CaixaBank, S.A. Financial Statements

2020

Financial statements, proposal for the Allocation of Profit and the Management Report that the Board of Directors, in its session of 18 February 2021, agrees to put forward to the Annual General Meeting.

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

CaixaBank

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 annual accounts

To the shareholders of CaixaBank, S.A.:

Report on the annual accounts

Opinion

We have audited the annual accounts of CaixaBank, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 1 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	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 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.

Key audit matter	How our audit addressed the key audit matter
• 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 Society 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 Company'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, 13, 19 and 38.2 to the accompanying annual accounts regarding credit risk and impairment arising from foreclosures and see Notes 34 and 37 to the accompanying annual accounts regarding profit and loss during the year.	• 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 Company'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 company. • 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 annual accounts.

Key audit matter	How our audit addressed the key audit matter
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 Company'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 to assess both recognition and the subsequent capacity to recover the deferred tax assets recognised, based on the Company's financial projections and business plans, 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 23 to the accompanying annual accounts.	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 Company'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 annual accounts.

Key audit matter	How our audit addressed the key audit matter
Tax, legal and regulatory provisions In the ordinary course of business, the Society 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 Company operates. Company 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 21 to the accompanying annual accounts.	We have obtained an understanding and performed an assessment of the estimation process conducted by Company's management and of the controls designed and implemented on the following activities: • Registration, accounting and updating of all the litigations in the Company's systems, as well as allocation of provisions, in accordance with the Company'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.

Key audit matter	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 annual accounts.
Assessment of the control environment for information systems The Company's operations and business continuity, by nature, and particularly the process followed to prepare financial and accounting information, rely significantly on the information systems that form part of its technological structure, 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 Company'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 Company'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 Company'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: Management report

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

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the 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 management report and the annual accounts as a result of our knowledge of the Company 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 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 management report is consistent with that contained in the 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 annual accounts

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

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of CaixaBank, S.A. for the 2020 financial year that comprises an XHTML file of the annual accounts for the financial year, 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 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 file prepared by the directors of the Company, 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 annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Audit and Control Committee

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

Appointment period

The General Ordinary Shareholders' Meeting held on April 6, 2017 appointed PricewaterhouseCoopers Auditores, S.L. as auditors 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 Company for a period of one year, for the year ended December 31, 2021.

Services provided

Services provided to the Company for services other than the audit of the accounts are indicated in note 33 to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Raúl Ara Navarro (20210)

February 19, 2021

CAIXABANK'S FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR

- Balance sheets on 31 December 2020 and 2019, before the appropriation of profit and loss
- Profit and loss accounts corresponding to the financial years ending on 31 December 2020 and 2019
- Statement of changes in net equity corresponding to the financial years ending on 31 December 2020 and 2019
    - Statement of other comprehensive income
    - Statement of total changes in equity
- Statement of cash flows for the years ending on 31 December 2020 and 2019
- Report corresponding to the financial year ending on 31 December 2020

BALANCE SHEET
ASSETS
(Millions of euros)

	NOTE	31-12-2020	31-12-2019 (*)
Cash and cash balances at central banks and other demand deposits	**9**	**46,779**	**13,898**
Financial assets held for trading	**10**	**13,449**	**14,240**
Derivatives		12,459	13,165
Equity instruments		195	370
Debt securities		795	705
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	**11**	**139**	**221**
Equity instruments		54	55
Debt securities			
Loans and advances		85	166
Customers		85	166
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	**12**	**17,347**	**16,316**
Equity instruments		899	1,729
Debt securities		16,448	14,587
Financial assets at amortised cost	**13**	**243,659**	**222,935**
Debt securities		19,970	13,992
Loans and advances		223,689	208,943
Credit institutions		5,386	4,355
Customers		218,303	204,588
Derivatives - Hedge accounting	**14**	**532**	**2,133**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**14**	**189**	**57**
Investments in subsidiaries, joint ventures and associates	**15**	**10,348**	**10,923**
Group entities		9,167	9,535
Joint ventures			
Associates		1,181	1,388
Tangible assets	**16**	**4,582**	**4,596**
Property, plant and equipment		4,541	4,560
For own use		4,541	4,560
Investment property		41	36
Intangible assets	**17**	**735**	**887**
Goodwill		323	529
Other intangible assets		412	358
Tax assets		**8,382**	**8,963**
Current tax assets		809	1,307
Deferred tax assets	23	7,573	7,656
Other assets	**18**	**3,479**	**3,656**
Insurance contracts linked to pensions		1,210	1,206
Inventories		9	14
Remaining other assets		2,260	2,436
Non-current assets and disposal groups classified as held for sale	**19**	**322**	**338**
TOTAL ASSETS		**349,942**	**299,164**
Memorandum items			
Loan commitments given	24	64,238	57,850
Financial guarantees given	24	5,342	5,086
Other commitments given	24	19,664	20,738
Financial instruments loaned or delivered as collateral with the right of sale or pledge			
Financial assets held for trading		691	165
Financial assets at fair value with changes in other comprehensive income		3,556	2,544
Financial assets at amortised cost		94,029	93,053
Tangible assets acquired under a lease	16	1,367	1,416

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

BALANCE SHEET
LIABILITIES
(Millions of euros)

	NOTE	31-12-2020	31-12-2019 (*)
Financial liabilities held for trading	**10**	**7,557**	**9,281**
Derivatives		7,285	8,810
Short positions		272	471
Financial liabilities designated at fair value through profit or loss			**1**
Other financial liabilities			1
Financial liabilities at amortised cost	**20**	**314,156**	**260,875**
Deposits		276,072	222,439
Central banks		45,695	13,044
Credit institutions		3,735	4,296
Customers		226,642	205,099
Debt securities issued		32,781	30,332
Other financial liabilities		5,303	8,104
Derivatives - Hedge accounting	**14**	**174**	**442**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**14**	**1,587**	**1,464**
Provisions	**21**	**2,844**	**3,370**
Pensions and other post-employment defined benefit obligations		499	519
Other long-term employee benefits		1,397	1,709
Pending legal issues and tax litigation		501	628
Commitments and guarantees given		124	129
Other provisions		323	385
Tax liabilities		**679**	**618**
Current tax liabilities		61	1
Deferred tax liabilities	23	618	617
Other liabilities	**18**	**1,271**	**1,058**
TOTAL LIABILITIES		**328,268**	**277,109**
Memorandum items			
Subordinated liabilities			
Financial liabilities at amortised cost	**20**	6,203	5,461

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

EQUITY
(Millions of euros)

	NOTE	31-12-2020	31-12-2019 (*)
SHAREHOLDERS' EQUITY	**22**	23,044	**22,898**
Capital		5,981	5,981
Share premium		12,033	12,033
Other equity items		25	24
Retained earnings		7,726	6,049
Other reserves		(3,399)	(3,254)
(-) Treasury shares		(10)	(9)
Profit/(loss) for the period		688	2,074
ACCUMULATED OTHER COMPREHENSIVE INCOME	**22**	(1,370)	**(843)**
Items that will not be reclassified to profit or loss		(1,816)	(1,167)
Actuarial gains or (-) losses on defined benefit pension plans		(43)	(45)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income		(1,773)	(1,122)
Items that may be reclassified to profit or loss		446	324
Hedging derivatives. Reserve of cash flow hedges [effective portion]		73	(34)
Fair value changes of debt securities measured at fair value with changes in other comprehensive income		373	358
TOTAL EQUITY		**21,674**	**22,055**
TOTAL LIABILITIES AND EQUITY		**349,942**	**299,164**

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

INCOME STATEMENTS

(Millions of euros)

	NOTE	2020	2019 (*)
Interest income	26	4,001	4,152
Financial assets at fair value with changes in other comprehensive income		171	209
Financial assets at amortised cost		3,587	3,804
Other interest income		243	139
Interest expense	27	(697)	(777)
NET INTEREST INCOME		**3,304**	**3,375**
Dividend income	28	1,467	1,857
Fee and commission income	29	2.224	2,240
Fee and commission expenses	29	(125)	(134)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	30	182	173
Financial assets at amortised cost		114	2
Other financial assets and liabilities		68	171
Gains/(losses) on financial assets and liabilities held for trading, net	30	138	101
Other gains or losses		138	101
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss, net	30	(5)	(64)
Reclassification of financial assets at fair value with changes in other comprehensive income			
Reclassification of financial assets at amortised cost			
Other gains or losses		(5)	(64)
Gains/(losses) from hedge accounting, net		(6)	44
Exchange differences (gain/loss), net		(50)	(46)
Other operating income	31	121	114
Other operating expenses	31	(586)	(594)
GROSS INCOME		**6,664**	**7,066**
Administrative expenses		(3,332)	(4,503)
Personnel expenses	32	(2,369)	(3,493)
Other administrative expenses	33	(963)	(1,010)
Depreciation and amortisation	16 and 17	(553)	(542)
Provisions or reversal of provisions	21	(148)	(129)
Impairment/(reversal) of impairment on financial assets not measured at fair value through profit or loss or net profit or loss due to a change	34	(1,477)	(317)
Financial assets at fair value with changes in other comprehensive income		2	0
Financial assets at amortised cost		(1,479)	(317)
Impairment or reversal of impairment on investments in subsidiaries, joint ventures and associates	15	(484)	(162)
Impairment/(reversal) of impairment on non-financial assets	35, 17, 16	(47)	(61)
Tangible assets		(33)	(39)
Intangible assets		(14)	(22)
Other		0	0
Gains/(losses) on derecognition of non-financial assets, net	7 and 36	9	732
Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	19 and 37	(38)	(36)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**594**	**2,048**
Tax expense or income related to profit or loss from continuing operations	23	94	26
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**688**	**2,074**
PROFIT/(LOSS) FOR THE PERIOD		**688**	**2,074**

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

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

	NOTE	2020	2019 (*)
PROFIT/(LOSS) FOR THE PERIOD		**688**	**2,074**
OTHER COMPREHENSIVE INCOME		**(527)**	**(58)**
Items that will not be reclassified to profit or loss		(649)	(118)
Actuarial gains or losses on defined benefit pension plans		3	(49)
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	**12**	(651)	(84)
Fair value changes of equity instruments measured at fair value with changes in equity [hedged instrument]		58	
Fair value changes of equity instruments measured at fair value with changes in equity [hedging instrument]		(58)	
Income tax relating to items that will not be reclassified		(1)	15
Items that may be reclassified to profit or loss		122	60
Foreign currency exchange			(1)
Translation gains/(losses) taken to equity			(1)
Cash flow hedges (effective portion)		160	(57)
Valuation gains/(losses) taken to equity		176	8
Transferred to profit or loss		(16)	(65)
Debt instruments classified as fair value financial assets with changes in other comprehensive income		35	236
Valuation gains/(losses) taken to equity		67	389
Transferred to profit or loss		(32)	(153)
Income tax relating to items that may be reclassified to profit or loss		(73)	(118)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**161**	**2,016**

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

STATEMENT OF CHANGES IN EQUITY (PART B)
STATEMENTS OF TOTAL CHANGES IN EQUITY

(Millions of euros)

		SHAREHOLDERS' EQUITY									
	NOTE	CAPITAL	SHARE PREMIUM	OTHER EQUITY ITEMS	RETAINED EARNINGS	OTHER RESERVES	LESS: TREASURY SHARES	PROFIT/(LOSS) FOR THE PERIOD	LESS: INTERIM DIVIDENDS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
BALANCE AT 31-12-2018		**5,981**	**12,033**	**19**	**5,983**	**(3,110)**	**(9)**	**1,163**	**(419)**	**(785)**	**20,856**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								2,074		(58)	2,016
OTHER CHANGES IN EQUITY				5	66	(144)		(1,163)	419		(817)
Dividends (or remuneration to shareholders)					(598)						(598)
Purchase of treasury shares	**22**						(6)				(6)
Sale or cancellation of treasury shares	**22**						6				6
Transfers among components of equity					744			(1,163)	419		
Other increase/(decrease) in equity				5	(80)	(144)					(219)
BALANCE AT 31-12-2019		**5,981**	**12,033**	**24**	**6,049**	**(3,254)**	**(9)**	**2,074**		**(843)**	**22,055**
OPENING BALANCE AT 01-01-2020		5,981	12,033	24	6,049	(3,254)	(9)	2,074		(843)	22,055
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD								688		(527)	161
OTHER CHANGES IN EQUITY				1	1,677	(145)	(1)	(2,074)			(542)
Dividends (or remuneration to shareholders)	**6**				(418)						(418)
Purchase of treasury shares	**22**						(7)				(7)
Sale or cancellation of treasury shares	**22**						6				6
Transfers among components of equity					2,074			(2,074)			
Other increase/(decrease) in equity	**6**			1	21	(145)					(123)
CLOSING BALANCE AT 31-12-2020		**5,981**	**12,033**	**25**	**7,726**	**(3,399)**	**(10)**	**688**		**(1,370)**	**21,674**

STATEMENT OF CASH FLOWS (INDIRECT METHOD)

(Millions of euros)

	NOTE	2020	2019 (*)
A) CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		34,607	(3,582)
Profit/(loss) for the period		**688**	**2,074**
Adjustments to obtain cash flows from operating activities		**3,056**	**1,283**
Depreciation and amortisation		553	542
Other adjustments		2,503	741
Net increase/(decrease) in operating assets		**(20,909)**	**(2,496)**
Financial assets held for trading		791	(1,382)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss		81	253
Financial assets designated at fair value through profit or loss		0	(1)
Financial assets at fair value with changes in other comprehensive income		(1,569)	3,764
Financial assets at amortised cost		(22,339)	(3,447)
Other operating assets		2,127	(1,683)
Net increase/(decrease) in operating liabilities		**51,922**	**(4,360)**
Financial liabilities held for trading		(1,724)	964
Financial liabilities designated at fair value through profit or loss		0	1
Financial liabilities at amortised cost		54,525	(4,166)
Other operating liabilities		(879)	(1,159)
Income tax (paid)/received		**(150)**	**(83)**
B) CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(217)	(159)
Payments:		**(500)**	**(1,524)**
Tangible assets		(319)	(467)
Intangible assets		(130)	(109)
Investments in subsidiaries, joint ventures and associates		(32)	(937)
Non-current assets and liabilities classified as held for sale		(19)	(11)
Proceeds:		**283**	**1,365**
Tangible assets		44	80
Investments in subsidiaries, joint ventures and associates		112	1,036
Non-current assets and liabilities classified as held for sale		127	249
C) CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(1,504)	1,199
Payments:		**(5,241)**	**(3,629)**
Dividends	**6**	(418)	(598)
Purchase of own equity instruments		(7)	(6)
Other payments related to financing activities		(4,816)	(3,025)
Proceeds:		**3,737**	**4,828**
Subordinated liabilities	**20**	746	0
Disposal of own equity instruments		6	6
Other proceeds related to financing activities		2,985	4,822
D) EFFECT OF EXCHANGE RATE CHANGES		(5)	1
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		32,881	(2,541)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		13,898	16,439
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (E+F)		46,779	13,898
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR	**9**		
Cash		2,073	2,375
Cash equivalents at central banks		44,414	11,209
Other financial assets		292	314
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR		**46,779**	**13,898**

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

NOTES TO THE CAIXABANK REPORT AT 31 DECEMBER 2020

As required by current legislation governing the content of financial statements, these notes to the financial statements complete, expand on and discuss the balance sheet, income statement, statement of changes in equity and statement of cash flows, and they form an integral part thereof to give a true and fair view of the equity and financial position of CaixaBank at 31 December 2020, as well as of the results of its operations, changes in equity and cash flows during the year ended on said date.

Index of explanatory notes **Page**

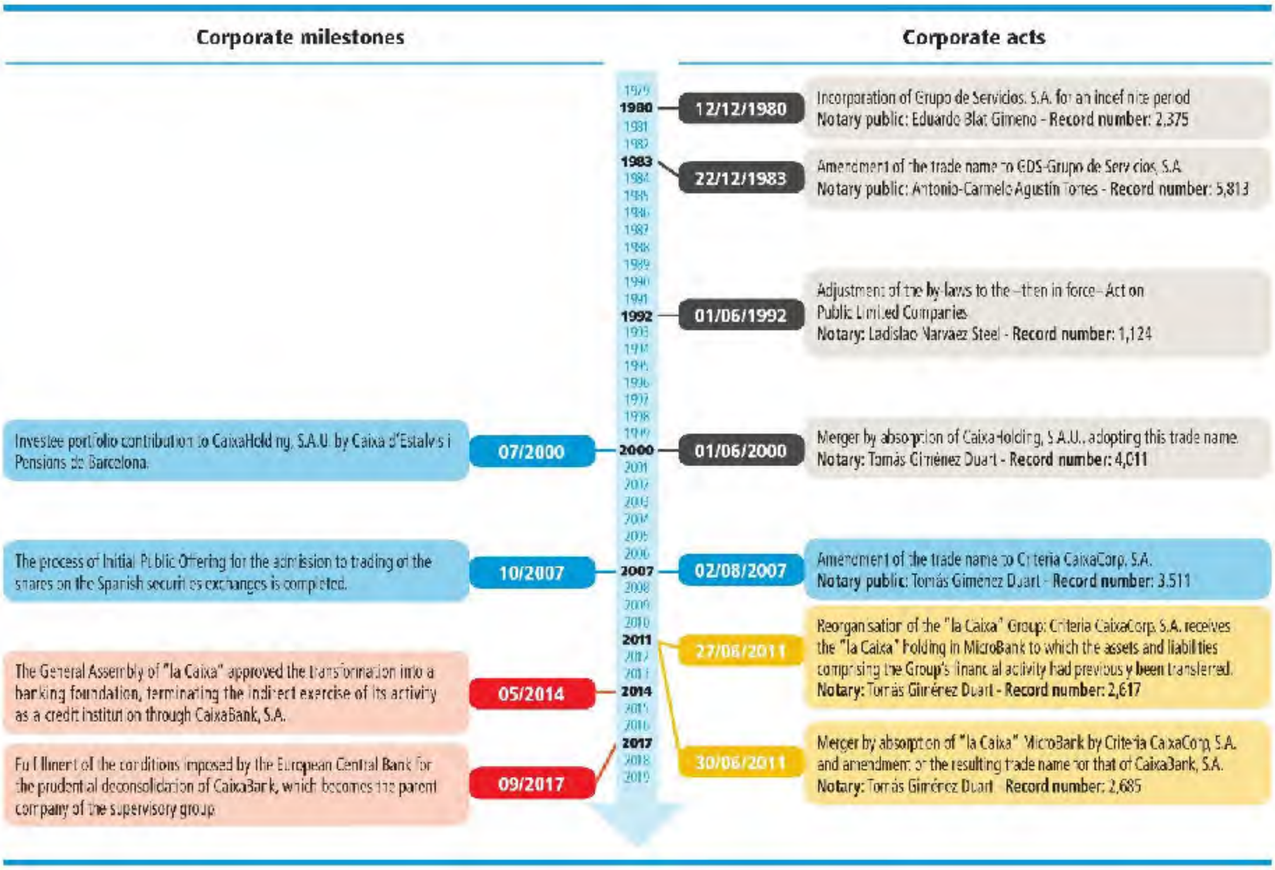
1. Corporate information, basis of presentation and other information

1.1. Corporate information

CaixaBank, S.A. (hereinafter, CaixaBank - its trade name - or the Entity), is a Spanish public limited company registered in the Commercial Register of Valencia, Volume 10370, Folio 1, Sheet V-178351, and in the Special Administrative Register of the Bank of Spain, under number 2100. The Legal Entity Identifier (LEI) of CaixaBank is 7CUNS533WID6K7DGFI87, and its Tax ID No. (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 Entity’s registered office and tax address is Calle Pintor Sorolla, 2-4, 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 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 financial statements have been drawn up by the Directors in accordance with the regulatory financial reporting framework applicable to the Institution at 31 December 2020, established by Bank of Spain Circular 4/2017, of 27 November, and its successive amendments effective at year-end.

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

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

Accounting standard issued by the Bank of Spain that has come into effect during 2020

On 11 June 2020, the Bank of Spain published a double amendment to Circular 4/2017 on public and reserved financial information standards for credit institutions. On the one hand, Circular 2/2020 was approved for the purpose of transposing the latest developments introduced to the International Financial Reporting Standards adopted by the European Union (among of which the new definition of business established in the IFRS 3 is worth noting). On the other hand, Circular 3/2020 was approved with the aim of avoiding automation and allowing further flexibility in applying expert judgement to classify refinancing operations by credit risk, in the current economic scenario caused by the COVID-19 health crisis and considering the recommendations of banking regulators and supervisors from across the world.

1.3. Responsibility for the information and for the estimates made

The Institution's financial statements for 2020 have been drawn up by the Board of Directors in the meeting held on 18 February 2021. They are pending approval by the Annual General Meeting, however 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 Entity. The preparation of the financial statements required the Board of Directors to make certain judgements, estimates and assumptions in order quantify certain assets, liabilities, revenues, expenses and obligations shown in them. These judgements and estimates mainly refer to:

- The measurement of goodwill and intangible assets (Note 2.15 and 17).
- 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 incorporation of forward-looking information (Notes 2.7 and 3.4.1).
- The valuation of stakes in group entities, joint ventures and associates (Note 15).
- Determination of the share of profit/(loss) of associates (Note 15).
- The classification, useful life and impartment losses of tangible and intangible assets (Notes 16 and 17).
- Impairment losses on non-current assets and disposal groups classified as held for sale (Note 19).
- Actuarial assumptions used to measure post-employment liabilities and commitments (Note 21).
- The measurement of the provisions required to cover labour, legal and tax contingencies (Note 21).
- The income tax expense based on the income tax rate expected for the full year and the capitalisation and recoverability of tax assets (Note 23).
- The fair value of certain financial assets and liabilities (Note 38).

These estimates were made on the basis of the best information available at the date of authorisation for issue of the financial statements. However, 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

The 2019 figures presented in the accompanying 2020 financial statements are given for comparison purposes only. In some cases, comparative information is summarised to facilitate comparison, with the full information available in the 2019 financial statements.

1.5. Seasonality of operations

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

1.6. Ownership interests in credit institutions

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

1.7. Minimum reserve ratio

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

1.8. 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, 15, 17 and 23), the recommendations from consultory 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
(Millions of euros)

	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**

(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 8).

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%.

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 mid-swap + 115 basis points).

2. Accounting policies and measurement bases

In drawing up the Entity's 2020 financial statements, the following accounting principles and policies and valuation criteria were applied:

2.1. Investments in subsidiaries, joint ventures and associates

Subsidiaries

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

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

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

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

Joint ventures

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

Associates

Associates are companies over which the Entity exercises significant direct or indirect influence, but which are not subsidiaries or joint ventures. In the majority of cases, significant influence is understood to exist when the company holds 20% or more of the voting rights of the investee. If it holds less than 20%, significant influence is evidenced by the circumstances indicated in Circular 4/2017. 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 Entity lacks the power to govern the entity's financial and operation policies. Based on these criteria, at 31 December 2018, the Entity held certain equity investments for very insignificant amounts, ranging from 20% to 50% classified under "Financial assets at fair value with changes in other comprehensive income".

Erste Group Bank AG

The most representative investment in which it has significant influence with a stake of less than 20% is Erste Group Bank AG. 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.

Valuation and impairment

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

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

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

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

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

2.2. Financial instruments

Classification of the financial assets

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

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

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

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

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

As regards the assessment in relation to whether the cash flows of an instrument solely represent payments of principal and interest, the Entity 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 Entity 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 Entity 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 Entity considers the existence of contractual conditions by virtue of which the schedule 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 Entity 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 Entity 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 Entity 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.

- 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 in which a characteristic of a financial asset is not consistent with a basic loan agreement, i.e. if there are characteristics of the asset that lead to contractual cash flows other than payments of principal and interests on the outstanding principal, the Entity will assess the significance and likelihood of occurrence to determine whether such a characteristic should be taken into consideration for the SPPI Test.

With respect to the materiality of a characteristic of a financial asset, the assessment performed by the Entity 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 Entity 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 Entity had not made the transaction. These include fees paid to intermediaries (such as prescribers); mortgage arrangement expenses borne by the Entity; and part of the costs of personnel in the Risk Acceptance Centres. Under no circumstances are the internal administrative costs or those deriving from prior research and analysis considered transaction costs.

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

Subsequent measurement of the financial assets

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

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

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

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

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 Entity 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 Entity 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 Entity 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 Entity considers whether the terms of each operation, in relation to market prices for other loans with similar guarantees available to the Entity, 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 Entity'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 Entity'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 IRPS 9).

Reclassifications between financial instrument portfolios

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

2.3. Accounting hedges

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

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

For the purpose of verifying the effectiveness requirement:

A there must be an economic relationship between the hedged item and the hedging instrument;

B 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

C it is essential to comply with the coverage ratio of the hedging accounting relationship, which is defined as the relationship between the quantity of the hedged item and the quantity of the hedging instrument, and it must be the same as the coverage ratio used for management purposes.

Fair value hedges

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

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

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

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

- Debt instruments: they are recognised in the heading "Gains/(losses) from hedge accounting, net" of the statement of profit or loss using the effective interest rate method at the date hedge accounting is discontinued.

- Equity instruments: are reclassified to reserves under the heading "Accumulated other comprehensive income – Elements that will not be reclassified to profit or loss – Failed fair value hedges of equity instruments measured at fair value with changes in other comprehensive income" of the balance sheet.

Cash flow hedges

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

The amount adjusted on the hedging item is recognised in “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Reserve of cash flow hedges [effective portion]" where they will remain until the forecast transaction occurs, at which point it will be recognised in "Gains/(losses) from hedge accounting, net" of the 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:

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES
(Millions of euros)

	31-12-2020			31-12-2019		
	GROSS AMOUNT RECORDED (A)	AMOUNT OFFSET IN BALANCE SHEET (B)	NET AMOUNT IN BALANCE SHEET (C=A-B)	GROSS AMOUNT RECORDED (A)	AMOUNT OFFSET IN BALANCE SHEET (B)	NET AMOUNT IN BALANCE SHEET (C=A-B)
ASSETS						
FA held for trading - Derivatives	17,473	5,014	12,459	17,348	4,183	13,165
FA at amortised cost - Loans and advances	228,987	5,298	223,689	212,877	3,934	208,943
Of which: Collateral	2,779	2,779		2,372	2,372	
Of which: Reverse repurchase agreement *	2,045	2,045		990	990	
Of which: Tax lease transaction	474	474		572	572	
Derivatives - Hedge accounting	2,372	1,840	532	2,133		2,133
LIABILITIES						
LF held for trading	16,500	9,215	7,285	16,820	8,010	8,810
FL at amortised cost	316,827	2,671	314,156	260,982	107	260,875
Of which: Other financial liabilities	152	152			(1,455)	1,455
Of which: Repurchase agreement *	2,045	2,045		991	990	1
Of which: Tax lease transaction	474	474		572	572	
Derivatives - Hedge accounting	440	266	174	442		442

FA: Financial assets; FL: Financial liabilities

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

2.5. Derecognition of financial

All or part of a financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the entity transfers the asset to an unrelated third party.

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

- If all the risks and rewards of ownership of the transferred asset are substantially transferred (such as in the case of, among others: unconditional sales, a sale with an option to repurchase the financial asset at its fair value at the time of repurchase, a sale of a financial asset together with a put or call option that is deep out of the money, or asset securitisations in which the transferor does not retain any subordinated loans and does not provide any type of credit enhancement to the new owners), it is derecognised, and any rights or obligations retained or arising as a result of the transfer are simultaneously recognised.
- If the risks and rewards of ownership of the transferred financial asset are substantially retained (such as in the case of, among others: sale and repurchase transactions where the repurchase price is a fixed price or the sale price plus a lender's return, a securities lending agreement under which the borrower has the obligation to return the securities or similar), it is not derecognised and continues to be measured by the same criteria used before the transfer and the following are recognised:
    - A financial liability equal to the consideration received, which is subsequently measured at amortised cost, unless it meets the requirements to be classified under other liabilities at fair value through profit or loss; and
    - The income generated on the transferred (but not derecognised) financial asset and the expenses of the new financial liability, without offsetting.
- If substantially all the risks and rewards of ownership of the transferred financial asset are neither transferred nor retained (such as in the case of, among others, a sale of a financial asset together with a put or call option that is neither deep-in-the-money nor deep-out-of-the-money, securitisations in which the transferor assumes a subordinated loan or other type of credit enhancement for part of the transferred asset), the following distinction is made:
    - If the transferor does not retain control over the financial asset transferred, it is derecognised and any right or obligation retained or arising from the transfer is recognised; or
    - If the transferor retains control over the financial asset transferred, it continues to recognise the asset for an amount equal to its exposure to changes in value of the asset, recognising a liability associated with the financial asset transferred. The net amount of the transferred asset and the associated liability shall be the amortised cost of the rights and obligations retained, if the asset is measured at amortised cost, or at fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

In accordance with the terms of the transfer agreements in place, virtually the entire portfolio of loans and receivables securitised by the Entity does not meet the requirements to be derecognised from the balance sheet.

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

2.6. Financial guarantees

Financial guarantees given

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

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

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

At the time of their initial recording, the Entity 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 21, except in the case of technical guarantees, where the criteria set out in Note 2.20 are applied.

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

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

Financial guarantees received

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

2.7. Impairment of financial assets

The Entity applies the requirements on impairment of debt instruments that are measured at amortised cost and at fair value with changes in other comprehensive income, as well as other exposures that involve credit risk, such as 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 Entity in accordance with the financial asset's contract and all the cash flows that it is due to receive (i.e. all the insufficiency of cash flows), discounted at the original effective interest rate or, for financial assets that were purchased with or that originated with credit impairment, discounted at the effective interest rate adjusted to reflect credit quality, or the interest rate on the date referred to in the financial statements in the case of a variable rate.

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

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

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

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

B 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.

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

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

2.8. Refinancing or restructuring operations

According to the provisions of the regulation, these relate to 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 extended by any of the Entity's companies 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.

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. In accordance with the current 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 (see note 3.2).

2.9. Foreign currency transactions

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

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

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

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

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

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

2.10. Recognition of income and expenses

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

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

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

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

In particular, the Entity adheres to the following stages:

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

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

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

2.11. Funds managed

Collective investment institutions and pension funds managed by the Entity's companies are not presented on the face of the Entity's balance sheet since the related assets are owned by third parties. The fees and commissions earned in the period from this activity are included under “Fee and commission income” in the statement of profit or loss, 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 Entity by employees or for benefits payable after completion of employment. They can be classified into the following categories:

Short-term employee benefits

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

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

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

Defined contribution plans

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

Defined benefit plans

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

Plan assets are defined as follows:

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

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 Entity and exist solely to pay or finance employee benefits, or
- They are solely available to pay or finance post-employment benefits, they are not available to cover the debts of Entity creditors (not even in the event of bankruptcy), and they cannot be returned to the Entity 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 Entity 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”.

Post-employment benefits are recognised as follows:

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

Other long-term employee benefits

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

Termination benefits

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

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

2.13. Income tax

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

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

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

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

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

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

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

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 Entity for present or future administrative purposes, 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)

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

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

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

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

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

Upkeep and maintenance expenses are recognised under "Administrative expenses – Other administrative expenses" in the statement of profit or loss, 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.

Goodwill

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

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

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

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

At the end of each reporting period or whenever there are indications of impairment, an estimate is made of any impairment that reduces the recoverable amount to below 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.

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

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

Any impairment losses on assets are recognised with a balancing entry in “Impairment or 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.

Practically all software recognised under this chapter of the balance sheet has been developed by third parties and is amortised with a useful life of between 4 and 15 years

2.16. Inventories

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

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

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

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

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

2.17. 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 Entity’s control, may also be 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 Entity 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 exceed the carrying amount, the Entity recognises the difference in the statement of profit or loss, as an impairment reversal, up to the limit of the impairment accumulated as from the initial recognition of the foreclosed asset.

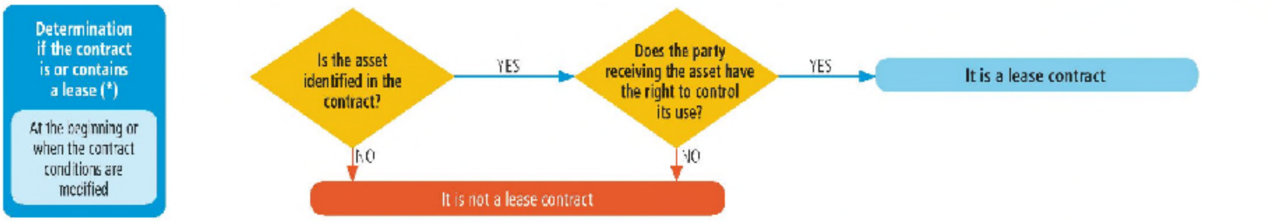
After the initial recognition, the Entity compares the carrying amount with the fair value less costs to sell, recognising any possible additional impairment in the statement of profit or loss. For this purpose, the main valuation used to estimate fair value is updated by the Entity. In line with the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

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

2.18. Leases

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



(*) 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.

Recording as a lessor

According to the economic fund of the operation, independent of its legal form

Financial leases	Operating leases
• Operations in which, substantially, all the risks and benefits that fall on the leased asset **are transferred to the lessee.**	• Operations in which, substantially, all the risks and benefits that fall on the leased asset, and also its property, **are maintained by the 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 corresponding to the lessor. • These include fixed charges (minus the payments made to the lessee) and specific 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.	• The cost of purchasing the leased assets is recorded in the section **"Tangible assets" of the balance sheet**.
• Any financial income obtained as a lessor is registered in the profit and loss account in the section **"Interest income"**.	• These are **amortised** with the same criteria as those used for the rest of own-use tangible assets. • Income appears in the section **"Other operating income"** of the profit and loss account.

Accounting as a lessee

Term of the contract

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

Accounting record

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

Sale and leaseback transactions

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

2.19. Contingent assets

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

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

2.20. Provisions and contingent liabilities

Provisions cover present obligations at the date of preparation of the financial statements arising from past events which could give rise to a loss considered likely to occur. 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. Statement of changes in equity. Part A) Statement of comprehensive income

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

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

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

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

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

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

2.23. 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.

3. Risk management

3.1 Risk factors and environment

From the Entity's perspective, the following factors from 2020 stand out for having a significant impact on risk management, both due to their occurrence throughout the year and their long-term implications:

- Macroeconomic environment
  - Global economy

    In 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 Entity'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 Entity'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 have a medium- to long-term impact on the Entity. 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 Entity 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 Entity considers newcomers as a potential threat, whilst also being an opportunity as a source of collaboration, learning and stimulus for complying with the digitalisation and business transformation objectives 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.

