to the systems used for ICFR management, the Company has the SAP Governance, Risk and Compliance (SAP GRC) tool in place. This allows for a comprehensive management of the risks and process controls related to the preparation of financial information and relevant documentation and evidence. The tool can be accessed by employees with different levels of responsibility in the assessment and certification process for the Group's internal control system.

In 2020, the certification process was carried out on a quarterly basis, as well as other specific processes at different intervals, and no material weaknesses were detected in the certifications conducted. In addition, for certain financial information to be disclosed to the markets, further

certifications were carried out beyond those conducted at the end of the quarter as standard. In this case, also, no material weaknesses were detected in any of the certifications conducted.

The preparation of the financial statements requires senior executives to make certain **judgments**, **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. In accordance with the provisions of internal regulations, the Board and the Management Committee are responsible for approving these judgments and estimates, described in Note 1.3 to the consolidated financial statements, mainly in relation to:

- > The measurement of goodwill and intangible assets.
- > The term of the lease agreements used in the assessment 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 stakes in joint ventures and associates.
- > Determination of share of profit (loss) in associates.
- > Actuarial assumptions used to measure liabilities arising under insurance contracts.
- > The classification, useful life and impairment losses on tangible and intangible assets.
- > Impairment losses on non-current assets and disposal groups classified as held for sale.
- > Actuarial assumptions used to measure post-employment liabilities and commitments.
- > The measurement of the provisions required to cover labour, legal and tax contingencies.
- > The income tax expense 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, CaixaBank's IT systems guarantee security by adhering to the requirements defined in international best practices for information security, such as the ISO/IEC 27000 standards, NIST, CSA, etc. These standards, alongside the obligations established in various laws and regulations and the requirements of local and sector-specific supervisory bodies, form part of the CaixaBank Group Regulations on Information Security. Compliance with these Regulations is monitored at all times and reports are shared with key players both within and outside the organisation.

The main activities are certified as follows:

- > CaixaBank Group's corporate cybersecurity activities, carried out at headquarters in Barcelona, Madrid and Porto are certified by ISO 27001:2013 (BSI).
- > The official **CERT** accreditation (Computer Emergency Response Team) recognises the Bank's ability to manage information security.

In addition, with regard to 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 CaixaBank's Technological Contingency governance regulations have been designed, developed and are operating in accordance with this Standard.

Furthermore, the BSI has certified the CaixaBank's Business Continuity Management Plan is compliant with ISO 22301:2012, which certifies:

- > The **commitment** of CaixaBank's senior management with respect to Business Continuity and Technological Contingency.
- > The implementation 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.

















In terms of IT Governance, CaixaBank's information and technology (IT) governance model ensures that its IT services are aligned with the Organisation'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.

CaixaBank's IT Governance Regulations are developed on the basis of requirements specified in the standard ISO 38500:2008.

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.
- > Periodic reporting to management.
- > Rigorous internal controls which include annual internal and external audits.









#### Procedures for managing 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 Group's operational and investment costs.

This policy is detailed in the **internal regulations of the Group** which mainly regulate processes regarding:

- > **Budget** drafting and approval.
- > Budget execution and demand management.
- > Purchases and contracting **services**.
- > 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:

- > Expenses and Investments Committee (EIC): reviews and ratifies all expenses and investment proposed by the various areas and subsidiaries in projects. It queries the need and reasonableness for expenditure by means of a profitability and/or efficiency analysis from the standpoint of the Bank.
- > **Purchasing Panel:** ensures the proper implementation of the purchasing/engagement policies and procedures defined in the regulations, encouraging equal opportunities among suppliers. The

bank's Code of Business Conduct and Ethics stipulates that goods must be purchased and services engaged objectively and transparently, avoiding situations that could affect the objectiveness of the people involved. Therefore, all purchases must have minimum of 3 competing bids submitted by different suppliers. Purchases above a certain threshold must be managed by the specialised team of buyers for the given purchase category: IT, Professional Services, Marketing, Facilities and Building Works.

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**, updated in May 2019, which is primarily based on the European Banking Authority Guidelines on Outsourcing Arrangements GL/2019/02. The Outsourcing Policy establishes the methodological framework and criteria to take into account when outsourcing the Bank's activities to third parties. It also sets out the corporate principles that establish the scope, governance, management framework and risk control framework of the CaixaBank Group, on which the actions to be carried out in the full life cycle of outsourcing services must be based.

The wording of the new outsourcing governance policy, prepared jointly with the second line of defence for non-financial risks, ensures:

> CaixaBank senior management's **commitment** to outsourcing governance.

- > The existence of 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, ABE, MiFID and Basel III.
- > Advantages in terms of the Bank's image and reputation.

CaixaBank continues to increase its control efforts, ensuring 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:





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- Analysis of the applicability of the outsourcing model to the supplier
- Assessment of the outsourcing decision by measuring criticality, risks and the associated outsourcing model
- Approval of the risk inherent in the initiative by a collegial internal body
- **Engagement** of the supplier
- Transfer of the service to the external supplier
- Oversight and monitoring of the activity or service rendered

All outsourced activities are subject to controls, largely based on service **performance indicators and mitigation measures** included in the contract. These help mitigate the risks detected in the outsourcing decision assessment. 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 **2020**, the **activities** outsourced to third parties in relation to valuations and calculations of 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.









Management Report



## Reporting and communication (F.4)

#### **Accounting policies**

Sole responsibility for specifying and communicating the Group's accounting criteria falls to the Intervention and Accounting Management Division, specifically the **Accounting Policies and Regulation Department**, which is integrated into the Executive Directorate of Financial Accounting, Control and Capital.

Its responsibilities include **monitoring and analysing regulations** relating to financial reporting 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.

The monitoring of new regulations in relation of **non-financial reporting** is also included among the duties of the Accounting Policies and Regulation Department. It particular, it carries out a **continuous analysis** of the new information requirements and the trends in national, European and international regulations in terms of sustainability and non-financial reporting. Alongside the other relevant areas in Caixa-Bank Group, it interprets the resulting implications and works to ensure that these implications are managed and incorporated into the Group's working practices.

Furthermore, it **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 surroundings accounting matters that are not included in a cost sheet, or where there are any doubts regarding their interpretation. Accounting queries that have been concluded by the Department are shared with the rest of the Intervention and Accounting Management Division at least once per month, with an explanation of 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 their participation in the Group's Product Committee, they analyse 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 that a contract or transaction may involve. In

addition, the main characteristics of the administrative operation, tax regulations, accounting criteria and applicable 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** in terms of regulations on financial and non-financial reporting. In the event of any applicable regulatory change applicable that must be implemented in the Group, the Department communicates this to the Departments or Group subsidiaries affected, and participates or leads the implementation projects for such changes where relevant.

The Accounting Policies and Regulation Department is also involved in individual projects related to **sustainability and non-financial reporting**, be it in transversal Group projects, internal and external training courses, or through its participation in working groups with peers and external stakeholders.

The previous activities in relation to financial reporting are materialised in the existence and maintenance of a **manual on accounting policies**, which establishes the standards, principles and accounting 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 gueries received by the Department.

Communication with operation managers is permanent and fluid.

Additionally, the Accounting Policies and Regulation Department is responsible for developing **training activities** on accounting developments and amendments in the organisation's relevant business departments.

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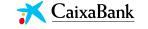
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#### Mechanisms for **financial reporting**

CaixaBank has internal IT tools that ensure the completeness and homogeneity in the **preparation processes** for financial information. All the applications have IT contingency mechanisms, to ensure the conservation and accessibility of information under any circumstances.

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 elaborating **consolidated information**, both CaixaBank and the companies that comprise the Group use specialised tools to employ information capturing, analysis and preparation mechanisms with homogeneous 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 tool also supports the Corporate Risks Catalogue and the Key Risk Indicators (KRIs), under the responsibility of the Executive Directorate of Corporate Risk Management Function & Planning.



#### Oversight of the operation of the system for Internal Control over Financial Reporting (F.5)

The **Audit and Control Committee** is entrusted with overseeing the preparation and submission process for regulated financial information and the effectiveness of the internal control and risk management systems in place at the Bank. These duties are explained in detail in the section "The Administration –The Board Committees – Audit and Control Committee".

The Internal Audit function, represented by the Executive Directorate of Audits in the Management Committee, is governed by the principles contained in the CaixaBank Group Internal Audit Regulations, approved by the CaixaBank Board of Directors. It is an independent and objective function that offers a systematic approach to the assessment of risk management processes and controls, as well as corporate governance. Its purpose is to support the Audit and Control Com-

mittee in its supervisory role. In order to establish and ensure this independence, Internal Audit reports to the Chair of the Audit and Control Committee, without prejudice to obligation to report to the Chair of the Board of Directors for the proper performance of its duties.

Internal Audit has **213 auditors working in various teams** specialising in certain fields. These include a group tasked with coordinating the oversight of processes relating to CaixaBank Group's financial reporting, which is attached to the Financial Audit, Investees and Regulatory Compliance Division.

The activities of the internal audit function are periodically reported to the Audit and Control Committee, which, in turn, reviews the following within the scope of

the financial information reliability risk: (i) internal audit planning and the adequacy of its scope; (ii) the conclusions of the audits carried out and the impact on financial reporting; and (iii) monitoring corrective action.

Internal Auditing develops a **specific work programme to review ICFR**, which is focused on the relevant processes (transversal and business-based) defined by the ICFR team, along with the review of existing controls in the audits of other processes.















Currently, this work programme is completed by reviewing the proper certification and evidence of effective execution of a sample of controls, selected according to continual auditing indicators. Based on this, the Internal Audit function publishes an annual global report which includes an assessment of the performance of ICFR during the year. The 2020 assessment focused

- > Review of the application of the reference framework defined in the document "Internal Control over Financial Reporting in Listed Companies", published by the CNMV.
- > Verification of application of the Corporate Policy on the Financial Information Reliability Risk and the ICFR Standard to ensure that ICFR across the group is adequate
- > Assessment of the internal bottom-up certification of key controls.

> Evaluating the specifications of the relevant processes, risks and controls in financial reporting.

Furthermore, in 2020, Internal Audit carried out a range of reviews of processes that affect the generation, preparation and presentation of financial information, focused on financial and accounting areas, corporate risk management, financial instruments, information systems and the insurance business, among other matters.

The Company also has procedures for regular discussions with its external auditor, which assists the Audit and Control Committee and reports on its audit planning and the conclusions reached before publishing the results, as well as any weaknesses found in the internal control system.

### External auditor's 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 the Annual Corporate Governance Report.



















## **Extent of compliance with** corporate governance **recommendations** (G)

# >> CROSS-REFERENCE TABLE FOR COMPLIANCE OR EXPLANATION OF CORPORATE GOVERNANCE RECOMMENDATIONS

	Recommendation 1	Recommendation 2	Recommendation 3	Recommendation 4
DESCRIPTION	The By-laws 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.	When a dominant and a subsidiary company are both listed, they 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 possible conflicts of interest.	During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:  a) Changes taking place since the previous annual general meeting.  b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.	The company should draw up and implement a policy of communication and contacts with shareholders and institutional investors, in the context of their involvement in the company, as well as proxy advisors, which complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.  Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.
COMPLIANT	Yes	Not applicable	Yes	Yes
00		CaixaBank is the only listed company in the Group.		
COMMENTS				





#### **Recommendation 5**

The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

#### Partial compliance

DESCRIPTION

COMPLIANT

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 give the right to the subscription or acquisition of the company's shares, including warrants. The proposed delegation expressly included the power to waive 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 22 May 2020 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 the 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 share capital and only subject to the 50% limit.