Additionally, the Entity has *Imagin* as a first-rate value proposal to continue bolstering. With respect to competition from BigTech companies, the Entity is committed to improving customer experience with the added value of its social awareness (bits and trust), and to putting forward 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 Entity.

Mitigating factors: the Entity 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 continuous auditing by monitoring the risk indicators defined. Additionally, the Entity 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.

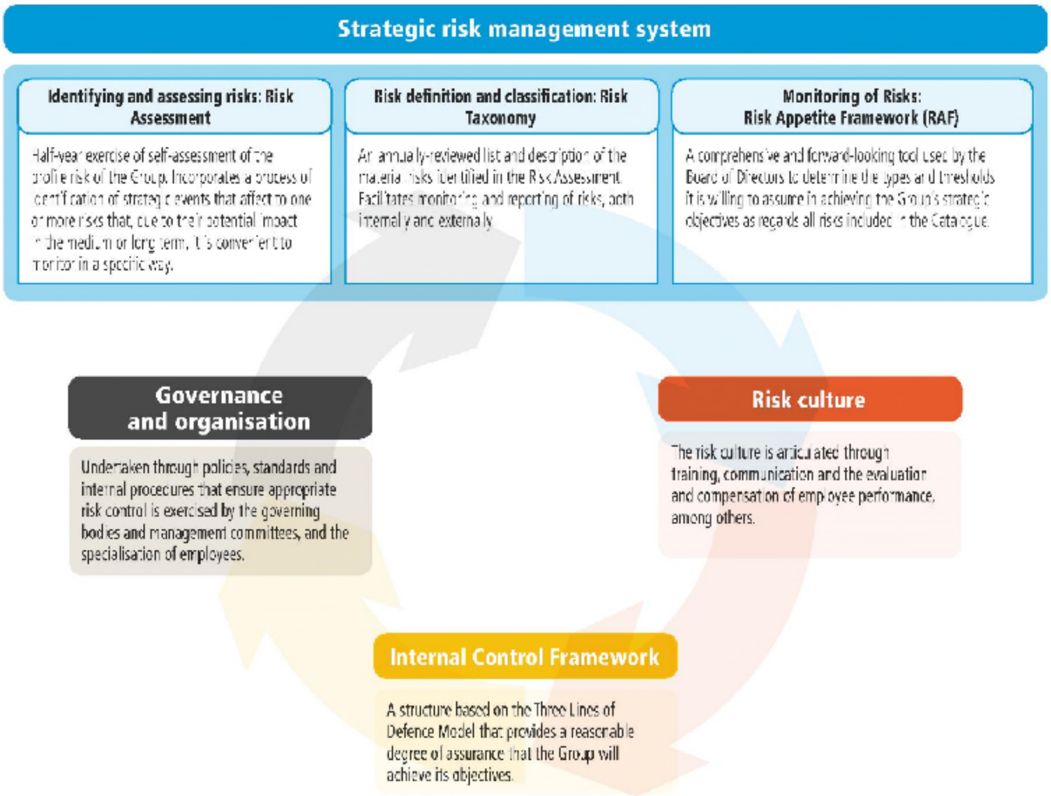
Mitigating factors: capacity for effective implementation of management initiatives to mitigate the effect on the risk profile caused by the deterioration of the economic environment in case of an extreme operational event, as is the specific case of COVID-19.

- **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.

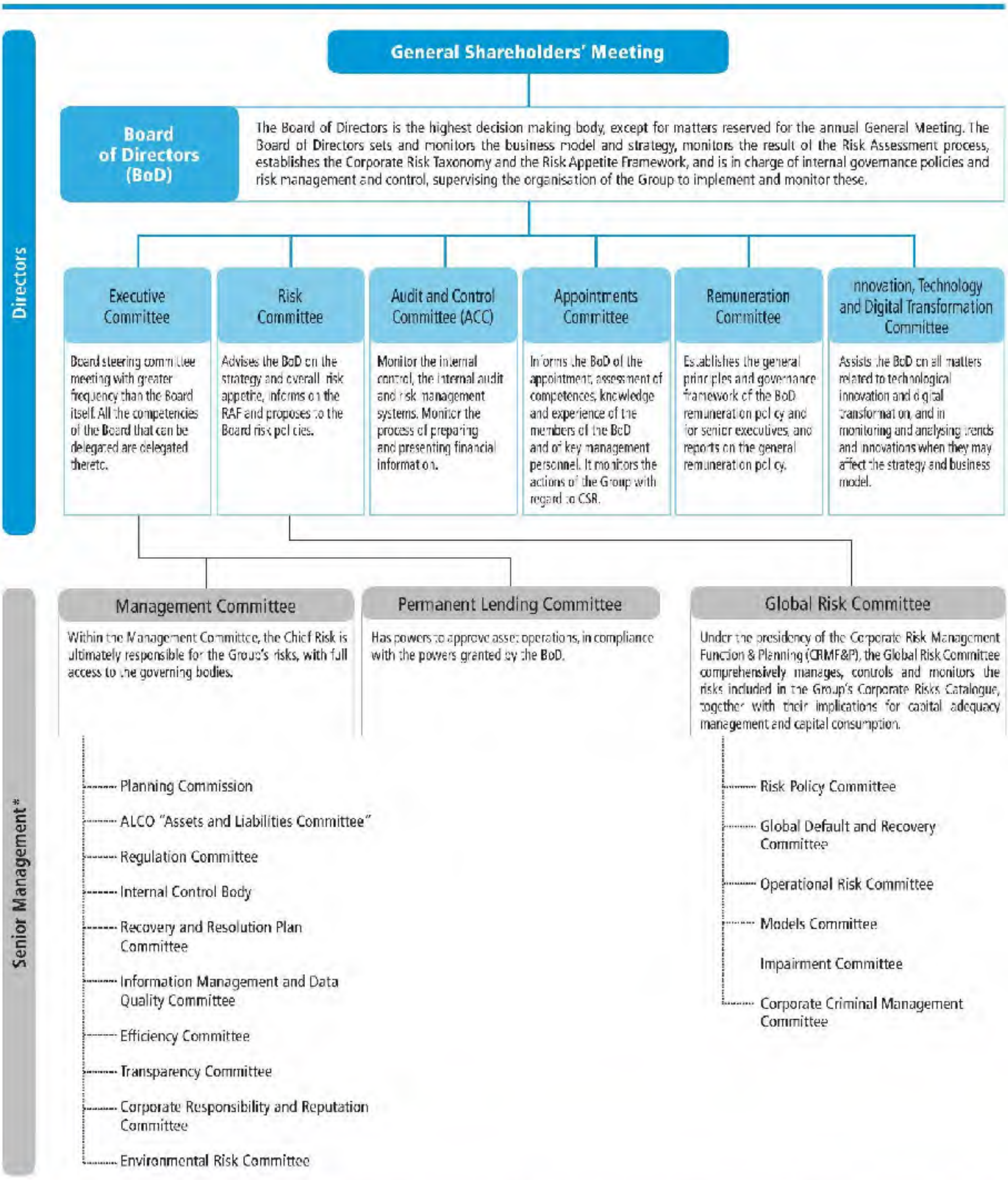
Mitigating factors: CaixaBank's successful track record of merger projects, in which it has managed to materialise the savings and synergies foreseen. Additionally, the compatibility of the business models of both organisations and a shared origin and corporate values, as well as solid financial strength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

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



3.2.1. Governance and organisation

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



* Acting within the framework of the assigned duties it comprises several committees for risk governance, management and control.
N.B. Not all the committees are shown.

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

One of the General Management's most important missions, in collaboration with other areas of the Entity, 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 from the risk-taking departments, and has direct access to the Entity's Governance Bodies, in particular the Risk Committee, reporting regularly to its members on the status of the Entity's risk profile and any expected changes thereof.

3.2.2. Strategic risk management system

The 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 Entity 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:

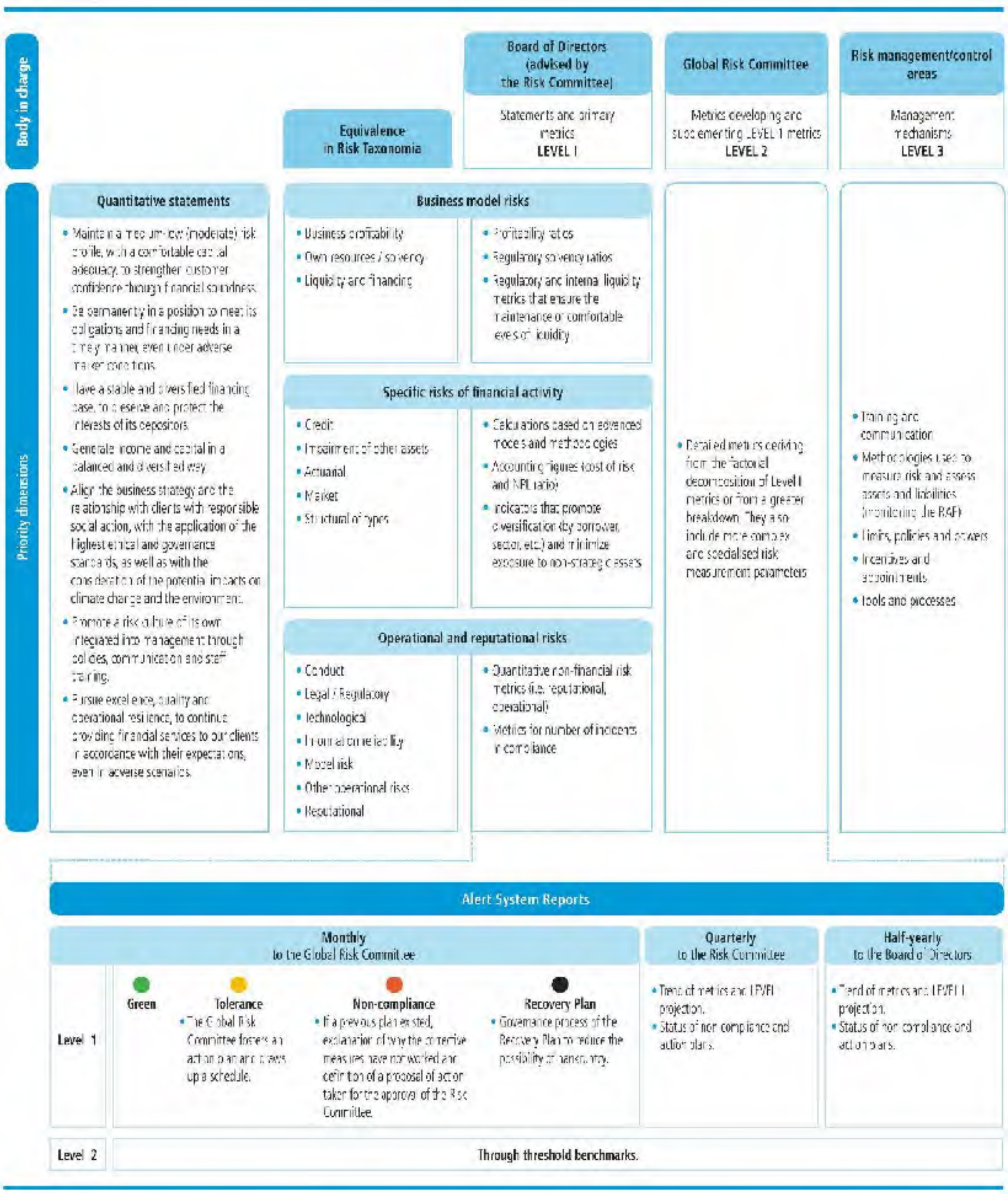
- The inclusion of Model Risk to reflect the relevance of the models in the Group's decision-making processes and align with the regulator's recommendations and sector practices.
- The extension of the scope of Information Reliability Risk (previously called Reliability of Financial Information) to cover 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.[1]. 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.



---

[1] 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 Entity structures its training programme through its Risk School. It sees training as a strategic tool to provide support to business areas, whilst providing a conduit for disseminating the Entity's risk policies, providing training, information and tools for all of the staff. This proposal comprises a training circuit for specialising in risk management. This is linked to the professional development of the entire workforce from Retail Banking staff through to specialists in any field.

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

RISK CULTURE AND TRAINING

COURSE	TITLE	GROUP TRAINED	NUMBER OF INDIVIDUALS
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 (accumulated)
Postgraduate diploma in Banking Risk Analysis	University diploma	Business network branch deputy managers and managers and other stakeholders who, given their role, may be involved in approving loans or may require in-depth knowledge of risk	288 in 2020 (221 in progress) 5,156 (accumulated)
Specialist training in risks for AgroBank branches	Speciality	Employees that make up the AgroBank branch network	1,957 (accumulated)
Specialist training in risks for BusinessBank branches	Speciality	Employees that make up the BusinessBank branch network	77 in 2020 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 *(first and second edition)*	University qualification	A refresher course on the new act 5/2019 intended for employees that comprise the Retail, Business and Risk network	17,413 (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 Entity'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 Entity aims 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.

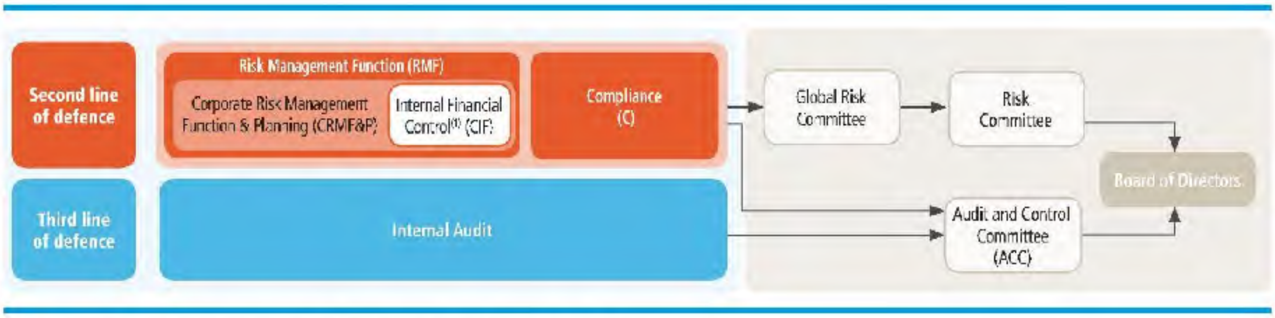
Second line of defence

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



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

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

- *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 Performance; 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 Entity'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 Entity.
- 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.

3.3.1. Business risk

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

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

The Entity 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.
- 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 (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 Entity to adapt its volume of own resources to regulatory requirements or a change to its risk profile.

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

The regulatory capital of financial institutions is regulated by 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 Entity'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 Entity 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 the 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 funding risk refers to insufficient liquid assets or limited access to market financing to meet contractual maturities of liabilities, regulatory requirements, or the investment needs of the Entity.

The Entity manages this risk to maintain sufficient liquidity levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework (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, these being principles of the funding source strategy, which is based on i) the customer deposit-based funding structure and ii) capital market funding, complementing the funding structure.

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

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

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
Value of guarantees delivered as collateral	**66,498**	**46,001**
Drawn down	**(45,305)**	**(11,554)**
TLTRO II	0	(3,409)
TLTRO III *	(45,305)	(8,145)
Interest on drawn guarantees	122	44
TOTAL AVAILABLE BALANCE IN ECB FACILITY	**21,316**	**34,491**

(*) Interest accrued from the borrowing from TLTRO III on 31 December 2020 amounts to EUR 260 million. This interest is calculated for each operation of this series and reflects the Entity'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 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
CaixaBank ECP ("Euro Commercial Paper") programme (Ireland 15-12-2020)	3,000	650

(1) Extendable to EUR 3,000 million

- Capacity to issue backed bonds

COVERED BOND ISSUANCE CAPACITY - 31-12-2020
(Millions of euros)

	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 Entity'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 made up of HQLAs:

LIQUID ASSETS *
(Millions of euros)

	31-12-2020		31-12-2019	
	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT	MARKET VALUE	APPLICABLE WEIGHTED AMOUNT
Level 1 assets	84,833	84,797	49,082	49,006
Level 2A assets	253	215	0	0
Level 2B assets	1,529	765	3,583	1,916
TOTAL HIGH QUALITY LIQUID ASSETS (HQLAS) **	**86,615**	**85,777**	**52,665**	**50,922**
Assets available in facility not considered HQLAs		17,863		30,330
TOTAL LIQUID ASSETS		**103,640**		**81,252**

(*) Data corresponding to the perimeter of reporting and regulatory compliance 'Single liquidity subgroup' (CaixaBank at the consolidated level without BPI and without CaixaBank Wealth Management Luxembourg, S.A.).
(**) Assets under the calculation of the LCR (Liquidity Coverage Ratio). It corresponds to high-quality liquid assets available to meet liquidity needs for a 30 calendar day stress scenario.

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

LCR AND NSFR (1)
(Millions of euros)

	31-12-2020	31-12-2019
High-quality liquid assets - HQLAs (numerator)	85,777	50,922
Total net cash outflows (denominator)	31,026	28,164
Cash outflows	37,883	33,015
Cash inflows	6,857	4,851
LCR (LIQUID COVERAGE RATIO) (%) (2)	**276%**	**181%**
NSFR (NET STABLE FUNDING RATIO) (%) (3)	**144%**	**129%**

(1) Data corresponding to the perimeter of reporting and regulatory compliance 'Single liquidity subgroup' (CaixaBank at the consolidated level without BPI and without CaixaBank Wealth Management Luxembourg, S.A.).
(2) LCR – regulatory ratio whose objective is to maintain an adequate level of high-quality assets available to face liquidity needs with a 30-day horizon, under a stress scenario that considers a combined crisis of the financial system and reputation.
According to Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 (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%.

(3) NSFR - regulatory balance sheet structure ratio that measures the relation between the quantity of available stable funding (ASF) and the quantity of required stable funding (RSF). Available stable funding is defined as the proportion of own funds and customer funds that are expected to be stable in the time horizon of one year. The amount of stable funding required by an institution is defined in accordance with its liquidity and the residual maturities of its assets and its balance sheet positions.
Calculation applying the regulatory criteria established as per Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, to enter into force in June 2021. 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	A	R-1(low)	Stable	A	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/repo operations (CSA/GMRA/GMSLA contracts)*	0	6	6
Deposits taken with credit institutions*	0	667	667

(*) 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

(Millions of euros)

	31-12-2020		31-12-2019	
	CARRYING AMOUNT OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS	CARRYING AMOUNT OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS
Equity instruments	0	1,148	0	2,154
Debt securities *	7,991	29,222	4,668	24,616
Of which: covered bonds	*6*	*3*	*2*	*9*
Of which: asset-backed securities	*0*	*70*	*0*	*92*
Of which: issued by public administrations	*6,753*	*26,140*	*4,004*	*21,280*
Of which: issued by financial corporations	*910*	*2,422*	*417*	*1,894*
Of which: issued by non-financial corporations	*323*	*587*	*245*	*1,340*
Other assets **	82,544	229,036	50,252	217,474
Of which: loans and receivables	*77,046*	*191,433*	*45,181*	*175,451*
TOTAL	**90,535**	**259,406**	**54,920**	**244,244**

(*) Mainly corresponds to assets provided in repurchase agreements and ECB financing transactions.

(**) 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		31-12-2019	
	FAIR VALUE OF ENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS	FAIR VALUE OF ENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS
Collateral received *	2,627	13,247	1,780	15,443
Equity instruments	0	0	0	0
Debt securities	2,627	11,914	1,780	14,340
Other guarantees received	0	1,333	0	1,103
Own debt securities other than covered bonds or own asset-backed securities **	0	249	0	12
Own covered bonds and asset-backed securities issued and not pledged ***	0	24,180	0	48,938
TOTAL	**2,627**	**37,676**	**1,780**	**64,393**

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

(**) Senior debt treasury shares.

(***) Corresponds to own securitisations and mortgage/public-covered bonds.

The asset encumbrance ratio is as follows:

ASSET ENCUMBRANCE RATIO
(Millions of euros)

	31-12-2020	31-12-2019
Encumbered assets and collateral received (numerator)	**93,162**	**56,700**
Equity instruments	0	0
Debt securities	10,618	6,448
Loans and receivables	77,046	45,181
Other assets	5,498	5,071
Total assets + Total assets received (denominator)	**365,815**	**316,387**
Equity instruments	1,148	2,154
Debt securities	51,754	45,404
Loan portfolio	268,479	220,631
Other assets	44,434	48,198
ASSET ENCUMBRANCE RATIO	**25.47%**	**17.92%**

In 2020, the asset encumbrance ratio increased with respect to 2019, with an increase of 7.55 percentage points primarily due to greater encumbrance of the available facility (use of TLTRO III).

Secured liabilities and the assets securing them are as follows:

SECURED LIABILITIES
(Millions of euros)

	31-12-2020		31-12-2019	
	LIABILITIES HEDGED, CONTINGENT LIABILITIES OR SECURITIES CEDED	ASSETS, GUARANTEES RECEIVED AND TREASUREY INSTRUMENTS ISSUED *	LIABILITIES HEDGED, CONTINGENT LIABILITIES OR SECURITIES CEDED	ASSETS, GUARANTEES RECEIVED AND TREASUREY INSTRUMENTS ISSUED *
Financial liabilities	**74,909**	**88,335**	**45,882**	**52,558**
Derivatives	6,011	6,239	5,434	5,746
Deposits	53,750	64,145	23,882	27,242
Issuances	15,148	17,951	16,566	19,570
Other sources of charges	**4,331**	**4,826**	**3,804**	**4,142**
TOTAL	**79,240**	**93,161**	**49,686**	**56,700**

(*) Excluding encumbered covered bonds and securitised bonds.

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 DEPOSITS	< 3 MONTHS	3-12 MONTHS	1-5 YEARS	> 5 YEARS	TOTAL
Interbank assets	0	48,282	2,070	2,503	5	52,860
Loans and advances - Customers	1,020	13,008	39,609	86,170	70,867	210,674
Debt securities	0	2,053	5,228	19,216	8,478	34,975
TOTAL ASSETS	**1,020**	**63,343**	**46,907**	**107,889**	**79,350**	**298,509**
Interbank assets	0	4,988	2,436	46,844	312	54,580
FL - Customer deposits	12,913	35,067	49,549	53,283	67,852	218,664
FL - Debt securities issued	0	2,558	1,352	22,138	10,090	36,138
TOTAL LIABILITIES	**12,913**	**42,613**	**53,337**	**122,265**	**78,254**	**309,382**
Of which are wholesale issues net of treasury shares and multi-issuers	*0*	*2,541*	*100*	*15,279*	*16,040*	*33,960*
Of which are other financial liabilities for operating lease	*0*	*0*	*12*	*50*	*1,327*	*1,389*
Loan commitments given	0	3,491	11,893	16,412	32,442	64,238

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 the loss of value of the Entity's assets with a customer or counterpart, due to a deterioration in the capacity of said customer or counterpart to meet its commitments with the Entity. This is the most significant of the Entity's financial activity, based on banking and insurance commercialisation, treasury operations and long-term equity investments.

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

MAXIMUM EXPOSURE TO CREDIT RISK
(Millions of euros)

	31-12-2020		31-12-2019	
	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING	MAXIMUM EXPOSURE TO CREDIT RISK	HEDGING
Financial assets held for trading (Note 10)	**990**		**1,075**	
Equity instruments	195		370	
Debt securities	795		705	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 11)	**139**		**221**	
Equity instruments	54		55	
Debt securities				
Loans and advances	85		166	
Financial assets at fair value with changes in other comprehensive income (Note 12)	**17,347**		**16,316**	
Equity instruments	899		1,729	
Debt securities	16,448		14,587	
Financial assets at amortised cost (Note 13)	**248,071**	**(4,412)**	**226,511**	**(3,576)**
Debt securities	19,970		13,992	
Loans and advances	228,101	(4,412)	212,519	(3,576)
Credit institutions	5,386		4,357	(2)
Customers	222,715	(4,412)	208,162	(3,574)
Derivatives	**3,973**		**3,699**	
TOTAL ACTIVE EXPOSURE	**270,520**	**(4,412)**	**247,822**	**(3,576)**
TOTAL GUARANTEES GIVEN AND COMMITMENTS*	**89,244**	**(124)**	**83,674**	**(129)**
TOTAL	**359,764**	**(4,536)**	**331,496**	**(3,705)**

(*) CCF (Credit Conversion Factors) for guarantees given and commitments in loans and advances, at 31 December 2020 and 2019, amount to EUR 61,992 and 58,867 million, respectively.

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

- Current exposure: the highest value between zero and the market value of an operation or of a portfolio of operations in a set of operations that can be offset with a counterparty that would be lost in the event of non-payment of the counterparty, assuming that none of the value of the operations will be recovered in the event of insolvency or settlement beyond the collateral received.

- Potential risk: variation of the credit exposure as a consequence of the future changes of the valuations of operations that can be offset with a counterparty during the residual term until maturity.

Regarding its ordinary business, the Entity gears its lending activity towards meeting the funding needs of households and businesses and providing added value services to the large enterprises sector, all within the medium-low risk profile established as an objective in the RAF.

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

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

For accounting purposes, effective guarantees or collateral are collateral and personal guarantees that can be demonstrated 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 Entity.

- The outlay policy, mainly concerning property development and self-development operations.

- The loan-to-value (LTV) of the operation. The capital to be granted in mortgage operations is limited to percentages of the value of the guarantee, which is defined as the lowest of the appraisal value and 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 Entity uses credit derivatives on a sporadic basis, contracted with high-level credit institutions and under the scope of collateral contracts to hedge credit risk.

A breakdown of the guarantees received in the approval of the Entity'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)

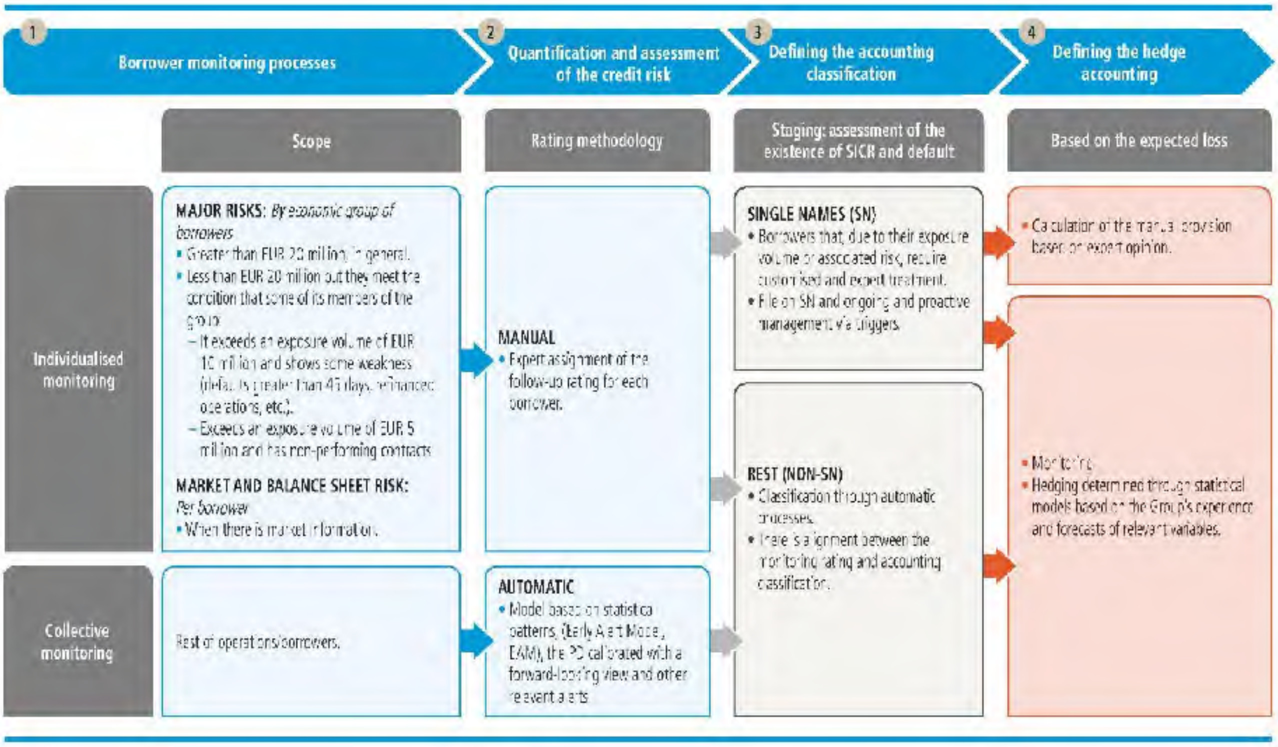
	31-12-2020			31-12-2019		
	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	VALUE OF GUARANTEES **	GROSS AMOUNT	ALLOWANCES FOR IMPAIRMENT LOSSES	VALUE OF GUARANTEES **
Stage 1:	**196,110**	**(570)**	**264,615**	**185,837**	**(358)**	**276,394**
No collateral associated	100,992	(303)	0	84,894	(259)	0
With real estate collateral	91,050	(265)	258,377	96,290	(93)	270,154
With other collateral	4,068	(2)	6,238	4,653	(6)	6,240
Stage 2:	**16,996**	**(792)**	**24,806**	**13,158**	**(460)**	**20,855**
No collateral associated	6,708	(415)	0	3,771	(241)	0
With real estate collateral	9,917	(375)	23,984	9,029	(215)	20,438
With other collateral	371	(2)	822	358	(4)	417
Stage 3:	**7,229**	**(3,039)**	**9,569**	**7,229**	**(2,751)**	**9,613**
No collateral associated	1,789	(1,513)	0	1,789	(1,349)	0
With real estate collateral	5,374	(1,517)	9,381	5,360	(1,368)	9,521
With other collateral	66	(9)	188	80	(34)	92
TOTAL	220,335	(4,401)	298,990	206,224	(3,569)	306,862

(*) Includes loans and advances to customers under the headings 'Financial assets at amortised cost' (Note 13) and 'Financial assets not designated for trading compulsorily measured at fair value through profit or loss' (Note 11)
(**) 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.

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

Monitoring and measurement of credit risk

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



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

The aim is to determine the quality of the risk assumed with the borrower ("Monitoring Rating") and actions that need to be taken according to the result, including the estimation of impairment. The targets of risk monitoring are the borrowers that hold the debt instruments and off-balance sheet exposures that bear credit risk, and the profit or loss is a reference for the future granting policy.

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

The *Monitoring Rating* is an assessment of each customer's situation and risks. All borrowers have a monitoring rating which classifies them into one of five categories[2]: 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.

[2] The monitoring rating is an assessment of each customer's situation and risks. The different monitoring ratings are as follows:
- 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.

The Group defines individually significant borrowers (Single Names) as those that meet the following thresholds or characteristics[3]:

- 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 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.

[3] 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.

- Customer-oriented tools assess the debtor's probability of default. They comprise behavioural 'scoring' models for monitoring the risk of individuals and ratings or companies.

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

As regards large corporations, the 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 corporations, 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 corporations, 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[4]. 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, 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 *Defining the accounting classification*

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

It will be considered that there has been an SICR 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

[4] 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

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 a 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 a 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[5] (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:

    - Master scale[6] 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.

- 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 _Defining the accounting hedge_

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

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

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

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

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

B the time value of the money, and

C 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.[7].

[5] 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.

[6] 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.

- 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[8], 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) 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:

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

    2. 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.

---

[7] 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.

[8] 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.

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

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.

Incorporation of forward-looking information into the expected loss models

The projected variables considered are as follows:

FORWARD-LOOKING MACROECONOMIC INDICATORS (*)

(% Percentages)

	31-12-2020			31-12-2019		
	2021	2022	2023	2020	2021	2022
GDP growth						
Baseline scenario	6.0	4.4	2.0	1.5	1.5	1.4
Upside range	7.7	5.0	1.9	2.3	2.6	1.9
Downside range	1.7	5.5	2.8	0.6	0.3	0.9
Unemployment rate						
Baseline scenario	17.9	16.5	15.4	12.6	11.5	10.3
Upside range	16.9	14.9	14.1	12.1	10.0	8.4
Downside range	20.8	18.4	16.7	13.6	13.7	12.9
Interest rates (**)						
Baseline scenario	(0.5)	(0.4)	(0.2)	(0.3)	(0.1)	0.3
Upside range	(0.4)	(0.3)	(0.1)	(0.3)	0.1	0.5
Downside range	(0.6)	(0.5)	(0.4)	(0.4)	(0.4)	(0.3)
Evolution of property prices						
Baseline scenario	(2.00)	0.80	1.80	3.20	3.00	2.90
Upside range	0.00	2.60	2.20	4.70	5.80	4.90
Downside range	(5.20)	(1.30)	1.30	1.20	(0.40)	0.90

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

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

PROBABILITY OF OCCURRENCE OF THE CONSIDERED SCENARIOS

(% percentages)

	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

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

The modification to the macroeconomic scenario and the application of a prudent approach as a consequence of the impacts of COVID-19 has entailed having to constitute coverage within the Group of EUR 1,012 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

(Millions of euros)

	INCREASE IN EXPECTED 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	**39**	**169**
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	**29**	**122**
Large corporations	11	11
SMEs	15	94
Individual entrepreneurs	3	17
Households (excluding individual entrepreneurs)	**64**	**336**
Home purchases	**49**	**251**
For the purchase of a main residence	48	247
For the purchase of a second residence	1	4
Consumer credit	**5**	**21**
Consumer credit	5	21
Credit card debt	0	0
Other purposes	**10**	**64**
TOTAL	**104**	**505**

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 Entity's company that is responsible for holding real estate assets in Spain, primarily coming from regularisations of the Entity's lending activity through any of the following channels: i) acquisition at auctions held after assets have been foreclosed, mainly in relation to mortgage loans; ii) acquisition of mortgaged real estate assets of individuals, with the subsequent subrogation and cancellation of the debts; and iii) acquisition of real estate assets of companies, mainly real estate developers, to cancel their debts.

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

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

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

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

- Institutional sales: the Entity 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 *

(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	52	(17)	*(4)*	35
Buildings and other completed constructions	35	(13)	(3)	22
Homes	23	(8)	(2)	15
Other	12	(5)	(1)	7
Buildings and other constructions under construction	7	(1)	0	6
Homes	2	(1)	0	1
Other	5	0	0	5
Land	10	(3)	(1)	7
Consolidated urban land	6	(2)	0	4
Other land	4	(1)	(1)	3
Real estate acquired from mortgage loans to homebuyers	114	(19)	(11)	95
Other foreclosed real estate assets or received in lieu of payment of debt	45	(9)	(3)	36
Foreclosed equity instruments of real estate asset holding companies or received in lieu of payment of debt	9,056	(6,864)		2,192
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	3,024			3,024
TOTAL	**12,291**	**(6,909)**	***(18)***	**5,382**

(*) Includes foreclosed assets classified as "Tangible assets – Investment property" amounting to EUR 13 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 97 million, net.
(**) Cancelled debt associated with the foreclosed assets totalled EUR 310 million and total write-downs of this portfolio amounted to EUR 144 million, EUR 45 million of which are impairment allowances recognised in the balance sheet.

FORECLOSED REAL ESTATE ASSETS 31-12-2019

(Millions of euros)

	GROSS CARRYING AMOUNT	ALLOWANCES FOR IMPAIRMENT **	*OF WHICH: FROM FORECLOSURE*	NET CARRYING AMOUNT
Real estate acquired from loans to real estate constructors and developers	56	(17)	(3)	39
Buildings and other completed constructions	39	(12)	(2)	27
Buildings and other constructions under construction	6	(1)	0	5
Land	11	(4)	(1)	7
Real estate acquired from mortgage loans to homebuyers	141	(18)	(12)	123
Other real estate assets or received in lieu of payment of debt	68	(15)	(4)	53
Foreclosed equity instruments of real estate asset holding companies or received in lieu of payment of debt	9,056	(6,560)	0	2,496
Foreclosed finance to real estate asset holding companies or received in lieu of payment of debt	3,561	0	0	3,561
TOTAL	**12,882**	**(6,610)**	***(19)***	**6,272**

(*) Includes foreclosed assets classified as 'Tangible assets – Investment property' amounting to EUR 12 million, net, and includes foreclosure rights deriving from auctions in the amount of EUR 142 million, net.
(**) Cancelled debt associated with the foreclosed assets totalled EUR 389 million and total write-downs of this portfolio amounted to EUR 175 million, EUR 51 million of which are impairment allowances recognised in the balance sheet.

Refinancing policies

The Entity has a detailed Corporate Policy on Customer Debt Refinancing and Recovery 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 Entity's best judgement, no additional provisions emerge in relation to the impairment of refinanced loans.

Refinancing

The breakdown of refinancing by economic sector is as follows:

REFINANCING OPERATIONS - 31-12-2020

(Millions of euros)

	WITHOUT COLLATERAL		WITH COLLATERAL				
					MAXIMUM AMOUNT OF THE COLLATERAL		
	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	IMPAIRMENT DUE TO CREDIT RISK (*)
Public administrations	16	161	340	47	43	0	0
Other financial corporations and individual entrepreneurs (financial business)	21	3	6	1	1	0	(1)
Non-financial corporations and individual entrepreneurs (non-financial business)	1,251	1,210	8,654	1,230	955	13	(703)
Of which: Financing for real estate construction and development (including land)	46	21	2,502	454	355	0	(93)
Other households	6,873	220	65,637	3,426	2,784	6	(750)
TOTAL	**8,161**	**1,594**	**74,637**	**4,704**	**3,783**	**19**	**(1,454)**
Of which: in Stage 3							
Public administrations	14	2	147	0	0	0	0
Other financial corporations and individual entrepreneurs (financial business)	20	0	6	1	1	0	0
Non-financial corporations and individual entrepreneurs (non-financial business)	895	666	7,507	813	599	12	(655)
Of which: Financing for real estate construction and development (including land)	35	21	2,028	222	171	0	(66)
Other households	5,268	154	49,327	2,826	2,228	5	(728)
TOTAL STAGE 3	**6,197**	**822**	**56,987**	**3,640**	**2,828**	**17**	**(1,383)**
Memorandum items: Financing classified as non-current assets held for sale (*)		0		0			

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

REFINANCING OPERATIONS - 31-12-2019
(Millions of euros)

	WITHOUT COLLATERAL		WITH COLLATERAL				
					MAXIMUM AMOUNT OF THE COLLATERAL		
	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	NO. OF OPERATIONS	GROSS CARRYING AMOUNT	MORTGAGE COLLATERAL	OTHER COLLATERAL	IMPAIRMENT DUE TO CREDIT RISK (*)
Public administrations	19	172	415	68	47	0	(5)
Other financial corporations and individual entrepreneurs (financial business)	26	3	7	1	1	0	(1)
Non-financial corporations and individual entrepreneurs (non-financial business)	1,527	1,492	10,562	1,590	1,260	33	(878)
Of which: Financing for real estate construction and development (including land)	56	18	3,054	587	438	0	(118)
Other households	8,390	239	80,119	4,288	3,628	8	(751)
TOTAL	**9,962**	**1,906**	**91,103**	**5,947**	**4,936**	**41**	**(1,635)**
Of which: in Stage 3							
Public administrations	13	3	137	12	7	0	(5)
Other financial corporations and individual entrepreneurs (financial business)	19	0	6	1	1	0	0
Non-financial corporations and individual entrepreneurs (non-financial business)	838	764	7,027	858	632	13	(798)
Of which: Financing for real estate construction and development (including land)	33	8	1,899	277	194	0	(83)
Other households	4,932	149	46,179	2,687	2,133	4	(680)
TOTAL STAGE 3	**5,802**	**916**	**53,349**	**3,558**	**2,773**	**17**	**(1,483)**
Memorandum items: Financing classified as non-current assets held for sale (*)		0		0			

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

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

Geographical and counterparty concentration

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

Risk by geographic area is as follows:

CONCENTRATION BY GEOGRAPHICAL LOCATION
(Millions of euros)

	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Central banks and credit institutions	58,458	48,164	6,303	514	3,477
Public administrations	48,031	45,167	2,483	97	284
Central government	32,285	29,576	2,457	13	239
Other public administrations	15,746	15,591	26	84	45
Other financial corporations and individual entrepreneurs (financial business)	26,001	24,699	687	217	398
Non-financial corporations and individual entrepreneurs (non-financial business)	110,584	91,695	9,511	5,005	4,373
Real estate construction and development (including land)	5,310	5,309			1
Civil engineering	5,131	4,231	200	659	41
Other	100,143	82,155	9,311	4,346	4,331
Large corporations	63,596	47,833	8,344	3,704	3,715
SMEs and individual entrepreneurs	36,547	34,322	967	642	616
Other households	92,448	91,203	323	146	776
Homes	76,573	75,391	308	134	740
Consumer lending	7,335	7,317	5	3	10
Other purposes	8,540	8,495	10	9	26
TOTAL 31-12-2020	**335,522**	**300,928**	**19,307**	**5,979**	**9,308**
TOTAL 31-12-2019	**283,377**	**246,597**	**27,597**	**6,146**	**3,037**

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

CONCENTRATION BY AUTONOMOUS COMMUNITY

(Millions of euros)

	TOTAL	ANDALUSIA	BALEARIC ISLANDS	CANARY ISLANDS	CASTILE-LA MANCHA	CASTILE-LEON	CATALONIA	MADRID	NAVARRE	VALENCIAN COMMUNITY	BASQUE COUNTRY	REST (*)
Central banks and credit institutions	48,164	47			1		658	46,802		18	480	158
Public administrations	45,167	2,289	889	1,333	827	314	2,152	2,627	491	1,841	668	2,160
Central government	29,576											
Other public administrations	15,591	2,289	889	1,333	827	314	2,152	2,627	491	1,841	668	2,160
Other financial corporations and individual entrepreneurs (financial business)	24,699	171	2	9	3	24	1,601	22,630	11	26	167	55
Non-financial corporations and individual entrepreneurs (non-financial business)	91,695	6,798	3,229	2,650	1,463	1,873	21,184	35,437	1,504	6,020	4,047	7,490
Real estate construction and development (including land)	5,309	576	152	196	34	182	1,366	1,964	109	333	223	174
Civil engineering	4,231	341	89	124	85	95	841	1,641	125	242	172	476
Other	82,155	5,881	2,988	2,330	1,344	1,596	18,977	31,832	1,270	5,445	3,652	6,840
Large corporations	47,833	1,363	1,784	1,023	366	428	7,703	26,698	478	2,484	2,456	3,050
SMEs and individual entrepreneurs	34,322	4,518	1,204	1,307	978	1,168	11,274	5,134	792	2,961	1,196	3,790
Other households	91,203	14,596	3,597	5,045	2,237	3,198	26,775	13,927	2,840	7,227	3,068	8,693
Homes	75,391	11,556	3,032	4,475	1,886	2,720	21,498	11,839	2,435	6,031	2,662	7,257
Consumer lending	7,317	1,268	279	318	160	200	2,578	863	197	574	196	684
Other purposes	8,495	1,772	286	252	191	278	2,699	1,225	208	622	210	752
TOTAL 31-12-2020	**300,928**	**23,901**	**7,717**	**9,037**	**4,531**	**5,409**	**52,370**	**121,423**	**4,846**	**15,132**	**8,430**	**18,556**
TOTAL 31-12-2019	**246,597**	**22,677**	**6,496**	**7,896**	**3,829**	**5,411**	**51,037**	**84,622**	**4,810**	**13,532**	**8,420**	**37,867**

(*) 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

(Millions of euros)

	TOTAL	OF WHICH: MORTGAGE COLLATERAL	OF WHICH: OTHER COLLATERAL	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	14,854	*398*	*241*	293	146	96	45	59
Other financial corporations and individual entrepreneurs (financial business)	11,141	*463*	*235*	480	168	48	1	1
Non-financial corporations and individual entrepreneurs (non-financial business)	97,814	*19,817*	*3,345*	10,139	7,188	3,448	1,114	1,273
Real estate construction and development (including land)	5,143	*4,669*	*48*	1,268	1,656	1,001	349	443
Civil engineering	4,808	*458*	*153*	200	162	53	146	50
Other	87,863	*14,690*	*3,144*	8,671	5,370	2,394	619	780
Large corporations	54,308	*4,664*	*2,446*	3,722	1,756	1,132	249	251
SMEs and individual entrepreneurs	33,555	*10,026*	*698*	4,949	3,614	1,262	370	529
Other households	92,123	*83,503*	*671*	27,879	30,340	19,764	3,836	2,355
Homes	76,568	*75,596*	*213*	23,937	27,898	18,479	3,489	2,006
Consumer lending	7,334	*3,024*	*225*	1,676	938	447	119	69
Other purposes	8,221	*4,883*	*233*	2,266	1,504	838	228	280
TOTAL	**215,932**	***104,181***	***4,492***	**38,791**	**37,842**	**23,356**	**4,996**	**3,688**
Memorandum items: Refinancing, refinanced and restructured operations	4,844	*3,866*	*23*	644	1,026	1,615	362	241

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

(Millions of euros)

	TOTAL	OF WHICH: MORTGAGE COLLATERAL	OF WHICH: OTHER COLLATERAL	SECURED LOANS. CARRYING AMOUNT BASED ON LATEST AVAILABLE APPRAISAL (LOAN TO VALUE)				
				≤ 40%	> 40% ≤ 60%	> 60% ≤ 80%	> 80% ≤100%	>100%
Public administrations	9,796	*412*	*157*	207	124	121	54	63
Other financial corporations and individual entrepreneurs (financial business)	11,506	*420*	*843*	1,016	161	53	4	29
Non-financial corporations and individual entrepreneurs (non-financial business)	83,574	*19,859*	*3,299*	9,833	7,442	3,491	1,383	1,009
Other households	97,779	*88,314*	*746*	28,024	32,575	21,534	4,340	2,587
TOTAL	**202,655**	**109,005**	**5,045**	**39,080**	**40,302**	**25,199**	**5,781**	**3,688**
Memorandum items: Refinancing, refinanced and restructured operations	6,218	5,035	53	954	1,220	1,894	608	412

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

	31-12-2020			31-12-2019		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Loan type and status						
Public administrations	14,495	346	22	9,384	379	40
Other financial corporations	11,028	119	3	11,448	61	3
Loans and advances to companies and individual entrepreneurs	88,356	8,852	2,677	77,555	5,258	2,655
Real estate construction and development (including land)	8,341	1,430	551	8,183	996	622
Other companies and individual entrepreneurs	80,015	7,422	2,126	69,372	4,262	2,033
Other households	82,231	7,679	4,527	87,450	7,460	4,531
Homes	69,190	5,706	3,008	73,249	5,418	2,947
Other	13,041	1,973	1,519	14,201	2,042	1,584
TOTAL	**196,110**	**16,996**	**7,229**	**185,837**	**13,158**	**7,229**

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

	31-12-2020			31-12-2019		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Public administrations	(1)		(6)			(7)
Other financial corporations	(4)	(4)	(1)	(4)	(1)	(1)
Loans and advances to companies and individual entrepreneurs	(343)	(371)	(1,357)	(221)	(225)	(1,448)
Real estate construction and development (including land)	(40)	(87)	(244)	(29)	(61)	(229)
Other companies and individual entrepreneurs	(303)	(284)	(1,113)	(192)	(164)	(1,219)
Other households	(222)	(417)	(1,675)	(133)	(234)	(1,295)
Homes	(62)	(228)	(1,046)	(68)	(123)	(800)
Other	(160)	(189)	(629)	(65)	(111)	(495)
TOTAL	**(570)**	**(792)**	**(3,039)**	**(358)**	**(460)**	**(2,751)**
Of which: identified individually		*(54)*	*(714)*		*(52)*	*(665)*
Of which: identified collectively	*(570)*	*(738)*	*(2,325)*	*(358)*	*(408)*	*(2,086)*

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY ARREARS STATUS AND INTEREST RATE TYPE
(Millions of euros)

	31-12-2020	31-12-2019
By arrears status		
Of which: default on payment of less than 30 days or up to date on payments	216,094	202,019
Of which: default on payment between 30 and 60 days	319	539
Of which: default on payment between 60 and 90 days	285	155
Of which: default on payment between 90 days and 6 months	358	467
Of which: default on payment between 6 months and 1 year	541	594
Of which: default on payment of more than 1 year	2,738	2,450
By interest rate type		
Fixed	77,842	56,577
Floating	142,493	149,647

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	1,606	*91*	(46)
Mining and quarrying	544	*6*	(10)
Manufacturing industry	12,737	*245*	(244)
Electricity, gas, steam and air conditioning supply	7,184	*55*	(85)
Water supply	674	*6*	(9)
Buildings	9,478	*458*	(293)
Wholesale and retail trade	11,923	*322*	(275)
Transport and storage	7,835	*141*	(114)
Accommodation and food service activities	6,278	*109*	(85)
Information and communication	2,193	*55*	(44)
Financial and insurance activities	9,088	*133*	(146)
Real estate	13,357	*252*	(169)
Professional, scientific and technical activities	4,395	*178*	(142)
Administrative and support service activities	3,544	*34*	(43)
Public administration and defence; compulsory social security	944	*0*	(5)
Education	400	*44*	(37)
Human health services and social work activities	1,155	*91*	(74)
Arts, entertainment and recreation	689	*47*	(37)
Other services	1,373	*124*	(108)
TOTAL	**95,397**	**2,391**	**(1,966)**

Concentration according to credit quality

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

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

The rating of Spanish sovereign debt is A at 31 December 2020 and 2019.

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

CONCENTRATION ACCORDING TO CREDIT QUALITY - 31-12-2020

(Millions of euros)

	FA AT AMORTISED COST (NOTE 13)									
	LOANS AND ADVANCES TO CUSTOMERS				FA HELD FOR TRADING	FA NOT HELD FOR TRADING * - DEBT SEC.	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	LOAN COMMITMENTS AND FINANCIAL GUARANTEES (NOTE 24)		
	STAGE 1	STAGE 2	STAGE 3	DEBT SEC.	(NOTE 10)	(NOTE 11)	(NOTE 12)	STAGE 1	STAGE 2	STAGE 3
AAA/AA+/AA/AA-	28,926	83		394	10		61	10,712	18	
A+/A/A-	26,042	733		16,238	458		13,788	8,290	29	
BBB+/BBB/BBB-	32,205	1,109		3,134	253		2,429	20,456	239	
INVESTMENT GRADE	**87,173**	**1,925**		**19,766**	**721**		**16,278**	**39,458**	**286**	
Allowances for impairment	*(287)*						*(1)*	*(3)*	*(3)*	
BB+/BB/BB-							124			
B+/B/B-	39,640	4,915	1					16,622	1,054	
CCC+/CCC/CCC-	10,956	5,868	19	47				4,096	1,114	5
No rating	60,720	4,289	7,209	157	74		47	6,242	291	412
NON-INVESTMENT GRADE	**111,316**	**15,072**	**7,229**	**204**	**74**		**171**	**26,960**	**2,459**	**417**
Allowances for impairment	*(293)*	*(793)*	*(3,039)*					*(18)*	*(14)*	*(33)*
TOTAL	**197,909**	**16,204**	**4,190**	**19,970**	**795**		**16,448**	**66,418**	**2,745**	**417**

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

CONCENTRATION ACCORDING TO CREDIT QUALITY - 31-12-2019

(Millions of euros)

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

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

Concentration according to sovereign risk

The Entity'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 Entity are detailed below:

EXPOSURE TO SOVEREIGN RISK - 31-12-2020
(Millions of euros)

COUNTRY	RESIDUAL MATURITY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING *	FL HELD FOR TRADING - SHORT POSITIONS
Spain	Less than 3 months	2,056	1	1,760		
	Between 3 months and 1 year	4,472	221	895		(8)
	Between 1 and 2 years	4,488	52	4,701		(52)
	Between 2 and 3 years	7,583	44	3,537	84	(49)
	Between 3 and 5 years	4,279	36	1,688		(37)
	Between 5 and 10 years	7,390	62	776		(53)
	Over 10 years	1,151	25			(25)
	TOTAL	31,419	441	13,357	84	(224)
Italy	Less than 3 months					
	Between 3 months and 1 year		2			
	Between 1 and 2 years					(3)
	Between 2 and 3 years		17			(11)
	Between 3 and 5 years			266		(2)
	Between 5 and 10 years	550	3	1,040		(4)
	Over 10 years			61		
	TOTAL	550	22	1,367		(20)
US	Between 3 and 5 years					
	TOTAL					
Portugal	Less than 3 months		20			
	Between 3 months and 1 year		85			
	Between 1 and 2 years		1			
	Between 2 and 3 years		8			
	Between 3 and 5 years		6			
	Between 5 and 10 years		32			(5)
	Over 10 years					
	TOTAL		152			(5)
Other **	Less than 3 months	370				
	Between 3 months and 1 year					
	Between 1 and 2 years			1		
	Between 2 and 3 years	4				
	Between 3 and 5 years	43				
	Between 5 and 10 years	25				
	Over 10 years					
	TOTAL	442		1		
TOTAL COUNTRIES		**32,411**	**615**	**14,725**	**84**	**(249)**

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

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

COUNTRY	FA AT AMORTISED COST	FA HELD FOR TRADING	FA AT FV W/ CHANGES IN OTHER COMPREHENSIVE INCOME	FA NOT DESIGNATED FOR TRADING *	FL HELD FOR TRADING - SHORT POSITIONS
Spain	21,496	365	9,560	112	(348)
Italy		107	2,335		(53)
US			923		
Portugal		5			
Others(**)	291		1		
TOTAL COUNTRIES	**21,787**	**477**	**12,819**	**112**	**(401)**

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

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		31-12-2019	
	TOTAL AMOUNT	*OF WHICH: STAGE 3*	TOTAL AMOUNT	*OF WHICH: STAGE 3*
Gross amount	5,465	378	5,764	439
Allowances for impairment	(231)	(139)	(205)	(132)
CARRYING AMOUNT	**5,234**	**239**	**5,559**	**307**
Excess gross exposure over the maximum recoverable value of effective collateral	858	125	848	148
Memorandum items: Asset write-offs	1,968		*2,385*	
Memorandum items: Loans to customers excluding public administrations (business in Spain) (carrying amount)	*195,346*		*188,796*	

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

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

	CARRYING AMOUNT	
	31-12-2020	31-12-2019
Finance to Group subsidiaries	**3,024**	**3,561**
BuildingCenter	*3,024*	*3,561*

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

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

	GROSS AMOUNT	
	31-12-2020	31-12-2019
Without mortgage collateral	**546**	**559**
With mortgage collateral	**4,919**	**5,205**
Buildings and other completed constructions	3,294	3,370
Homes	2,250	2,277
Other	1,044	1,093
Buildings and other constructions under construction	1,251	1,371
Homes	1,158	1,307
Other	93	64
Land	374	464
Consolidated urban land	193	351
Other land	181	113
TOTAL	**5,465**	**5,764**

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

FINANCIAL GUARANTEES
(Millions of euros)

	31-12-2020	31-12-2019
Financial guarantees given related to real estate construction and development	**105**	**107**
Amount recognised under liabilities	0	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
Value of collateral	**12,575**	**13,362**
Of which: Guarantees non-performing risks	*749*	*810*
TOTAL	**12,608**	**13,444**

(*) 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
Financing granted in the year	166	190
Average percentage financed	94%	92%

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

HOME PURCHASE LOANS BY LTV
(Millions of euros)

	31-12-2020		31-12-2019	
	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*	GROSS AMOUNT	*OF WHICH: NON-PERFORMING*
Not real estate mortgage secured	**629**	**5**	**650**	**6**
Real estate mortgage secured, by LTV ranges*	**72,950**	***2,714***	**76,367**	***2,657***
LTV ≤ 40%	21,950	217	21,675	*204*
40% < LTV ≤ 60%	26,773	381	28,430	*361*
60% < LTV ≤ 80%	17,416	552	18,935	*533*
80% < LTV ≤ 100%	3,727	513	3,981	*512*
LTV > 100%	3,084	1,051	3,346	*1,047*
TOTAL	**73,579**	***2,719***	**77,017**	***2,663***

(*) LTV calculated based on 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 Entity 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 a Monte Carlo simulation with portfolio effect and offsetting of positions, as applicable, at a 95% confidence interval, based on stochastic models incorporating the volatility of the underlying and all of the characteristics of the operations.

Counterparty risk exposure for repos and securities lending is calculated in the Entity as the difference between the market value of the securities/cash granted to the counterparty and the market value of the securities/cash received from the counterparty as collateral, considering the applicable volatility adjustments in each case.

It also considers the mitigating effect of collateral received under Framework Collateral Agreements. In general, the methodology for calculating counterparty risk exposure described above is applied during the acceptance of new operations and in recurrent calculations on subsequent days.

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

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 versus 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 Entity'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[9].

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.

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.

[9] 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.

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

MORATORIUM BREAKDOWN - 31-12-2020 *

(Millions of euros)

	NUMBER OF CURRENT OPERATIONS	TOTAL AMOUNT	CLASSIFICATION BY STAGES			MATURITY	
			STAGE 1	STAGE 2	STAGE 3	<6 MONTHS	6-12 MONTHS
Non-financial corporations and individual entrepreneurs (non-financial business)	**6,885**	**900**	**564**	**291**	**45**	**403**	**497**
Real estate construction and development (including land)	218	54	16	32	6	16	38
Civil engineering	70	1		1		1	
Other	6,597	845	548	258	39	386	459
Large corporations	*22*	*156*	*139*	*17*			*156*
SMEs and individual entrepreneurs	*6,575*	*689*	*409*	*241*	*39*	*386*	*303*
Other households	**103,079**	**7,764**	**4,162**	**3,084**	**518**	**7,470**	**294**
Homes	71,335	6,452	3,580	2,510	362	6,206	246
Consumer lending	4,958	33	19	13	1	33	
Other purposes	26,786	1,279	563	561	155	1,231	48
TOTAL CURRENT OPERATIONS	**109,964**	**8,664**	**4,726**	**3,375**	**563**	**7,873**	**791**
MORATORIUMS UNDER ANALYSIS	**21**	**1**					
TOTAL MORATORIUMS	**109,985**	**8,665**					

(*) Including the operations of RDL 8/2020, RDL 11/2020, RDL 25/2020, RDL 26/2020 and the Sector Understanding.

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

(Millions of euros)

	TOTAL
Public administrations	**6**
Non-financial corporations and individual entrepreneurs (non-financial business)	**12,386**
Real estate construction and development (including land)	41
Civil engineering	966
Other	11,379
Large corporations	2,687
SMEs and individual entrepreneurs	8,692
TOTAL	**12,392**

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 a series of requirements, which, in the event that they are met by the beneficiary, involve the granting of moratoriums by the Entity on the payment of capital and/or interest on the various credit operations that customers may have contracted. The specific characteristics of these programmes are:

- 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 Entity as a relevant qualitative change that has given rise to a contractual modification. In accordance with the IFRS 9 framework, if the entity reviews its collection estimates (excluding changes in expected losses), the financial asset's carrying amount must be adjusted to reflect the reviewed contractual cash flows discounted at the financial instrument's original effective interest rate. The adjustment's impact is recognised as gains or losses in the profit/(loss) for the period. Therefore, the Entity 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 statement of profit or loss of the interim financial statements, which at 31 December 2020 amounted to EUR 37 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.

- 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 context, the Entity has taken into account different severity levels 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 Entity – based on existing provisions models and a prudent approach – with a value of EUR 1,012 million at 31 December 2020. 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 assets refers to the reduction in the carrying amount of shareholdings and non-financial assets of the Entity, specifically:

- Investee risk: positions that form the Entity's portfolio of shareholdings, excluding those in 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 Entity's cash-generating units, the software, as well as to other intangible assets with a defined useful life.

- Tax assets: Tax assets: these are primarily deferred tax assets generated from timing differences between the balance sheet entry criteria for accounting and tax results, as well as tax credits through deductions and tax loss carry-forwards generated within the Entity and in integration processes (including those coming from the integrated company and 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

The Entity is only exposed to actuarial risk as a result of pension commitments that are not insured by any insurance firm. Given that the majority are insured, this risk is not significant in CaixaBank. Furthermore, insurance activity, which is what has and manages actuarial risk resulting from customers' insurance contracts, takes place via VidaCaixa, and therefore has no impact on CaixaBank's financial statements (non-consolidated).

3.4.4. Market risk

Overview

The Entity 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.

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

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

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-for-trading portfolio). Daily VaR is defined as the highest of the following three calculations:

- Parametric VaR with a covariance matrix deriving from a 75-day window of history, giving more weight to recent observations. The parametric VaR technique is based on volatilities and matching fluctuations in the prices and interest and exchange rates of the assets comprising the portfolio.

- Parametric VaR with a covariance matrix arising from historical performance over one year and equal weightings.

- The historical VaR technique, which calculates the impact on the value of the current portfolio of historical changes in risk factors. Daily changes observed over the last year are taken into account, with a confidence interval of 99%. Historical VaR is an extremely useful system for completing the estimates obtained by the parametric VaR technique, since it does not include any assumptions on the statistical behaviour of risk factors. The parametric VaR technique assumes fluctuations 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.

PARAMETRIC VaR BY RISK FACTOR
(Millions of euros)

	TOTAL	INTEREST RATE	EXCHANGE RATE	SHARE PRICE	INFLATION	COMMODITY PRICE	CREDIT SPREAD	INTEREST RATE VOLATILITY	EXCHANGE RATE VOLATILITY	SHARE PRICE VOLATILITY
Average VaR 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.

Additional measures to VaR

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

- **Stressed VaR** indicates the maximum loss on adverse movements in market prices based on a stressed historical period of one year, with a 99% confidence level and a daily time horizon (subsequently extrapolated to the regulatory horizon of 10 market days, multiplying by the root of 10). The stressed VaR calculation is leveraged by the same methodology and infrastructure as the historical VaR, with the only significant difference being the historical window selected.

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

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

SUMMARY OF RISK MEASUREMENTS
(Millions of euros)

	MAXIMUM	MINIMUM	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
(Millions of euros)

	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**

(*) 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

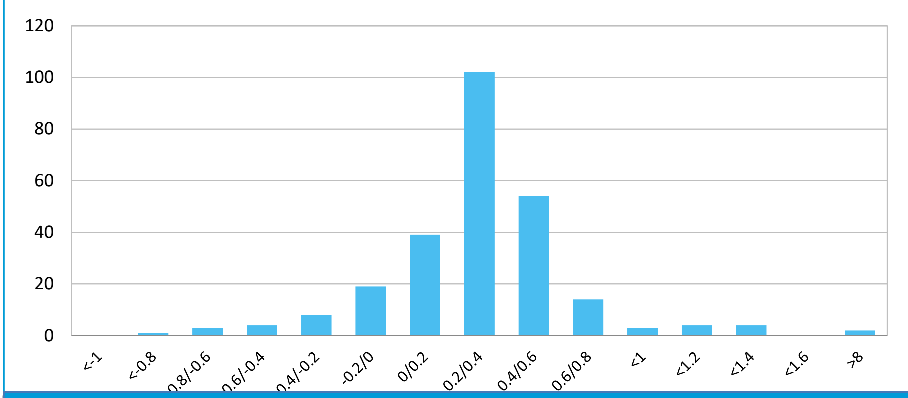
To confirm the suitability of the estimates of the internal model, daily results are compared against the losses estimated under the VaR technique, which is what is referred to as backtesting. The risk estimate model is checked in two ways:

- 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.

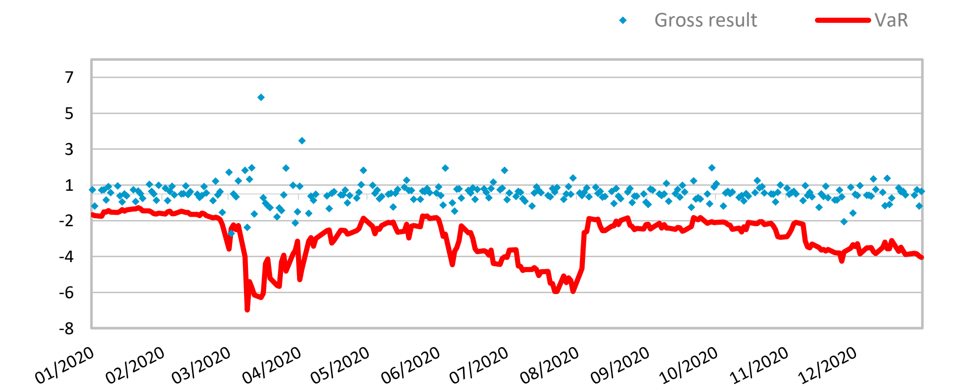
- Gross (or actual) backtesting, which compares the total result obtained during the day (including intraday transactions) to VaR for a time horizon of one day, calculated on the basis of the open positions at the close of the previous session. This provides an assessment of the importance of intraday 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.

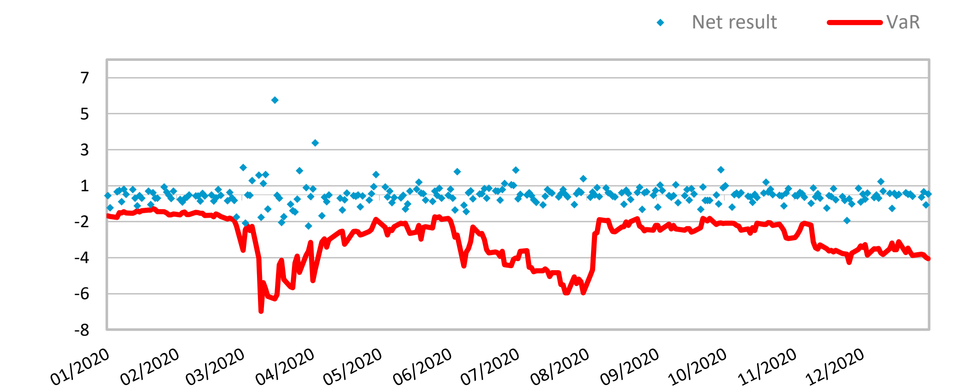
An excess has been produced in gross and net backtesting during the year, due to adverse results in the equity and linear IRD desks caused by movements in the markets due to the crisis arising from COVID-19:



Distribution of net results from trading activities in 2020
(Frequency, days. Millions of euros)



Distribution of daily gross result vs. daily VaR
(Millions of euros)



Distribution of daily net result vs. daily VaR
(Millions of euros)

Stress test

Lastly, two stress testing techniques are used on the value of the trading positions to calculate the possible losses on the portfolio in situations of extreme stress:

Systematic stress: this technique calculates the change in value of the portfolio in the event of a specific series of extreme changes in the main risk factors. It considers parallel interest rate shifts (rising and falling); changes at various points of the slope of the interest rate curve (steepening and flattening); variation of the spread between the instruments subject to credit risk and government debt securities (bond-swap spread); shifts in the EUR/USD curve differential; higher and lower volatility of interest rates; variation of the euro with respect to the USD, JPY and GBP; 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 Entity applies best practices in the market and the recommendations of regulators in measuring interest rate risk, using various measurement techniques that make it possible to analyse the Entity's positioning and its risk situation. These 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 Entity. The difference between this value and the economic value calculated at current market rates gives us a numeric representation of the sensitivity of economic value to the various scenarios employed.

- Balance sheet VaR: defined as the maximum economic value that could be lost from the balance sheet in a certain period of time, applying market prices and volatilities as well as correlation effects using a specific confidence level and time horizon.

The sensitivities of net interest income and economic value are measurements that complement each other and provide an overview of the interest rate risk in the banking book, which focuses more on the short and medium term, in the case of net interest income, and on the medium and long term in the case of equity.

The tables below show, using a static gap, the distribution of interest rate revaluations and maturities of sensitive items on the Entity's balance sheet, without taking into account, where applicable, the value adjustments or value corrections at year-end:

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

	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	>5 YEARS	TOTAL
ASSETS							
Interbank and Central Banks	50,352	1,601	833	10	59	5	52,860
Loans and advances to customers	151,300	20,362	9,264	6,235	4,201	19,310	210,672
Fixed income portfolio	8,688	8,267	5,590	3,262	1,095	8,073	34,975
TOTAL ASSETS	210,340	30,230	15,687	9,507	5,355	27,388	298,507
LIABILITIES							
Interbank and Central Banks	53,653	609	79	40	26	174	54,581
Customer deposits	97,526	22,896	13,386	10,101	6,900	67,855	218,664
Issuances	5,700	2,416	6,050	4,997	7,201	9,773	36,137
TOTAL LIABILITIES	156,879	25,921	19,515	15,138	14,127	77,802	309,382
ASSETS LESS LIABILITIES	**53,461**	**4,309**	**(3,828)**	**(5,631)**	**(8,772)**	**(50,414)**	**(10,875)**
HEDGES	(21,504)	5,173	5,051	2,813	5,669	2,963	165
TOTAL DIFFERENCE	**31,957**	**9,482**	**1,223**	**(2,818)**	**(3,103)**	**(47,451)**	**(10,710)**

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)	8.59%	1.87%
Economic value of equity for sensitive balance sheet aggregates (2)	6.50%	-6.17%

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

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

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

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

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

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

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

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

FOREIGN CURRENCY POSITIONS
(Millions of euros)

	31-12-2020	31-12-2019
Cash and cash balances at central banks and other demand deposits	321	335
Financial assets held for trading	325	2,304
Financial assets with changes in other comprehensive income	53	928
Financial assets at amortised cost	12,463	10,042
Equity Investments	2	2
Other assets	34	179
TOTAL FOREIGN CURRENCY ASSETS	**13,198**	**13,790**
Financial liabilities at amortised cost	6,548	6,787
Deposits	5,597	5,773
Central banks	652	1,385
Credit institutions	1,228	1,030
Customers	3,717	3,358
Debt securities issued	867	945
Other financial liabilities	84	69
Other liabilities	559	2,468
TOTAL FOREIGN CURRENCY LIABILITIES	**7,107**	**9,255**

The Entity maintains the hedging of foreign currency risk, which may be carried out via transactions in cash or financial derivatives that mitigate asset and liability positions in the balance sheet. However, the nominal amount of these instruments is not reflected directly in the balance sheet, but rather as memorandum items for financial derivatives. This risk is managed by seeking to minimise the level of currency risk assumed in its commercial activity, which explains why the Entity's exposure to the risk is low.