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#### Recommendation 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 on auditor independence.
- **b)** Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

The company should broadcast its general meetings live on the corporate website. The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

**Recommendation 7** 

The audit committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the audit committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

**Recommendation 8** 

Yes

Yes Yes

COMMENTS

COMPLIANT

DESCRIPTION



	Recommendation 9	Recommendation 10	Recommendation 11
	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.  Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.	When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:	In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.
		a) Immediately disclose the supplementary items and new proposals.	
COMMENTS COMPLIANT DESCRIPTION		<b>b)</b> Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.	
		c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.	
		<b>d)</b> After the general shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.	
	Yes	Partial compliance	Yes
		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 quarantee of consistency when exercising voting rights.	















#### **Recommendation 12**

The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

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.

#### **Recommendation 13**

The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

#### **Recommendation 14**

The Board of Directors should approve a Director selection policy that:

- a) Is specific and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender. The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each Director. The Director selection policy should pursue the goal of having at least 30% of total board places occupied by women Directors before the year 2020. The nomination committee should run an annual check on compliance with the Director selection policy and set out its findings in the annual corporate governance report.

#### **Recommendation 15**

Proprietary and independent Directors should constitute an ample majority on the Board of Directors, while the number of executive Directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control. The number of female directors should represent at least 40% of the total number of members of the board of directors before the end of 2022 and not being below 30% before that time.

#### **Recommendation 16**

The percentage of proprietary Directors out of all non-executive Directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital. This criterion can be relaxed:

- a) In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

COMPLIANT

Yes

COMMENTS

Yes Yes Yes Yes



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# Recommendation 17 Independent Directors should be at least half of all Board members.

However, when the company is not highly capitalised or is highly capitalised but has one or more shareholders acting in concert and controlling more than 30% of the share capital, the minimum number of independent directors should be at least one third of the total.

# Recommendation 18

Companies should post the following Director particulars on their websites, and keep them permanently updated:

- a) Background and professional experience
- **b)** Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- **d)** Date of their first appointment as a board member and subsequent re-elections.
- **e)** Shares held in the company, and any options on the same.

#### **Recommendation 19**

Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

#### **Recommendation 20**

Proprietary Directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary Directors, the latter's number should be reduced accordingly.

#### **Recommendation 21**

The Board of Directors should not propose the removal of independent Directors before the expiry of their tenure as mandated by the By-laws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

COMPLIANT

DESCRIPTION

COMMENTS

Yes Yes Yes Yes Yes

Management Report















#### Recommendation 22

Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

#### **Recommendation 23**

Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other Directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation. The terms of this Recommendation also apply to the Secretary of the Board, even if he or she is not a Director.

#### **Recommendation 24**

Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

#### **Recommendation 25**

The Nomination Committee should ensure that non-executive Directors have sufficient time available to discharge their responsibilities effectively. The Board of Directors regulations should lay down the maximum number of company boards on which Directors can serve.

#### **Recommendation 26**

The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items.

COMPLIANT

COMMENTS

Yes Yes Yes Yes Yes







DESCRIPTION

COMPLIANT

Partial compliance



Recommendation 27	Recommendation 28	Recommendation 29	Recommendation 30
Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, Directors should delegate their powers of representation with the appropriate instructions.	When Directors or the Secretary express concerns about some proposal or, in the case of Directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recor-	The company should provide suitable channels for Directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.	Regardless of the knowledge tors must possess to carry or duties, they should also be refresher programmes whe cumstances so advise.

ded in the minute book.

Yes

In the event of unavoidable absences, in order to prevent de facto changes to the balance of the Board of Directors, legislation allows for delegation to another director (non-executives only to other non-executives) - this is established in Principle 14 of the Good Governance Code and also envisaged in By-laws (article 37), as well as the Board's Regulations (article 17), which determine 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 another Board member, including the appropriate instructions therein. Non-executive Directors may only delegate a proxy who is another non-executive Director, while independent Directors may only delegate to another 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 Board, 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.

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Yes



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#### **Recommendation 31**

Companies should establish rules obliging Directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a Director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the annual corporate governance report.

#### **Recommendation 32**

Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

# **Recommendation 33**

The Chairman, as the person responsible for the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's By-laws, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Director, when circumstances so dictate.

#### **Recommendation 34**

When a lead independent director has been appointed, the By-laws or Regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the Chairman or Deputy Chairmen; give voice to the concerns of non-executive directors; maintain contact 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; and coordinate the Chairman's succession plan.

#### **Recommendation 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.

Yes Yes Yes Yes Yes

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#### **Recommendation 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's operation.
- b) The performance and membership of its committees.
- c) The diversity of Board membership and competences.
- d) The performance of the Chairman of the Board of Directors and the company's Chief Executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of Board committees.

The evaluation of Board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.

The process followed and areas evaluated should be detailed in the Annual Corporate Governance Report.

#### **Recommendation 37**

When there is an executive committee, there should be at least two non-executive members, at least one of whom should be independent; and its secretary should be the secretary of the Board of Directors.

Yes

#### **Recommendation 38**

The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee's minutes.

#### **Recommendation 39**

All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

#### **Recommendation 40**

Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board's Non-Executive Chairman or the Chairman of the audit committee.

COMPLIANT

## Partial compliance

exercise.

With respect to the 2020 financial year, the Board of Directors has carried out the self-assessment of its operation internally after ruling out the benefit of the assistance of an external advisor, as given the partial renewal process the Board will undertake once the merger of CaixaBank with Bankia takes effect, it was more advisable and reasonable to postpone the external collaboration to the next self-assessment

As a result, the self-assessment process was carried out along the same lines as the previous year with the assistance of the General Secretary and Secretary of the Board.

Yes

Yes



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# Recommendation

The head of the unit

handling the internal

audit function should

present an annual work

programme to the

audit committee, for

approval by this com-

mittee or the board,

inform it directly of any

incidents or scope limi-

tations arising during its

implementation, the re-

sults and monitoring of its recommendations,

and submit an activities report at the end of

each year.

The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

**Recommendation 42** 

- a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- **b)** Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.
- d) In general, ensure that the internal control policies and systems established are applied effectively in practice
- 2. With respect to the external auditor:
- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- **c)** Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Recommendation 43 Recommendation 44

The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer. 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.

COMPLIANT

DESCRIPTION

Yes

Yes

Yes





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#### **Recommendation 45**

The risk control and management policy should identify or establish at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- **b)** A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.
- **c)** The level of risk that the company considers acceptable.
- **d)** The measures in place to mitigate the impact of identified risk events should they occur.
- e) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks

#### **Recommendation 46**

Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the Audit Committee or some other dedicated Board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- **b)** Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that the risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

#### **Recommendation 47**

Appointees to the Nomination and Remuneration Committee - or of the Nomination 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 discharge. The majority of their members should be independent Directors.

#### Recommendation 48

Large cap companies should operate separately constituted nomination and remuneration committees.

Ild The nomination commitue- company's chairman and chief executive, especially on matters relating to executive directors.

**Recommendation 49** 

When there are vacancies on the Board, any Director may approach the nomination committee to propose candidates that it might consider suitable.

#### Recommendation 50

The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the Board the standard conditions of senior management contracts.
- **b)** Monitor compliance with the remuneration policy established by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- **d)** Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- **e)** Verify the information on director and senior officers' pay contained incorporate documents, including the annual directors' remuneration statement.

COMPLIANT

DESCRIPTION

Yes

Yes

Yes

Yes

Yes



#### **Recommendation 51**

officers.

The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive Directors and senior

#### **Recommendation 52**

The rules of performance and membership of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

#### **Recommendation 53**

The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

#### **Recommendation 54**

The minimum functions referred to in the previous recommendation are as follows:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.
- b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors. proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.
- c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.
- e) Monitor and evaluate the company's interaction with its stakeholder groups.

COMPLIANT

DESCRIPTION

Yes

Yes

Yes



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#### Recommendation 55

Environmental and social sustainability policies should identify and include at least:

- a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.
- b) The methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.
- d) Channels for stakeholder communication, participation and dialogue.
- e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

#### **Recommendation 56**

Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive Directors.

## **Recommendation 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.

The company may consider the share-based remuneration of non-executive Directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the Director must dispose of to defray costs related to their acquisition.

#### **Recommendation 58**

In the case of variable awards, remuneration The payment of the variable compopolicies should include limits and technical sa- nents of remuneration is subject to feguards to ensure they reflect the professio- sufficient verification that previously nal performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that Entities should include in their annual

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value creation, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

#### **Recommendation 59**

established performance, or other, conditions have been effectively met. directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

COMPLIANT

COMMENTS

Yes

Yes

Yes

Yes







for 2020

#### **Recommendation 60**

In the case of remuneration A major part of executive linked to company earnings, Directors' variable remudeductions should be comneration should be linked puted for any qualifications to the award of shares or stated in the external auditor's financial instruments whose value is linked to the share price.

**Recommendation 61** 

#### **Recommendation 62**

Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee, to address an extraordinary situation.

Yes Yes No

> The prohibition on directors transferring ownership (or exercising them as the case may be) of the shares, options or financial instruments corresponding to the remuneration schemes until a period of at least three years has elapsed 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 one year has elapsed since 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 held on 22 May 2020 approved the Remuneration Policy for the members of the Board of Directors from 2020 to 2022, both inclusive. This policy introduces a number of changes to the Remuneration Policy in place up to that date, maintaining the same principles and characteristics and lending it greater stability given that the term of the previous policy was nearing its end. The new Remuneration Policy includes only the following changes with respect to the previous one, in addition to some improvements in the wording: The express inclusion in the Remuneration Policy of the remuneration of the directors who are members of the Innovation, Technology and Digital Transformation Committee, created by resolution of the Board of Directors of 23 May 2019, and the establishment of the new weighting of the parameters relating to the Core Efficiency Ratio and the Variation of Troubled Assets of the corporate challenges to calculate the variable remuneration in the form of a bonus for the Executive Director in 2020 and the following financial years.

DESCRIPTION

COMPLIANT

report.











#### **Recommendation 63**

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COMMENTS

Yes

Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

#### **Recommendation 64**

Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the Director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Partial compliance

Payments for termination or expiry of the CEO's contract, including severance pay in the event of termination or expiry of the relationship in certain cases and the post-contractual non-competition agreement, do not exceed the amount equivalent to two years of the CEO's total annual remuneration, in accordance with the amounts reflected in the annual directors' remuneration report.

Furthermore, the Bank has recognised a social security supplement for the CEO to cover the contingencies of retirement, death and total, absolute or severe permanent disability, the conditions of which are detailed in the CaixaBank Directors' Remuneration Policy. In the case of the commitment to cover the retirement contingency, this is a system established under a defined contribution plan, for which the annual contributions to be made are fixed in advance. By virtue of this commitment, the CEO is entitled to receive a retirement benefit when he/she reaches the legally established retirement age. This benefit will be the result of the sum of the contributions made by the Bank and their corresponding returns up to that date, provided that he/she is not terminated for just cause, and without prejudice to the applicable treatment of discretionary pension benefits in accordance with the remuneration regulations applicable to credit institutions. Under no circumstances is it envisaged that the CEO will receive retirement benefits early.





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This annual corporate governance report was approved by the company's Board of Directors at its meeting on 18 February 2021, receiving one vote against from director Alejandro García-Bragado, with the remaining directors voting unanimously in favour.

Reason: Because section C.1.37 of the Report should have described the legal problems affecting him as a director, given that, in his opinion, they are relevant to his situation and to his actions in relation to the impact that this could have on the name and reputation of the company.









## >> TABLE RECONCILING THE CONTENTS WITH THE TEMPLATE OF THE CNMV ANNUAL CORPORATE GOVERNANCE REPORT

CNMV template section	Included in the statistical report	Comments
A.1	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Share performance – Share Capital" CMR Section "Our Identity – Corporate Governance – Ownership – Share increase authorisation"
4.2	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Significant shareholders"
4.3	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
4.4	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee Activities during the year – Monitoring the related-party transactions"
4.5	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee Activities during the year – Monitoring the related-party transactions"
4.6	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
4.7	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Significant shareholders – Shareholders' agreements"
4.8	Yes	Not applicable - No individual or company exercises or may exercise control over the company in accordance with Article 5 of the Spanish Securities Market Act.
4.9	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Treasury shares"
A.10	No	CMR Section "Our Identity – Corporate Governance – Ownership – Treasury shares"
A.11	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Share information – Share Capital"
<b>4.12</b>	No	CMR Section "Our Identity – Corporate Governance – Ownership – Shareholder rights"
A.13	No	CMR Section "Our Identity – Corporate Governance – Ownership – Shareholder rights"
A.14	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Share Capital"
B. GENERAL SHAREHOLDERS' MEETING		
CNMV template section	Included in the statistical report	Comments
3.1	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
3.2	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
3.3	No	CMR Section "Our Identity – Corporate Governance – Ownership – Shareholder rights"
3.4	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
3.5	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
3.6	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Shareholder rights"
3.7	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"













C.1 Board of Directors	<u> </u>	
CNMV template section	Included in the statistical report	Comments
C.1.1	Yes	CMR Section "Our Identity – Corporate Governance – Changes in the composition of the Board and its Committees in 2020" CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.2	Yes	CMR Section "Our Identity – Corporate Governance – Changes in the composition of the Board and its Committees in 2020" CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.3	Yes	CMR Section "Our Identity – Corporate Governance – Changes in the composition of the Board and its Committees in 2020" CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.4	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Diversity of the Board of Directors"
C.1.5	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Diversity of the Board of Directors"
C.1.6	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Diversity of the Board of Directors"
C.1.7	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Diversity of the Board of Directors"
C.1.8	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.9	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors" CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Executive Committee"
C.1.10	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.11	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.12	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.13	Yes	CMR Section "Our Identity – Corporate Governance – Remuneration"
C.1.14	Yes	CMR Section "Our Identity – Corporate Governance – Senior Management"
C.1.15	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Operation of the Board of Directors – Regulations of the Board"
C.1.16	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Principles of proportionality between categories of Board members"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Selection and Appointment"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Re-election and time in the role"
C.1.17	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Assessment of Board activities"
C.1.18	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Assessment of Board activities"





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C.1.19	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election,
C.1.19	INO	Assessment and Termination of Board members – Termination"
C.1.20	No	CMR Section "Our Identity— Corporate Governance — The Administration — The Board of Directors — Operation of the Board of Directors - Decision-making"
C.1.21	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Other limitations to the role of directors"
C.1.22	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Other limitations to the role of directors"
C.1.23	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Other limitations to the role of directors"
C.1.24	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Operation of the Board of Directors - Proxy Voting"
C.1.25	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Operation of the Board of Directors   CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Operation of the Board of Directors – Decision-making"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Executive Committee"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Appointments Committee"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Remuneration Committee"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Remuneration Committee"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Innovation, Technology and Digital Transformation Committee"  CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee"
C.1.26	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Operation of the Board of Directors"
C.1.27	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Supervision of financial reporting"  CMR Section "Our Identity – Corporate Governance – Internal Control over Financial Reporting (ICFR) – Procedure and activities for control over financial reporting"
C.1.28	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Supervision of financial reporting"  CMR Section "Our Identity – Corporate Governance – Internal Control over Financial Reporting (ICFR) – Procedure and activities for control over financial reporting"  CMR Section "Our Identity – Corporate Governance – Internal Control over Financial Reporting (ICFR) – Oversight of the operation of the internal control system"
C.1.29	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
C.1.30	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the independence of the external auditor" and "Relations with the market"
C.1.31	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the independence of the external auditor"
C.1.32	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the independence of the external auditor"
C.1.33	Yes	Not applicable







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C.1.34	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the independence of the external auditor"
C.1.35	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Operation of the Board of Directors - Information"
C.1.36	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Termination"
C.1.37	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors – Selection, Appointment, Re-election, Assessment and Termination of Board members – Termination"
C.1.38	No	CMR Section "Our Identity— Corporate Governance — The Administration — The Board of Directors — Operation of the Board of Directors - Decision-making"
		The Company maintains contractual termination clauses under the following terms:
		•
C.1.39	Yes	<ul> <li>CEO: One year of the fixed components of his remuneration.</li> <li>Four members of the Management Committee: 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 four members of the committee for whom the indemnity to which they are legally entitled is still less than one year of their salary.</li> <li>Four executives and 20 middle managers: between 0.1 and 1.5 annual payments of fixed remuneration above that provided by law. Executives and middle managers of Group companies are included in the calculation.</li> </ul>
C.1.39	Yes	<ul> <li>Four members of the Management Committee: 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 four members of the committee for whom the indemnity to which they are legally entitled is still less than one year of their salary.</li> <li>Four executives and 20 middle managers: between 0.1 and 1.5 annual payments of fixed remuneration above that provided by law.</li> </ul>

## C.2 Committees of the Board of Directors

CNMV template section	Included in the statistical report	Comments
C.2.1	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees"
C.2.2	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees"
C.2.3	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees"

#### D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

CNMV template section	Included in the statistical report	Comments
D.1	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the related-party transactions"
D.2	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the related-party transactions"
D.3	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the related-party transactions"
D.4	Yes	Not applicable
D.5	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the related-party transactions"
D.6	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board committees – Audit and Control Committee – Activities during the year – Monitoring the related-party transactions"
D.7	No	Not applicable. In Spain, the Bank is the only listed company belonging to the CaixaBank Group.

















#### E. RISK CONTROL AND MANAGEMENT SYSTEMS

CNMV template section	Included in the statistical report	Comments
E.1	No	See section 3.2. Risk governance, management and control in Note 3 to the CFS.
E.2	No	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 of the Board of Directors in this document; and the section on Responsible and ethical behaviour –Tax transparency in the CMR.
E.3	No	See section 3.2. Risk governance, management and control - 3.2.2. Strategic risk management processes - Corporate Risk Catalogue in Note 3 to the CFS and the sections on Ethics and integrity, Tax transparency and Risk Management in the CMR.
E.4	No	See section 3.2. Risk governance, management and control - 3.2.2. Strategic risk management processes - Risk Appetite Framework in Note 3 to the CFS.
E.5	No	See section on Risk management - Main milestones in 2020 in the CMR; sections 3.3, 3.4 and 3.5 (description of each risk in the Corporate Risk Catalogue) in Note 3; and section 23.3. Provisions for pending legal issues and tax litigation in Note 23 to the CFS.
E.6	No	See section 3.2. Risk governance, management and control - 3.2.4. Internal Control Framework and sections 3.3, 3.4 and 3.5 (description of each risk in the Corporate Risk Catalogue) in Note 3 to the CFS and the sections on Corporate Governance and Responsible behaviour and ethics in the CMR.

#### F. INTERNAL CONTROL OVER FINANCIAL REPORTING

CNMV template section	Included in the statistical report	Comments
F.1	No	CMR Section "Annual Corporate Governance Report for 2020 – Internal Control over Financial Reporting (ICFR) – Control environment"
F.2	No	CMR Section "Annual Corporate Governance Report for 2020 – Internal Control over Financial Reporting (ICFR) – Risk assessment in financial reporting"
F.3	No	CMR Section "Annual Corporate Governance Report for 2020 – Internal Control over Financial Reporting (ICFR) – Procedure and activities for control over financial reporting"
F.4	No	CMR Section "Annual Corporate Governance Report for 2020 – Internal Control over Financial Reporting (ICFR) – Reporting and communication"
F.5	No	CMR Section "Annual Corporate Governance Report for 2020 – Internal Control over Financial Reporting (ICFR) – Oversight of the operation of the internal control system"
F.6	No	Not applicable
F.7	No	CMR Section "Annual Corporate Governance Report for 2020 – Internal Control over Financial Reporting (ICFR) – External auditor report"

#### G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

CNMV template section	Included in the statistical report	Comments
G.	Yes	CMR Section "Annual Corporate Governance Report for 2020 – Extent of compliance with corporate governance recommendations"







Strategic Lin

Statement of Non-financia







#### H. OTHER USEFUL INFORMATION

 CNMV template section
 Included in the statistical report
 Comments

 H.
 No
 CMR Section "Strategic lines – Setting the benchmark for responsible management and social commitment – Corporate Responsibility Governance – Principal alliances and affiliations" and "Our identity - Tax transparency"

CFS - Consolidated Financial Statements of the Group for 2020

CMR - Consolidated Management Report of the Group for 2020



















# Statistical appendix to the ACGR

#### >> ISSUER IDENTIFICATION



Year-end date:



Corporate name: CAIXABANK, S.A.





Registered office:

Cl. Pintor Sorolla N. 2-4 (Valencia)

#### >> A. OWNERSHIP STRUCTURE

#### A.1. COMPLETE THE FOLLOWING TABLE ON THE COMPANY'S SHARE CAPITAL:

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
14/12/2016	5,981,438,031.00	5,981,438,031	5,981,438,031

State whether different types of shares exist with different associated rights:





#### A.2. DETAILS OF DIRECT AND INDIRECT OWNERS OF SIGNIFICANT HOLDINGS AT THE END OF THE FINANCIAL YEAR, EXCLUDING DIRECTORS:

Name or corporate	% of voting rights attributed to the shares		% of voting rights thro	ough financial instruments	
name of the shareholder	Direct	Indirect	Direct	Indirect	% total voting rights
INVESCO LIMITED	0.00	1.96	0.00	0.00	1.96
BLACKROCK, INC	0.00	2.98	0.00	0.24	3.23
"LA CAIXA" BANKING FOUNDATION	0.00	40.02	0.00	0.00	40.02
NORGES BANK	3.01	0.00	0.00	0.00	3.02

#### **DETAILS OF INDIRECT HOLDING:**

Name or corporate name of the indirect owner	Name or corporate name of the direct owner	% voting rights attributed to shares	% voting rights through financial instruments	% total voting rights
INVESCO LIMITED	invesco asset management limited	1.91	0.00	1.91
INVESCO LIMITED	INVESCO ADVISERS, INC	0.01	0.00	0.01
INVESCO LIMITED	INVESCO MANAGEMENT, S.A.	0.03	0.00	0.03
BLACKROCK, INC	OTHER CONTROLLED ENTITIES BELONGING TO THE BLACKROCK GROUP, INC	2.98	0.25	3.23
"LA CAIXA" BANKING FOUNDATION	CRITERIACAIXA, S.A.U.	40.02	0.00	40.02



















#### A.3. IN THE FOLLOWING TABLES, LIST THE MEMBERS OF THE BOARD OF DIRECTORS (HEREINAFTER, "DIRECTORS") WITH VOTING RIGHTS ON COMPANY SHARES:

Name or corporate	% voting right attributed to s		% voting right through financ	s cial instruments		% of voting right financial instrun	nts that can be transferred through nents
name of the shareholder	Direct	Indirect	Direct	Indirect	% total voting rights	Direct	Indirect
Jordi Gual	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tomás Muniesa	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gonzalo Gortázar	0.02	0.00	0.00	0.00	0.02	0.00	0.00
John S. Reed	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CajaCanarias Foundation	0.64	0.00	0.00	0.00	0.64	0.00	0.00
Maria Teresa Bassons	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Verónica Fisas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alejandro García-Bragado	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cristina Garmendia	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ignacio Garralda	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Amparo Moraleda	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Eduardo Javier Sanchiz	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Serna	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Koro Usarraga	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% of total voting rights held by	y the Board of Direct	ors					0.67

<sup>%</sup> of total voting rights held by the Board of Directors

#### **DETAILS OF INDIRECT HOLDING:**

Name or corporate name of the shareholder	Name or corporate name of the direct owner	% voting rights attributed to shares	% voting rights through financial instruments		% of voting rights that can be transferred through financial instruments
José Serna	María Soledad García Conde	0.00	0.00	0.00	0.00