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

The 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	FL AT AMORTISED COST	OTHER LIABILITIES
USD	125	(406)	48	8,071	5,051	(298)
JPY	9	1	0	383	135	1
GBP	28	719	4	1,791	741	831
PLN (Polish Zloty)	44	0	0	718	280	1
CHF	10	0	0	196	94	0
CA	20	88	0	735	16	90
Other	85	(77)	1	569	231	(66)
TOTAL	**321**	**325**	**53**	**12,463**	**6,548**	**559**

FA: Financial assets; FL: Financial liabilities
(*) Cash and cash balances at central banks and other demand deposits

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

3.5. 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 and/or emerging operational risks.
- To adopt measures to sustainably mitigate and reduce operational losses.
- To ensure the organisation's long-term continuity.
- To promote the establishment of systems for the ongoing improvement of the operating process and of the control structure.
- To exploit operational risk management synergies.
- To promote an operational risk management culture.
- To comply with the current regulatory framework and requirements for the applicability of the management and calculation models chosen.

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.
- 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.

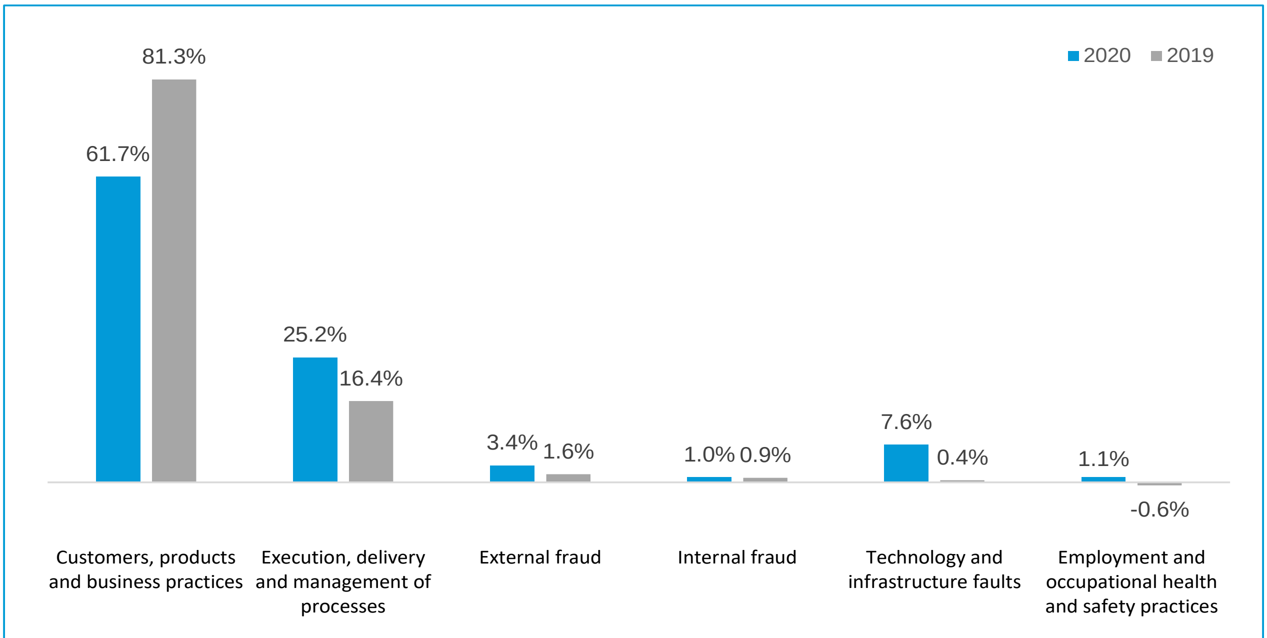
  A series of expert workshops and meetings are also held to generate hypothetical extreme operational loss scenarios. The purpose is for these scenarios to be used to detect areas of improvement in the management and to supplement the available external and internal historical data on operational losses.

- 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:



Distribution of gross losses by Operational Risk category (Percentage)

- Additionally, measurement using Operational Risk indicators (KRIs) is a quantitative/qualitative methodology that: i) enables us to anticipate the development of operational risks, taking a forward-looking approach to their management and ii) provide information on development of the operational risk profile and the reasons for this. A KRI is a metric that detects and anticipates changes in said risk; its monitoring and management is integrated in the operational risk corporate management tool. KRIs are not by nature a direct result of risk exposure. They are metrics that can be used to identify and actively manage operational risk.

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 budgeting 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 Entity'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 Entity's objective is: i) to minimise the probability of this risk occurring and ii) if it does, to detect, report and address the weaknesses promptly.

The management of conduct risk is not limited to any specific area, but rather the Entity as a whole, whereby all employees must ensure compliance with prevailing regulations, applying procedures that encompass 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 Entity as a result of changes in the legislation, of the incorrect implementation of this legislation in the Entity's processes, of the its inappropriate interpretation 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 Entity's Risk Appetite Framework are respected.

In this regard, the Entity 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 within the Regulation Committee, the body responsible for defining the Entity'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 it.

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 Entity has policies, criteria, analysis and monitoring procedures for these judicial claims and processes. These enable the Entity 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 cross-disciplinary 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 judgements, both in or out of court (i.e. customer claims), filed against the Entity in civil, criminal, tax, contentious-administrative and labour cases.

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

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

Some areas of risk identified by the Entity 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 risks related to climate change, talent development, the work–life balance, diversity and occupational health, due to their increasing relevance.

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	
	AMOUNT	AS %	AMOUNT	AS %
Net equity	**25,278**		**25,151**	
Shareholders' equity	27,118		26,247	
Capital	5,981		5,981	
Profit/(loss)	1,381		1,705	
Reserves and other	19,756		18,561	
Minority interests and OCI	(1,840)		(1,096)	
Other CET1 instruments	**268**		**(1,037)**	
Adjustments applied to the eligibility of minority interests and OCI	(107)		6	
Other adjustments (1)	375		(1,043)	
CET1 Instruments	**25,546**		**24,114**	
Deductions from CET1	**(5,892)**		**(6,327)**	
Intangible assets	(3,873)		(4,232)	
Deferred tax assets	(1,789)		(1,875)	
Other deductions from CET1	(230)		(220)	
CET1	19,654	13.6%	17,787	12.0%
AT1 instruments (2)	2,984		2,236	
AT1 Deductions				
TIER 1	22,638	15.7%	20,023	13.5%
T2 instruments	3,407		3,224	
T2 Deductions				
TIER 2	3,407	2.4%	3,224	2.2%
TOTAL CAPITAL	**26,045**	**18.1%**	**23,247**	**15.7%**
Other eligible subordinated instruments MREL (3)	6,664		5,680	
SUBORDINATED MREL	**32,709**	**22.7%**	**28,927**	**19.6%**
Other eligible instruments. MREL (4)	5,111		3,362	
MREL (5)	**37,820**	**26.3%**	**32,289**	**21.8%**
RISK WEIGHTED ASSETS (RWA)	**144,073**		**147,880**	

(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)

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

(*) 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
Exposure	403,659	341,681
Leverage ratio (Tier 1/Exposure)	5.6%	5.9%

The changes in eligible own funds are as follows:

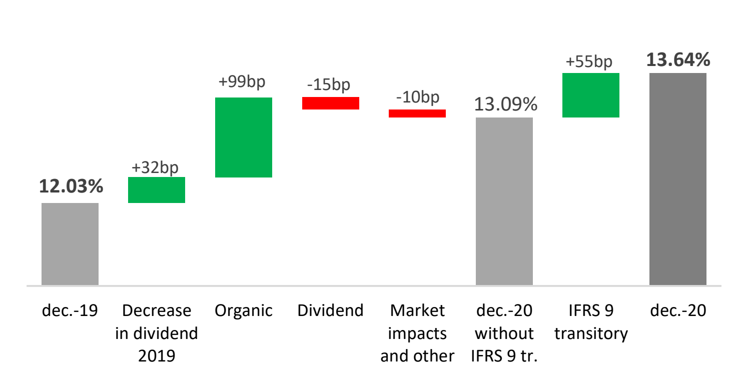
CHANGES IN ELIGIBLE OWN FUNDS
(Millions of euros)

	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%**

(1) Includes IFRS 9 transitional adjustment

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

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



Changes in CET1

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.[10].

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

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

	31-12-2020		31-12-2019	
	AMOUNT	%	AMOUNT	%
Credit risk (1)	111,827	77.6%	113,947	77.1%
Standardised approach	63,832	44.3%	62,069	42.0%
IRB approach	47,995	33.3%	51,878	35.1%
Shareholder risk	16,729	11.6%	18,309	12.4%
PD/LGD method	4,056	2.8%	5,915	4.0%
Simple method	12,673	8.8%	12,394	8.4%
VaR method	0	0.0%	0	0.0%
Market risk	2,267	1.6%	2.224	1.5%
Standardised approach	1,158	0.8%	1,232	0.8%
Internal models (IMM)	1,109	0.8%	992	0.7%
Operational risk	13,250	9.2%	13,400	9.1%
Standardised approach	13,250	9.2%	13,400	9.1%
TOTAL	**144,073**	**100.0%**	**147,880**	**100.0%**

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

[10] *The European Commission approved in December the RTS on the treatment of software to calculate the CET1.*

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
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, SA 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 the framework of the merger. Likewise, this amount will be reduced depending on the number of treasury shares that CaixaBank has at the time of payment of the dividend, given that, as required by the Capital Companies Act, treasury shares may not receive a dividend.

(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

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
(Millions of euros)

	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

6.2. Earnings per share

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

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

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

(1) Number of shares outstanding at the beginning of the year, excluding average number of treasury shares held during the period. Includes the retrospective adjustments set out in IAS 33.
(2) If the profit/loss of CaixaBank (non-consolidated basis) in 2020 and 2019 had been considered, the basic profit would be EUR 0.09 and 0.32 per share, respectively.
(3) Preference shares did not have any impact on the calculation of diluted earnings per share, since their capacity to be convertible was unlikely. Additionally, equity instruments associated with remuneration components were not significant.

7. Business combinations and mergers

2020

There were no business combinations or mergers in 2020.

2019

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

The reorganisation entailed the merger through absorption of CaixaBank Payments (as the absorbed company) by CaixaBank Consumer (as the absorbing company), through the en bloc conveyance of the former to the benefit of the latter, which consequently acquired, through universal succession, all 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:

- 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, recording a profit on sale of EUR 210 million in 2019, recorded under the item 'Gains/(losses) on derecognition of non-financial assets and investments, net' of the accompanying income statement.
- Comercia Global Payments, CaixaBank Payments & Consumer entered into a contract to purchase 49% of the share capital of Comercia Global Payments, owned by CaixaBank, for a total price of 585 million euros, recording a profit on sale of 496 million euros in 2019, recorded under the item 'Gains/(losses) on derecognition of non-financial assets and investment, net' of the accompanying income statement.

The sale of the aforementioned holdings by the Company were formalised at their market value, which was determined, in a way that is consistent with the ranges established by an independent expert, based primarily on discounted cash flow methodologies, and subsequently compared with peer and transaction multiples.

8. Remuneration of key management personnel

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

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

REMUNERATION OF THE BOARD OF DIRECTORS
(Thousands of euros)

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

(*) Registered in the income statement of the respective companies.
(**) In 2020 and 2019 only Gonzalo Gortázar has practiced executive duties.
(1) Alain Minc, Juan Rosell, Antonio Sáinz de Vicuña and Javier Ibarz ceased to be directors in 2019.
(2) Marcelino Armenter and Cristina Garmendia were appointed as directors on 5 April 2019. Marcelino Armenter stood down from his position on 2 April 2020.
(3) The appointment of Francesc Xavier Vives as Coordinating Director was not renewed in 2020, after his mandate ended.
(4) 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.
(5) Remuneration received for representing the Entity 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.
(6) The CEO 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.

CaixaBank does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

8.2. Remuneration of Senior Management

The breakdown and details of remuneration received by Senior Management of the Group are as follows:

REMUNERATION OF SENIOR MANAGEMENT
(Thousands of euros)

	2020	2019
Salary (1)	7,267	9,288
Post-employment benefits (2)	1,820	1,576
Other long-term benefits	251	125
Other positions in Group companies	1,010	1,173
TOTAL	**10,348**	**12,162**
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
TOTAL REMUNERATION	**10,504**	**12,294**
Composition of Senior Management	11	11
General Managers	*3*	*3*
Deputy General Managers	-	-
Executive Managers	*7*	*7*
General Secretary and Secretary to the Board of Directors	*1*	*1*

(1) This amount includes fixed remuneration, remuneration in kind and total variable remuneration received by members of the Senior Management. 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).
(2) Includes insurance premiums and discretionary pension benefits.
(3) Registered in the income statement of the respective companies.

All the contracts of Senior Management members and the CEO have post-contractual non-competition commitments of one annual payment of their fixed components (payable in 12 monthly payments) and indemnity clauses equivalent to one annual payment of the fixed components, or the amount payable by law, whichever is higher.

The 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
Post-employment commitments	16,523	15,130

8.3. 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 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 Entity, 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 Entity. However, on the following occasions, directors abstained from intervening and voting in the deliberation of issues in sessions of the Board of Directors:

CONFLICTS OF INTEREST

DIRECTOR	CONFLICT
Tomás Muniesa (Deputy Chairman)	- Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
Gonzalo Gortázar (CEO)	- Abstention from the deliberation and voting on the resolution regarding compliance with the 2019 individual and corporate objectives. - Abstention from the deliberation and voting on the resolution regarding remuneration corresponding to 2020. - 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.
María Verónica Fisas	- 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. - Abstention from the deliberation and voting on the resolution regarding appointment as member of the Risk Committee.
Cristina Garmendia	- Abstention from the deliberation and voting on the resolution regarding her appointment as member of the Remuneration Committee. - 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 Sanchiz	- Abstention from the deliberation and voting on the resolution regarding his appointment as member of the Appointments Committee.
Koro Usarraga	- Abstention from the deliberation and voting on the resolution regarding their appointment as member of the Executive Committee. - Abstention from the deliberation and voting on the resolution regarding the extension of financing to a related party.

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.

VOTING RIGHTS OF BOARD MEMBERS

*(Percentage *)*

	% OF SHARES CARRYING VOTING RIGHTS		% OF TOTAL VOTING RIGHTS
	DIRECT	INDIRECT	
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**

(*) % calculated on issued capital at 31 December 2020.

VOTING RIGHTS OF SENIOR MANAGEMENT

*(Percentage *)*

	% OF SHARES CARRYING VOTING RIGHTS		% OF TOTAL VOTING RIGHTS
	DIRECT	INDIRECT	
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**

(*) % calculated on issued capital at 31 December 2020.

9. Cash and cash balances at central banks and other demand deposits

The breakdown of this heading is as follows:

BREAKDOWN OF CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS
(Millions of euros)

	31-12-2020	31-12-2019
Cash	2,073	2,375
Cash balances at central banks (Note 3.3)	44,414	11,209
Other demand deposits	292	314
TOTAL	**46,779**	**13,898**

Cash balances at central banks includes balances held to comply with the mandatory minimum reserves requirement in the central bank based on eligible liabilities. The mandatory reserves earn interest at the rate applicable to all major Eurosystem financing operations.

10. Financial assets and liabilities held for trading

10.1. Trading derivatives

The breakdown of this heading is as follows:

BREAKDOWN OF TRADING DERIVATIVES (PRODUCT AND COUNTERPARTY)
(Millions of euros)

	31-12-2020		31-12-2019	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Unmatured foreign currency purchases and sales	**328**	**332**	**246**	**250**
Purchases of foreign currencies against euros	47	300	120	53
Purchases of foreign currencies against foreign currencies	17	18	47	58
Sales of foreign currencies against euros	264	14	79	139
Share options	**264**	**247**	**221**	**228**
Bought	264		221	
Issued		247		228
Interest rate options	**97**	**102**	**91**	**95**
Bought	97		91	
Issued		102		95
Foreign currency options	**53**	**4**	**46**	**20**
Bought	53		46	
Issued		4		20
Other share and interest rate transactions	**9,131**	**5,190**	**9,526**	**6,191**
Share swaps	149	125	43	85
Interest rate swaps	8,982	5,065	9,483	6,106
Commodity derivatives and other risks	**2,586**	**1,410**	**3,035**	**2,026**
Swaps	2,585	1,410	3,031	2,021
Bought	1		4	5
TOTAL	**12,459**	**7,285**	**13,165**	**8,810**
Of which: contracted in organised markets	35	51	27	34
Of which: contracted in non-organised markets	12,424	7,234	13,138	8,776

For the most part, the Entity hedges the market risk related to derivatives arranged with customers individually by arranging symmetric derivatives on the market, recognising both in the trading portfolio. In this way, the market risk arising from these operations is not significant.

10.2. Equity instruments

The breakdown of this heading is as follows:

BREAKDOWN OF EQUITY INSTRUMENTS
(Millions of euros)

	31-12-2020	31-12-2019
Shares in Spanish companies	195	370
Shares in foreign companies		
TOTAL	**195**	**370**

10.3. Debt securities

The breakdown of this heading is as follows:

BREAKDOWN OF DEBT SECURITIES **
(Millions of euros)

	31-12-2020	31-12-2019
Spanish government debt securities *	441	365
Foreign government debt securities *	174	112
Issued by credit institutions	40	97
Other Spanish issuers	92	76
Other foreign issuers	48	55
TOTAL	**795**	**705**

(*) See Note 3.4.1., section "Concentration according to sovereign risk".
(**) See ratings classification in Note 3.4.1, section "Concentration according to credit quality".

10.4. Short positions

The breakdown of this heading is as follows:

BREAKDOWN OF SHORT POSITIONS
(Millions of euros)

	31-12-2020	31-12-2019
On overdrafts on repurchase agreements	272	471
Debt securities - public*	249	401
Debt securities - other issuers	23	70
TOTAL	**272**	**471**

(*) 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.

11. Financial assets not designated for trading compulsorily measured at fair value through profit or loss

The breakdown of this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
(Millions of euros)

	31-12-2020	31-12-2019
Equity instruments	54	55
Loans and advances	85	166
Customers	85	166
TOTAL	**139**	**221**

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).

12. Financial assets at fair value with changes in other comprehensive income

The breakdown of this heading is as follows:

BREAKDOWN OF FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME
(Millions of euros)

	31-12-2020	31-12-2019 (*)
Equity instruments	**899**	**1,729**
Shares in listed companies	843	1,617
Shares in non-listed companies	56	112
Debt securities *	**16,448**	**14,587**
Spanish government debt securities	13,357	9,560
Foreign government debt securities	1,368	3,259
Issued by credit institutions	581	211
Other Spanish issuers	42	38
Other foreign issuers	1,100	1,519
TOTAL	**17,347**	**16,316**
Equity instruments		
Of which: gross unrealised gains	6	
Of which: gross unrealised losses	(1,814)	(1,157)
Debt securities		
Of which: gross unrealised gains	566	496
Of which: gross unrealised losses	0	(4)

(*) See ratings classification in Note 3.4.1. "Concentration according to credit quality".

12.1. Equity instruments

The breakdown of the changes under this heading is as follows:

CHANGES IN EQUTY INSTRUMENTS - 2020
(Millions of euros)

	31-12-2019	ACQUISITIONS AND CAPITAL INCREASES	SALES AND CAPITAL INCREASES	GAINS (-)/ LOSS (+) TRANSFERRED TO RESERVES	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	31-12-2020
Telefónica, S.A.*	1,617				(774)		843
Other **	112	0	(60)	(23)	27	0	56
TOTAL	**1,729**	**0**	**(60)**	**(23)**	**(747)**	**0**	**899**

(*) 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).

(**) 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.

CHANGES IN EQUITY INSTRUMENTS - 2019
(Millions of euros)

	31-12-2018	ACQUISITIONS AND CAP-ITAL INCREASES	SALES AND CAPITAL REDUC-CAPITAL	GAINS (-) / LOSSES (+) TRANSFERRED TO RESERVES	ADJUSTMENTS TO MARKET VALUE AND EXCHANGE DIFFERENCES	TRANSFERS AND OTHER	31-12-2019
Telefónica, SA	1,905				(288)		1,617
Repsol *	786		(943)	106	51		0
Other	166	1	(42)	(26)	14	(1)	112
TOTAL	**2,857**	**1**	**(985)**	**80**	**(223)**	**(1)**	**1,729**

(*) On 20 September 2018, the Entity agreed to dispose of the current shareholding in Repsol, which ended on 2019.

The relevant financial information of the most relevant equity instruments classified in this section is as follows:

FINANCIAL INFORMATION ON KEY INVESTMENTS
(Millions of euros)

CORPORATE NAME	REGISTERED ADDRESS	% OWNERSHIP	% VOTING RIGHTS	EQUITY	LATEST PUBLISHED PROFIT/(LOSS)
Telefónica, SA (1)	Madrid - Spain	4.87%	4.87%	17,416	671
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, SA (Sareb) (2)	Madrid - Spain	12.24%	12.24%	(7,512)	(947)

(1) 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.
(2) Non-listed companies. The information on equity and the last published profit/(loss) is at 31-12-2019.

12.2. Debt securities

The breakdown of the changes under this heading is as follows:

CHANGES IN DEBT SECURITIES
(Millions of euros)

	2020				2019			
	FROM STAGE 1:	FROM STAGE 2:	FROM STAGE 3:	TOTAL	FROM STAGE 1:	FROM STAGE 2:	FROM STAGE 3:	TOTAL
Adjusted balance at start of the year	**14,587**			**14,587**	**17,046**			**17,046**
Plus:				**0**				**0**
Acquisitions	8,173			8,173	9,510			9,510
Interest	(115)			(115)	0			0
Gains/(losses) recognised with adjustments to equity (Note 22)	74			74	221			221
Less:								**0**
Sales and redemptions	(6,124)			(6,124)	(11,829)			(11,829)
Interest	0			0	(198)			(198)
Amounts transferred to the income statement (Note 30)*	(69)			(69)	(163)			(163)
Exchange differences and other	(78)			(78)				
CLOSING BALANCE	**16,448**			**16,448**	**14,587**			**14,587**

(*) In 2020 there were fixed income portfolio sales with a nominal amount of EUR 4,979 million and a profit of EUR 69 million, including profit due to the cancellation of associated hedges.
(*) In 2019 there were 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.

13. 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				
	GROSS BALANCE	IMPAIRMENT ALLOWANCES	ACCRUED INTEREST	FEE AND COMMISSION INCOME	OTHER	OUTSTANDING AMOUNT
Debt securities	**19,869**		**101**			**19,970**
Loans and advances	**227,652**	**(4,412)**	**300**	**(189)**	**338**	**223,689**
Credit institutions	5,384		2			5,386
Customers	222,268	(4,412)	298	(189)	338	218,303
TOTAL	**247,521**	**(4,412)**	**401**	**(189)**	**338**	**243,659**

BREAKDOWN OF FINANCIAL ASSETS AT AMORTISED COST - 31-12-2019
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	IMPAIRMENT ALLOWANCES	ACCRUED INTEREST	FEE AND COMMISSION INCOME	OTHER	OUTSTANDING AMOUNT
Debt securities	**13,893**		**99**			**13,992**
Loans and advances	**212,146**	**(3,576)**	**355**	**(211)**	**229**	**208,943**
Credit institutions	4,353	(2)	4			4,355
Customers	207,793	(3,574)	351	(211)	229	204,588
TOTAL	**226,039**	**(3,576)**	**454**	**(211)**	**229**	**222,935**

13.1. 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
Spanish public debt*	16,637	11,989
Other Spanish issuers	1,283	1,297
Other foreign issuers	2,050	706
TOTAL	**19,970**	**13,992**

(*) See Note 3.4.1.'Concentration according to risk sovereign'.

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
(Millions of euros)

	2020				2019			
	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**13,992**	**0**	**0**	**13,992**	**13,894**			**13,894**
New financial assets	11,020			11,020	1,052			1,052
Financial asset disposals (other than write-offs) **	(5,043)			(5,043)	(875)			(875)
Changes in interest accrual	(1)			(1)	(81)			(81)
Exchange differences and other	2			2	2			2
CLOSING BALANCE	**19,970**	**0**	**0**	**19,970**	**13,992**	**0**	**0**	**13,992**
Impairment allowances*	0			0				0

(*) There were no significant changes in the period

(**) In 2020 there were fixed income portfolio sales for a nominal amount of EUR 1,054 million and a profit of EUR 114 million, recorded under the heading '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 as a result.

13.2. Loans and advances

Loans and advances – Credit institutions

The breakdown of the gross balances of this heading is as follows:

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

	31-12-2020	31-12-2019
Demand	**3,252**	**2,977**
Other accounts	3,252	2,977
Term	**2,132**	**1,376**
Deposits with agreed maturity	2,106	1,350
Assets in stage 3	26	26
TOTAL	**5,384**	**4,353**

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
(Millions of euros)

	2020				2019			
	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**187,775**	**13,158**	**7,229**	**208,162**	**182,786**	**13,815**	**9,333**	**205,934**
Transfers	**(3,284)**	**2,465**	**819**	**0**	**(1,236)**	**548**	**688**	**0**
From stage 1:	(6,263)	5,889	374	0	(4,043)	3,655	388	0
From stage 2:	2,962	(3,674)	712	0	2,770	(3,649)	879	0
From stage 3:	17	250	(267)	0	37	542	(579)	0
New financial assets	51,049	4,289	621	55,959	38,668	1,058	389	40,115
Financial asset disposals (other than write-offs)	(37,051)	(2,915)	(784)	(40,750)	(32,443)	(2,263)	(1,281)	(35,987)
Write-offs			(656)	(656)			(1,900)	(1,900)
CLOSING BALANCE	**198,489**	**16,997**	**7,229**	**222,715**	**187,775**	**13,158**	**7,229**	**208,162**

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
(Millions of euros)

	2020				2019			
	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL	TO STAGE 1:	TO STAGE 2:	TO STAGE 3:	TOTAL
Opening balance	**363**	**460**	**2,751**	**3,574**	**358**	**518**	**3,518**	**4,394**
Net allowances	266	357	654	1,277	(18)	(43)	378	317
From stage 1:	219	431	146	796	(97)	6	158	67
From stage 2:	(18)	(75)	380	287	(13)	(92)	97	(8)
From stage 3:	(4)	(40)	(64)	(108)	(6)	(18)	(98)	(122)
New financial assets	83	83	339	505	106	79	265	450
Financial asset disposals	(14)	(42)	(147)	(203)	(8)	(18)	(44)	(70)
Amounts used			(363)	(363)			(1,027)	(1,027)
Transfers and other	(49)	(24)	(3)	(76)	23	(15)	(118)	(110)
CLOSING BALANCE	**580**	**793**	**3,039**	**4,412**	**363**	**460**	**2,751**	**3,574**
Of which: COVID-19 fund	310	384	318	1,012				

14. Derivatives - Hedge accounting (assets and liabilities)

The breakdown of the balances of these headings is as follows:

BREAKDOWN OF HEDGING DERIVATIVES (PRODUCT AND COUNTERPARTY)
(Millions of euros)

	31-12-2020		31-12-2019	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest rates	329	57	2,070	278
Equity instruments			58	
Currencies and gold		11	(6)	2
Other	1	1		40
TOTAL FAIR VALUE HEDGES	330	69	2,122	320
Interest rates			11	
Currencies and gold	159	4		
Other	43	101		122
TOTAL CASH FLOW HEDGES	202	105	11	122
TOTAL	**532**	**174**	**2,133**	**442**
Memorandum items				
Of which: OTC - credit institutions	532	174	489	227
Of which: OTC - other financial corporations			1,644	215

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
(Millions of euros)

	AMOUNT OF THE HEDGED ITEM						AVERAGE INTEREST RATE
	< 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	>5 YEARS	TOTAL	
Asset interest-rate hedges	1		9	1,619	10,395	12,024	(0.42%)
Liability interest-rate hedges	1,845	575	140	19,482	11,880	33,922	1.34%
TOTAL FAIR VALUE HEDGES	1,846	575	149	21,101	22,275	45,946	
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	

HEDGING ITEMS - FAIR VALUE HEDGES
(Millions of euros)

				31-12-2020				31-12-2019	
				VALUE OF HEDGING INSTRUMENT		CHANGE IN FV USED TO CALCULATE THE INEFFECTIVENESS OF THE HEDGE	INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS	VALUE OF HEDGING INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES			ASSETS	LIABILITIES
Macrohedges	Issuances	Transformation from fixed to floating	Interest-rate swaps and options	265	9	109	(6)	1,858	22
	Fixed-rate loans	Transformation from fixed to floating	Interest-rate swaps and options	45	59	(136)		175	218
	TOTAL			**310**	**68**	**(27)**	**(6)**	**2,033**	**240**
Microhedges	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps			(1)			6
	Public debt OCI portfolio	Debt transformation from inflation-linked fixed to floating rate	Interest-rate swaps, inflation-linked swaps and inflation-linked options	1		(6)			40
	Public debt OCI portfolio	Transformation of fixed-rate debt in foreign currency to floating-rate in foreign currency	Interest-rate swaps			53			34
	Shares issued	Transformation from 12M Euribor to 3M Euribor	Interest-rate swaps	19		(11)		31	
	Currency loan	Transformation from fixed rate in foreign currency to floating rate in euro	Currency swaps		1	(1)			
	OCI portfolio equity instruments*	Value of the instrument	Equity Swap					58	
	Debt amortised cost portfolio	Transformation from fixed to floating	Interest-rate swaps			(2)			
	TOTAL			**20**	**1**	**32**		**89**	**80**

FV: Fair value
(*) Corresponds to the hedge on 1% of Telefónica contracted in 2019 and cancelled in March 2020.

HEDGED ITEMS - FAIR VALUE HEDGES
(Millions of euros)

				31-12-2020				2020			31-12-2019	
				HEDGED INSTRUMENT		ACCUMULATED FAIR VALUE ADJUSTMENTS IN THE HEDGED ITEM					HEDGED INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES	ASSETS	LIABILITIES	ACCUMULATED AMOUNT OF FV HEDGING ADJUSTMENTS OF HEDGED ITEMS **	CHANGE IN VALUE USED TO CALCULATE THE INEFFECTIVENESS OF THE HEDGE HEDGING	LINE ON THE BALANCE SHEET INCLUDING THE HEDGED ITEM	ASSETS	LIABILITIES
Macrohedges	Issuances	Transformation from fixed to floating	Interest-rate swaps and options		29,818		1,587	81	(115)	Financial liabilities at amortised cost		27,215
	Fixed-rate loans (**)	Transformation from fixed to floating	Interest-rate swaps and options	10,896		189		(1,017)	136	Financial assets at amortised cost	11,757	
	Floating-rate loans	Transformation from Euribor 12M floating rate to EONIA floating rate	Interest-rate swaps							Financial assets at amortised cost	660	
	TOTAL			**10,896**	**29,818**	**189**	**1,587**	**(936)**	**21**		**12,417**	**27,215**
Microhedges	Public debt OCI portfolio	Transformation from fixed to floating	Interest-rate swaps	70		N/A	N/A		1	Financial assets at fair value *	69	
	Public debt OCI portfolio	Transformation of inflation-linked debt to fixed-rate to floating-rate	Interest rate swaps, swaps on inflation and inflation options	471		N/A	N/A		6	Financial assets at fair value *	468	
	Public debt OCI portfolio	Transformation of fixed-rate debt in foreign currency to floating-rate in foreign currency	Interest-rate swaps			N/A	N/A		(53)	Financial assets at fair value *	1,037	
	Shares issued	Transformation from 12M Euribor to 3M Euribor	Interest-rate swaps		4,104		19		11	Shares issued		4,837
	Currency loan	Transformation from fixed-rate foreign currency to floating rate in euros	Currency swaps	131		1			1	Financial assets at amortised cost		
	Equity instruments portfolio changes in OCI	Value of the instrument	Equity Swap			N/A	N/A			Financial assets at fair value *	323	
	Debt amortised cost portfolio	Transformation from fixed to floating	Interest-rate swaps	452		2			2	Financial assets at amortised cost		
	Other			4							3	
	TOTAL			**1,128**	**4,104**	**3**	**19**		**(32)**		**1,900**	**4,837**

(*) With changes in other comprehensive income

(**) See Note 18.