# 2020 Consolidated Management Report





Our identity

Strategic Lines

Statement of Non-financial Information

Glossary and Group structure

Independent Verification Report

Annual Corporate Governance Report

A.7. STATE WHETHER THE COMPANY HAS BEEN NOTIFIED OF ANY SHAREHOLDERS' AGREEMENTS PURSUANT TO ARTICLES 530 AND 531 OF THE CORPORATE ENTERPRISES ACT ("CEA"). PROVIDE A BRIEF DESCRIPTION AND LIST THE SHAREHOLDERS BOUND BY THE AGREEMENT, AS APPLICABLE:

Shareholders bound by agreement	% of share capital affected B	rief description of agreement	Expiration date of the agreement, if there is one
FUNDACIÓN BANCARIA CAJA NAVARRA, FUNDACIÓN CajaCanarias AND FUNDACIÓN CAJA DE BURG, FUNDACIÓN BANCARIA "LA CAIXA"	o Fi Fi o o al th th t	Intil the date of its termination, the Shareholders' Agreement signed in 1 August 2012 (and last amended in October 2018) between undación Bancaria Caja de Burgos, Fundación Bancaria Caja Navarra undación Bancaria Caja Canarias and FBLC concerned at least 40.649 of the Company's share capital, according to the public data available in the CNMV website. The Agreement originated from the merger by bsorption of Banca Cívica by the Company, with the aim of regulating the reciprocal relations between the aforementioned foundations and the relations with CaixaBank, as shareholders of the Company.  Among other undertakings, the Agreement included the commitment of the FBLC to vote in favour of the appointment of one member of the CaixaBank Board and one member of the Board of Directors of	2012 for the merger by absorption of Banca Cívica, had been terminated upon expiration of its term. As part of the finalisation of the Shareholders' Agreement, the CajaCanarias Foundation has tendered its resignation as a director to the CaixaBank Board of Directors.
		idaCaixa proposed by the other foundations.	
State whether the company is a	ware of the existence of any co	oncerted actions among its shareholders. Give a brief d	lescription as applicable:
I I VES IXI NO			
☐ YES X NO			
	OUAL OR COMPANY EXERCISES O	R MAY EXERCISE CONTROL OVER THE COMPANY IN ACCOR	DANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET
	OUAL OR COMPANY EXERCISES O	R MAY EXERCISE CONTROL OVER THE COMPANY IN ACCOR	DANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:	OUAL OR COMPANY EXERCISES O	R MAY EXERCISE CONTROL OVER THE COMPANY IN ACCOR	DANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET
A.8. STATE WHETHER ANY INDIVID	OUAL OR COMPANY EXERCISES O	R MAY EXERCISE CONTROL OVER THE COMPANY IN ACCOR	DANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:	DUAL OR COMPANY EXERCISES O	R MAY EXERCISE CONTROL OVER THE COMPANY IN ACCOR	DANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES X NO			DANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET  A.11. ESTIMATED FLOATING CAPITAL:
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES X NO  A.9. COMPLETE THE FOLLOWING T			
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES NO  A.9. COMPLETE THE FOLLOWING TAT YEAR-END:		ASURY STOCK:	A.11. ESTIMATED FLOATING CAPITAL:
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES X NO  A.9. COMPLETE THE FOLLOWING TAT YEAR-END:  Number of shares held directly	'ABLES ON THE COMPANY'S TREA	ASURY STOCK:	A.11. ESTIMATED FLOATING CAPITAL:
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES X NO  A.9. COMPLETE THE FOLLOWING TAT YEAR-END:  Number of shares held directly	'ABLES ON THE COMPANY'S TREA Number of shares held indir	ASURY STOCK: ectly(*) % of total share capital	A.11. ESTIMATED FLOATING CAPITAL:  Estimated floating capital (%) 51.02  A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT AR
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES X NO  A.9. COMPLETE THE FOLLOWING THE ACT. IN THE A	Number of shares held indin	ASURY STOCK: ectly(*) % of total share capital	A.11. ESTIMATED FLOATING CAPITAL:  Estimated floating capital (%) 51.02  A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT AR NOT TRADED ON A REGULATED EU MARKET.
A.8. STATE WHETHER ANY INDIVIDACT. IF SO, IDENTIFY THEM:  YES NO  A.9. COMPLETE THE FOLLOWING TAT YEAR-END:  Number of shares held directly  3,528,919  (*) THROUGH:  Name or corporate name of direct shares	Number of shares held indin 532,590	ASURY STOCK:  sectly(*) % of total share capital  0.07	A.11. ESTIMATED FLOATING CAPITAL:  Estimated floating capital (%) 51.02  A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT AR
A.8. STATE WHETHER ANY INDIVIDACT. IF SO, IDENTIFY THEM:  YES NO  A.9. COMPLETE THE FOLLOWING TAT YEAR-END:  Number of shares held directly  3,528,919  (*) THROUGH:  Name or corporate name of direct shares	Number of shares held indin 532,590	ectly(*) % of total share capital 0.07  mber of shares held directly 5,446	A.11. ESTIMATED FLOATING CAPITAL:  Estimated floating capital (%) 51.02  A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT AR NOT TRADED ON A REGULATED EU MARKET.
A.8. STATE WHETHER ANY INDIVIDACT. IF SO, IDENTIFY THEM:  YES X NO  A.9. COMPLETE THE FOLLOWING TO AT YEAR-END:  Number of shares held directly  3,528,919  (*) THROUGH:  Name or corporate name of direct share BANCO BPI, S.A.	Number of shares held indire 532,590  eholder Nur 506 3,46	ASURY STOCK:  ectly(*) % of total share capital 0.07  mber of shares held directly 5,446 66	A.11. ESTIMATED FLOATING CAPITAL:  Estimated floating capital (%) 51.02  A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT AR NOT TRADED ON A REGULATED EU MARKET.
A.8. STATE WHETHER ANY INDIVID ACT. IF SO, IDENTIFY THEM:  YES X NO  A.9. COMPLETE THE FOLLOWING THE ACT. IF SO, IDENTIFY THEM:  Number of shares held directly 3,528,919  (*) THROUGH:  Name or corporate name of direct shares BANCO BPI, S.A.  CAIXABANK PAYMENT & CONSUMER	Number of shares held indire 532,590  eholder  Num 506 3,46	ASURY STOCK:  Sectly(*) % of total share capital 0.07  Sectly to the share sha	A.11. ESTIMATED FLOATING CAPITAL:  Estimated floating capital (%) 51.02  A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT AR NOT TRADED ON A REGULATED EU MARKET.

# 2020 Management Report











#### >> B. GENERAL SHAREHOLDERS' MEETING

#### B.4. GIVE DETAILS OF ATTENDANCE AT GENERAL SHAREHOLDERS' MEETINGS HELD DURING THE YEAR REFERRED TO IN THIS REPORT AND THE TWO PREVIOUS YEARS:

			% remote voting	
% attending in person	% by proxy	Electronic means	Other	Total
41.48	23.27	0.03	0.23	65.01
3.78	19.57	0.03	0.23	23.61
43.67	20.00	0.09	1.86	65.62
3.02	15.96	0.09	1.86	20.93
40.94	24.92	0.11	0.30	66.27
0.28	16.90	0.11	0.30	17.59
43.05	25.85	1.17	0.27	70.34
2.36	15.90	1.17	0.27	19.70
	41.48 3.78 43.67 3.02 40.94 0.28 43.05	41.48     23.27       3.78     19.57       43.67     20.00       3.02     15.96       40.94     24.92       0.28     16.90       43.05     25.85	41.48       23.27       0.03         3.78       19.57       0.03         43.67       20.00       0.09         3.02       15.96       0.09         40.94       24.92       0.11         0.28       16.90       0.11         43.05       25.85       1.17	% attending in person         % by proxy         Electronic means         Other           41.48         23.27         0.03         0.23           3.78         19.57         0.03         0.23           43.67         20.00         0.09         1.86           3.02         15.96         0.09         1.86           40.94         24.92         0.11         0.30           0.28         16.90         0.11         0.30           43.05         25.85         1.17         0.27

B.5. STATE WHETHER ANY POINT ON THE AGENDA OF THE GENERAL MEETINGS DURING THE YEAR HAS NOT BEEN APPROVED BY THE SHAREHOLDERS FOR ANY REASON:

**☐** YES

X NO

B.6. STATE WHETHER THE BY-LAWS CONTAIN ANY RESTRICTIONS REQUIRING A MINIMUM NUMBER OF SHARES TO ATTEND THE GENERAL SHAREHOLDERS' MEETING, OR ON DISTANCE VOTING:

X YES

□ NO

#### AT YEAR-END:

Number of shares required to attend the General Meetings 1,000

Number of shares required for distance voting

















#### >> C. C. COMPANY ADMINISTRATIVE STRUCTURE

#### C.1. BOARD OF DIRECTORS

#### C.1.1 MAXIMUM AND MINIMUM NUMBER OF DIRECTORS ESTABLISHED IN THE BY-LAWS AND THE NUMBER SET BY THE GENERAL SHAREHOLDERS' MEETING:

Maximum number of Directors	22
Minimum number of Directors	12

Number of directors set by the general meeting 15

# C.1.2 COMPLETE THE FOLLOWING TABLE WITH THE BOARD MEMBERS' DETAILS:

Name or corporate name of the director	Representative	Director category	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
Jordi Gual		Proprietary	Chairman	30/06/2016	06/04/2017	AGM RESOLUTION
Tomás Muniesa		Proprietary	Deputy Chairman	01/01/2018	06/04/2018	AGM RESOLUTION
Gonzalo Gortázar		Executive	CEO	30/06/2014	05/04/2019	AGM RESOLUTION
John S. Reed		Independent	Director	03/11/2011	05/04/2019	AGM RESOLUTION
CajaCanarias Foundation	Natalia Aznárez	Proprietary	Director	23/02/2017	06/04/2017	AGM RESOLUTION
Maria Teresa Bassons		Proprietary	Director	26/06/2012	05/04/2019	AGM RESOLUTION
Verónica Fisas		Independent	Director	25/02/2016	28/04/2016	AGM RESOLUTION
Alejandro García-Bragado		Proprietary	Director	01/01/2017	06/04/2017	AGM RESOLUTION
Cristina Garmendia		Independent	Director	05/04/2019	05/04/2019	AGM RESOLUTION
Ignacio Garralda		Proprietary	Director	06/04/2017	06/04/2017	AGM RESOLUTION
Amparo Moraleda		Independent	Director	24/04/2014	05/04/2019	AGM RESOLUTION
Eduardo Javier Sanchiz		Independent	Director	21/09/2017	06/04/2018	AGM RESOLUTION
José Serna		Proprietary	Director	30/06/2016	06/04/2017	AGM RESOLUTION
Koro Usarraga		Independent	Director	30/06/2016	06/04/2017	AGM RESOLUTION

**Total number of Directors** 14

#### STATE THE TERMINATIONS, EITHER BY RESIGNATION OR RESOLUTION OF THE GENERAL SHAREHOLDERS' MEETING, THAT OCCURRED IN THE BOARD OF DIRECTORS DURING THE PERIOD SUBJECT TO THIS REPORT:

Name or corporate name of the director	Category of the Director at the time of termination	Date of last appointment	Date director left	Specialised committees of which he/she was a member	State whether the director left before the end of the term
Marcelino Armenter	Proprietary	05/04/2019	02/04/2020	Innovation, Technology and Digital Transformation Committee	Yes
Xavier Vives	Independent	23/04/2015	22/05/2020	Executive Committee. Appointments Committee	No



