HEDGING ITEMS - CASH FLOW HEDGES
(Millions of euros)

				31-12-2020				31-12-2019	
				VALUE OF HEDGING INSTRUMENT		AMOUNT RECLASSIFIED	INEFFECTIVENESS	VALUE OF HEDGING INSTRUMENT	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	ASSETS	LIABILITIES	FROM EQUITY TO PROFIT OR LOSS	RECOGNISED IN PROFIT OR LOSS	ASSETS	LIABILITIES
Macrohedges	Mortgage Euribor loans	Mortgage Euribor transformation to fixed rate	Interest-rate swaps			13		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**	**(3)**		**11**	
Microhedges	Inflation-linked public debt	Transformation from inflation-linked floating to fixed rate	Inflation-linked swaps and inflation-linked options		84	(20)			122
	Inflation-linked public debt at amortised cost	Transformation from floating to fixed	Interest-rate and inflation-linked swaps	44	18	(1)			
	Other								
	TOTAL			**44**	**102**	**(21)**			**122**

HEDGED ITEMS - CASH FLOW HEDGES
(Millions of euros)

				31-12-2020			31-12-2019	
	HEDGED ITEM	HEDGED RISK	HEDGING INSTRUMENT USED	RESERVE OF CASH FLOW HEDGES	PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES	LINE ON THE BALANCE SHEET INCLUDING THE HEDGED ITEM	RESERVE OF CASH FLOW HEDGES	PENDING AMOUNT IN RESERVE OF CASH FLOW HEDGES OF HEDGING RELATIONSHIPS FOR WHICH RECOGNISING HEDGES NO LONGER APPLIES
Macrohedges	Floating-rate loans	Transformation from floating to fixed	Interest-rate swaps	0	0	Financial assets at amortised cost		
	Mortgage Euribor loans	Mortgage Euribor transformation to fixed rate	Interest-rate swaps	93	0	Financial assets at amortised cost	2	
	Floating-rate currency loans	Transformation from floating rate in foreign currency to floating rate in euros	Currency swap	(3)	0	Financial assets at amortised cost		
	Fixed-rate term deposits	Transformation from fixed to floating	Interest-rate swaps	0	24	Financial liabilities at amortised cost		25
	TOTAL			**90**	**24**		**2**	**25**
Microhedges	Inflation-linked public debt.	Transformation from inflation-linked floating debt to fixed rate	Inflation-linked swaps and inflation-linked options	15	0	Financial assets at fair value *	(75)	
	Inflation-linked public debt at amortised cost	Transformation from floating to fixed	Interest-rate and inflation-linked swaps	(25)	0	Financial assets at amortised cost		
	TOTAL			**(10)**	**0**		**(75)**	**0**

(*) with changes in other comprehensive income

15. Investments in subsidiaries, associates and joint ventures

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES — 2020
(Millions of euros)

	31-12-2019		ACQUISITIONS AND CAPITAL INCREASES	DISPOSALS AND CAPITAL DECREASES	IMPAIRMENT LOSSES	TRANSFERS AND OTHER	31-12-2020	
	CARRYING AMOUNT	*STAKE%*					CARRYING AMOUNT	*STAKE%*
COST	16,821		32	(9)	0	(99)	16,745	
BuildingCenter	9,056	*100.00%*					9,056	*100.00%*
VidaCaixa	2,252	*100.00%*					2,252	*100.00%*
Banco BPI	2,060	*100.00%*					2,060	*100.00%*
CaixaBank Payments & Consumer	1,572	*100.00%*					1,572	*100.00%*
Hiscan Patrimonio **	620	*100.00%*				(80)	540	*100.00%*
Puerto Triana	261	*100.00%*					261	*100.00%*
Other	1,000		32	(9)		(19)	1,004	
IMPAIRMENT ALLOWANCES	(7,286)		0	0	(292)	0	(7,578)	
BuildingCenter	(6,560)				(304)		(6,864)	
Hiscan Patrimonio	(377)				14		(363)	
Other	(349)				(2)		(351)	
TOTAL GROUP ENTITIES	**9,535**		**32**	**(9)**	**(292)**	**(99)**	**9,167**	
COST	1,396		0	0	0	(15)	1,381	
Erste Group Bank *	1,363	*9.92%*					1,363	*9.92%*
Other	33					(15)	18	
IMPAIRMENT ALLOWANCES	(8)		0	0	(192)	0	(200)	
Erste Group Bank					(192)		(192)	
Other	(8)						(8)	
TOTAL ASSOCIATES	**1,388**		**0**	**0**	**(192)**	**(15)**	**1,181**	
COST	36		0	0	0	0	0	
Comercia Global Payments (Note 7)								
Cartera Perseidas	36	*40.54%*		(36)			0	
Other	0			0			0	
IMPAIRMENT ALLOWANCES	(36)		0	0	0	0	0	
Cartera Perseidas	(36)					36	0	
Other	0					0	0	
TOTAL JOINT VENTURES	**0**		**0**	**0**	**0**	**0**	**0**	

(*) On 31 December 2020, the market value of 9.92% of the stake is 1,063 million euros (1,431 million euros on 31 December 2019).

(**) Derived from the sale of Caser (see Note 12.2), owing to the fact that Hiscan Patrimonio had 6.04% of this holding.

Impairment of the portfolio of investments

At year-end, there were no agreements to provide additional financial support or any other contractual commitment made by the parent company or subsidiaries with associates and joint ventures of the Entity not recognised in the financial statements. Likewise, there are no contingent liabilities related to these investments.

For the purpose of analysing the recoverable value of the portfolio of shares in associates and joint ventures, the Entity periodically monitors impairment indicators of its investees. Particularly, the following items are considered, among others: i) business performance; ii) share prices throughout the period; and iii) the target prices published by renowned independent analysts.

The methodology to determine the recoverable value for the stake in Erste Group Bank is based on dividend discount models (DDM).

A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND SENSITIVITY SCENARIOS
(Percentage)

	ERSTE GROUP BANK (3)	
	31-12-2020	31-12-2019
Forecast periods	5 years	5 years
Discount rate (after tax) (1)	10.1%	10.1%
Growth rate (2)	2.5%	2.5%
Target capital/solvency ratio	13.50%	12.36%

(1) Calculated on the basis of the interest rate of the German bond (Erste Group Bank), adding risk premiums where applicable.
(2) Corresponds to the normalised growth rate used to calculate the fair value.
(3) 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%].

As a consequence of this impairment test, on 31 December 2020 an impairment of EUR 192 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.

Financial information of associates

Below, selected information is displayed on significant investments in entities accounted for using the equity method, which is additional to the information presented in Appendices 2 and 3:

SELECTED INFORMATION OF ASSOCIATES

	ERSTE GROUP BANK
Nature of the company's activities	Has strong deposits business and offers retail products, corporate products and investment banking services.
Country of incorporation and countries of operation	Austria, Czech Republic, Romania, Slovakia, Croatia, Hungary and Serbia
Restrictions on dividend payments	Regulatory restrictions or limitations according to the level of capital, return or growth outlook of the business

16. Tangible assets

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN TANGIBLE ASSETS
(Millions of euros)

	2020			2019		
	LAND AND BUILDINGS	FURNITURE, FACILITIES AND OTHER	RIGHTS OF USE*	LAND AND BUILDINGS	FURNITURE, FACILITIES AND OTHER	RIGHTS OF USE*
Cost						
Opening balance	2,354	3,926	1,522	2,378	3,704	
1st application Circular 2/2018 (Note 1)	0	0	0			1,294
Additions	33	286	100	109	358	272
Disposals	(4)	(157)	(54)	(11)	(187)	(44)
Transfers	(132)	20	0	(122)	51	
CLOSING BALANCE	2,251	4,075	1,568	2,354	3,926	1,522
Accumulated depreciation						
Opening balance	(450)	(2,673)	(106)	(455)	(2,670)	
Additions	(22)	(154)	(108)	(22)	(147)	(109)
Disposals	5	124	13	9	150	3
Transfers	29	0	0	18	(6)	
CLOSING BALANCE	(438)	(2,703)	(201)	(450)	(2,673)	(106)
Impairment allowances						
Opening balance	0	(13)	0	0	(15)	
Allowances (Note 35)	0	0	0			
Releases (Note 35)	0	0	0		2	
Transfers	0	2	0			
CLOSING BALANCE	0	(11)	0	0	(13)	0
OWN USE, NET	**1,813**	**1,361**	**1,367**	**1,904**	**1,240**	**1,416**
Cost						
Opening balance	65	1	0	101	4	
Additions	2	0	0			
Disposals	(10)	0	0	(35)	(1)	
Transfers	13	0	0	(1)	(2)	
CLOSING BALANCE	70	1	0	65	1	0
Accumulated depreciation						
Opening balance	(10)	(1)	0	(16)	(3)	
Additions	(1)	0	0	(1)		
Disposals	2	0	0	7		
Transfers	1	0	0		2	
CLOSING BALANCE	(8)	(1)	0	(10)	(1)	0
Impairment allowances						
Opening balance	(19)	0	0	(26)	0	0
Allowances (Note 35)	(2)	0	0	(5)		
Releases (Note 35)	2	0	0	2		
Transfers	(2)	0	0	2		
Amounts used	3	0	0	8		
CLOSING BALANCE	(21)	0	0	(19)	0	0
INVESTMENT PROPERTY	**41**	**0**	**0**	**36**	**0**	**0**

(*) Corresponds to the rights of use of land and buildings. With respect to rights of use assets, the item 'Other financial liabilities — Liabilities associated with rights of use assets' (see Note 20.4) shows the current value of future lease payments during the contract's mandatory term

Property, plant and equipment for own use

Property, plant and equipment for own use are allocated to the Banking Business cash-generating unit (CGU) and at year-end they do not present any indication of impairment (see Note 17). In addition, the Entity carries out regular individualised valuations of certain property for own use classified as "Land and buildings". At year-end, the available valuations do not indicate the existence of any impairment.

Selected information about property, plant and equipment for own use is presented below:

OTHER INFORMATION ABOUT PROPERTY, PLANT AND EQUIPMENT FOR OWN USE
(Millions of euros)

	31-12-2020
Fully amortised assets still in use	2,156
Commitments to acquire tangible assets*	Insignificant
Assets with ownership restrictions	Insignificant
Assets covered by an insurance policy	100% **

(*) Sales made in previous years with sale and leaseback agreements include buy options that may be exercised by the Entity on termination of the lease agreement at the market value of the offices at that date, to be determined where appropriate by independent experts (see Note 33).
(**) Some of the insurance policies have an excess

17. Intangible assets

The breakdown of this heading is as follows:

BREAKDOWN OF INTANGIBLE ASSETS
(Millions of euros)

	CGU	REMAINING USEFUL LIFE	31-12-2020	31-12-2019
Goodwill			**323**	**529**
Acquisition of Banca Cívica	Banking	1.5 years	320	522
Acquisition of Bankpime	Banking	1 year	3	7
Other intangible assets			**412**	**358**
Software		1 to 15 years	404	348
Other intangible assets (generated by mergers/acquisitions)			8	10
Customer relationships (core deposits) of Barclays Bank	Banking	3 years	8	10
TOTAL			**735**	**887**

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN OTHER INTANGIBLE ASSETS
(Millions of euros)

	2020			2019		
	GOODWILL	SOFTWARE	OTHER ASSETS	GOODWILL	SOFTWARE	OTHER ASSETS
Gross cost						
Opening balance	2,410	905	56	2,410	856	203
Additions		130			109	
Transfers and other					(60)	
Write-downs (Note 35)		(333)	(33)			(147)
SUBTOTAL	2,410	702	23	2,410	905	56
Accumulated depreciation						
Opening balance	(1,881)	(557)	(46)	(1,675)	(522)	(159)
Additions	(206)	(60)	(2)	(206)	(45)	(12)
Transfers and other					10	
Write-downs (Note 35)		319	33			125
CLOSING BALANCE	(2,087)	(298)	(15)	(1,881)	(557)	(46)
TOTAL	**323**	**404**	**8**	**529**	**348**	**10**

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	364
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 Entity performs a regular allocation of the Entity's capital based on internal regulatory capital models, which take into account the risks assumed by each of the businesses. The amount to be recovered from the CGU is compared to its recoverable amount to determine any potential impairment.

The recoverable amount is based on value in use, which was determined by discounting the estimated dividends over the medium term obtained from the projection of the budget with a time horizon of 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 Entity's activity, contrasted by means of renowned external sources and the entities' internal information. A summary of the ranges of assumptions used and the ranges of contrasting sensitivity are provided below:

ASSUMPTIONS USED AND BANKING BUSINESS CGU SENSITIVITY SCENARIOS

(Percentage)

	31-12-2020	31-12-2019	SENSITIVITY RANGE
Discount rate (after tax) *	8.2%	7.5%	[-0.5%; + 2.5%]
Growth rate **	1.0%	1.0%	[-0.5%; + 1.0%]
Net interest income over average total assets (NII) ***	[1.15% - 1.30%]	[1.21% - 1.46%]	[-0.05%; + 0.05%]
Cost of risk (CoR)	[0.82% - 0.39%]	[0.26% - 0.36%]	[-0.1%; + 0.1%]

(*) Calculated on the yield for the German 10-year bond, plus a risk Premium. The pre-tax discount rate on 31 December 2020 and 2019 is of 11.7% and 10.8%, respectively.

(**) Corresponds to the normalised growth rate used to calculate the net carrying value.

(***) Net interest income on average total assets.

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 Entity 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 Entity considers to be the most plausible and which, therefore, best reflect the value of the banking business.

18. Other assets and other liabilities

The breakdown of these items in the balance sheet is as follows:

BREAKDOWN OF OTHER ASSETS AND OTHER LIABILITIES
(Millions of euros)

	31-12-2020	31-12-2019
Insurance contracts related to long-term commitments (Notes 21.1 and 21.2)	1,210	1,206
Inventories	9	14
Other assets	2,260	2,436
Prepayments and accrued income *	1,931	1,603
Ongoing transactions	243	195
Other	86	638
TOTAL OTHER ASSETS	**3,479**	**3,656**
Prepayments and accrued income *	783	785
Ongoing transactions	452	226
Other	36	47
TOTAL OTHER LIABILITIES	**1,271**	**1,058**

(*) Includes the accumulated amount of adjustments to fair value hedges of the hedged items accrued until their maturity (see Note 14)

19. Non-current assets and disposal groups classified as held for sale

The breakdown of the changes of the balance under this heading is as follows:

BREAKDOWN OF NON-CURRENT ASSETS FOR SALE
(Millions of euros)

	2020			2019		
	FORECLOSURE ASSETS			FORECLOSURE ASSETS		
	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)	FORECLOSURE RIGHTS (1)	OTHER	OTHER ASSETS (2)
Gross cost						
Opening balance	182	70	178	267	59	121
Additions	31	5	19	127	9	11
Disposals for the year	(80)	(11)	(52)	(199)	(11)	(57)
Transfers and other (3)	(3)	3	89	(13)	13	103
CLOSING BALANCE	130	67	234	182	70	178
Impairment allowances						
Opening balance	(40)	(10)	(42)	(54)	(10)	(23)
Allowances (Note 37)	0	(5)	(41)		(9)	(36)
Recoveries (Note 37)	1	3	7	4	7	6
Transfers and other (4)	6	0	0		1	12
Amounts used	0	1	11	10	1	(1)
CLOSING BALANCE	(33)	(11)	(65)	(40)	(10)	(42)
TOTAL	**97**	**56**	**169**	**142**	**60**	**136**

(1) Foreclosure rights are measured initially at the carrying amount at which the asset will be recognised when the definitive foreclosure occurs.
(2) Mainly includes: investments reclassified as non-current assets held for sale, assets deriving from the termination of operating lease agreements and closed branches.
(3) Includes mainly reclassifications of foreclosure rights to 'Other foreclosed assets' or 'Investment property' when the property is put up for lease (see Note 16).
(4) Includes provisions recognised to hedge against the risk of insolvency on credit operations of CaixaBank cancelled through the acquisition of real estate assets by BuildingCenter.

The breakdown, by age, of foreclosed assets, excluding impairment allowances, determined on the basis of the foreclosure date, is as follows:

AGE OF FORECLOSED ASSETS
(Millions of euros)

	31-12-2020		31-12-2019	
	No. OF ASSETS	GROSS AMOUNT	No. OF ASSETS	GROSS AMOUNT
Up to 1 year	40	2	55	3
Between 1 and 2 years	831	76	107	11
Between 2 and 5 years	206	23	1,814	170
More than 5 years	1,282	96	909	68
TOTAL	**2,359**	**197**	**2,885**	**252**

20. Financial liabilities

The breakdown of this heading is as follows:

FINANCIAL LIABILITIES AT AMORTISED COST — 31-12-2020
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTANDING AMOUNT
Deposits	276,516	(143)	19	(12)	(308)	276,072
Central banks	45,957	(262)				45,695
Credit institutions	3,737	(2)	0	0	0	3,735
Customers	226,822	121	19	(12)	(308)	226,642
Debt securities issued	32,461	420	0	(9)	(91)	32,781
Other financial liabilities	5,303					5,303
TOTAL	**314,280**	**277**	**19**	**(21)**	**(399)**	**314,156**

BREAKOWN OF FINANCIAL LIABILITIES AT AMORTISED COST — 31-12-2019
(Millions of euros)

		VALUATION ADJUSTMENTS				
	GROSS BALANCE	ACCRUED INTEREST	MICROHEDGES	TRANSACTION COSTS	PREMIUMS AND DISCOUNTS	OUTSTANDING AMOUNT
Deposits	222,690	107	31	(14)	(375)	222,439
Central banks	13,084	(40)				13,044
Credit institutions	4,289	7	0	0	0	4,296
Customers	205,317	140	31	(14)	(375)	205,099
Debt securities issued	30,025	405	0	(10)	(88)	30,332
Other financial liabilities	8,104					8,104
TOTAL	**260,819**	**512**	**31**	**(24)**	**(463)**	**260,875**

20.1. Deposits from credit institutions

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF DEPOSITS FROM CREDIT INSTITUTIONS
(Millions of euros)

	31-12-2020	31-12-2019
Demand	**1,199**	**1,269**
Reciprocal accounts	7	2
Other accounts	1,192	1,267
Term or at notice	**2,538**	**3,020**
Deposits with agreed maturity	1,779	2,408
Hybrid financial liabilities	0	1
Repurchase agreement	759	611
TOTAL	**3,737**	**4,289**

20.2. Customer deposits

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF CUSTOMER DEPOSITS
(Millions of euros)

	31-12-2020	31-12-2019
By type	**226,822**	**205,317**
Current accounts and other demand deposits	130,842	113,514
Savings accounts	77,279	66,119
Deposits with agreed maturity	15,401	22,731
of which: registered mortgage covered bonds	*3*	*3*
Hybrid financial liabilities	1,296	1,697
Repurchase agreements	2,004	1,256
By sector	**226,822**	**205,317**
Public administrations	12,509	10,507
Private sector	214,313	194,810

20.3. Debt securities issued

The breakdown of the gross balances of this heading is as follows:

BREAKDOWN OF DEBT SECURITIES ISSUED
(Millions of euros)

	31-12-2020	31-12-2019
Mortgage covered bonds	13,533	14,607
Plain vanilla bonds	11,689	8,695
Structured notes	438	620
Promissory notes	651	703
Preference shares	3,000	2,250
Subordinated debt	3,150	3,150
TOTAL	**32,461**	**30,025**

(*) 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
(Millions of euros)

	MORTGAGE COVERED BONDS	PUBLIC SECTOR COVERED BONDS	PLAIN VANILLA BONDS	STRUCTURED NOTES	SUBORDINATED DEBT	PREFERENCE SHARES
Gross balance						
Opening balance	50,044	5,000	4,636	741	3,150	2,250
Issuances	512		4,382	141		
Depreciation and amortisation	(3,600)		(282)	(99)		
Exchange differences and other	4					
CLOSING BALANCE	46,960	5,000	8,736	783	3,150	2,250
Repo securities						
Opening balance	(33,905)	(5,000)	(291)	(93)		
Buy-backs				26		
Repayments and other	1,552		250	(96)		
CLOSING BALANCE	(32,353)	(5,000)	(41)	(163)		
CLOSING NET BALANCE 2019	**14,607**		**8,695**	**620**	**3,150**	**2,250**
Gross balance						
Opening balance	46,960	5,000	8,736	783	3,150	2,250
Issuances			3,000			750
Depreciation and amortisation	(1,247)	(1,500)	(6)	(192)		
CLOSING BALANCE	45,713	3,500	11,730	591	3,150	3,000
Repo securities						
Opening balance	(32,353)	(5,000)	(41)	(163)		
Buy-backs				(54)		
Repayments and other	173	1,500		64		
CLOSING BALANCE	(32,180)	(3,500)	(41)	(153)		
CLOSING NET BALANCE 2020	**13,533**		**11,689**	**438**	**3,150**	**3,000**

The breakdown of preference share issues are as follows:

BREAKDOWN OF PREFERENCE SHARE ISSUES
(Millions of euros)

DATE OF ISSUE	MATURITIES	NOMINAL AMOUNT	NOMINAL INTEREST RATE	OUTSTANDING AMOUNT 31-12-2020	OUTSTANDING AMOUNT 31-12-2019
June 2017 *	Perpetual	1,000	6.750%	1,000	1,000
March 2018 *	Perpetual	1,250	5.250%	1,250	1,250
October 2020 *	Perpetual	750	5.875%	750	
PREFERENCE SHARES				3,000	2,250
Own securities purchased				0	0
TOTAL				**3,000**	**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
(Millions of euros)

DATE OF ISSUE	MATURITY	NOMINAL AMOUNT	NOMINAL INTEREST RATE	OUTSTANDING AMOUNT 31-12-2020	OUTSTANDING AMOUNT 31-12-2019
15-02-2017	15-02-2027	1,000	3.50%	1,000	1,000
07-07-2017	07-07-2042	150	4.00%	150	150
14-07-2017	14-07-2028	1,000	2.75%	1,000	1,000
17-04-2018	17-04-2030	1,000	2.25%	1,000	1,000
SUBORDINATED DEBT				3,150	3,150
Own securities purchased					
TOTAL				**3,150**	**3,150**

20.4. Other financial liabilities

The detail of the balance of this heading in the balance sheet is as follows:

BREAKDOWN OF OTHER FINANCIAL LIABILITIES
(Millions of euros)

	31-12-2020	31-12-2019
Payment obligations	1,000	1,981
Of which: Contributions and shortfalls pending payment to the DGF	*279*	*315*
Guarantees received	4	1,461
Clearing houses	1,169	1,308
Tax collection accounts	1,219	1,144
Special accounts	361	621
Liabilities associated with right-of-use assets (Note 1 and Note 16)	1,389	1,430
Other items	161	159
TOTAL	**5,303**	**8,104**

The heading 'Other financial liabilities — Liabilities associated with right-of-use assets' (see Note 16) presents the current value of future lease payments during the mandatory period of the contract. The movement corresponding to the financial year is as follows:

FUTURE PAYMENTS OF OPERATIONAL LEASE CONTRACTS
(Millions of euros)

	01-01-2019*	NET REGISTRATION	FINANCIAL UPDATE	PAYMENTS	31-12-2019	NET REGISTRATION	FINANCIAL UPDATE	PAYMENTS	31-12-2020
Linked to the sales contract and subsequent lease Soinmob Inmobilaria, SAU	**591**	29	10	(40)	**590**	8	10	(39)	**569**
Linked to other operational leases	**703**	202	10	(75)	**840**	49	9	(78)	**820**
TOTAL	**1,294**	**231**	**20**	**(115)**	**1,430**	**57**	**19**	**(117)**	**1,389**
Discount rate applied (according to the term)									
Spain	[0.10%-1.66%]				[0.10%-1.66%]				[0.10%-1.66%]

(*) See Note 1.4

21. Provisions

The breakdown of the changes of the balance under this heading is as follows:

MOVEMENT OF PROVISIONS
(Millions of euros)

	PENSIONS AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS	OTHER LONG-TERM EMPLOYEE BENEFITS	PENDING LEGAL ISSUES AND TAX LITIGATION		COMMITMENTS AND GUARANTEES GIVEN		OTHER PROVISIONS
			LEGAL CONTINGENCIES	PROVISIONS FOR TAXES	CONTINGENT RISKS	CONTINGENT COMMITMENTS	
BALANCE AT 31-12-2018	**458**	**1,072**	**422**	**219**	**208**	**35**	**356**
With a charge to the statement of profit or loss	7	969	119	19	(27)	(6)	33
Provision		7	148	19	91	87	194
Reversal	(1)	(15)	(29)		(118)	(93)	(161)
Interest cost / (income)	8						
Personnel expenses		977					
Gains / (Actuarial losses)	87						
Amounts used	(27)	(332)	(165)				(121)
Transfers and other	(6)		14		(81)		117
BALANCE AT 31-12-2019	**519**	**1,709**	**390**	**238**	**100**	**29**	**385**
With a charge to the statement of profit or loss	5	100	65	(13)	(16)	6	8
Provision		117	98	13	19	71	91
Reversal		(19)	(33)	(26)	(35)	(65)	(83)
Interest cost / (income)	5	2					
Personnel expenses							
Gains / (Actuarial losses)	30						
Amounts used	(24)	(423)	(141)	(46)			(109)
Transfers and other	(31)	11		8	5		39
BALANCE AT 31-12-2020	**499**	**1,397**	**314**	**187**	**89**	**35**	**323**

21.1. Pensions and other post employment defined benefit obligations

Provisions for pensions and similar obligations – Defined benefit post-employment plans

The Entity's main defined-benefit post-employment benefit obligations are as follows:

- Part of the commitments with employees and former employees of the Entity covered by insurance contracts with entities belonging to the Group or not, most of which coming from merger processes. In these cases, the Entity is the policyholder, and the contracts are managed by each insurance company, which also assumes the risks.
- The rest of the commitments are enforced via the CaixaBank Employment Pension Plan, which has 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 keep their defined-benefit commitments insured through different insurance contracts, mostly with VidaCaixa, the policyholder of which is the Pension Plan Control Committee itself. CaixaBank does not control the Pension funds into which these subplans are integrated, although it holds a minority representation on the Control Committees established in each of them.
- Given that the majority of defined-benefit commitments covered through the Pension Funds or insurance policies taken out directly by CaixaBank, the objective of which is for the provisions payable to beneficiaries to be the same as the insurance provisions in the policies taken out, the Entity is not exposed to volatilities or unusual market movements. At the end of the different years, the fair value of the policies taken out directly with VidaCaixa or other entities, and that of the assets of the Pension Funds (primarily also insurance policies), are calculated using a homogeneous valuation methodology as established by accounting standards.

If an insurance policy is a CaixaBank Employment Pension Plan asset and its flows exactly match the amount and timing of the benefits payable under the plan, the fair value of these insurance policies is deemed to be the present value of the related obligations. There will only be a defined benefit net liability when certain commitments are not insured by CaixaBank or the pension fund, for example, longevity queues for which the insurers have not been able to find financial instruments with a sufficiently long duration that replicate the guaranteed payments.

Whilst the insurance policies taken out with insurers external to the Group and the value of the assets held through the Pension Funds are presented in net form on the balance sheet, given that they are eligible assets of the pan and are used to settle the obligations assumed, the fair value of the other policies taken out directly by CaixaBank with VidaCaixa are recorded under 'Other assets - all other assets'.

The breakdown of the changes of the balance under this heading is as follows:

CHANGES IN PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS
(Millions of euros)

	DEFINED BENEFIT OBLIGATIONS (A)		FAIR VALUE OF ASSETS INVOLVED (B)		OTHER ASSETS (C)		NET (ASSET)/LIABILITY FOR LONG-TERM COMMITMENTS (A+B+C)	
	2020	2019	2020	2019	2020	2019	2020	2019
OPENING BALANCE	(2,177)	(2,026)	1,658	1,568			(519)	(458)
Interest cost (income)	(19)	(32)	14	25			(5)	(7)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	(19)	(32)	14	25			(5)	(7)
Actuarial gains/(Losses) arising from experience assumptions	3	18					3	18
Actuarial gains/(Losses) arising from financial assumptions	(114)	(200)	81	95			(33)	(105)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN EQUITY	(111)	(182)	81	95			(30)	(87)
Plan contributions			20	21			20	21
Plan payments	122	131	(98)	(104)			24	27
Payments	37	2	(19)	(2)			18	
Transactions	(45)	(70)	38	55			(7)	(15)
OTHER	114	63	(59)	(30)			55	33
CLOSING BALANCE	**(2,193)**	**(2,177)**	**1,694**	**1,658**			**(499)**	**(519)**
Of which: Vested obligations	(2,178)	(2,156)						
Of which: Non-vested obligations	(15)	(21)						
Of which: Implemented through insurance policies			1,694	1,658				

The present value of defined benefit obligations was calculated using the following criteria:

- The “projected unit credit” accrual method has been used, which considers each year of service as giving rise to one additional unit of benefit entitlement and measures each unit separately.
- The estimated retirement age of each employee is the first age at which the employee has the right to retire or the age determined in the agreements, as applicable.
- The actuarial and financial assumptions used in the measurement are unbiased and mutually compatible.

The assumptions used in the Entity's calculations are as follows:

ACTUARIAL AND FINANCIAL ASSUMPTIONS

	31-12-2020	31-12-2019
Discount rate of post-employment benefits (1)	0.39%	0.98%
Long-term benefit discount rate (1)	-0.26%	-0.02%
Mortality tables	PERM-F/2000 - P	PERM-F/2000 - P
Annual pension review rate (2)	0% - 2%	0% - 2%
CPI annual cumulative (3)	1.81%	1.90%
Annual salary increase rate (4)	0% 2021; 0.75% 2022; 1% 2023; CPI + 0.5% 2024 and onwards	CPI+0.5%

(1) Using a rate curve based on high-rated corporate bonds, with the same currency and terms as the commitments assumed. Rate informed on the basis of the weighted average term of these commitments.

(2) Depending on each obligation.

(3) Using the Spanish zero coupon inflation curve. Rate informed on the basis of the weighted average term of the commitments.

(4) 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

At the close of 2020, an estimate was made of the actuarial obligation of commitments for pensions and related and non-related assets, with the new PERM/F-2020 mortality tables contained in the Resolution of 17 December 2020 of the Directorate-General for Insurance and Pension Funds, whereby their impact is insignificant.

The actuarial assumptions of pension commitments are carried out by qualified and independent actuaries.

Furthermore, in order to preserve the governance of the valuation and management of risks inherent to these commitments, the Entity has established an activity framework where the ALCO Committee manages proposals to hedge these risks, and the Global Risk Committee approves any change to the criteria to value the liabilities reflected by these commitments.

Below follows a sensitivity analysis of the value of obligations based on the main assumptions used in the actuarial valuation. To determine this sensitivity the calculation of the value of the obligations is replicated, changing the specific variable and maintaining the remaining actuarial and financial assumptions unchanged. One drawback of this method is that it is unlikely that a change will occur in one variable alone as some of the variables may be correlated:

ANALYSIS OF THE SENSITIVITY OF THE OBLIGATIONS
(Millions of euros)

	+50 bp	-50 bp
Discount rate	(30)	33
Annual pension review rate	8	(7)

The estimate of the fair value of insurance contracts related to pensions taken out directly by CaixaBank with VidaCaixa or other entities, and the estimate of the value of assets of Pension Funds (mainly also insurance policies), consider the value of discounted future payments guaranteed following the same rates curve used for obligations. Thus, given that the expected flows of payments are matched to those that will be derived from the policies, potential reasonable changes at year-end in the discount rate would have a similar impact on the fair value of the insurance contracts linked to pensions and the fair value of the assets held through Pension Funds.

Consistent with the indications of note 2.12, the sensitivity of obligations has been calculated only when CaixaBank or the Pension Fund have not insured certain commitments, e.g. certain tales of longevity mentioned previously.

The estimated payment of the provisions planned for the next 10 years is stated below:

ESTIMATED PAYMENTS OF POST-EMPLOYMENT

(Millions of euros)

	2021	2022	2023	2024	2025	2026-2030
Estimated payments for post-employment commitments (1)	27	26	26	26	26	124

(1) Excluding insured provisions to be paid directly by VidaCaixa to the Pension Funds.

21.2. Provisions for other employee benefits

The Entity has funds to cover the commitments of its discontinuation programmes, both in terms of salaries and other social costs, from the moment of termination until reaching the age established in the agreements. Funds are also in place covering length of service bonuses and other obligations with existing personnel. The main training programmes for which funds are kept are as follows:

DISASSOCIATION PROGRAMMES

(Millions of euros)

	YEAR RECOGNISED	NUMBER OF PEOPLE	INITIAL PROVISION
Labour agreement 17-07-2014	2014	434	182
Labour agreement for Barclays Bank personnel restructuring 2015	2015	968	187
Labour agreement 29-06-2015 (territorial reorganisation of the workforce)	2015	700	284
Paid early retirements and resignations 16-04-2016	2016	371	160
Labour agreement 29-07-2016	2016	401	121
Paid early retirements and resignations 10-01-2017	2017	350	152
Labour agreement 28-04-2017 - Discontinuations 2017	2017	630	311
Labour agreement 28-04-2017 - Discontinuations 2018	2018	151	67
Labour agreement 08-05-2019	2019	2,023	978
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

(Millions of euros)

	NET (ASSET)/LIABILITY FOR DEFINED BENEFIT OBLIGATIONS	
	2020	2019
OPENING BALANCE	1,709	1,072
Included in profit or loss		
Service cost for the current year	4	2
Past service cost	95	977
Interest net cost (income)	2	1
Revaluations (gains)/losses	(1)	(5)
COMPONENTS OF COST OF DEFINED BENEFIT RECOGNISED IN PROFIT OR LOSS	100	975
Other		
Plan payments	(423)	(338)
Transactions	11	
TOTAL OTHER	(412)	(338)
CLOSING BALANCE	**1,397**	**1,709**
Of which: With pre-retired personnel	298	448
Of which: Termination benefits	753	962
Of which: Supplementary guarantees and special agreements	238	181
Of which: Length of service bonuses and other	61	60
Of which: Other commitments deriving from Barclays Bank, SAU.	47	58

21.3. 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 Entity 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 Entity, in concordance with the current context and legal reasonableness, as well as the best information available, does not hold provisions for this concept.

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 effects 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.

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
Income tax assessments for years 2004 to 2006	0	33
Income tax assessments for years 2007 to 2009	11	12
Income tax assessments for years 2010 to 2012	13	13
Income tax assessments for years 2013 to 2015	7	0
Tax on deposits	18	18
Other	138	162
TOTAL	**187**	**238**

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 Entity has provisions to cover the maximum risks that could arise from the formally disputed assessments relating to Corporation Tax and Value Added Tax.

21.4. Provisions for commitments and guarantees given

This heading includes the provisions for credit risk of the guarantees and contingent commitments given (Note 24).

The content of the main sections of this heading is set out below. The expected timing of outflows of funds embodying economic benefits, should they arise, is uncertain.

Losses from agreements not formalised and other risks

Class action brought by the ADICAE association (floor clauses)

The legal procedure in which class action for discontinuance was carried out by ADICAE (the Association of Banking and Insurance Consumers) in application of the floor causes that exist in some of the entity's mortgages, are currently in the phase of Reversal and Procedural Infringement before the Spanish Supreme Court.

As stated in the previous financial statements, the risk associated with this matter was managed with specific coverage of EUR 625 million, and a team and specific procedures were developed to comply with the requests filed under the framework of Royal Decree-Law 1/2017, of 20 January, on urgent measures to protect consumers against floor causes.

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.

22. Equity

22.1. 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
Number of fully subscribed and paid up shares (units) (1)	5,981,438,031	5,981,438,031
Par value per share (euros)	1	1
Closing price at year-end (euros)	2.101	2,798
Market cap at year-end, excluding treasury shares (2)	12,558	16,727

(1) All shares have been recognised by book entries and provide the same rights.
(2) CaixaBank's shares are traded on the continuous electronic trading system, forming part of the Ibex-35.

Retained earnings, revaluation reserves and other reserves

The breakdown of the balances of these headings is as follows:

BREAKDOWN OF RESERVES
(Millions of euros)

	31-12-2020	31-12-2019
Legal reserve (1)	1,196	1,196
Restricted reserves for financing the acquisition of treasury shares	2	2
Other restricted reserves (2)	509	509
Unrestricted reserves	2,620	1,088
TOTAL	**4,327**	**2,795**

(1) At the close of 2020 and 2019, the legal reserve reaches the minimum levels required by the Spanish Corporate Enterprises Act.
(2) Primarily associated with the goodwill of Morgan Stanley, Bankpime and Banca Cívica.

Other equity instruments

The value of shares included in variable share-based remuneration plans (see Note 32) not delivered is as follows:

BREAKDOWN OF OTHER EQUITY INSTRUMENTS
(Millions of euros)

	31-12-2020	31-12-2019
Value of shares not delivered	25	24

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		
	NUMBER OF TREASURY SHARES	% SHARE CAPITAL *	COST/ SALES	NUMBER OF TREASURY SHARES	% SHARE CAPITAL *	COST/ SALES
Opening balance	2,705,936	0.045%	9	2,608,240	0.044%	9
Acquisitions and other	2,583,933	0.043%	7	2,031,597	0.034%	6
Disposals and other **	(1,760,950)	(0.029%)	(6)	(1,933,901)	(0.032%)	(6)
CLOSING BALANCE	3,528,919	0.059%	10	2,705,936	0.045%	9

(*) Percentage calculated on the basis of the total number of CaixaBank shares at the end of the respective years.
(**) Gains from treasury share transactions were not significant and were recorded under 'Other Reserves'.

Additionally, the number of treasury shares accepted as financial guarantees given by the Entity and treasury shares owned by third parties and managed by a company of the Entity were as follows:

TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES AND OWNED BY THIRD PARTIES
(Millions of shares/Millions of euros)

	TREASURY SHARES ACCEPTED AS FINANCIAL GUARANTEES		TREASURY SHARES OWNED BY THIRD PARTIES MANAGED BY THE GROUP	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019
Number of treasury shares	12	13	13	12
% of share capital	0.201%	0.217%	0.217%	0.201%
Nominal amount	12	13	13	12

22.2. Accumulated other comprehensive

Changes under this heading are contained in the statement of recognised income and expenses.

23. Tax position

23.1. Tax consolidation

The consolidated tax group for 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.

23.2. 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 in agreement were paid during the year, while those signed under protest, which are still awaiting a ruling by the Chief Tax Inspector, have been duly allocated for an amount of EUR 7 million.

Accordingly, CaixaBank has the year 2016 and following 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 Entity's management considers that the provision under "Provisions - Pending legal issues and tax litigation" in the balance sheet is sufficient to cover these contingent liabilities.

23.3. Reconciliation of the accounting profit to the taxable profit

The Entity's reconciliation of accounting profit to taxable profit is presented below:

RECONCILIATON OF ACCOUNTING PROFIT TO TAXABLE PROFIT
(Millions of euros)

	2020	2019
Profit/(loss) before tax (A)	**594**	**2,048**
Increases/decreases due to permanent differences	**(932)**	**(2,165)**
Difference in accounting and tax cost of shares transferred		30
Dividends and capital gains exempt from taxation	(1,490)	(2,578)
recognised under EIGs		66
Valuation adjustments for impairment of subsidiaries	452	155
Expense recognised against reserves	(143)	(143)
Amortisation of goodwill	204	205
Other increases	52	100
Other reductions	(7)	
Taxable income/(tax loss)	**(338)**	**(117)**
Tax payable (base * tax rate)	**101**	**35**
Tax relief and tax credits	**1**	**1**
Income tax rate for the year	**102**	**36**
Tax adjustments	**(7)**	**(5)**
Tax adjustments for expense recognised against reserves		**(3)**
Other tax	**(1)**	**(2)**
INCOME TAX (B)	**94**	**26**
PROFIT/(LOSS) AFTER TAX (A) + (B)	**688**	**2,074**

The changes in the balance of these headings is as follows:

CHANGES in DEFERRED TAX ASSETS
(Millions of euros)

	31-12-2018	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2019	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2020
Pension plan contributions	**530**			(4)	**526**	35	6		**567**
Allowances for credit losses	**4,032**		16	(47)	**4,001**	(69)			**3,932**
Insolvency provision (ECB 4/2017) (1)	**176**	(62)		(57)	**57**			(57)	**0**
Early retirement obligations	**18**		8	(16)	**10**			(6)	**4**
Provision for foreclosed property	**275**		18	(5)	**288**	(23)			**265**
Credit investment fees	**7**			(2)	**5**			(1)	**4**
Assets measured at fair value through equity	**74**		16		**90**			(14)	**76**
Tax loss carryforwards	**944**			(28)	**916**	(37)			**879**
Unused tax credits	**816**		1	(53)	**764**	(131)	1		**634**
Others from business combinations	**26**			(7)	**19**			(5)	**14**
Other (2)	**995**	(17)	140	(138)	**980**	37	338	(157)	**1,198**
TOTAL	**7,893**	**(79)**	**199**	**(357)**	**7,656**	**(188)**	**345**	**(240)**	**7,573**
Of which: monetisable	4,856				4,825				4,768

(1) In accordance with the thirty-ninth transitional provision of the Corporate Enterprises Act, the amount to integrate into the tax base in 2020 amounts to 57 million euros, with the full amount having been incorporated into reserves in the tax base.
(2) Includes, inter alia, eliminations from intra-group operations and those corresponding to different provisions, and other adjustments due to differences between accounting and tax rules.

CHANGE IN DEFERRED TAX LIABILITIES
(Millions of euros)

	31-12-2018	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2019	REGULARISATIONS	ADDITIONS	DISPOSALS	31-12-2020
Revaluation of property on first time adoption of Bank of Spain Circular 4/2004	**215**			(13)	**202**	(2)		(5)	**195**
Assets measured at fair value through equity	**125**		29		**154**		38		**192**
Intangible assets from business combinations	**18**			(3)	**15**	(11)		(1)	**3**
Others from business combinations	**184**			(34)	**150**	11		(26)	**135**
Other	**86**	15	4	(9)	**96**	(1)	4	(6)	**93**
TOTAL	**628**	**15**	**33**	**(59)**	**617**	**(3)**	**42**	**(38)**	**618**

The Entity does not have any significant unrecognised deferred tax assets.

Twice per year, in collaboration with an independent expert, the Entity assesses the recoverable amount of its recognised deferred tax assets in the balance sheet, on the basis of a budget consisting in a 6-year horizon with the forecasted results used to estimate the recoverable value of the banking CGU (see Note 17) 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 Entity deems that the deferred tax assets recorded arising from credits for carry-forward losses, deductions and non-monetisable timing differences corresponding to Spanish jurisdiction will have recovered in a maximum period of 15 years.

The Entity performs sensitivity analyses on the key assumptions of flow forecasts regarding the recoverability model (see Note 17), without this resulting in any significant changes to the estimated period in the base scenario.

The predictability of exercises to evaluate the recoverability of tax assets, which have been carried out since 2014, is strengthened by backtesting exercises, which result in their being easily explained.

In light of the existing risk factors (see Note 3) and the reduced deviation with respect to the estimates used to elaborate the budgets, the Administrators consider that, despite the limitations for applying different monetisable timing differences, tax loss carryforwards and unused tax credits, the recovery of all activated tax credits is still probable with future tax benefits.

23.5. Other

CaixaBank did not carry out in transactions in 2020 under the scope of the special tax regime, in accordance with the provisions of article 86 of Act 27/2014, of 27 November, on corporation tax. Information relating to transactions carried out under the special tax scheme in prior years is included in the tax sections of the previous years' financial statements of CaixaBank, Banco de Valencia, Banca Cívica and Barclays Bank.

In 2013 an amendment was made that repealed article 12.3 of the restated text of the Corporation Tax Law, prohibiting tax deductible impairment at subsidiaries from 1 January 2013. A transitory system was also established to recover impairment that had been tax deductible up to 31 December 2012 amended by Royal Decree Law 3/2016. In this regard, Appendix 4 shows information on the impairment losses pending integration from entities classified as group entities, investments in joint ventures and associates at 31 December 2018, and the recoveries effected in 2019 in application of the aforementioned transitional regime.

24. Guarantees and contingent commitments given

The breakdown of "Guarantees and contingent commitments given" included as memorandum items is set out below:

BREAKDOWN OF EXPOSURE AND COVERAGE ON GUARANTEES AND CONTINGENT COMMITMENTS - 31-12-2020
(Millions of euros)

	OFF-BALANCE-SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	5,007	230	105	(1)	(7)	(28)
Loan commitments given	61,411	2,515	312	(20)	(10)	(5)
Other commitments given	18,943	553	168	(6)	(10)	(37)

BREAKDOWN OF EXPOSURE AND PROVISIONS ON GUARANTEES AND CONTINGENT COMMITMENTS 31-12-2019
(Millions of euros)

	OFF-BALANCE-SHEET EXPOSURE			HEDGING		
	STAGE 1	STAGE 2	STAGE 3	STAGE 1	STAGE 2	STAGE 3
Financial guarantees given	4,799	153	134	(3)	(3)	(41)
Loan commitments given	55,602	2,034	214	(18)	(2)	(9)
Other commitments given	20,089	473	176	(11)	(8)	(34)

The Entity only needs to pay the amount of contingent liabilities if the guaranteed counterparty breaches its obligations. It believes that most of these risks will reach maturity without being settled.

With respect to contingent commitments, the Entity has an undertaking to facilitate funds to customers through drawables on lines of credit and other commitments, whenever it receives a request and subject to compliance with certain conditions by the counterparties. It believes that a large portion of them will fall due prior to drawdown, either because they will not be requested by customers or because the drawdown conditions will not be met.

The breakdown of "Loan commitments given" included as memorandum items in the balance sheet, is set out below:

LOAN COMMITMENTS GIVEN
(Millions of euros)

	31-12-2020		31-12-2019	
	DRAWABLE	LIMITS	DRAWABLE	LIMITS
Drawable by third parties				
Credit institutions	36	75	37	37
Public administrations	4,248	4,927	3,614	4,543
Other sectors	59,954	102,552	54,199	102,921
TOTAL	**64,238**	**107,554**	**57,850**	**107,501**
Of which: conditionally drawable	3,316		3,751	

25. Other significant disclosures

25.1. 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
Assets under management	160,540	151,272
Mutual funds, portfolios and SICAVs	65,852	63,189
Pension funds	35,328	30,637
Insurance	59,360	57,446
Other *	1,309	811
TOTAL	**161,849**	**152,083**

(*) Includes temporary funds associated with transfers and collections, in addition other funds distributed by CaixaBank.

25.2. Transferred financial assets

The Entity converted a portion of their homogeneous loan and credits into fixed-income securities by transferring the assets to various securitisation special purpose vehicles set up for this purpose. In accordance with current regulations, securitisations in which substantially all the risk is retained may not be derecognised.

The balances classified in “Financial assets at amortised cost” corresponding to the outstanding amounts of securitised loans are as follows:

BREAKDOWN OF SECURITISED LOANS
(Millions of euros)

	31-12-2020	31-12-2019
Securitised mortgage loans	**21,929**	**24,038**
Other securitised loans	**10,151**	**7,687**
Loans to companies	5,372	4,648
Leasing arrangements	1,045	1,535
Consumer financing	3,733	1,503
Other	1	1
TOTAL	**32,080**	**31,725**

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 EXPOSURE	SECURITISED LOAN		REPO SECURISATION BONDS		CREDIT ENHANCEMENTS	
DATE OF ISSUE		ACQUIRED BY:	SECURITISED	2020	2019	2020	2019	2020	2019
June	2003	AyT Génova Hipotecario II, FTH	800	0	82	0	29	0	8
July	2003	AyT Génova Hipotecario III, FTH	800	75	91	29	35	8	8
March	2004	AyT Génova Hipotecario IV, FTH	800	87	106	15	13	8	8
June	2004	AyT Hipotecario Mixto II, FTA	160	0	0	0	1	0	2
November	2004	TDA 22 Mixto, FTH	120	25	28	12	14	2	2
June	2005	AyT Hipotecario Mixto IV, FTA	200	23	28	11	18	1	1
June	2005	AyT Génova Hipotecario VI, FTH	700	104	124	66	78	5	5
November	2005	AyT Génova Hipotecario VII, FTH	1,400	250	294	101	119	8	8
December	2005	Valencia Hipotecario 2, FTH	940	114	135	35	41	5	5
June	2006	AyT Génova Hipotecario VIII, FTH	2,100	365	428	198	232	9	9
July	2006	FonCaixa FTGENCAT 4, FTA	600	0	61	0	19	0	5
July	2006	AyT Hipotecario Mixto V, FTA	318	55	64	39	46	2	2
November	2006	Valencia Hipotecario 3, FTA	901	176	201	62	70	5	5
November	2006	AyT Génova Hipotecario IX, FTH	1,000	242	279	93	107	5	6
June	2007	AyT Génova Hipotecario X, FTH	1,050	270	314	272	316	10	10
November	2007	FonCaixa FTGENCAT 5, FTA	1,000	158	181	38	38	27	27
December	2007	AyT Génova Hipotecario XI, FTH	1,200	330	383	335	388	34	37
July	2008	FonCaixa FTGENCAT 6, FTA	750	117	134	23	23	19	19
July	2008	AyT Génova Hipotecario XII, FTH	800	243	273	243	273	30	30
April	2009	Bancaja BVA-VPO 1, FTA	55	0	12	0	16	0	3
December	2010	AyT Goya Hipotecario III, FTA	4,000	1,608	1,787	1,605	1,781	160	178
April	2011	AyT Goya Hipotecario IV, FTA	1,300	526	583	539	596	62	66
December	2011	AyT Goya Hipotecario V, FTA	1,400	578	649	599	670	63	72
March	2013	FonCaixa Leasings 2, FTA	1,217	0	0	0	0	0	0
February	2016	CaixaBank RMBS 1, FT	14,200	10,126	10,918	10,121	10,945	568	568
June	2016	CaixaBank Consumo 2, FT	1,300	228	324	239	350	52	52
November	2016	CaixaBank Pymes 8, FT	2,250	656	899	700	973	71	84
March	2017	CaixaBank RMBS 2, FT	2,720	2,088	2,256	2,121	2,294	129	129
July	2017	CaixaBank Consumo 3, FT	2,450	609	911	613	931	27	42
November	2017	CaixaBank Pymes 9, FT	1,850	675	977	690	1,007	31	44
December	2017	CaixaBank RMBS 3, FT	2,550	1,946	2,122	1,950	2,135	80	88
May	2018	CaixaBank Consumo 4, FT	1,700	483	835	546	944	25	43
November	2018	CaixaBank Pymes 10, FT	3,325	1,682	2,322	1,826	2,525	79	159
June	2019	CaixaBank Leasings 3, FT	1,830	1,045	1,535	1,078	1,581	59	90
November	2019	CaixaBank Pymes 11, FT	2,450	1,793	2,389	1,919	2,450	116	116
June	2020	CaixaBank Consumo 5, FT	3,550	2,920	0	3,550	0	178	0
November	2020	CaixaBank Pymes 12, FT	2,550	2,483	0	2,550	0	128	0
TOTAL			**66,336**	**32,080**	**31,725**	**32,218**	**31,058**	**2,006**	**1,931**

The amounts outstanding of derecognised securitisation transactions were not significant.

Securitisation bonds placed in the market are recognised under 'Financial liabilities at amortised cost - Customers' in the accompanying balance sheets, and they are the difference between the carrying amount of securitised bonds and the carrying amount of repo bonds adjusted by the differences arising from redemption mismatches.

Furthermore, the Entity maintains the following synthetic securitisation transactions, by means of which it partially transfers the credit risk of a group of borrowers classified under the heading "Financial assets at amortised cost – Loans and receivables" of the balance sheet:

SYNTHETIC SECURITISATION TRANSACTIONS
(Millions of euros)

ISSUE DATE		FUND	INITIAL EXPOSURE SECURITISED	CARRYING AMOUNT SECURITISED 31-12-2020	CARRYING AMOUNT SECURITISED 31-12-2019
February	2016	Gaudí I	2,025	65	356
August	2018	Gaudí II	2,025	1,509	2,019
April	2019	Gaudí III	1,282	1,277	1,281
TOTAL			**5,332**	**2,851**	**3,656**

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.

9.3. Securities deposits and investment services

The detail, by type, of the securities deposited by third parties with the Entity is as follows:

SECURITIES DEPOSITED BY THIRD PARTIES
(Millions of euros)

	31-12-2020	31-12-2019
Book entries	**137,926**	**131,375**
Securities recorded in the market's central book-entry office	123,353	118,808
Equity instruments. Quoted	48,370	50,565
Equity instruments. Unquoted	41	211
Debt securities. Quoted	74,897	65,858
Debt securities. Unquoted	45	2,174
Securities registered at the Entity		6
Debt securities. Unquoted		6
Securities entrusted to other depositories	14,573	12,561
Equity instruments. Unquoted	14,573	12,561
Other financial instruments	961	894
TOTAL	**138,887**	**132,269**

25.4. Financial assets derecognised due to impairment

Changes in the items derecognised from the balance sheet because recovery was deemed remote are summarised below. These financial assets are recognised under "Suspended assets" in the memorandum accounts supplementing the balance sheet:

CHANGES IN WRITTEN-OFF ASSETS
(Millions of euros)

	2020	2019
OPENING BALANCE	**12,334**	**13,067**
Additions:	**860**	**1,609**
Disposals:	**1,394**	**2,342**
Cash recovery of principal (Note 34)	398	722
Cash recovery of past-due receivables	0	22
Disposal of written-off assets*	693	1,169
Due to expiry of the statute-of-limitations period, forgiveness or any other cause	303	429
CLOSING BALANCE	**11,800**	**12,334**
Of which: interest accrued on the non-performing loans**	4,155	4,082

(*) Corresponds to the sale of non-performing and written-off assets and includes interest related to these portfolios.
(**) Primarily includes interest on financial assets at the time of derecognition from the consolidated balance sheet.

25.5. Public sector covered bonds

Information relating to loans used as guarantees for public sector covered bonds is shown below:

LOANS USED AS GUARANTEES FOR PUBLIC SECTOR COVERED BONDS
(Millions of euros)

	31-12-2020			31-12-2019		
	TOTAL NOMINAL AMOUNT (*)	*OF WHICH, RESIDENTS IN SPAIN*	*OF WHICH, RESIDENTS IN OTHER EEA COUNTRIES*	TOTAL NOMINAL AMOUNT (*)	*OF WHICH, RESIDENTS IN SPAIN*	*OF WHICH, RESIDENTS IN OTHER EEA COUNTRIES*
Central governments	218	*218*	*0*	232	*232*	
Autonomous and regional government	11,002	*10,905*	*97*	7,151	*7,049*	*102*
Local government	1,182	*1,182*	*0*	1,328	*1,328*	
TOTAL	**12,402**	***12,305***	***97***	**8,711**	***8,609***	***102***

(*) Principal drawn down and receivable on loans

The table below shows the nominal amount of public sector covered bonds issued and outstanding:

NOMINAL AMOUNT OF PUBLIC SECTOR COVERED BONDS ISSUED
(Millions of euros)

	31-12-2020	31-12-2019
Public sector covered bonds issued	**3,500**	**5,000**
Issued via public offering	**0**	
Other issuances	**3,500**	**5,000**
Residual maturity up to 1 year	1,500	1,500
Residual maturity between 1 and 2 years	2,000	1,500
Residual maturity between 2 and 3 years		2,000
Residual maturity between 3 and 5 years		
Of which: Treasury shares	*3,500*	*5,000*
COVERAGE OF PUBLIC SECTOR COVERED BONDS ON LOANS	**28.22%**	**57.40%**

26. Interest income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF INTEREST INCOME
(Millions of euros)

	2020	2019
Credit institutions	**70**	**57**
Debt securities	**261**	**296**
Financial assets held for trading	0	6
Financial assets at fair value with changes in other comprehensive income	171	209
Financial assets at amortised cost	90	81
Loans and advances to customers and other financial income	**3,431**	**3,676**
Public administrations	65	74
Trade credits and bills	126	145
Mortgage loans	1,516	1,642
Personal loans	1,338	1,301
Credit accounts	351	466
Other	35	48
Adjustments to income due to hedging transactions	**(115)**	**(7)**
Other assets	**8**	**8**
Interest income - liabilities	**346**	**122**
TOTAL	**4,001**	**4,152**

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
Deposits at central banks	0.00%	0.00%
Financial assets held for trading – debt securities	0.01%	0.70%
Financial assets compulsorily measured at fair value through profit or loss - Debt securities	0.00%	0.00%
Financial assets measured at fair value with changes in other comprehensive income - Debt securities	1.05%	1.31%
Financial assets at amortised cost		
Loans and advances to credit institutions	0.95%	1.06%
Loans and advances to customers	1.65%	1.85%
Debt securities	0.66%	0.73%

27. Interest expense

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF INTEREST EXPENSE
(Millions of euros)

	2020	2019
Central banks	(15)	(48)
Credit institutions	(45)	(87)
Short positions	(1)	(9)
Customer deposits and other finance costs	(392)	(436)
Debt securities issued (excluding subordinated liabilities)	(459)	(487)
Subordinated liabilities *	(98)	(96)
Adjustments to expenses as a consequence of hedging transactions	462	497
Asset interest expense	(125)	(83)
Interest from leasing liabilities (Note 1.4 and 20.4)	(19)	(20)
Other	(5)	(8)
TOTAL	**(697)**	**(777)**

(*) Excluding interest from preference shares accountable as Additional Tier 1 capital (recognised in shareholders' equity)

The average effective interest rate of the various financial liabilities categories calculated on average net balances (excluding rectifications) is set out below:

AVERAGE RETURN ON LIABILITIES
(Percentage)

	2020	2019
Deposits from central banks	0.13%	0.22%
Deposits from credit institutions	0.88%	1.08%
Customer deposits	0.13%	0.16%
Debt securities issued (excluding subordinated liabilities)	1.77%	2.06%
Subordinated liabilities	1.75%	1.79%

28. Dividend income

The breakdown of this item in the accompanying statement of profit or loss is as follows:

DIVIDEND INCOME
(Millions of euros)

	2020	2019
Financial assets held for trading	**13**	**16**
Financial assets at fair value with changes in other comprehensive income	**102**	**109**
Telefónica	100	104
Repsol		1
Other	2	4
Investments in Group companies	**1,349**	**1,646**
VidaCaixa	726	833
Caixabank Payments & Consumer	383	403
Banco BPI	117	290
Caixabank Asset Management	97	84
Nuevo MicroBank	10	9
Promocaixa		8
Other	16	19
Investments in associates and joint ventures	**3**	**86**
Erste Group		60
Comercia Global Payment		23
Other	3	3
TOTAL	**1,467**	**1,857**

29. Fees and commissions

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF FEE AND COMMISSION INCOME
(Millions of euros)

	2020	2019
Contingent liabilities	123	121
Credit facility drawdowns	84	64
Exchange of foreign currencies and banknotes	99	94
Collection and payment services	456	476
Of which: credit and debit cards	*24*	41
Securities services	84	87
Marketing of non-banking financial products	1,022	1,043
Other fees and commissions	356	355
TOTAL	**2.224**	**2,240**

BREAKDOWN OF FEE AND COMMISSION EXPENSES
(Millions of euros)

	2020	2019
Assigned to other entities and correspondents	(4)	(6)
Of which: transactions with cards and ATMs	*(3)*	(4)
Securities transactions	(33)	(37)
Other fees and commissions	(88)	(91)
TOTAL	**(125)**	**(134)**

30. Gains/(losses) on financial assets and liabilities

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES
(Millions of euros)

	2020	2019
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**182**	**173**
Financial assets at amortised cost	114	2
Debt securities (Note 13.1)	114	2
Loans and advances		
Financial liabilities at amortised cost		
Financial assets at fair value with changes in other comprehensive income	68	171
Debt securities (Note 12.2)	69	163
Other	(1)	8
Other		
Gains/(losses) on financial assets and liabilities held for trading (net)	**138**	**101**
Equity instruments	(65)	15
Debt securities	7	(2)
Financial derivatives	196	88
Gains/(losses) on financial assets not designated for trading compulsorily measured at fair value through profit or loss (net)	**(5)**	**(64)**
Equity instruments	(1)	4
Debt securities		(55)
Loans and advances	(4)	(13)
Gains/(losses) from hedge accounting, net	**(6)**	**44**
Ineffective portions of cash flow hedges (Note 14)		
Ineffective portions of fair value hedges	(6)	(4)
Valuation of hedging derivatives (Note 15)	5	283
Valuation of hedged items (Note 14)	(11)	(287)
Other		48
TOTAL	**309**	**254**

31. Other operating income and expense

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF OTHER OPERATING INCOME
(Millions of euros)

	2020	2019
Income from investment property and other income	10	13
Sales and income from provision of non-financial services	7	0
Other income	104	101
TOTAL	**121**	**114**

BREAKDOWN OF OTHER OPERATING EXPENSES
(Millions of euros)

	2020	2019
Contribution to the Deposit Guarantee Fund/National Resolution Fund	(334)	(327)
Operating expenses from investment properties and other (1)	(15)	(17)
Expenses associated with regulators and supervisors	(14)	(14)
Taxes on deposits	(63)	(63)
Equity provision associated with monetisable DTAs	(48)	(50)
Other items	(112)	(123)
TOTAL	**(586)**	**(594)**

(1) Includes expenses related to leased investment property

32. Personnel expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF PERSONNEL EXPENSES
(Millions of euros)

	2020	2019
Wages and salaries	(1,750)	(1,870)
Social security contributions	(408)	(424)
Contributions to pension plans (savings and risk)	(154)	(143)
Of which: Risk premiums paid to VidaCaixa	*(42)*	*(29)*
Other personnel expenses	(57)	(1,056)
Of which: Labour agreement 8-5-2019 (Note 21.2)		*(978)*
Of which: Premiums paid to SegurCaixa Adeslas for employee health policies	*(16)*	*(16)*
TOTAL	**(2,369)**	**(3,493)**

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
(Millions of euros)

	2020 ***	2019
Variable remuneration bonus format - CEO, Senior Management and other members of the identified staff **	7	9
Variable remuneration of the Long-Term Incentives Plan related to the SP 2015-2018 *		
Variable remuneration of the Annual Consolidable Incentives Plan related to the SP 2019-2021 **		3
TOTAL	**7**	**12**
Beneficiaries of the Annual Consolidable Incentives Plan (people) **:		90

(*) With respect to the Long-Term Incentives Plan linked to the SP 2015-2018, the estimated maximum number of authorised Beneficiaries of the Plan stood at 80 people.
(**) The 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.
(***) 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		
	MEN	WOMEN	*OF WHICH: WITH A DISABILITY EQUAL TO OR ABOVE 33%*	MEN	WOMEN	*OF WHICH: WITH A DISABILITY EQUAL TO OR ABOVE 33%*
Directors	2,867	1,890	14	3,159	1,970	*18*
Middle management	2,647	3,135	30	2,758	3,427	*25*
Advisers	6,788	10,127	178	7,089	10,106	*170*
TOTAL	**12,302**	**15,152**	***222***	**13,006**	**15,503**	***213***

(*) The distribution by professional category and gender on 31 December 2020 and 2019 does not differ significantly from that shown in the previous table.

33. Other administrative expenses

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF OTHER ADMINISTRATIVE EXPENSES
(Millions of euros)

	2020	2019
IT and systems	(322)	(317)
Advertising and publicity *	(186)	(213)
Property and fixtures	(85)	(83)
Rent **	(22)	(27)
Communications	(52)	(52)
Outsourced administrative services	(118)	(129)
Tax contributions	(35)	(34)
Surveillance and security carriage services	(27)	(30)
Representation and travel expenses	(15)	(39)
Printing and office materials	(12)	(8)
Technical reports	(40)	(31)
Contribution and taxes on property	(5)	(5)
Governing and control bodies	(5)	(5)
Other expenses	(39)	(37)
TOTAL	**(963)**	**(1,010)**

* Includes advertising in media, sponsorships, promotions and other commercial expenses.
** The amount of the short-term rentals in which Circular 2/2018 has not been applied is immaterial.

"Technical reports" relates to fees and expenses, excluding the related VAT, paid to the auditor, broken down as follows:

EXTERNAL AUDITOR FEES *
(Thousands of euros)

	2020	2019
Audit (Pwc)	**2,281**	**1,650**
Statutory audit	1,370	1,239
Limited review	431	411
Other audit services	480	0
Other services	**547**	**532**
Comfort letters for issues	277	334
Agreed procedural reports	270	198
TOTAL	**2,828**	**2,182**

(*) The services contracted with our auditors comply with the Spanish Auditing Act's requirements of independence, and none of the work performed is incompatible with auditing duties.

Information on the average payment period to suppliers

The following tables provide a breakdown of the required information relating to payments made and pending at the balance sheet date:

PAYMENTS MADE AND OUTSTANDING AT THE BALANCE SHEET DATE
(Millions of euros)

	2020
Total payments made	2,095
Total payments pending	29
TOTAL PAYMENTS IN THE YEAR	**2,124**

AVERAGE SUPPLIER PAYMENT PERIOD AND RATIOS
(Day)

	2020
Average payment period to suppliers	16.99
Ratio of transactions paid	16.91
Ratio of transactions pending payment	22.57

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.

34. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS
(Millions of euros)

	2020	2019
Financial assets at amortised cost / Loans and receivables	**(1,479)**	**(317)**
Loans and advances	(1,479)	(317)
Net allowances (Note 13)	(1,277)	(317)
Write-downs	(600)	(722)
Recovery of loans written off (Note 25.4)	398	722
Financial assets at fair value with changes in other comprehensive income / Available-for-sale financial assets	**2**	
Write-downs	2	
Debt securities	2	
TOTAL	**(1,477)**	**(317)**

35. Impairment/(reversal) of impairment on non-financial assets

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE IMPAIRMENT/(REVERSAL) OF IMPAIRMENT ON NON-FINANCIAL ASSETS
(Millions of euros)

	2020	2019
Tangible assets	**(33)**	**(39)**
Property, plant and equipment for own use	(33)	(36)
Provisions (Note 16)		2
Write-downs	(33)	(38)
Investment property (Note 16)		(3)
Provisions	(2)	(5)
Releases	2	2
Intangible assets (Note 17)	**(14)**	**(22)**
Write-downs	(14)	(22)
TOTAL	**(47)**	**(61)**

36. Gains/(losses) on derecognition of non-financial assets

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF GAINS/(LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS
(Millions of euros)

	2020			2019		
	GAINS	LOSSES	NET PROFIT/(LOSS)	GAINS	LOSSES	NET PROFIT/(LOSS)
On disposals of tangible assets	15	(9)	6	39	(19)	20
From share sales (Note 7 and 15)		3	3	713	(2)	711
On disposals of other assets *				1		1
TOTAL	**15**	**(6)**	**9**	**753**	**(21)**	**732**

(*) Corresponds to gains or losses on selling real estate classified as inventories (see Note 18).

37. Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The breakdown of this item in the accompanying statement of profit or loss is as follows:

BREAKDOWN OF THE GAINS/(LOSSES) OF NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE
(Millions of euros)

	2020	2019
Impairment losses on non-current assets held for sale (Note 19)	(35)	(28)
Profit/(loss) on disposal of non-current assets held for sale	(3)	(8)
TOTAL	**(38)**	**(36)**

The total profit/(loss) on the disposal of non-current assets relate to property to satisfy loans, none of which were for significant amounts individually.

38. Information on the fair value

38.1. Fair value of financial assets and liabilities

All financial instruments are classified into one of the following levels using the following hierarchy for determining fair value by valuation technique:

- Level 1: the price that would be paid for it on an organised, transparent and deep market ("listed price" or "market price") is used. In general, this level includes debt securities with a liquid market, quoted equity securities, derivatives traded on organised markets and mutual funds.

- Level 2: valuation techniques are used in which the assumptions correspond to directly or indirectly observable market data or to prices listed on organised markets.

  The fair value of the instruments classified in Level 2, for which there is no market price, is estimated on the basis of the listed prices of similar instruments and valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

- Tier 3: valuation techniques are used in which certain of the significant assumptions are not supported by directly observable market inputs.