#### C.1.3. COMPLETE THE FOLLOWING TABLES ON BOARD MEMBERS AND THEIR RESPECTIVE CATEGORIES:

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position held in the company	Profile
Gonzalo Gortázar	CEO	Born in Madrid in 1965, he has been the CEO of CaixaBank since June 2014. He holds a degree in Law and Business from Universidad Pontificia de Comillas (ICADE) and an MBA with distinction from the INSEAD Business School. He is currently Chairman of VidaCaixa and Director of Banco BPI. He was the Chief Financial Officer of CaixaBank until his appointment of CEO in June 2014. He was formerly the Director-General Manager of Criteria CaixaCorp from 2009 to June 2011. From 1993 to 2009, he worked at Morgan Stanley in London and Madrid, where he held various positions in the investment banking division, heading up the European Financial Institutions Group until mid 2009 when he joined Criteria. Previously, he held various corporate banking and investment banking positions at Bank of America. He was the First Vice-Chairman of Repsol, and Director of the Inbursa Financial Group, Erste Bank, SegurCaixa Adeslas, Abertis, Port Aventura and Saba.
Total number of executive D	irectors	1
% of the Board		7.14

#### **EXTERNAL PROPRIETARY DIRECTORS**

	Name or corporate		
	name of significant		
	shareholder represented		
Name or corporate	or proposing		
name of the director	appointment	Profil	

#### Jordi Gual Banking Foundation "La Caixa"

Jordi Gual, born in Lleida in 1957. He has been the Chairman of CaixaBank 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 also Chairman of FEDEA, Vice President of the Círculo de Economía and Cotec Foundation for Innovation, and serves on the Boards of the CEDE Foundation, the Real Instituto Elcano and Fundación Barcelona Mobile. 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 from the Spanish Institute of Financial Analysts. In 1999, he was awarded the research prize from the European Investment Bank and, in 1979, the special award as part of his degree in economic and business sciences. He was also a Fulbright Scholar.

#### Tomás Muniesa Banking Foundation "La Caixa"

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. Prior to this, he was Chairman of MEFF (Sociedad Rectora de Productos Derivados), Vice-chairman of BME (Bolsas y Mercados Españoles), 2nd Vice-chairman of UNESPA, Director and Chairman of the Audit Committee of the Insurance Compensation Consortium, Director of Vithas Sanidad SL and Alternate Director of the Inbursa Financial Group in Mexico.















CajaCanarias Foundation

Signatory Foundations of the Shareholders' Agreement

Natalia Aznárez, 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, Ms Aznárez assumed the leadership of the CajaCanarias individual customers segment, participating in the development of financial products and campaigns, the development and implementation of a CRM tool, and the personal banking 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 CaiaCanarias. After Banca Cívica acquired all the assets and liabilities of CaiaCanarias, she became General Manager at CaiaCanarias 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.

Maria Teresa Bassons

Banking Foundation "La Caixa"

Maria Teresa Bassons, born in Cervelló in 1957. Se has been a member of the CaixaBank Board of Directors since June 2012. She earned her degree in Pharmacy from University of Barcelona (1980), specialising in Hospital Pharmacy. She holds a pharmacy licence. She has also been a member of the Barcelona Chamber of Commerce's Executive Committee since 2002 and, until 2019, the Chair of its Enterprise Commission for the Health Sector. She also served as Vice-President of the Barcelona Board of Pharmacists (1997-2004) and as Secretary-General to the Board of Catalonia Pharmacists Associations (2004-2008). She serves on the Board of Directors of Bassline, S.L. She is also a Director at TERBAS XXI, S.L., a member of the Board of Directors of Laboratorios Ordesa since January 2018 and she sits on the Oncolliga Scientific Committee. She served on the Board of Directors of Criteria CaixaHolding from July 2011 to May 2012, as a director of Caixa d'Estalvis i Pensions de Barcelona "la Caixa" from April 2005 to June 2014 and as trustee of the Caixa d'Estalvis i Pensions de Barcelona "la Caixa" Banking Foundation from June 2014 to June 2016. She was also a member of the Advisory Committee of CaixaCapital Risc until June 2018. She has also been a member of the Advisory Council on tobacco use in the Ministry of Health of the Generalitat de Catalunya (1997-2006) and the bioethics Advisory Committee of the Generalitat de Catalunya (2005-2008) and Director of the INFARMA conference at Fira de Barcelona, at the 1995 and 1997 editions, and of the publications "Circular Farmacéutica" and "l'Informatiu del COFB" for 12 years. In 2008, the General Council of Pharmacists in Spain awarded her the Professional Merit award. In June 2018, she was accepted to the Royal Academy of Pharmacy of Catalonia.

Aleiandro García-Bragado Banking Foundation "La Caixa"

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 the legal profession and to provide legal advice to "la Caixa". In 1995, he was appointed Deputy Secretary to the Board of Directors and then Secretary in 2003. He was appointed Deputy Director in 2004 and then Executive Director 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, and he was First Deputy Chair of Criteria Caixa from June 2014 to 6 July 2020. He has sat on the board of Saba Infraestructuras since June 2018.

Ignacio Garralda

Mutua Madrileña Automovilista Sociedad De Seguros A Prima Fija

Ignacio Garralda, born in Madrid in 1951, has been a director at CaixaBank since 2017. He holds a degree in Law from 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 sits of the Board of Directors of Endesa S.A, serving as Chair of its Appointments and Remuneration Committee since 1 September 2020. 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	Banking Foundation "La Caixa"	José Serna, born in Albacete in 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, the Spanish securities market regulator. 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 Fundación Barcelona Centro Financiero 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 also sat on the boards of ENDESA Diversificación and ENDESA Europa. He worked as a notary in Barcelona from 2000 through to 2013.
Total number of proprietary Directors		7
% of the Board		50.00

#### INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the director	Profile Profile
John S. Reed	John Reed, born in Chicago in 1939, has been a member of CaixaBank's Board of Directors since 2011 and Coordinating Director since 2020. He was raised in Argentina and Brazil. He 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 Athenaeum and a trustee of the NBER. He is a Fellow of the American Academy of Arts and Sciences and of the American Philosophical Society.
Verónica Fisas	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 Executive Officer of the Board of Directors of Natura Bissé and General Director of the Natura Bissé Group since 2007. Since 2008, she is also a Patron of the Fundación Ricardo Fisas Natura Bissé. 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'.
Cristina Garmendia	Cristina Garmendia, born in San Sebastián in 1962. She has been a member of the CaixaBank Board of Directors since June 2019. She holds 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 currently sits on the boards of Compañía de Distribución Integral Logista Holdings, S.A., Mediaset and Ysios Capital. She has previously been Executive Deputy Chair and Financial Director of the Amasua Group, President of the Association of Biotechnology Companies (ASEBIO) and member of the Governing Board of the Spanish Confederation of Business Organisations (CEOE). She has also been a member of the governing bodies of, among other companies, Science & Innovation Link Office, S.L., Naturgy Energy Group, S.A. (formerly Gas Natural S.A.), Corporación Financiera Alba and Pelayo Mutua de Seguros, Chair of the Spanish-American company Satlantic Microsats and Chair of Genetrix S.L. She also served as Minister of Science and Innovation of the Spanish Government during the entire XI Legislature, running from April 2008 through to December 2011. She is the Chair of the COTEC Foundation, a member of the España Constitucional, SEPI and Women for Africa foundations, as well as a member of the Social Council of the University of Seville.













Amparo Moraleda	Amparo Moraleda, born in Madrid in 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 2013) 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. Vodafone Foundation and Airbus Foundation. 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) Hall of Fame, which recognises the people in the world of business and technology who have made the greatest impact on
Eduardo Javier Sanchiz	Eduardo Javier Sanchiz, born in Vitoria in 1956, he has been a member of the CaixaBank Board of Directors since September 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 joining 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. Prior to joining Almirall, he worked for 22 years (17 outside Spain) at Eli Lilly & Co, an American pharmaceutical company, in finance, marketing, sales and general management positions. 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 is currently a member of the Strategic Committee of Laboratory Pierre Fabre and he has been a director of this company since May 2019.
Koro Usarraga	Koro Usarraga, born in San Sebastián in 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 at Vocento, S.A. She has been shareholder and administrator of the company 2005 KP Inversiones, S.L. since 2005, which is dedicated to investing in companies and management consultancy. She is also an Administrator of Vehicle Testing Equipment, S.L.
Total number of independent Directors	6
% of the Board	42.86

STATE WHETHER ANY INDEPENDENT DIRECTOR RECEIVES FROM THE COMPANY OR ANY GROUP COMPANY ANY AMOUNT OR BENEFIT OTHER THAN REMUNERATION 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.

IF APPLICABLE, INCLUDE A STATEMENT FROM THE BOARD DETAILING THE REASONS WHY THE SAID DIRECTOR MAY CARRY OUT THEIR DUTIES AS AN INDEPENDENT DIRECTOR.

Name or corporate name of the director	Description of the relationship	Reasons
Cristina Garmendia	Member of the CaixaBank Private Banking Advisory Board.	Cristina Garmendia is a member of the CaixaBank Private Banking Advisory Board. Remuneration received for membership of Advisory Board in 2020 amounts to fifteen thousand euros, not considered significant.







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#### OTHER EXTERNAL DIRECTORS

Name or corporate name of Director	Reason	Company, executive or shareholder with whom the relationship is maintained Profile	
No data			
Total number of independent Directors	N.A.		
% of the Board	N.A.		

#### LIST ANY CHANGES IN THE CATEGORY OF EACH DIRECTOR WHICH HAVE OCCURRED DURING THE YEAR:

Name or corporate name of the director	Date of change	Previous category	Current category	
No data				

#### 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				
	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2017
Executive					0	0	0	0
Proprietary	2	2	2	2	28.57	25	25	28.57
Independent	4	4	3	3	66.67	57.14	33.33	33.33
Other external					0	0	0	0
Total	6	6	5	5	42.86	37.5	27.78	27.78

# C.1.11. LIST ANY LEGAL-PERSON DIRECTORS OF YOUR COMPANY WHO ARE MEMBERS OF THE BOARD OF DIRECTORS OF OTHER COMPANIES LISTED ON REGULATED MARKETS OTHER THAN GROUP COMPANIES, AND HAVE COMMUNICATED THAT STATUS TO THE COMPANY:

Name or corporate name of Director	Corporate name of the listed company	Position
Jordi Gual	Erste Group Bank, AG.	Director
Jordi Gual	Telefónica, S.A.	Director
Cristina Garmendia	Mediaset España Comunicación, S.A.	Director
Cristina Garmendia	Compañía de Distribución Integral Logista Holdings, S.A.	Director
Ignacio Garralda	Endesa, S.A.	Director
Amparo Moraleda	Vodafone Group PLC	Director
Amparo Moraleda	Solvay, S.A.	Director
Amparo Moraleda	Airbus Group, S.E.	Director
Koro Usarraga	Vocento, 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:

X YES

□ NO

#### C.1.13. STATE TOTAL REMUNERATION RECEIVED BY THE BOARD OF DIRECTORS:

Board remuneration in financial year (thousand euros)	5,959
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	6,121

Cumulative amount of rights of former Directors in pension scheme (thousands of euros)







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C.1.14. LIST ANY MEMBERS OF SENIOR MANAGEMENT WHO ARE NOT EXECUTIVE DIRECTORS AND STATE THEIR TOTAL R	EMUNERA-
TION ACCRIFED DURING THE VEAR.	

Name or corporate name	Position(s)
Juan Antonio Alcaraz	Chief Business Officer
Francesc Xavier Coll	Chief Human Resources and Organisation Officer
Jorge Mondéjar	Chief Risks Officer
Ignacio Badiola	Head of CIB and International Banking
Luis Javier Blas	Head of Resources
Matthias Bullach	Head of Financial Accounting, Control and Capital.
María Luisa Martínez	Head of Communication, Institutional Relations, Brand and CSR
Javier Pano	Chief Financial Officer
María Luisa Retamosa	Head of Internal Audit
Francisco Javier Valle	Head of Insurance
Óscar Calderón	General Secretary and Secretary to the Board of Directors
Number of women in senior management	2
Percentage of total members of senior management	18.18
Total remuneration received by senior management (the	busands of euros) 9,338

# C.1.25. STATE THE NUMBER OF BOARD MEETINGS HELD DURING THE YEAR AND, IF APPLICABLE, HOW MANY TIMES THE BOARD HAS MET WITHOUT THE CHAIRMAN'S ATTENDANCE. MEETINGS WITH PROXIES APPOINTED WITH SPECIFIC INSTRUCTIONS WILL ALSO BE COUNTED AS ATTENDED:

Number of Board meetings	16
Number of Board meetings held without the Chairman's attendance	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 1

C.1.15. STATE WHETHER THE BOARD REGULATIONS WERE AMENDED DURING THE YEAR:

C.1.21. STATE WHETHER THERE ARE SPECIFIC REQUIRE-MENTS, OTHER THAN THOSE RELATING TO DIRECTORS, TO BE APPOINTED AS CHAIR OF THE BOARD OF DIRECTORS:

☐ YES ☒ NO

C.1.23. STATE WHETHER THE BY-LAWS OR THE REGULATIONS OF THE BOARD ESTABLISH ANY TERM LIMITS FOR INDEPENDENT DIRECTORS OTHER THAN THOSE REQUIRED BY LAW:

☐ YES ☒ NO

# STATE THE NUMBER OF MEETINGS OF THE VARIOUS BOARD COMMITTEES HELD DURING THE YEAR:

Number of meetings of the audit and control committee	20
Number of meetings of the innovation, technology and digital transformation committee	4
Number of meetings of the appointments committee	13
Number of meetings of the remuneration committee	5
Number of meetings of the risk committee	14
Number of meetings of the executive committee	20







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	C.1.26. STATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR AI	ND THE INFORMATION ON MEMBER ATT	ΓENDANCE:		
Strategic Lines	Number of meetings attended in person by at least 80% of directors		16		
Statement of	% attended in person out of the total votes during the year		100.00		
Non-financial Information	Number of meetings attended in person or by representations made with specific instructions of all directors		16		
Glossary and Group structure	% of votes issued at meetings attended in person or by representations made with specific instructions out of al	votes cast during the year	100.00		
Independent Verification Report	C.1.27. STATE IF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR PREPARATION WERE PREVIOUSLY CERTIFIED:	PANY AND/OR ITS GROUP AND, IF SO	O, THE SUM OF THE	DES ANY NON-AUDIT SERVICES TO THE COM- OF THE FEES PAID AND THE PERCENTAGE	
Annual Corporate	☐ YES ☒ NO	THIS REPRESENTS OF THE FEES FOR GROUP:	AUDIT WORK INVO	JICED TO THE COM	PANY AND/ORTIS
Governance Report for 2020	Identify, where applicable, the person or people that certified the company's individual and consolidated annual accounts for presentation to the board:	X YES □ NO	Society	Group companies	Total
	C.1.29. STATE IF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR PREPARATION WERE PREVIOUSLY CERTIFIED:	Amount of non-audit work (thousands of euros)	547	573	1,120
	☐ YES ☒ NO	Amount invoiced for non-audit services/ Amount for audit work (in %)	24.00	23.00	24.00
	Complete if the Secretary is not also a Director:	C.1.33. STATE WHETHER THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE PRECEDING YEAR CONTAINS A QUALIFIED OPINION OR RESERVATIONS. IF SO, PLEASE EXPLAIN THE REASONS GIVEN BY THE CHAIRMAN OF THE AUDIT COMMITTEE TO THE SHAREHOLDERS AT THE GENERAL SHAREHOLDERS' MEETING TO EXPLAIN THE CONTENT AND EXTENT OF THE AFOREMENTIONED QUALIFIED OPINION OR RESERVATIONS:			
	Name or corporate name of Secretary Representative				
	Óscar Calderón	☐ YES ☒ NO			
	C.1.31. STATE WHETHER THE COMPANY HAS CHANGED ITS EXTERNAL AUDIT FIRM DURING THE YEAR. WHERE APPLICABLE, IDENTIFY THE INCOMING AND OUTGOING AUDITOR:	C.1.34. STATE THE NUMBER OF CONSECUTIVE YEARS THE CURRENT AUDIT FIRM HAS			
	☐ YES ☒ NO	AUDITING THE INDIVIDUAL AND/OR CONSOLIDATED FINANCIAL STATEMENT PANY. FURTHERMORE, STATE THE NUMBER OF YEARS AUDITED BY THE CURRI AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS THAT THE FINANCIAL S'HAVE BEEN AUDITED:		RRENT AUDIT FIRM	
	Explain any disagreements with the outgoing auditor and the reasons for the same:		Individual	Consolida	ited
		Number of consecutive years	3	3	
	☐ YES ☒ NO	N. 1. 66 18. 10. 1	Individual	Consolida	ited
		Number of financial years audited by the current audit firm/ No. of financial years for which the company or its group has been audited (in %)	14.00	14.00	



















C.1.35. STATE WHETHER THERE IS A PROCEDURE WHEREBY BOARD MEMBERS HAVE THE INFORMATION NECESSARY TO PREPARE THE MEETINGS OF THE GOVERNING BODIES WITH SUFFICIENT TIME AND PROVIDE DETAILS IF APPLICABLE:

# X YES



There is a procedure in place whereby directors may obtain the information needed to prepare for the meetings with the governing bodies with sufficient time.

Pursuant to article 22 of the Regulations of the Board of Directors, when carrying out their duties, Directors have the duty to demand and the right to obtain from the company any information they need to discharge their responsibilities. 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 they hold executive status, and otherwise to the Chief Executive Officer, who will forward the request to the appropriate party in the Company. If they deem that the information is confidential, they will notify the Director of this as well as their duty of confidentiality.

Notwithstanding the above, 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 prior to 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:

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Number of beneficiaries	29
Type of beneficiary	Description of the agreement
29 CEO and 4 members of the Management Commit- tee, 4 Executives // 20 middle managers	Chief Executive Officer: One year of the fixed components of his remuneration. Members of the Management Committee: 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 four members of the committee for whom the indemnity to which they are legally entitled is still less than one year of their salary. Further, the CEO and members of the Management Committee are entitled to one

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 four members of the committee for whom the indemnity to which they are legally entitled is still less than one year of their salary. Further, the CEO and members of the Management Committee are entitled to one annual payment of their fixed remuneration, paid in monthly instalments, as consideration for their non-compete undertaking. This payment would be discontinued were this covenant to be breached. Executives and middle managers: 24 executives and middle managers between 0.1 and 1.5 annual payments of fixed remuneration above that provided by 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:

	<b>Board of Directors</b>	General Shareholders' Meeting
Body authorising clauses	$\checkmark$	
	Yes	No

#### 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	Position	Category
Cristina Garmendia	Member	Independent
Eduardo Javier Sanchiz	Member	Independent
José Serna	Member	Proprietary
Koro Usarraga	Chairman	Independent
% of executive Directors	0	0.00
% of proprietary Directors	2	25.00
% of independent Directors	7	5.00
% of other external Directors	0	0.00

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe their most important actions during the year and how they have exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

Identify the board members 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 directors with experience	Koro Usarraga
Date of appointment of the chairperson	05/04/2019













#### INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE

Name       Position       Category         Jordi Gual       Chairman       Proprietary         Gonzalo Gortázar       Member       Executive         Cristina Garmendia       Member       Independent         Ámparo Moraleda       Member       Independent         % of executive Directors       25.00         % of proprietary Directors       25.00         % of independent Directors       50.00         % of other external Directors       0.00				
Gonzalo Gortázar Member Executive  Cristina Garmendia Member Independent  Ámparo Moraleda Member Independent  % of executive Directors 25.00  % of proprietary Directors 25.00  % of independent Directors 50.00	Name	Position	Category	
Cristina Garmendia Member Independent  Ámparo Moraleda Member Independent  % of executive Directors 25.00  % of proprietary Directors 25.00  % of independent Directors 50.00	Jordi Gual	Chairman	Proprietary	
Ámparo Moraleda       Member       Independent         % of executive Directors       25.00         % of proprietary Directors       25.00         % of independent Directors       50.00	Gonzalo Gortázar	Member	Executive	
% of executive Directors 25.00 % of proprietary Directors 25.00 % of independent Directors 50.00	Cristina Garmendia	Member	Independent	
% of proprietary Directors 25.00 % of independent Directors 50.00	Ámparo Moraleda	Member	Independent	
% of proprietary Directors 25.00 % of independent Directors 50.00				
% of independent Directors 50.00	% of executive Directors	2	5.00	
<u> </u>	% of proprietary Directors	2	5.00	
% of other external Directors 0.00	% of independent Directors	5	0.00	
	% of other external Directors	0	.00	

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe their most important actions during the year and how it has exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

#### APPOINTMENTS COMMITTEE

Name	Position		Category
John S. Reed	Chairman		Independent
Maria Teresa Bassons	Member		Proprietary
Eduardo Javier Sanchiz	Member		Independent
% of executive Directors		0.00	
% of proprietary Directors		33.33	
% of independent Directors		66.67	
% of other external Directors		0.00	

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe their most important actions during the year and how they have exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

#### REMUNERATION COMMITTEE

Name	Position	Category
Alejandro García-Bragado	Member	Proprietary
Cristina Garmendia	Member	Independent
Amparo Moraleda	Chairman	Independent
% of executive Directors	0	0.00
% of proprietary Directors	3	3.33
% of independent Directors	6	6.67
% of other external Directors	0	1.00

Explain the duties exercised by this committee, including any that are in addition to those stipulated by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe their most important actions during the year and how they have exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

#### RISK COMMITTEE

Name	Position	Category
Tomás Muniesa	Member	Proprietary
CajaCanarias Foundation	Member	Proprietary
Verónica Fisas	Member	Independent
Eduardo Javier Sanchiz	Chairman	Independent
Koro Usarraga	Member	Independent









% of executive Directors	0.00
% of proprietary Directors	40.00
% of independent Directors	60.00
% of other external Directors	0.00

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe their most important actions during the year and how it has exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

#### **EXECUTIVE COMMITTEE**

Name	Position	Category
Jordi Gual	Chairman	Proprietary
Tomás Muniesa	Member	Proprietary
Gonzalo Gortázar	Member	Executive
Verónica Fisas	Member	Independent
Amparo Moraleda	Member	Independent
Koro Usarraga	Member	Independent
% of executive Directors	16	.67
% of proprietary Directors	33	.33
% of independent Directors	50	0.00
% of other external Directors	0.0	00

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures it follows for its organisation and operation. For each one of these duties, briefly describe their most important actions during the year and how it has exercised in practice each of the duties attributed thereto by law, in the articles of association or other corporate resolutions.