  The fair value of the rest of the financial instruments classified in Level 3, for which there are no directly observable market data, is determined using alternative techniques, including price requests submitted to the issuer or the use of market parameters corresponding to instruments with a risk profile that can be equated to that of the instrument being measured, 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

(Millions of euros)

	31-12-2020					31-12-2019				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets held for trading (Note 10)	**13,449**	**13,449**	**1,023**	**12,426**		**14,240**	**14,240**	**1,100**	**13,140**	
Derivatives	12,459	12,459	35	12,424		13,165	13,165	27	13,138	
Equity instruments	195	195	195			370	370	370		
Debt securities	795	795	793	2		705	705	703	2	
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (Note 11)	**139**	**139**	**49**	**2**	**88**	**221**	**221**	**53**	**2**	**166**
Equity instruments	54	54	49	2	3	55	55	53	2	
Debt securities										
Loans and advances	85	85			85	166	166			166
Financial assets designated at fair value through profit or loss						**1**	**1**	**1**		
Debt securities						1	1	1		
Financial assets at fair value with changes in other comprehensive income (Note 12)	**17,347**	**17,347**	**17,246**	**44**	**57**	**16,316**	**16,316**	**16,037**	**167**	**112**
Equity instruments	899	899	842		57	1,729	1,729	1,617		112
Debt securities	16,448	16,448	16,404	44		14,587	14,587	14,420	167	
Financial assets at amortised cost (Note 13)	**243,659**	**263,685**	**18,355**	**1,545**	**243,785**	**222,935**	**240,949**	**11,593**	**2,604**	**226,752**
Debt securities	19,970	20,531	18,355	1,545	631	13,992	14,368	11,593	2,604	171
Loans and advances	223,689	243,154			243,154	208,943	226,581			226,581
Derivatives - Hedge accounting (Note 14)	**532**	**532**		**532**		**2,133**	**2,133**		**2,133**	

FAIR VALUE OF FINANCIAL LIABILITIES
(Millions of euros)

	31-12-2020					31-12-2019				
	CARRYING AMOUNT	FAIR VALUE				CARRYING AMOUNT	FAIR VALUE			
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Financial liabilities held for trading (Note 10)	**7,557**	**7,557**	**323**	**7,234**		**9,281**	**9,281**	**505**	**8,776**	
Derivatives	7,285	7,285	51	7,234		8,810	8,810	34	8,776	
Short positions	272	272	272			471	471	471		
Financial liabilities designated at fair value through profit or loss						**1**	**1**	**1**		
Financial liabilities measured at amortised cost (Note 20)	**314,156**	**319,040**	**34,364**		**284,676**	**260,875**	**263,674**	**31,589**		**232,085**
Deposits	276,072	279,078			279,078	222,439	223,354			223,354
Debt securities issued	32,781	34,659	34,364		295	30,332	32,215	31,589		626
Other financial liabilities	5,303	5,303			5,303	8,104	8,105			8,105
Derivatives - Hedge accounting (Note 14)	**174**	**174**		**174**		**442**	**442**		**442**	

The measurements obtained using internal models may differ if other techniques were applied or assumptions used regarding interest rates, credit risk spreads, market risk, exchange rate risk, or the related correlations and volatilities. Nevertheless, the Entity's directors consider 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
Financial assets and liabilities held for trading	Derivatives	Swaps	Present value method	• Interest rate curves • Correlations (equities) • Dividends (equities) • Probability of default for the calculation CVA and DVA
		Exchange rate options Models	Black-Scholes, Local Stochastic Volatility, Vanna-Volga	
		Interest rate options	Normal Black model	
		Index and equity options	Black-Scholes, Local Volatility models	
		Inflation rate options	Normal Black model	
		Credit	Present Value and Default Intensity method	
	Debt securities		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	Equity instruments		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market
	Debt securities			
	Loans and receivables		Present value method	• Interest rate curves • Early cancellation ratios • Credit loss ratios (internal models)
Financial assets at fair value with changes in other comprehensive income	Equity instruments		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market • Net Asset Value • Carrying amount
	Debt securities			
Financial assets at amortised cost	Debt securities		Present value method	• Interest rate curves • Risk premiums • Market peers • Prices observed on the market • Net Asset Value • Carrying amount
	Loans and receivables		Present value method	• Interest rate curves • Early cancellation ratiosz • Credit loss ratios (internal models)
Derivatives - Hedge accounting	Swaps		Present value method	• Interest rate curves • Correlations (equities) • Dividends (equities) • Probability of default for the CVA and DVA calculation
	Interest rate options		Black model	
Financial liabilities at amortised cost	Deposits		Present value method	• Interest rate curves • Projections of deposits with no maturity (internal model) • Credit loss ratios (internal models)
	Debt securities issued		Present value method	• Interest rate curves • Credit loss ratios (internal models)

(1) Present value method (net present value): this model uses the cash flows of each instrument, which are established in the different contracts, and deducts them to calculate the present value.
(2) Market peers (similar asset prices): market peer instrument prices, reference indices or benchmarks are employed to calculate the performance as of the entry price or its current valuation, making subsequent adjustments to take into account the differences between the measured asset and the one taken as reference. It can also be assumed that the price of an instrument is equivalent to another one.
(3) Black-Scholes model: this model applies a log-normal distribution of the securities prices in such a way that, under a neutral risk, the return expected is the risk-free interest rate. Under this assumption, the price of vanilla options can be calculated analytically, in such a way that the volatility of the price process can be obtained by inverting the BS formula for a premium quoted on the market.
(4) Black model: Black-Scholes model extended to interest rates, futures prices, exchange rates, etc.
(5) Local volatility model: in this model volatility is determined in time according to the degree of moneyness, reproducing the volatility smiles observed in the market. The volatility smile of an option is the empirical relationship observed between its implied volatility and exercise price. These models are appropriate for exotic options using Monte Carlo simulation or the resolution of differential equations for valuation purposes.
(6) Local stochastic volatility model in this model volatility follows a stochastic process in time according to the degree of moneyness, reproducing the volatility smiles observed in the market. These models are appropriate for long-term exotic options using Monte Carlo simulation or the resolution of differential equations for valuation purposes.
(7) Vanna-volga model: this model is based on building the local replica portfolio whose hedging costs of second derivatives, vanna (premium derivative with respect to the volatility and the underlying) and volga (premium's second derivative with respect to the volatility), are added to the corresponding Black-Scholes prices in order to reproduce the volatility smiles.
(8) Early cancellation ratios: early cancellation ratios calibrated to internal historical data
(9) Credit loss ratios: ratios based on expected loss estimates using IFRS methodology for Stage 2 based on internal models.
(10) Projections of deposits with no maturity: this model is employed to project the maturity of demand deposit accounts based on historical data, considering the sensitivity of the demand deposit accounts' remuneration at market interest rates and the degree of permanence of account balances on the balance sheet.

Credit risk and funding cost valuation adjustment

Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are added to the valuation of Over The Counter (OTC) derivatives due to the risk associated with the counterparty's and own credit risk exposure, respectively. In addition, Funding Valuation Adjustment (FVA) is a valuation adjustment of derivatives of customer transactions that are not perfectly collateralised that includes the funding costs related to the liquidity necessary to perform the transaction.

The CVA is calculated bearing in mind the expected exposure with each counterparty in each future maturity. The CVA for an individual counterparty is equal to the sum of the CVA for all maturities. Adjustments are calculating by estimating exposure at default (EAD), the probability of default (PD) and loss given default (LGD) for all derivatives on any underlying at the level of the legal entity with which 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	
	CVA/FVA	DVA/FVA	CVA/FVA	DVA/FVA
OPENING BALANCE	**(100)**	**19**	**(152)**	**31**
Additions/changes in derivatives	(13)	2	52	(12)
Cancellation or maturity of derivatives	0	0	0	0
CLOSING BALANCE	**(113)**	**21**	**(100)**	**19**

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 at fair value with changes in other comprehensive income			**66**			
Debt securities			66			
Financial assets at amortised cost			**144**	**48**		
Debt securities			144	48		
TOTAL			**211**	**48**		

(*) Certain issuances have been reclassified from level 3 to level 2, due to a rise in the quality of the prices published.

TRANSFERS BETWEEN LEVELS — 2019

(Millions of euros)

FROM:	LEVEL 1		LEVEL 2		LEVEL 3	
TO:	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 3	LEVEL 1	LEVEL 2
ASSETS						
Financial assets held for trading						
Debt securities						
Financial assets at fair value with changes in other comprehensive income	**49**					**5**
Debt securities	49					5
Financial assets at amortised cost	**114**					**1,049**
Debt securities	114					1,049
TOTAL	**163**	**0**	**0**			**1,054**

Given the Entity's risk profile regarding its portfolio of debt securities measured at fair value (see Note 3.6.3), the change in fair value attributable to credit risk is not expected to be significant.

Changes and transfers of financial instruments in Level 3

The change brought about in the Level 3 balance, on instruments registered at fair value, is detailed below:

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS AT FAIR VALUE **
(Millions of euros)

	2020			2019		
		FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME			FA AT FAIR VALUE WITH CHANGES IN OTHER COMPREHENSIVE INCOME	
	NON-TRADING FA* - DEBT SEC.	DEBT SEC.	EQUITY INSTRUMENTS	NON-TRADING FA* - DEBT SEC.	DEBT SEC.	EQUITY INSTRUMENTS
OPENING BALANCE			**112**	**85**	**5**	**164**
Additions due to business combinations (Note 7)						
Reclassifications to other levels					(5)	
Total gains/(losses)			4	(85)		(9)
To profit or loss				(85)		
To reserves			(23)			(25)
To equity valuation adjustments			27			16
Acquisitions						
Settlements and other			(59)			(43)
CLOSING BALANCE			**57**			**112**
Total gains/(losses) in the period for instruments held at the end of the period			(4)	85		9

FA: Financial Assets. DEBT SEC.: Debt securities

(*) Compulsorily measured at fair value through profit or loss.

(**) No significant impacts have materialised as a result of the sensitivity analyses carried out on the level 3 financial instruments.

38.2. Fair value of property assets

In the particular case of property assets, fair value corresponds to the market appraisal of the asset in its current condition by independent experts:

- Statistical appraisals are used for real estate with a fair value of less than EUR 300 thousand.
- For foreclosed real estate with a fair value of EUR 300 thousand or more, appraisals have been requested in accordance with the criteria established by Order ECO/805/2003:
  - Appraisals below 2 years old are used for investment property.
  - Appraisals below 1 year old are used for non-current assets held for sale and disposal groups classified as held for sale.

The fair value of property is not significantly different from the carrying amount and is measured based on Level 2 in the fair value hierarchy.

The Entity has a corporate policy that guarantees the professional competence and the independence and objectivity of external valuation agencies as provided for in legislation, under which these agencies must comply with neutrality and credibility requirements so that use of their estimates does not undermine the reliability of their valuations. This policy stipulates that all valuation agencies and appraisers used by the Entity in Spain must be included in the Bank of Spain's Official Registry and that their valuations be performed in accordance with the methodology set out in Ministerial Order ECO/805/2003 of 27 March.

The main companies and agencies with which the Entity worked in Spain for the year are listed below:

APPRAISERS OF REAL ESTATE ASSETS
(Percentage)

	TANGIBLE ASSETS - INVESTMENT PROPERTY	NON-CURRENT ASSETS HELD FOR SALE
CBRE Valuation Advisory	13%	9%
Gesvalt	9%	13%
Global Valuation	8%	31%
JLL Valoraciones	6%	3%
Krata	8%	7%
Sociedad de Tasación	17%	9%
Tasaciones Inmobiliarias	20%	20%
UVE Valoraciones	15%	5%
Other	4%	3%
TOTAL	**100%**	**100%**

39. Disclosures required under the Mortgage Market Law

In accordance with regulations governing the mortgage market, issuers of mortgage covered bonds are required to disclose relevant information regarding their issuances. Consequently, CaixaBank, SA presents the following information regarding its total mortgage covered bond issuances:

Information on support and privileges available to holders of mortgage covered bonds issued by the Group

CaixaBank is the only Group entity that issues mortgage covered bonds in Spain.

Mortgage covered bonds are securities in which the principal and interest are especially secured, with no need for registration, by mortgages on all the bonds registered in favour of the Entity, without prejudice to liability of the Entity's assets.

The securities include credit rights for holders vis-à-vis the Entity, guaranteed as stated in the preceding paragraphs, and entail execution to claim payment for the issuer after they mature. The holders of these securities are considered to be creditors with special preference, as stipulated in section 3 of Article 1,923 of the Civil Code, vis-à-vis any other creditor, in relation to the total mortgage credits and loans registered in favour of the issuer. All holders of bonds, irrespective of their date of issue, have the same seniority over the loans and credits which guarantee the bonds.

The members of the Board of Directors certify that CaixaBank has express policies and procedures in place covering all activities carried out within the scope of its mortgage market issuances, and that they guarantee strict compliance with the mortgage market regulations applicable to such activities. These policies and procedures cover issues such as:

- Relationship between the sum of loans and credits and the appraisal value of the mortgaged asset.
- Relationship between the debt and the borrower's income, and verification of the information provided by the borrower and its solvency.
- Prevention of mismatches between flows from the hedging portfolio and those arising from payments owed on issued securities.
- Proper procedures for the selection of appraisers.

Information concerning mortgage market issuances

The nominal value of mortgage covered bonds, mortgage participations and mortgage transfer certificates issued by CaixaBank that are outstanding on 31 December 2020 and 2019 are presented below:

MORTGAGE MARKET ISSUES
(Millions of euros)

	31-12-2020	31-12-2019
Mortgage covered bonds issued in public offers (debt securities)	**0**	**0**
Mortgage covered bonds not issued in public offers (debt securities)	**45,713**	**46,960**
Residual maturity up to 1 year	7,425	1,175
Residual maturity between 1 and 2 years	7,390	7,425
Residual maturity between 2 and 3 years	5,750	7,390
Residual maturity between 3 and 5 years	9,730	9,650
Residual maturity between 5 and 10 years	13,450	19,333
Residual maturity over 10 years	1,968	1,987
Deposits	**2,520**	**2,899**
Residual maturity up to 1 year	675	379
Residual maturity between 1 and 2 years	417	675
Residual maturity between 2 and 3 years	300	417
Residual maturity between 3 and 5 years	128	300
Residual maturity between 5 and 10 years	550	678
Residual maturity over 10 years	450	450
TOTAL MORTGAGE COVERED BONDS	**48,233**	**49,859**
Of which: recognised under liabilities	*16,053*	*17,506*
Mortgage participations issued in public offers		
Mortgage participations not issued in public offers (*)	**3,929**	**4,572**
TOTAL MORTGAGE PARTICIPATIONS	**3,929**	**4,572**
Mortgage transfer certificates issued in public offers		
Mortgage transfer certificates not issued in public offers (**)	**18,017**	**19,452**
TOTAL MORTGAGE TRANSFER CERTIFICATES	**18,017**	**19,452**

(*) The weighted average maturity on 31 December 2020 is 130 months (136 months on 31 December 2019).
(**) The weighted average maturity on 31 December 2020 is 168 months (181 months on 31 December 2019).

Information on mortgage loans and credits

The nominal amount of all CaixaBank's mortgage loans and credits as well as those which are eligible, pursuant to applicable regulations, for the purposes of calculating the mortgage covered bonds issuance limit, is as follows:

MORTGAGE LOANS. ELIGIBILITY AND ACCOUNTABILITY IN RELATION TO THE MORTGAGE MARKET
(Millions of euros)

	31-12-2020	31-12-2019
Total loans	**105,369**	**110,564**
Mortgage participations issued	**3,929**	**4,572**
Of which: On balance sheet loans	*3,929*	*4,572*
Mortgage transfer certificates issued	**18,018**	**19,455**
Of which: On balance sheet loans	*18,017*	*19,452*
Loans backing mortgage bonds issuances and covered bond issuances	**83,422**	**86,537**
Non-eligible loans	19,202	20,825
Meet eligibility requirements, except for limits established in article 5.1. of Royal Decree 716/2009 of 24 April	7,027	7,793
Other	12,175	13,032
Eligible loans	64,220	65,712
Non-computable amounts	101	97
Computable amounts	64,119	65,615
Loans suitable for backing mortgage bond issuances	64,119	65,615

Information is also provided on all pending mortgage loans and credits, and those that are eligible without taking into account the calculation limits set out in Article 12 of Royal Decree 716/2009 of 24 April:

MORTGAGE LOANS AND CREDITS
(Millions of euros)

	31-12-2020		31-12-2019	
	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS	TOTAL PORTFOLIO OF LOANS AND CREDITS	TOTAL PORTFOLIO OF ELIGIBLE LOANS AND CREDITS
By source	**83,422**	**64,220**	**86,537**	**65,712**
Originated by the Entity	81,758	62,640	85,273	64,900
Other	1,664	1,580	1,264	812
By currency	**83,422**	**64,220**	**86,537**	**65,712**
Euro	82,903	63,802	85,861	65,195
Other	519	418	676	517
By payment situation	**83,422**	**64,220**	**86,537**	**65,712**
Business as usual	78,357	63,073	81,166	64,417
Past-due	5,065	1,147	5,371	1,295
By average residual maturity	**83,422**	**64,220**	**86,537**	**65,712**
Up to 10 years	17,937	12,709	17,583	12,782
From 10 to 20 years	42,051	34,311	44,319	35,835
From 20 to 30 years	21,159	16,967	22,273	16,688
Over 30 years	2,275	233	2,362	407
By type of interest rate	**83,422**	**64,220**	**86,537**	**65,712**
Fixed	21,496	18,257	19,358	16,365
Variable	61,916	45,954	67,166	49,336
Mixed	10	9	13	11
By holder	**83,422**	**64,220**	**86,537**	**65,712**
Legal entities and entrepreneurs	17,070	7,723	17,591	8,296
Of which: Real estate developers	*3,741*	*1,443*	*3,948*	*1,564*
Other individuals and not-for-profit institutions	66,352	56,497	68,946	57,416
By collateral	**83,422**	**64,220**	**86,537**	**65,712**
Assets / completed buildings	**79,866**	**62,864**	**82,856**	**64,391**
Homes	69,348	58,392	72,055	59,478
Of which: Subsidised housing	*1,770*	*1,548*	*1,954*	*1,664*
Commercial	3,012	1,616	3,352	1,797
Other	7,506	2,856	7,449	3,116
Assets / buildings under construction	**2,853**	**963**	**2,838**	**898**
Homes	2,012	771	2,124	726
Of which: Subsidised housing	*25*	*8*	*26,662*	*8*
Commercial	56	29	85	27
Other	785	163	629	145
Land	**703**	**393**	**843**	**423**
Built	668	387	803	415
Other	35	6	40	8

A breakdown of the eligible loans and mortgage covered bonds affected by the issuance of CaixaBank mortgage covered bonds on 31 December 2020 and 2019 is provided below, according to the outstanding principal of loans and credit, divided by the last fair value of the guarantees affected (LTV):

ELIGIBLE MORTGAGE LOANS AND CREDITS
(Millions of euros)

	31-12-2020	31-12-2019
Mortgage on homes	**59,093**	**60,141**
Transactions with LTV below 40%	26,261	26,160
Transactions with LTV between 40% and 60%	21,832	22,996
Transactions with LTV between 60% and 80%	11,000	10,985
Other assets received as collateral	**5,127**	**5,571**
Transactions with LTV below 40%	3,258	3,613
Transactions with LTV between 40% and 60%	1,776	1,875
Transactions with LTV over 60%	93	83
TOTAL	**64,220**	**65,712**

Changes in mortgage loans and credits, which back the issuance of mortgage covered bonds, are shown below:

MORTGAGE LOANS AND CREDITS CHANGES IN NOMINAL VALUES - 2020
(Millions of euros)

	ELIGIBLE LOANS	NON-ELIGIBLE LOANS
Opening balance	**65,712**	**20,825**
Reductions in the year	**5,868**	**4,965**
Cancellations on maturity	82	21
Early cancellation	76	386
Assumed by other entities	222	35
Other	5,488	4,523
Additions in the year	**4,376**	**3,342**
Originated by the Entity	4,211	2,564
Assumed by other entities	0	0
Other	165	778
Closing balance	**64,220**	**19,202**

The amounts available (committed amounts not drawn down) of the whole portfolio of mortgage loans and credits pending amortisation on 31 December 2020 and 2019 are as follows:

AVAILABLE MORTGAGE LOANS AND CREDITS
(Millions of euros)

	31-12-2020	31-12-2019
Potentially eligible	16,965	17,195
Other	3,312	3,909
TOTAL	**20,277**	**21,104**

The calculation of the degree of collateralisation and overcollateralisation of mortgage-covered bonds issued by CaixaBank is shown below:

DEGREE OF COLLATERALISATION AND OVERCOLLATERALISATION
(Millions of euros)

		31-12-2020	31-12-2019
Non-registered mortgage covered bonds		45,713	46,960
Registered mortgage covered bonds placed as customer deposits		2,520	2,899
MORTGAGE COVERED BONDS ISSUED	**(A)**	**48,233**	**49,859**
Total outstanding mortgage loans and credits*		105,369	110,564
Mortgage participations issued		(3,929)	(4,572)
Mortgage transfer certificates issued		(18,018)	(19,455)
PORTFOLIO OF LOANS AND CREDIT COLLATERAL FOR MORTGAGE COVERED BONDS	**(B)**	**83,422**	**86,537**
COLLATERALISATION:	**(B)/(A)**	**173%**	**174%**
OVERCOLLATERALISATION:	**[(B)/(A)]-1**	**73%**	**74%**

(*) Includes on- and off-balance-sheet portfolio

40. Related party transactions

The "key management personnel" at CaixaBank are those persons having authority and responsibility for planning, directing and controlling the activities of the Entity, directly or indirectly, including all members of the Board of Directors and Senior Management (equivalent to the Management Committee members) of CaixaBank. Given their posts, each member of key management personnel is treated as a related party.

Close relatives to 'key management personnel' are also considered related parties, understood as family members who could exercise influence, or be influenced by this person, in matters relating to the Entity, as well as the companies in which the key staff or their close relatives exercise control, joint control or significant influence, or directly or indirectly have important voting powers.

According to the Regulations of the Board of Directors, transactions between Directors and their related parties must be authorised by the Board of Directors, subject to a report by the Audit and Control Committee, except if they meet the following three conditions: i) they are governed by standard form contracts applied on an across the-board basis to a large number of clients; ii) they go through at market prices, generally set by the person supplying the goods or services; and iii) that the amount of the transaction does not exceed one per cent (1%) of the company's annual earnings. Notwithstanding the above, express authorisation by the Bank of Spain is required for the granting of loans, credits or guarantees to the "key management personnel".

The approval policy for loans to members of the Board of Directors who are employees of CaixaBank and Senior Management is governed by the provisions of the collective bargaining agreement for savings bank and financial savings institutions, as well as the internal employment regulations that implement this agreement. The breakdown of financing granted to "key management personnel and executives" is as follows:

OUTSTANDING FINANCING TO KEY PERSONNEL - DIRECTORS AND SENIOR MANAGEMENT
(Thousands of euros)

	2020	2019
Outstanding financing	**6,854**	**6,964**
Average maturity (years)	20	21
Average interest rate (%)	0.31	0.34
Financing granted in the year	**1,764**	**32**
Average maturity (years)	23	5
Average interest rate (%)	0.79	0.65

All other loan and deposit transactions or financial services arranged by CaixaBank with 'key management personnel', in addition to related party transactions, were approved under normal market conditions. Moreover, none of those transactions involved a significant amount of money. Likewise, there was no evidence of impairment to the value of the financial assets or to the guarantees or contingent commitments held with 'key management personnel'.

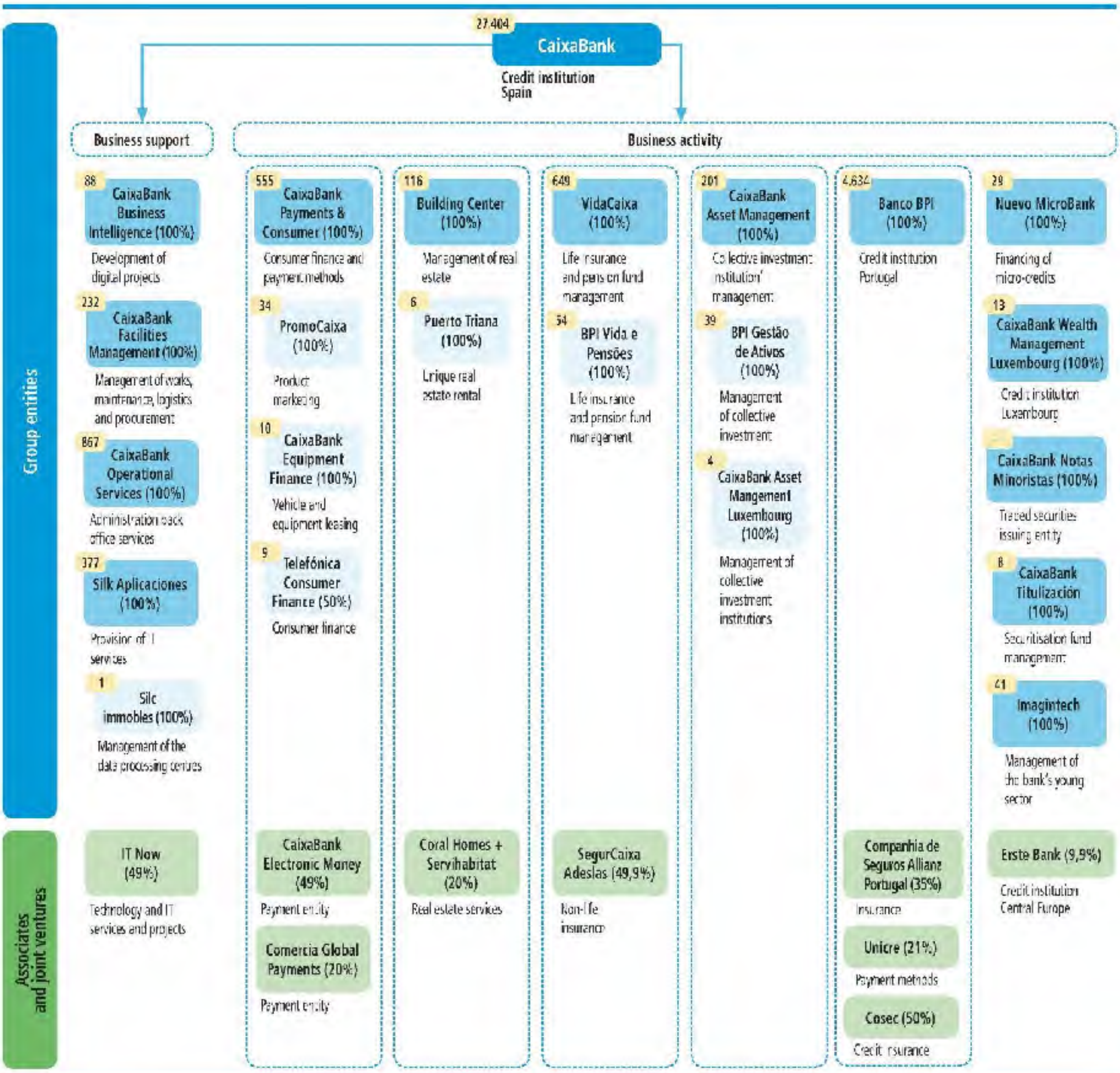
The most significant balances between CaixaBank and its related parties are detailed below, complementing the other balances in this report.

RELATED PARTY BALANCES AND OPERATIONS
(Millions of euros)

	SIGNIFICANT SHAREHOLDER (1)		GROUP ENTITIES		ASSOCIATES AND JOINT VENTURES		DIRECTORS AND SENIOR MANAGEMENT (2)		OTHER RELATED PARTIES (3)		EMPLOYEE PENSION PLAN	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
ASSETS												
Loans and advances to credit institutions			968	702								
Loans and advances	22	25	12,628	13,595	417	445	7	7	20	20		
Mortgage loans	*21*	*25*					*7*	*7*	*10*	*10*		
Other	*1*		*12,628*	*13,595*	*417*	*445*			*10*	*10*		
Of which: valuation adjustments			*(15)*	*(14)*	*(1)*	*(1)*						
Debt securities	12	8	1,032	584								
TOTAL	**34**	**33**	**14,628**	**14,881**	**417**	**445**	**7**	**7**	**20**	**20**		
LIABILITIES												
Customer deposits	208	162	6,673	6,160	619	685	26	29	48	58	66	36
Debt securities issued			88	117								
TOTAL	**208**	**162**	**6,761**	**6,277**	**619**	**685**	**26**	**29**	**48**	**58**	**66**	**36**
PROFIT OR LOSS												
Interest income	1	1	248	253	5	6						
Interest expense			(109)	(97)								
Fee and commission income			597	781	194	176						
Fee and commission expenses			(27)	(28)	(1)	(1)						
TOTAL	**1**	**1**	**709**	**909**	**198**	**181**						
OTHER												
Contingent liabilities		1	485	511	37	44						
Contingent commitments			2,952	2,421	510	411	2	1	2	3		
Assets under management (AUMs) and assets under custody (4)	12,842	14,879	64,387	57,657	1,648	1,571	192	224	336	430		
TOTAL	**12,842**	**14,880**	**67,824**	**60,589**	**2,195**	**2,026**	**194**	**225**	**338**	**433**		

(1) “Significant shareholder” refers to any shareholder that is the parent of or has joint control of or significant influence over the Group, the latter term as defined in IAS 28, irrespective of its economic rights. Along these lines they solely refer to balances and operations made with ”la Caixa” Banking Foundation, CriteriaCaixa and its subsidiaries. On 31 December 2020 and 2019, CriteriaCaixa's stake in CaixaBank was 40.43% and 40.00%, respectively.
(2) Directors and Senior Management of CaixaBank.
(3) Relatives and companies related to members of the Board of Directors and Senior Management of CaixaBank.
(4) Includes mutual funds, insurance contracts, pension funds and post-employment obligations contributed.

The table below shows the main subsidiaries, joint ventures and associates, and their type of link.



Number of employees.
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.

Linked companies	Nature of the link
CaixaBank ↔ FBLC + CriteriaCaixa	CaixaBank provides the FBLC Group (including CriteriaCaixa) certain financial brokerage services, under the Internal Protocol of Relationships subscribed by the parties.
CaixaBank ↔ FBLC + CriteriaCaixa; Business activity; Business support	CaixaBank, S.A. is the parent company of the tax group for the purpose corporation tax with regard to the majority of the consolidated group's subsidiaries with a tax address in Spain. The tax group includes CriteriaCaixa and the "la Caixa" Banking Foundation, in accordance with the current legislation.
CaixaBank ↔ Business activity; Business support	CaixaBank fully or partially brokers the financial operations of the companies under its consolidated group and finances their activities. Similarly, CaixaBank holds BPI prudential issuances in its portfolio, within the framework of the management of the Group's joint liquidity.
CaixaBank ↔ Business activity	CaixaBank receives fees for the services of its subsidiaries and associates marketed via its network in Spain.
Banco BPI ↔ BPI Vida e Pensões; BPI Gestão de Ativos; Companhia de Seguros Allianz Portugal; Unicre; Cosec	BPI receives fees for marketing the services marketed via its network in Portugal. Similarly it fully or partially brokers the financial operations of these companies and finances their activities.
IT Now ↔ Silk Aplicaciones ↔ FBLC + CriteriaCaixa; Business activity	IT Now (a joint venture between the Group and IBM) provides to Silk Aplicaciones technological and IT development services. In turn, Silk Aplicaciones provides computer services to the FBLC Group (including CriteriaCaixa) and to the rest the CaixaBank Group's subsidiaries.
CaixaBank Business Intelligence ↔ CaixaBank	CaixaBank Business Intelligence provides project development services.
CaixaBank Operational Services; CaixaBank Facilities Management ↔ FBLC + CriteriaCaixa; CaixaBank; Business activity; Business support	CaixaBank Operational Services and CaixaBank Facilities Management provide the companies of the identified group administrative back-office services and works management, maintenance, logistics and procurement services, respectively.
VidaCaixa ↔ CaixaBank	CaixaBank has outsourced certain employee commitments to VidaCaixa.
Silc immobles ↔ CaixaBank	Silc immobles maintains the real estate and carries out maintenance on the data processing centres, which are leased to CaixaBank.
Building Center ↔ CaixaBank; Business activity; Business support	BuildingCenter is the owner of real estate that is leased to subsidiaries of the Group and it receives rental income through said real estate. Similarly, BuildingCenter provides management services on certain CaixaBank assets for which it receives a fee.
Coral Homes + Servihabitat ↔ Building Center ↔ CaixaBank	Servihabitat undertakes the servicing of the BuildingCenter property portfolio. Similarly, Servihabitat receives marketing fees for sales through its real estate channels owned by BuildingCenter and CaixaBank.

Transactions between Group companies form part of the normal course of business and are carried out at arm's length.

The most relevant operations of 2020 and 2019 with the significant shareholder, in addition to those mentioned in the previous notes of this report, are as follows:

- On 31 December 2020 and 2019, CriteriaCaixa maintains derivatives with CaixaBank to cover the interest rates of bilateral bank loans, for a nominal value of EUR 202 million and 846 million, respectively. On 31 December 2020 and 2019, the fair value of said derivative amounts to EUR 2 million and 10 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 CriteriaCaixa and the 'la Caixa' Banking Foundation

The 'la Caixa' Banking Foundation, CriteriaCaixa and CaixaBank have an Internal Protocol on Relations available on the CaixaBank website, last updated in 2018, which governs the mechanisms and criteria of relations between CaixaBank and the 'la Caixa' Banking Foundation and CriteriaCaixa, particularly in the following areas: i) management of related operations, establishing mechanisms to avoid conflicts of interest; and ii) regulation of the information flows needed to fulfil reporting obligations in terms of trading and supervision.

The last amendment to the Internal Protocol on Relations was a result of the decision of the European Central Bank's Governing Council, of 26 September 2017, to stop supervising CriteriaCaixa, as the group headed by CaixaBank is the obliged party. As a result, Criteria Caixa was no longer considered a mixed portfolio financial company, having fulfilled the conditions established by the ECB for the deconsolidation for prudential purposes of CriteriaCaixa in CaixaBank.

41. Other disclosure requirements

41.1. The environment

There is no significant environmental risk due to the activity of the Entity, and therefore, it is not necessary to include any specific breakdown on environmental information in the document (Order of the Ministry of Justice JUS/471/2017). Furthermore, no significant tangible asset items in the Entity are affected by environmental issues of any type.

The Entity 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).

The Entity has not received any relevant fines or sanctions related to compliance with environmental regulations in 2020.

41.2. Customer service

CaixaBank has a Customer Service Office charged with handling and resolving customer complaints and claims. This office has no connections with commercial services and performs its duties with independent judgment and according to the protection rules for financial services customers.

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
HANDLED BY THE CUSTOMER SERVICE OFFICE AND CUSTOMER CONTACT CENTER (CCC)	99,219	60,984
Customer Service Office (CSA) and Customer Contact Center (CCC)	99,219	60,984
TELEPHONE CLAIMS AND COMPLAINTS	13,533	10,993
Customer Contact Center (CCC)	13,533	10,993
FILED WITH THE SUPERVISORS' CLAIMS SERVICES	1,251	1,130
Bank of Spain	1,169	1,046
Comisión Nacional del Mercado de Valores (Spanish securities market regulator)	82	84

The number of reports or resolutions issued by Customer Services and the Supervisors' Claims Services was as follows:

REPORTS ISSUED BY CUSTOMER SERVICES AND SUPERVISORS' CLAIMS SERVICES

	CS AND CSO		BANK OF SPAIN		CNMV	
TYPE OF RESOLUTION	2020	2019	2020	2019	2020	2019
Resolved in favour of the claimant	44,876	29,299	160	181	22	17
Resolved in favour of the entity	30,521	19,347	140	158	19	19
Acceptance			187	205	6	12
Other (rejected/unresolved)	15,898	9,633		-		-
TOTAL	**91,295**	**58,279**	**487**	**544**	**47**	**48**

42. Statements of cash flows

The main cash flow variations corresponding to the financial year are set out below by type:

- Operating activities: (EUR 34,607 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.
- Investing activities: (EUR -218 million) Primarily explained by the payments and charges of the movements of tangible and intangibles assets.
- Financing activities (EUR -1,503 million): arises from the cash flows resulting from the issue (EUR 3,731 million) and amortisation of debt or equity-based instruments (EUR 4,728 million), as well as the dividends paid (EUR 418 million) in the year.