#### C.2.2. COMPLETE THE FOLLOWING TABLE WITH INFORMATION CONCERNING THE NUMBER OF FEMALE BOARD MEMBERS ON THE COMMITTEES OF THE BOARD OF DIRECTORS AT THE CLOSE OF THE LAST FOUR FINANCIAL YEARS:

	Number of female directors							
	Financial year 2020	Financial ye	ear 2019 Financial ye		ear 2018	Financial year 2017		
	Number	%	Number	%	Number	%	Number	%
Audit and Control Committee	2	50.00	1	33.33	1	25.00	1	33.33
Innovation, Technology and Digital Transformation Committee	2	50.00	2	40.00	0	0.00	0	0.00
Appointments Committee	1	33.33	1	33.33	1	33.33	2	66.67
Remuneration Committee	2	66.67	2	66.67	1	33.33	2	66.67
Risk Committee	3	60.00	2	66.67	2	40.00	1	25.00
Executive Committee	3	50.00	2	33.33	2	25.00	2	25.00















#### >> D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.2. DESCRIBE ANY TRANSACTIONS WHICH ARE SIGNIFICANT, EITHER BECAUSE OF THE AMOUNT INVOLVED OR SUBJECT MATTER, ENTERED INTO BETWEEN THE COMPANY OR ENTITIES WITHIN ITS GROUP

AND THE COMPANY'S SIGNIFICANT SHAREHOLDERS:

Name or corporate name of significant shareholder	Name or corporate name of the company or its group entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)
CRITERIACAIXA, S.A.U.	Caixabank, S.a.	Corporate	Dividends and other profits distributed	167,477

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 BOARD MEMBERS OR DIRECTORS OF THE COMPANY:

Name or corporate name of shareholder or senior manager	Name or corporate name of the company or its group entity	Type of transaction	Amount (thousands of euros)
No data			N.A.

D.4. REPORT ANY SIGNIFICANT 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 CON-DITIONS.

IN ANY CASE, ANY INTRAGROUP TRANSACTION MADE WITH ENTITIES ESTABLISHED IN COUNTRIES OR TERRITORIES THAT ARE CONSIDERED A TAX HAVEN WILL BE REPORTED:

Corporate name of the group company	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.5. STATE ANY SIGNIFICANT TRANSACTIONS CONDUCTED BETWEEN THE COMPANY OR OTHER COMPANIES IN ITS GROUP AND RELATED PARTIES THAT HAVE NOT BEEN REPORTED IN THE PREVIOUS SECTIONS.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.





# Management Report

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#### >> G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the 3. Good Governance Code of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The By-laws 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.

Compliant X Partially compliant

CaixaBank is the only listed company in the Group.

- When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:
  - The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.
  - The mechanisms established to resolve any conflicts of interest that may arise.

Compliant Partially compliant Explain Not applicable X

- During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:
  - Changes taking place since the previous annual general meeting.
  - The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

ompliant X	Partially compliant	Explain

The company should draw up and implement a policy of communication and contacts with shareholders and institutional investors, in the context of their involvement in the company, as well as proxy advisors, which complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Compliant X	Partially compliant	Explain

# 2020 Consolidated Management Report





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5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.
When a Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

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 waive the pre-emptive subscription right of shareholders. This proposal was approved at the Annual General Meeting held on 28 April 2016.

Explain

Partially compliant X

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 22 May 2020 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 the 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 share capital and only subject to the 50% limit

- 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 on auditor independence.

Compliant

- b. Reviews of the operation of the audit committee and the nomination and remuneration committee.
- c. Audit committee report on third-party transactions.

Compliant X	Partially compliant	Explain 🗌

The company should broadcast its general meetings live on the corporate website.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

Compliant X	Partially compliant	Explain
board of director in accordance to includes any qua- give a clear expla- pe and content, at the time of the	ors presents to the general or accounting legislation. Ar allification in its report, the chanation at the general meeting a summary of that	e that the financial statements that the shareholders' meeting are drawn up nd in those cases where the auditors airman of the audit committee should ing of their opinion regarding the sco- opinion available to the shareholders of the meeting, along with the rest of
Compliant X	Partially compliant	Explain
ownership, the r		s and procedures for admitting share ings and the exercise or delegation of y on its website.
Cuch conditions	and procedures should er	acourage shareholders to attend and

- When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:
  - a. Immediately circulate the supplementary items and new proposals.
  - b. Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.







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

Explain

Partially compliant

community and the natural environment.

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Glossary and Group structure
Independent Verification Report

c. Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes. d. After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals. Compliant Partially compliant 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 Although this practice does not reflect the wording of Recommendation 10, it does better achieve the final objective of Principle 7 of the Good

Compliant X Partially compliant Explain Not applicable 13. The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members. Compliant X Partially compliant Governance Code which makes express reference to the Corporate Governance Principles of the OECD, which outline that the procedures used in 14. The Board of Directors should approve a policy aimed at promoting an appropria-Shareholders' Meetings must ensure the transparency of the count and the adequate registration of votes, especially in situations of voting battles, new te composition of the board that: items on the agenda and alternative proposals, because it is a measure of transparency and a guarantee of consistency when exercising voting rights. a. Is concrete and verifiable: 11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect. ensures that appointment or re-election proposals are based on a prior analysis of the competences required by the board; and c. favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female Compliant X Partially compliant Not applicable Explain senior managers are considered to favour gender diversity. 12. The Board of Directors should perform its duties with unity of purpose and in-The results of the prior analysis of competences required by the board should dependent judgement, according the same treatment to all shareholders in the be written up in the nomination committee's explanatory report, to be published same position. It should be guided at all times by the company's best interest, when the general shareholders' meeting is convened that will ratify the appointunderstood as the creation of a profitable business that promotes its sustainable ment and re-election of each director. success over time, while maximising its economic value. The nomination committee should run an annual check on compliance with this In pursuing the corporate interest, it should not only abide by laws and regulapolicy and set out its findings in the annual corporate governance report. tions and conduct itself according to principles of good faith, ethics and respect

Compliant X







		DEL MERCADO DE VALORES
Our Identity  Strategic Lines	the Board of Directors, while the number of executive Directors should be the keep minimum practical bearing in mind the complexity of the corporate group and	npanies should post the following Director particulars on their websites, and p them permanently updated:
	the ownership interests they control. a.	Professional experience and background.
Statement of Non-financial Information	The number of female directors should represent at least 40% of the total number b. of members of the board of directors before the end of 2022 and not being below 30% before that time.	Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
Glossary and Group structure	C.	Statement of the Director class to which they belong, in the case of proprietary Directors indicating the shareholder they represent or have links with.
Independent Verification Report	d.	Dates of their first appointment as a board member and subsequent re-elections.
Annual Corporate Governance Report for 2020	ders they represent and the remainder of the company's capital.	Shares held in the company, and any options on the same.
	19. Follo This criterion can be relaxed:	owing verification by the nomination committee, the Annual Corporate Go-
	<del></del>	npliant X Partially compliant Explain
	not otherwise related. Direction and	nance Report should disclose the reasons for the appointment of proprietary ectors at the request of shareholders controlling less than 3 percent of capital; explain any rejection of a formal request for a Board place from shareholders
		ose equity stake is equal to or greater than that of others applying successfully a proprietary directorship.
	17. Independent Directors should be at least half of all Board members.	
	However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent Directors should occupy, at least, a third of	npliant 🗵 Partially compliant 🗌 Explain 🗌 Not applicable 🗌
	Board places. 20. Prop of th	prietary Directors should resign when the shareholders they represent dispose heir ownership interest in its entirety. If such shareholders reduce their stakes,
		reby losing some of their entitlement to proprietary Directors, the latter's numshould be reduced accordingly.
	Com	npliant 🗵 Partially compliant 🗌 Explain 🗌 Not applicable 🗌







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Glossary and Group structure

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21. The Board of Directors should not propose the removal of independent Directors before the expiry of their tenure as mandated by the By-laws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when Directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent Directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Compliant X Partially compliant

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Compliant Partially compliant Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other Directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the Board makes material or reiterated decisions about which a Director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation also apply to the Secretary of the Board, even if he or she is not a Director.

Compliant X	Partially compliant	Explain	Not applicable

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Compliant X	Partially compliant	Explain	Not applicable

25. The Nomination Committee should ensure that non-executive Directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors regulations should lay down the maximum number of company boards on which Directors can serve.

Compliant	Х	Partially compliant	П	Explain	







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26. The Board should meet with the necessary frequency to properly perform its 28. When Directors or the Secretary express concerns about some proposal or, in the functions, eight times a year at least, in accordance with a calendar and agendas case of Directors, about the company's performance, and such concerns are not set at the start of the year, to which each Director may propose the addition of resolved at the meeting, the person expressing them can request that they be initially unscheduled items. recorded in the minute book Compliant X Partially compliant Explain Not applicable Compliant X Partially compliant Explain 29. The company should provide suitable channels for Directors to obtain the advice 27. Director absences should be kept to a strict minimum and quantified in the Annual they need to carry out their duties, extending if necessary to external assistance Corporate Governance Report. In the event of absence, Directors should delegate at the company's expense. their powers of representation with the appropriate instructions. Compliant Partially compliant X Explain Compliant X Partially compliant Explain In the event of unavoidable absences, in order to prevent de facto changes to the balance of the Board of Directors, legislation allows for delegation to 30. Regardless of the knowledge Directors must possess to carry out their duties, another director (non-executives only to other non-executives) - this is established in Principle 14 of the Good Governance Code and also envisaged in the By-laws (article 37), as well as the Board's Regulations (article 17), which determine that Directors must personally attend Board meetings. However, they should also be offered refresher programmes when circumstances so advise. 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 another Board member, including the appropriate instructions therein. Non-executive Directors may only delegate a proxy who is another non-executive Director, while independent Directors may only delegate to another 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 Compliant X Partially compliant Explain 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 31. The agendas of Board meetings should clearly indicate on which points directors 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 must arrive at a decision, so they can study the matter beforehand or gather toalways required to defend the company's corporate interest regardless of their director status. gether the material they need. 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 For reasons of urgency, the Chairman may wish to present decisions or resolutions 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 Board, who is given, among others, the responsibility of encouraging a good level of debate for board approval that were not on the meeting agenda. In such exceptional and the active involvement of all directors, safeguarding their right to adopt any position or stance they see fit. circumstances, their inclusion will require the express prior consent, duly minuted, Therefore, the freedom to appoint proxies with or without specific instructions, at the discretion of each director, is considered good practice and, of the majority of directors present. specifically, the absence of instructions is seen as facilitating the proxy's ability to adapt to the content of the debate. Compliant X Partially compliant Explain







		Committee State State St
Our Identity  Strategic Lines	32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.	<ul><li>36. The Board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:</li><li>a. The quality and efficiency of the Board's operation.</li></ul>
Statement of Non-financial Information	Compliant X Partially compliant Explain	b. The performance and membership of its committees.
Glossary and Group structure  Independent Verification Report  Annual Corporate Governance Report for 2020	33. The Chairman, as the person responsible for the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's Bylaws, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Director, when circumstances so dictate.	<ul> <li>c. The diversity of Board membership and competences.</li> <li>d. The performance of the Chairman of the Board of Directors and the company's Chief Executive.</li> <li>e. The performance and contribution of individual directors, with particular attention to the chairmen of Board committees.</li> <li>The evaluation of Board committees should start from the reports they send the Board of Directors, while that of the Board itself should start from the report of</li> </ul>
	34. When a lead independent director has been appointed, the By-laws or Regulations of the Board of Directors should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the Chairman or Deputy Chairmen; give voice to the concerns of non-executive directors; maintain contact 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; and coordinate the Chairman's succession plan.	the Appointments Committee.  Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointments Committee.  Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the Annual Corporate Governance Report.  The process followed and areas evaluated should be detailed in the Annual Corporate Governance Report.
	Compliant X Partially compliant Explain 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.  Compliant X Partially compliant	Compliant Partially compliant Explain  With respect to the 2020 financial year, the Board of Directors has carried out the self-assessment of its operation internally after ruling out the benefit of the assistance of an external advisor, as given the partial renewal process the Board will undertake once the merger of CaixaBank with Bankia takes effect, it was more advisable and reasonable to postpone the external collaboration to the next self-assessment exercise.  As a result, the self-assessment process was carried out along the same lines as the previous year with the assistance of the General Secretary and Secretary of the Board.







Our Identity  37.  Strategic Lines	When there is an executive committee, there should be at least two non-executive members, at least one of whom should be independent; and its secretary should be the secretary of the Board of Directors.			
Statement of Non-financial Information	Compliant X	Partially compliant	Explain	Not applicable
Glossary and Group structure 38.	. The Board should be kept fully informed of the business transacted and decis made by the executive committee. To this end, all Board members should rec a copy of the committee's minutes.			
Annual Corporate Governance Report for 2020	Compliant X	Partially compliant	Explain	Not applicable
39.	ted with regard	he audit committee, particu to their knowledge and exp t matters, both financial and	perience in acco	
	Compliant X	Partially compliant	Explain	
40.	the supervision of and control systems	s should have a unit in charg of the audit committee, to n ems. This unit should report or the Chairman of the auc	nonitor the effect functionally to tl	tiveness of reporting
	Compliant X	Partially compliant	Explain	
41.	work programm board, inform it implementation,	unit handling the internal au e to the audit committee, fo directly of any incidents o the results and monitoring ort at the end of each year.	or approval by th r scope limitatio	nis committee or the ns arising during it
	Compliant	Partially compliant	Explain	Not applicable

- 42. The audit committee should have the following functions over and above those legally assigned:
  - 1. With respect to internal control and reporting systems:
  - a. Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group –including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption– reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
  - b. Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
  - c. Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.
  - d. In general, ensure that the internal control policies and systems established are applied effectively in practice.
  - 2. With respect to the external auditor:
  - a. Investigate the issues giving rise to the resignation of the external auditor, should this come about.
  - b. Ensure that the remuneration of the external auditor does not compromise its quality or independence.
  - c. Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.







		CNMV COMMAN GOVERNANCE REPORT FOR SHARE METERS OF SHARE O
Our Identity  Strategic Lines  Statement of Non-financial Information  Glossary and Group structure	<ul> <li>d. Ensure that the external auditor has a yearly meeting with the Board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.</li> <li>e. Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.</li> </ul>	<ul> <li>d. Measures in place to mitigate the impact of risk events should they occur.</li> <li>e. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.</li> <li>Compliant Partially compliant Explain </li> </ul>
Independent Verification Report  Annual Corporate Governance Report for 2020	Compliant	46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the Audit Committee or some other dedicated Board committee This function should be expressly charged with the following responsibilities: au. Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly
	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.  Compliant X Partially compliant Explain Not applicable	identified, managed and quantified.  av. Participate actively in the preparation of risk strategies and in key decisions about their management.  aw. Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.  Compliant  Partially compliant  Explain
	<ul> <li>45. The risk control and management policy should identify or establish at least:</li> <li>a. The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.</li> </ul>	47. Appointees to the Nomination and Remuneration Committee - or of the Nomination 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 discharge. The majority of their members should be independent Directors.  Compliant  Partially compliant Explain
	<ul><li>b. A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.</li><li>c. The level of risk that the company considers acceptable.</li></ul>	48. Large cap companies should operate separately constituted nomination and remuneration committees.  Compliant  Partially compliant  Explain

# 2020 Consolidated Management Report





		Consider Management LISTED COMPANIES (INC.) COMPANIES (IN
Our Identity  Strategic Lines  Statement of Non-financial Information  Glossary and Group structure	<ul> <li>49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.</li> <li>When there are vacancies on the Board, any Director may approach the nomination committee to propose candidates that it might consider suitable.</li> <li>Compliant</li></ul>	<ul> <li>52. The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing legally man datory Board committees as specified in the preceding sets of recommendations. They should include at least the following terms:</li> <li>a. Committees should be formed exclusively by non-executive Directors, with a majority of independents.</li> <li>b. Committees should be chaired by an independent Director.</li> </ul>
Independent Verification Report  Annual Corporate Governance Report for 2020	<ul> <li>50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:</li> <li>a. Propose to the Board the standard conditions for senior officer contracts.</li> <li>b. Monitor compliance with the remuneration policy set by the company.</li> <li>c. Periodically review the remuneration policy for Directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and senior officers in the company.</li> <li>d. Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.</li> </ul>	<ul> <li>c. The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committeed missions, discuss their proposal sand reports; and provide report-backs or their activities and work at the first board plenary following each committeed meeting.</li> <li>d. They may engage external advice, when they feel it necessary for the discharge of their functions.</li> <li>e. Meeting proceedings should be minuted and a copy made available to all Board members.</li> </ul>
	e. Verify the information on Director and senior officers' pay contained in corporate documents, including the Annual Directors' Remuneration Statement.  Compliant	53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.  Compliant  Partially compliant  Explain







Our Identity

Strategic Lines

Statement of Non-financial Information

Glossary and

Annual Corporate

- 54. The minimum functions referred to in the previous recommendation are as follows:
  - a. Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.
  - b. Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.
  - c. Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
  - d. Ensure the company's environmental and social practices are in accordance with the established strategy and policy.
  - e. Monitor and evaluate the company's interaction with its stakeholder groups.

Compliant X	Partially compliant	Explain

- 55. Environmental and social sustainability policies should identify and include at least:
  - The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts
  - b. The methods or systems for monitoring compliance with policies, associated risks and their management.
  - c. The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.
  - d. Channels for stakeholder communication, participation and dialogue.

e. Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

	Compliant X	Partially compliant	Explain
õ.			to attract individuals with the desi- t. abilities and responsibility that the

red profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive Directors.

7.	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

Partially compliant

Compliant X

on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive Directors.

The company may consider the share-based remuneration of non-executive Di-

The company may consider the share-based remuneration of non-executive Directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the Director must dispose of to defray costs related to their acquisition.

Compliant X	Partially compliant	Explain

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.

In particular, variable remuneration items should meet the following conditions:

a. Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.



Compliant X

Partially compliant





		Norman LISTED COMPANIES (INCLUDING THE NAME OF THE NAM	
Our Identity  Strategic Lines  Statement of Non-financial Information  Glossary and Group structure  Independent Verification Report	<ul> <li>b. Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.</li> <li>c. Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.</li> </ul>	62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.  Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.  The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee, to address an extraordinary situation.  Compliant  Partially compliant  Explain  Not applicable  The prohibition on directors transferring ownership (or exercising them as the case may be) of the shares, options or financial instruments corresponding to the remuneration schemes until a period of at least three years has elapsed is not applied as such at CaivaBank. 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 be conducive to achieving business objectives and the company's best interests is also achieved through the estience of malus and clawback diagues, and via the remuneration truther 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 sustainab	
Annual Corporate Governance Report for 2020	59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.  Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.  Compliant X Partially compliant Explain Not applicable		
	60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.  Compliant  Partially compliant  Explain  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.	to the Core Efficiency Ratio and the Variation of Troubled Assets of the corporate challenges to calculate the variable remuneration in the form of a bonus for the Executive Director in 2020 and the following financial years.  63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.  Compliant   Partially compliant   Explain   Not applicable	

Not applicable

Explain

2020						
	Consolidated					
(=)	Management Report					





64. Termination payments should not exceed a fixed amount equivalent to two years of the Director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the Director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Compliant	Partially compliant X	Explain	Not applicable

Payments for termination or expiry of the CEO's contract, including severance pay in the event of termination or expiry of the relationship in certain cases and the post-contractual non-competition agreement, do not exceed the amount equivalent to two years of the CEO's total annual remuneration, in accordance with the amounts reflected in the annual directors' remuneration report.

Furthermore, the Bank has recognised a social security supplement for the CEO to cover the contingencies of retirement, death and total, absolute or severe permanent disability, the conditions of which are detailed in the CaixaBank Directors' Remuneration Policy. In the case of the commitment to cover the retirement contingency, this is a system established under a defined contribution plan, for which the annual contributions to be made are fixed in advance. By virtue of this commitment, the CEO is entitled to receive a retirement benefit when he/she reaches the legally established retirement age. This benefit will be the result of the sum of the contributions made by the Bank and their corresponding returns up to that date, provided that he/she is not terminated for just cause, and without prejudice to the applicable treatment of discretionary pension benefits in accordance with the remuneration regulations applicable to credit institutions. Under no circumstances is it envisaged that the CEO will receive retirement benefits early.

State whether any Directors voted against or abstained from voting on the approval of this Report.

X YES NO.

Names of the members of the Board of Directors who voted against the approval of this report

Alejandro García-Bragado

Voted against

Reasons (voted against, abstained, non-attendance)

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.

#### **Explain the reasons**

Because section C.1.37 of the Report should have described the legal problems affecting him as a director, given that, in his opinion, they are relevant to his situation and to his actions in relation to the impact that this could have on the name and reputation of the company.



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)"

To the administrators 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 20 October 2020, 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 2020 financial year, which includes a summary of the Company's internal control procedures relating to its annual financial information.

The administrators are 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 governing regulations of 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 5/2013 of the NSMC, dated June 12, 2013, and subsequent amendments, the most recent being Circular 1/2020, of October 6, of the NSMC (from now on the Circulars of NSMC).
- 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.
- 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 by the Circulars of de NSMC, 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 Raúl Ara Navarro

February 19, 2021

## DECLARACIÓN DE RESPONSABILIDAD SOBRE EL CONTENIDO DEL INFORME FINANCIERO ANUAL DEL GRUPO CAIXABANK CORRESPONDIENTE AL EJERCICIO 2020

Los miembros del Consejo de Administración de CaixaBank, S.A. 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 de las empresas comprendidas en la consolidación tomados en su conjunto, 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. y de las empresas comprendidas en la consolidación tomadas en su conjunto, junto con la descripción de los principales riesgos e incertidumbres a que se enfrenta.

Las Cuentas Anuales e Informe de Gestión de CAIXABANK, S.A. Y SOCIEDADES QUE COMPONEN EL GRUPO CAIXABANK, correspondientes al ejercicio anual cerrado el 31 de diciembre de 2020 han sido formulados en formato electrónico por el Consejo de Administración de CaixaBank, S.A, en su reunión de 18 de febrero de 2021, siguiendo los requerimientos establecidos en el Reglamento Delegado UE 2019/815.

Barcelona, a 18 de febrero de 2021

Don Jordi Gual Solé

Don Tomás Muniesa Arantegui

#### Vicepresidente

Diligencia del Secretario para hacer constar la no firma del Sr. Vicepresidente al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario.

## Don Gonzalo Gortázar Rotaeche

#### Consejero Delegado

Presidente

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero Delegado al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

#### Don John Shepard Reed

#### Consejero Coordinador

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero Coordinador al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

#### Doña María Teresa Bassons Boncompte Consejera

Diligencia del Secretario para hacer constar la no firma de la Sra. Consejera al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

## Doña María Verónica Fisas Vergés

#### Consejera

Diligencia del Secretario para hacer constar la no firma de la Sra. Consejera al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

Fundación Dancaria Canaria Caia Canaral

#### Fundación Bancaria Canaria Caja General de Ahorros de Canarias – Fundación CajaCanarias Representada por:

#### Doña Natalia Aznárez Gómez

#### Consejera

Diligencia del Secretario para hacer constar la no firma de la Sra. Consejera al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

## Don Alejandro García-Bragado Dalmau

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

## Doña Cristina Garmendia Mendizábal

#### Conseiera

Diligencia del Secretario para hacer constar la no firma de la Sra. Consejera al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario.

#### Don Ignacio Garralda Ruíz de Velasco Conseiero

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable.

#### Doña María Amparo Moraleda Martínez Conseiera

Diligencia del Secretario para hacer constar la no firma de la Sra. Consejera al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

## Don Eduardo Javier Sanchiz Irazu

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

#### Don José Serna Masiá

#### Consejero

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,

## Doña Koro Usarraga Unsain

Diligencia del Secretario para hacer constar la no firma de la Sra. Consejera al haber asistido por medios telemáticos a la sesión del Consejo con motivo de las restricciones derivadas de la declaración del estado de alarma en todo el territorio nacional de España por el Real Decreto 965/2020, de 3 de noviembre, y normativa aplicable. El Secretario,