Appendix 1 – CaixaBank investments in subsidiaries of CaixaBank Group

(Thousands of euros)

(1/2)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF THE DIRECT HOLDING (NET)
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)	-
Coia Financiera Naval, S.L.	Provision of financial services and intermediation in the shipbuilding sector	Madrid-Spain	76.00	76.00	3	7	52	2

CAIXABANK INVESTMENTS IN SUBSIDIARIES OF CAIXABANK GROUP
(Thousands of euros)

(2/2)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	COST OF THE DIRECT HOLDING (NET)
Corporación Hipotecaria Mutual, E.F.C., S.A.	Mortgage lending	Madrid-Spain	100.00	100.00	3,005	73,645	(2,389)	71,987
El Abra Financiera Naval, S.L.	Provision of financial services and intermediation in the 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 Unipersonal	Direct life insurance, reinsurance and pension fund management	Madrid-Spain	100.00	100.00	1,347,462	(39,445)	844,484	2,251,712

(*) Companies classified as non-current assets held for sale
(1) All data except cost are in local currency: Brazilian real (thousands).
(2) All data except cost are in local currency: Swiss franc (thousands)
(3) All data except cost are in local currency: US dollar (thousands)
(4) This company's figure for reserves includes interim dividend.
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Appendix 2 – CaixaBank stakes in agreements and joint ventures of CaixaBank Group

(Thousands of euros) (1 / 1)

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED FROM THE TOTAL HOLDING
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 – Serviços 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	-	-
Vivienda Protegida y Suelo de Andalucía, S.A.	Real estate development	Seville-Spain	-	50.00	4,392	7,126	98	60	(2,715)	(79)	(79)	-	-

(L) Companies in liquidation.
(1) 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)

			% OWNERSHIP										
CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	DIRECT	TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/(LOSS)	TOTAL COMPREHENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED FROM THE TOTAL HOLDING
Abaco Iniciativas Inmobiliarias, S.L. In liquidation (L)	Real estate development	Seville-Spain	-	40.00	11,515	46,318	-	13,222	(47,155)	(870)	(870)	-	-
Ape Software Components S.L.	Computer programming activities	Barcelona-Spain	-	25.22	3,381	3,119	2,258	12	449	(198)	(198)	-	-
Banco Comercial de Investimento, S.A.R.L. (2)	Banking	Mozambique	-	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
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, S.L.	Payment entity	Madrid-Spain	-	20.00	428,333	223,771	159,940	4,425	170,602	29,535	29,535	-	1,767
Companhia de Seguros Allianz Portugal, S.A.	Insurance	Portugal	-	35.00	1,464,966	1,242,756	514,943	39,545	35,192	36,571	36,571	-	9,135
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.	Real estate development	Logroño-Spain	-	25.00	43,389	5,889	34,337	30	8,085	11,263	11,263	-	1,876
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)	Banking	Austria:	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	-
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	Luxembourg	-	49.00	30,147	24	-	13	30,159	(48)	(48)	-	-
Global Payments Moneytopay, EDE, S.L.	Payment entity	Madrid-Spain	-	49.00	130,928	121,308	9,840	1,350	5,855	2,415	2,415	-	-
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	Portugal	-	49.00	1,067	322	1,098	400	458	(112)	(112)	-	-
Ircio Inversiones, S.L. In liquidation (L)	Real estate development	Burgos-Spain	35.00	35.00	2,128	7,359	-	675	(5,907)	(0)	(0)	-	-
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	5	7	651	(414)	(414)	-	-

CAIXABANK INVESTMENT IN ASSOCIATES OF CAIXABANK GROUP
(Thousands of euros)

2 - 2

CORPORATE NAME	BUSINESS ACTIVITY	REGISTERED ADDRESS	% OWNERSHIP DIRECT	% OWNERSHIP TOTAL	ASSETS	LIABILITIES	ORDINARY INCOME	SHARE CAPITAL	RESERVES	PROFIT/ (LOSS)	TOTAL COMPRE-HENSIVE INCOME	COST OF DIRECT OWNERSHIP INTEREST (NET)	DIVIDENDS ACCRUED FROM THE TOTAL HOLDING
Parque Científico y Tecnológico de Córdoba, S.L.	Science park operation and 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)	-	-
Portic Barcelona, S.A.	Other services related to information technology and 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 Pago, S.A.	Payment methods	Madrid-Spain	-	22.01	44,886	18,535	2,488	16,372	7,956	(1,374)	(1,374)	-	429
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)	-	-
Societat Catalana per a la Mobilitat S.A.	Development and implementation of the T-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	1,180
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	1,527
Unicre - Instituição 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)	-	-

(L) Companies in liquidation.
(C) Listed companies. Latest publicly-available data at the date of preparation of the notes to these financial statements.
(1) All data except the cost and the dividend are in local currency: Brazilian real
(2) All data except the cost and the dividend are in local currency: New Mozambique metical (thousands)
(3) All data except cost are in local currency: Renmimbi (thousands)
N.B. The information corresponding to non-listed companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Appendix 4 – Other tax details

Information relating to the balance of value corrections pending integration, from group entities, investments in joint ventures and associates at 31 December 2018, and recoveries performed in 2019:

DEDUCTIONS FOR IMPAIRMENT AT INVESTEES
(Millions of euros)

INVESTEE	AMOUNTS DEDUCTED FROM PREVIOUS TAX PERIODS PENDING INCLUSION AT 31-12-2018	AMOUNTS INCLUDED IN 2019	AMOUNTS DEDUCTED FROM PREVIOUS TAX PERIODS PENDING INCLUSION AT 31-12-2019 (3)
BuildingCenter, SA (1)	429.96	(214.98)	214.98
Caixa Capital Fondos (2)	0.17	(0.17)	0.00
Credifimo, EFC, SAU (2)	69.35	(34.68)	34.68
Inversiones Valencia SCR (1)	3.45	(1.73)	1.73
Ircio inversiones, SL	0.09	(0.05)	0.05
Puerto Triana (1)	13.10	(6.55)	6.55
Sercapgu (2)	1.17	(0.59)	0.59
Tubespa (2)	2.32	(1.16)	1.16
TOTAL	**519.61**	**-259.91**	**259.74**

(1) Impairment eliminated on consolidation
(2) Impairment partially eliminated on consolidation
(3) Of the impairments disclosed in this column, EUR 234 million was eliminated in the consolidated tax group.

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 – List of agents

Information required under Article 21 of Royal Decree 84/2015, of 13 February

NAME
ASESORIA SUAREZ S.L
JYD SERV FINANCIER0S MANCHUELA SL
J MADERA ASESORES AGRICOLAS
GOMEZ SANCHEZ MOLERO SL
SERFIS ASESORIA E XESTION SL
GESTIMAR ASESORES S.COOPERATIVA
ANTONIO ASENSIO ROMERO
LUZ MARIA GARCIA VALERO
JOSE ANDRES CEJAS GALVEZ
ALFONSO AMURRIO MARTINEZ
MARIA JULIANA GOMEZ PAEZ
MARIA GEMA MELGAR NAVARRO
ANTONIO JESUS GOMEZ CHICA
LOURDES CERES OCAÑA
SERGIO LOPEZ RODRIGUEZ
MATIAS JESUS RUIZ LOPEZ
JOSE MANUEL CRUZ MUÑIZ
APOLONIA GOMEZ SANTOS
FRANCISCO JAVIER DOMINGUEZ CORNEJO
JUANA WIC GOMEZ
JONATHAN PEREZ IGLESIA
MARIA CARMEN ULGAR GUTIERREZ
BEATRIZ LOPEZ BELLO
JESUS MIGUEL PRADO CEA
MARIA ISABEL PAÑOS RUEDA
AURORA JURADO ROMEO
JESUS RAFAEL SERRANO LOPEZ
MARIA ARACELI JANDULA MONTILLA
MARIA REYES RODRIGUEZ NARANJO
MARIA PURIFICACION ROPERO CASTILLO
LORENA TOLEDO GARCIA
MIGUEL ANGEL SANCHEZ PAREJA
FRANCISCA CASTILLA GIGANTE
MARIA BEATRIZ MATAS ALMIRON
INMACULADA ROMERO DE DIEGO
MIGUEL GARCIA DOMINGUEZ

Proposed appropriation of CaixaBank profit

The appropriation of profits of CaixaBank, SA from the 2020 financial year, which the Board of Directors agrees to propose to the General Shareholders' Meeting for approval, based on the information available to elaborate these financial statements, is presented below:

PROPOSED APPROPRIATION OF PROFIT OF CAIXABANK SA
(Euros)

	2020
BASIS OF APPROPRIATION	
Profit/(loss) for the year	688,241,415
DISTRIBUTION	
To dividends (1) (2)	216,094,946
To reserves (3)	472,146,469
Legal reserve (4)	
To voluntary reserves (3) (5)	472,146,469
NET PROFIT FOR THE YEAR	**688,241,415**

(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, SA 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 the framework of the merger. Likewise, this amount will be reduced depending on the number of treasury shares that CaixaBank has at the time of payment of the dividend, given that, as required by the Capital Companies Act, treasury shares may not receive a dividend.

(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 143,239,922, will be deemed to have been paid, with this amount charged to voluntary reserves.

2020

Management
Report

CaixaBank

Legal notice

The aim of this document is purely informative, and it does not claim to provide a financial advisory service or the offer of a sale, exchange, acquisition or invitation to acquire any kind of securities, product or financial services of CaixaBank, S.A. (hereinafter, CaixaBank or the Entity), or of any other companies mentioned within it. Anyone who purchases a security at any time must do so solely on the basis of their own judgment or the suitability of the security for their own purposes, and exclusively on the basis of the public information set out in the public documentation drawn up and registered by the issuer in the context of this specific information, availing themselves of advice if they consider this necessary or appropriate in accordance with the circumstances, and not on the basis of the information set out in this document.

This document may contain statements on forecasts and estimates with respect to businesses and future performance, which have been prepared primarily based on projections made by CaixaBank. These forecasts and estimates represent the current judgments of the Institution with respect to future business expectations, but certain risks, uncertainties and other relevant factors may mean that results are materially different from expected. 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 indicated in our projections and estimates.

Furthermore, this presentation contains information regarding the common merger by absorption of Bankia, S.A. (absorbed company) by CaixaBank (absorbing company), announced on 18 September 2020. The execution of this merger is not guaranteed since, even having been approved in December 2020 by the general shareholders' meetings of both companies, also requires the acquisition of the prescriptive administrative authorisations. CaixaBank cannot guarantee that the benefits identified when framing the shared takeover merger project and public results materialise or that the Group will not be exposed to operational complications, expenses and risks associated with the integration.

Past financial statements and previous growth rates should not be considered a guarantee of the evolution, future results, behaviour, or price of shares. Nothing contained in this document should be construed as constituting a forecast of future results or profit. Additionally, it should be taken into account that this document has been prepared based on the accounting records held by CaixaBank and, where applicable, for the rest of the companies integrated into the Group, and includes certain adjustments and reclassifications whose purpose is to homogenise the principles and criteria used by the integrated companies with those of CaixaBank.

The financial information contained in this report is presented with management criteria, although it has been drawn up in accordance with Circular 4/2017 of the Bank of Spain, of 6 December, which constitutes the adaptation of International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union to Spanish credit institutions, as well as their successive modifications. While the information referring to the CaixaBank Group has been drawn up in accordance with the IFRS adopted by the European Union through Community Regulations, in accordance with Regulation 1606/2002 of the European Parliament and of the Council, of 19 July 2002, and its subsequent modifications.

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") so as 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.

Without prejudice to applicable legal requirements or to any other limitations imposed by the CaixaBank Group, permission to use the contents of this document or the signs, trademarks and logos it contains is expressly denied. This prohibition extends to any reproduction, distribution, transmission to third parties, public communication or conversion, in any medium, for commercial purposes, without the prior express consent of the respective proprietary titleholders. Failure to observe this prohibition may constitute a legal infraction sanctionable under prevailing legislation.

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.

The information contained in this document refers to CaixaBank, S.A. (hereinafter, CaixaBank or the Institution). Wherever the information does not refer to the Group (CaixaBank and its subsidiaries), this will be explicitly stated (CaixaBank Group or Group).

Contents

This Management Report has been prepared in accordance with the Code of Commerce and Legislative Royal Decree 1/2012, of 2 July, on Capital Companies. The non-financial information corresponding to CaixaBank, S.A. is included in the Consolidated Management Report of the CaixaBank Group, which is available together with the Consolidated Financial Statement of the CaixaBank Group corresponding to the year ended on 31 December 2020, which will be registered in the Commercial Register of Valencia.

The CNMV Listed Company Guide to Drawing up the Management Report was used to create this document.

Since 1 January 2021 until the publication date of this report, no significant events have taken place in terms of CaixaBank's performance that are not mentioned in this document or the attached financial statement.

1. Our identity

CaixaBank is a financial group with a **socially responsible, long-term universal banking model**, based on **quality, trust and specialisation,** which offers a value proposition of products and services adapted for each sector, adopting innovation as a strategic challenge and a distinguishing feature of its corporate culture, and whose leading position in retail banking in Spain and Portugal makes it a key player in supporting sustainable economic growth.

CaixaBank, S.A. is the parent company of a group of financial services, whose stock is traded on the stock exchanges of Barcelona, Madrid, Valencia and Bilbao and on the continuous market. It has been part of the IBEX-35 since 2011, as well as the Euro Stoxx Bank Price EUR, the MSCI Europe and the MSCI Pan-Euro.

Our mission: Contribute to our customers' financial well-being and the progress of society on the whole

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, for example, to appropriately plan to address recurring expenses, cover unforeseen events, maintain purchasing power during retirement or to make their dreams and projects come true.

We do this with:

- Specialised advice
- personal finance simulation and monitoring tools,
- comfortable and secure payment methods,
- a broad range of saving, pension and insurance products,
- responsibly-granted loans,
- and, overseeing the security of our customers' personal information.

Besides contributing to our customers' financial well-being, our aim is to support the progress of the whole of society. We are a deeply-rooted retail bank in all areas in which we work and, for this reason, we feel a part of the progress of the communities where we engage our business.

We contribute to the progress of society:

- effectively and prudently channelling savings and financing, and guaranteeing an efficient and secure payment system,
- through financial inclusion and education; environmental sustainability; support for diversity; with housing aid programs; and promoting corporate voluntary work,
- and, of course, through our collaboration with the Obra Social (social work) of the "la Caixa" Banking Foundation, whose budget is partly nourished through the dividends that CriteriaCaixa earns from its stake in CaixaBank. A major part of this budget is funnelled into identified local needs through the CaixaBank branch network in Spain and BPI in Portugal.

Our **Values**

Quality

Social Commitment

Confidence

Our **Mission**

To Contribute to the financial well-being of our customers and to the progress of society.

Our **Culture**

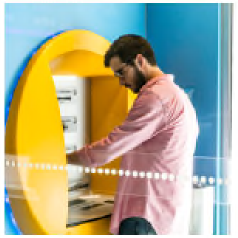
People first

Flexibility as our attitude

Collaboration as our strength

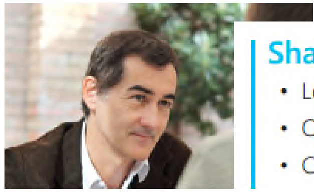
Our **Strategy**

Leading and innovative **financial group,** with the **best customer service** and setting the benchmark for **socially responsible banking.**



Clients & Customers

- Setting the benchmark.
- Relationship based on proximity and trust.
- Excellence in service.
- Value proposition for each segment.
- Commitment to innovation.

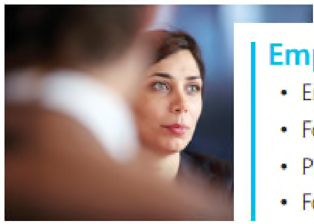


Shareholders

- Long-term creation of value.
- Offering attractive returns.
- Close and transparent relationship.

Society

- Maximising our contribution to the national economy.
- Establishing stable relationships and trust with the environment.
- Helping to solve the most urgent social challenges.
- Transition to a low-carbon economy.



Employees

- Ensuring their well-being.
- Fostering their professional development.
- Promoting diversity, equal opportunities and reconciliation.
- Fostering a meritocratic model.

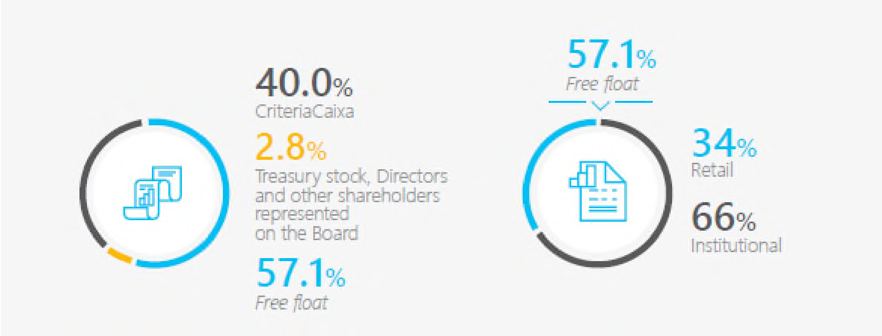
Banking model
Universal

Socially responsible that covers all financial and insurance needs.

1.1 Share structure

On 31 December 2020, CaixaBank had a share capital of 5,981,438,031 shares with a nominal value of 1 euro/share, belonging to the same class and series, with identical political and economic rights, represented through book entries.

Shareholder structure



[1] Management data. Number of shares available for the public, calculated as the number of shares issued minus the number of brought-back shares and those held by directors and shareholders represented on the Board of Directors.

Share tranches	Shareholders[1]	Shares	Share Capital
from 1 to 499	252,188	52,286,167	0.9%
from 500 to 999	112,500	80,243,048	1.3%
from 1.000 to 4.999	169,379	365,373,800	6.1%
from 5.000 to 49.999	426,95	479,155,251	8.0%
from 50.000 to 100.000	786	53,135,981	0.9%
over de 100.000[2]	575	4,951,243,784	82.3%
Total	**578,123**	**5,981,438,031**	**100%**

[1] For those investors' shares which operate through a custody entity located outside of Spain, only the custody entity is considered to be the shareholder, and shall be that which is registered in the corresponding book-entry ledger.
[2] Includes treasury shares.

The share structure of the combined company (merger with Bankia) is detailed in point 01: Our Identity – Relevant and significant events of the financial year, of the CaixaBank Group Consolidated Management Report.

The purchase and sale of own shares by CaixaBank shall comply with the provisions of current regulations and the corresponding agreements of the Annual General Meeting.

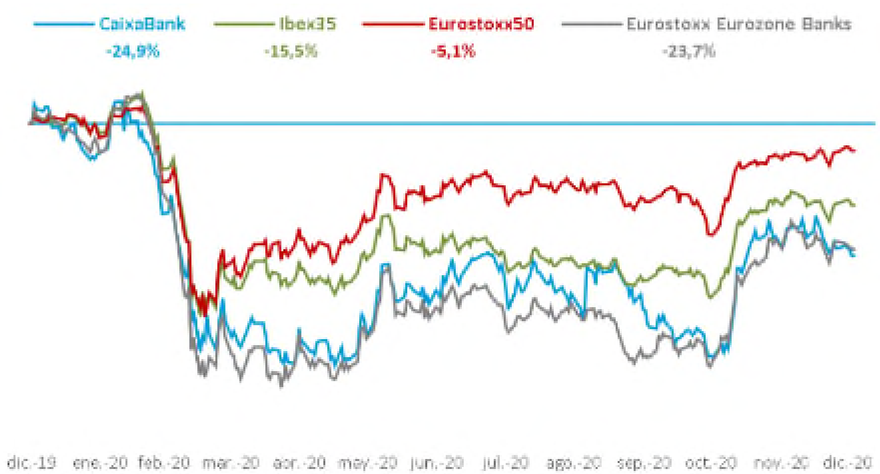
Information on the acquisition and disposal of shares held in treasury during the period is included in Note 22 'Net Equity' of the attached Financial Statements.

Evolution of the share in 2020

The share price of CaixaBank closed on 31 December 2020 at EUR 2.101 euros per share, with an advance of 15.9% in the fourth quarter of the year (vs. +35.4% of the EURO STOXX Banks European selective and +50.4% of the IBEX 35 Banks), restraining the fall in the year to -24.9% (vs. a variation of -23.7% EURO STOXX Banks and -27.3% IBEX 35 Banks). The general indices registered a relatively better performance than the selective bank benchmarks: -5.1% in the EURO STOXX 50 and -15.5% in the IBEX 35.

Without a doubt, 2020 has been marked by the Covid-19 pandemic and all its consequences, causing historic market collapses in the first half of the year and bringing enormous volatility to markets. However, in the last quarter of the year, despite the new outbreak of Covid-19 and further mobility restrictions, the investing appetite in the stock exchanges started to build steam once again, encouraged by advances in the field of Covid-19 vaccinations, as well as the US election results, the unblocking of the European recovery plan (Next Generation EU), and, at the end of the year, the signing of the Brexit trade deal and a new fiscal stimulus package in the USA. Specifically in the European banking sector, the partial rectification of the ECB's recommendation of not distributing dividends and the improved conditions of TLTRO III also contributed to a slight recovery of the stock market prices in the last quarter of 2020.

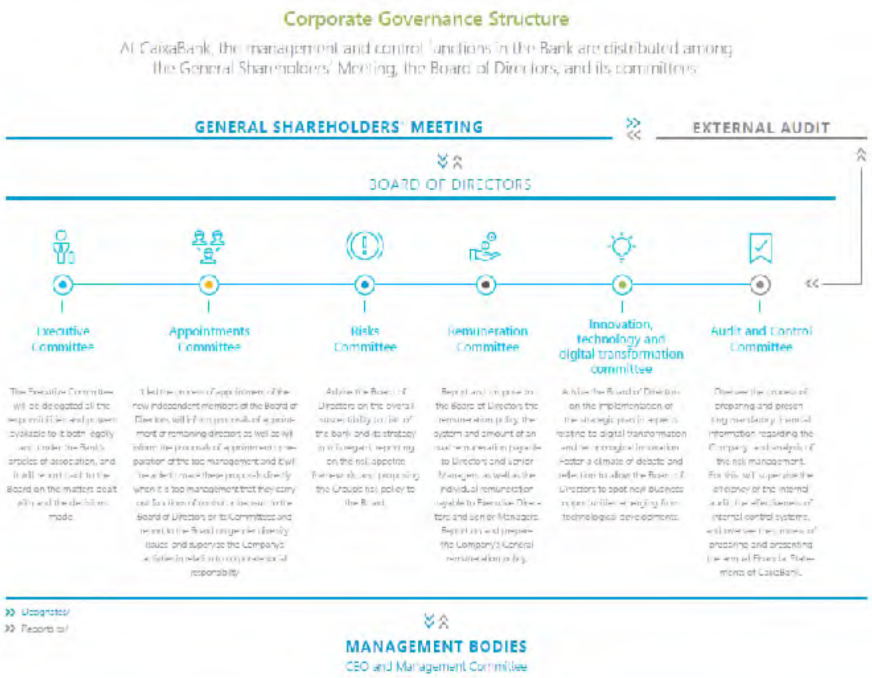
Evolution of the stock in 2020



1.2 Corporate **governance**

A solid Corporate Governance framework enables companies to maintain an efficient and methodical decision-making process as it provides clarity in the allocation of functions and responsibilities, while also promoting appropriate risk management and effective internal controls, which promotes transparency and mitigates potential conflicts of interest. All this promotes excellence in management, which translates into greater added value for the company and its stakeholders.

In accordance with the commitment to our mission and vision, there is a need to integrate the practices of Good Corporate Governance into our activity. This is a strategic priority for having a well-governed and managed company, and for being recognised for this.



Changes in the composition of the Board and its committees

The 2020 Annual General Meeting agreed to reduce the size of the Board of Directors by one member, leaving a total of 15 board members. CaixaBank thus adheres to recommendation 13 of the CNMV Code of Good Commerce. At 31 December 2020, the Board of Directors was composed of 14 members (without taking into account the vacancy).

Furthermore, it approved the reappointment of Verónica Fisas as a non-executive independent director.

Within the framework of the merger, CaixaBank's Annual General Meeting held on 3 December, in accordance with clause 16.1.1 of the merger plan, which proposed the partial renewal of the Board of Directors, approved the appointments as new CaixaBank directors and the resignations submitted in advance by members of the CaixaBank Board of Directors, as indicated in the following tables (*).

The changes in the composition of the members of the CaixaBank Board of Directors agreed in 2020 are as follows:

>> DEPARTURES

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

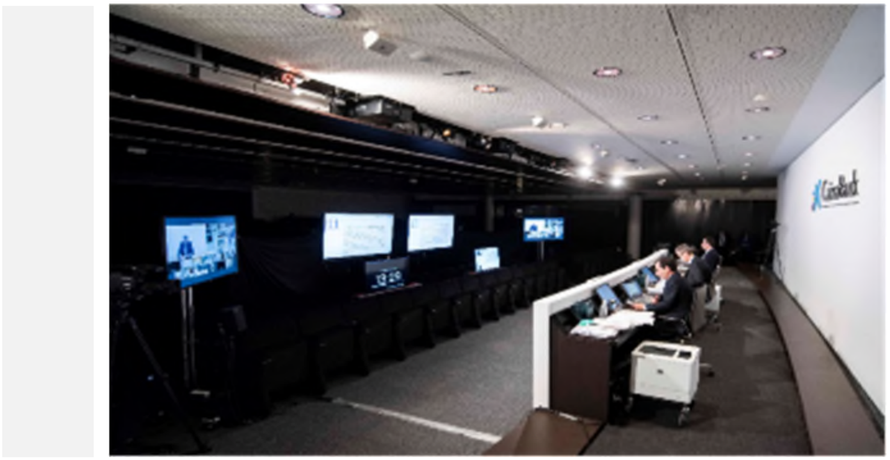
(*) Pending merger registration, suitability verification and acceptance of appointments

>> APPOINTMENTS

Appointments	Category
José Ignacio Goirigolzarri	Executive (*)
Joaquín Ayuso	Independent (*)
Francisco Javier Campo	Independent (*)
Eva Castillo	Independent (*)
Fernando María Costa Duarte	Other External (*)
Teresa Santero	Proprietary (*)

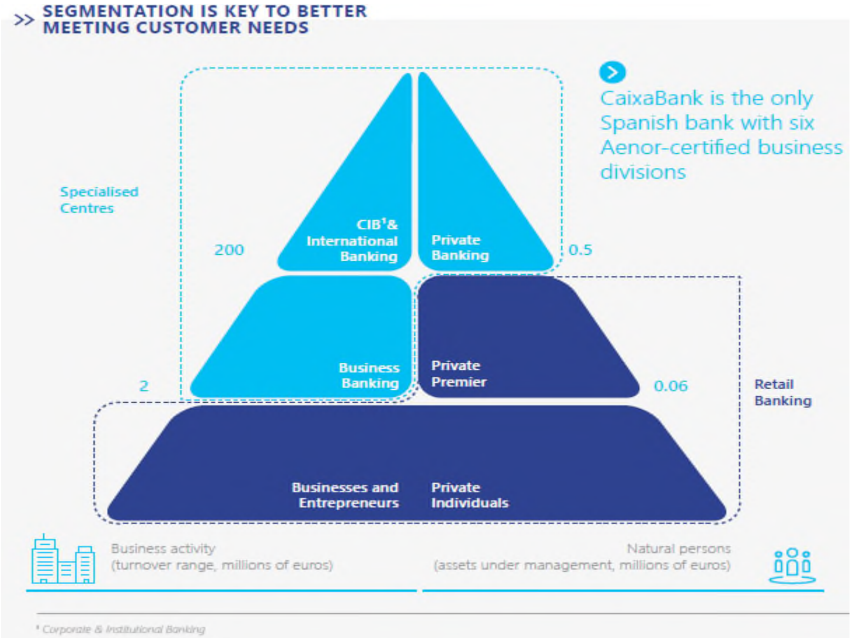
(*) Pending merger registration, suitability verification and acceptance of appointments

The information related to corporate governance at CaixaBank is detailed in the CaixaBank Annual Corporate Governance Report, which is available on the CaixaBank website (www.caixabank.com) and annexed to this document.



1.3 Business model

CaixaBank has a universal banking model, through which it offers a wide range of products and services tailored to the needs of customers via a commercial platform that combines branches and digital channels.



Retail Banking

The value proposition of Retail Banking is aimed at Individuals, Premier Banking customers, Businesses, and Entrepreneurs.

In 2020, continued work was conducted on consolidating *The 4 Life Experiences*, the transformation of the distribution network and the impulse of new customer relations models.

Private Banking

Private Banking has specialised teams and more than 600 certified professionals with an average of over 15 years of experience working in the branch network and offering the best service.

Private Banking has exclusive centres that allow it to ensure that customers receive a close professional service. Different service models are offered to customers, from traditional financial advice to independent advice and broker services.

In addition, the Social Value Project provides solutions in the fields of Philanthropy and Socially Responsible Investment (SRI).

Business Banking

CaixaBank Empresas has consolidated itself as the benchmark bank for Spanish companies. It incorporates a value proposition that offers innovative solutions and specialised attention, through its 125 centres distributed across Spain, providing advanced guidance though video calls or the Wall service for businesses.

Business Banking implements an exclusive service model with a team of experts who respond to needs of each company. CaixaBank aims to continue improving its customer relations and expand its base of company customers in order to continue boosting loans while providing the best service.

CIB & International Banking

CIB & International Banking integrates three areas of business, Corporate Banking, Institutional and International Banking, and various product areas that provide services to clients, such as Capital Markets, Cash Management, Project Finance, Asset Finance and M&A.

Corporate Banking develops and manages relationships with national and international corporate clients with the aim of becoming their benchmark financial institution.

Institutional banking provides service to institutions in the public and private sector, through a value proposition that combines high specialisation, proximity with customers and an all-inclusive group of financial services and solutions adapted to their needs.

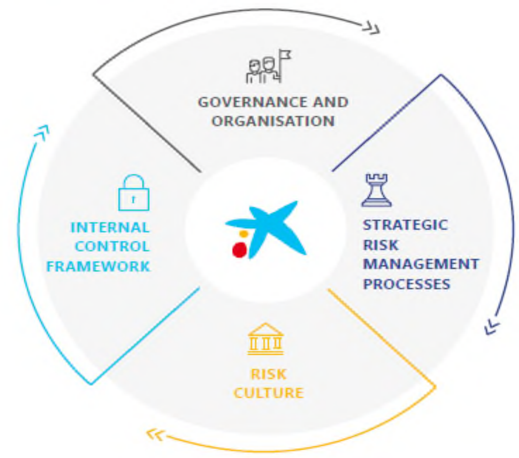
International Banking offers support to customers of the branch network, CIB and Corporate Banking who operate abroad, as well as large local corporates.

The information related to the evolution of the different business areas of CaixaBank, S.A. is included in point 01: Our Identity - Business model from the CaixaBank Group Consolidated Management Report.

2. Risk management

CaixaBank aims to maintain a medium-low risk profile, a comfortable level of capital, and ample liquidity measures in line with its business model and the risk appetite established by the Board of Directors.

The implemented risk management systems, which are aligned with the risk profile and approved risk appetite, comprise the following elements:



Governance and organisation

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

Strategic risk management processes

1. Identifying and assessing risks (Risk Assessment).

2. Risk definition and taxonomy. Risk catalogue.

3. Risk Appetite Framework (RAF).

Risk culture

The Risk culture is based, among other things, on general risk management principles, employee training and evaluation of variable remuneration for employee performance.

Internal control framework

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

Corporate Risk Catalogue

The Corporate Risk Catalogue is the list of the Group's material risks. It facilitates the internal and external monitoring and reporting of risks and is reviewed periodically (at least once a year). The update process involves evaluating the materiality of the emerging risks identified in the Risk Assessment process.

Based on the review of the Corporate Risk Catalogue for the 2020 financial year, the following modifications were made:

- 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 the Reliability of Information risk (previously referred to as the Reliability of Financial Information) to include both financial and non-financial information.

The risks that form the Corporate Risk Catalogue, together with their definitions, are listed 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 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 unfavourable 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).

The information on the more notable aspects with respect to management and activities during 2020 for the different risks identified in the Corporate Risk Catalogue is detailed in point 01: Our Identity – Risk Management of the CaixaBank Group's Consolidated Management Report.

Note 3 of the non-consolidated Financial Statement for 2020 provides additional information on the Group's risk management and internal control model.

3. Context and outlook

Economic context

Global and eurozone evolution

In 2020, COVID-19 and the constraints on activity needed to contain it plunged the world into an abrupt and generalised recession (estimated drop in global GDP of 3.5%). Its economic impact was severely noticed throughout the first half of the year. The emerging impacts include a -10.0% decrease with respect to the first quarter, while advanced economies have suffered significant reductions in second quarter (USA: -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 (USA: +7.4% quarter-on-quarter; eurozone: +12.7%; Japan: +5.0%; United Kingdom: +15.5%). However, economies remain far from recovering their pre-pandemic levels (with the exception of China) and, in fact, indicators suggest that the recovery process had started to slow down by the end of 2020, coinciding with the new spike in Covid-19 infections.

GDP SHRANK SEVERELY IN 2020
-3.5% (EST.)

SUDDEN, WIDESPREAD RECESSION DUE TO
COVID-19

GLOBAL RECOVERY IN 2021
+5.5% (FORECAST)

Even so, the recent outbreaks are being contained with restrictive measures, and the situation is different (in a positive sense) from the events in 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 vaccines, should drive the progressive vaccination of large portions of the population in the first half of 2021, which should help to improve market sentiment and facilitate recovery. As a result, a substantial rebound of the economic activity is expected for 2021 (worldwide growth of 5.5%).

In this context, it is worth highlighting that all spheres of economic policymaking have reacted strongly to the circumstances of 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.

In the eurozone, following a substantial rebound of activity in the third quarter, the latest data suggests a slowdown in the recovery and negative performance in the coming quarters, though 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.

> The latest medical advances, and in particular the development of highly effective vaccines, should **drive the progressive vaccination of large portions of the population in the first half of 2021**, which should help to improve market sentiment and facilitate recovery

In light of the disparate impact on different countries, it is worth highlighting the Next Generation EU (NGEU) recovery plan proposed by the European Commission, which aims to promote synchronised economic recovery on a European level. The funds (€360 billion in loans and €390 billion in transfers) represent a sufficiently large amount to support 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 Evolution

Spain

The Spanish economy should follow 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 will suffer 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).

In the whole of 2020, GDP shrank by 11%. It is expected that the recovery initiated half way through 2020 will gain traction in 2021, with a rebound of 6%. This will be supported by the implementation of Spanish and European fiscal stimulus measures and gaining control of the pandemic through the availability of different vaccines.

> It is expected that the recovery initiated half way through 2020 will gain traction in 2021, with a rebound of 6%.

Portugal

Portugal, which also has a significant dependence on tourism (over 14% of the GDP) faces a similar scenario to Spain.
Given the difficulties faced by tourism and a gradual return of activity, the fall in GDP in 2020 was 7.6%, with a forecast rebound of around 5% in 2021.

This scenario is subject to a high degree of uncertainty, especially regarding the evolution of the pandemic, the medical advances needed to control the virus, and 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.

Regulatory context

CaixaBank shares its opinions on regulatory processes with the public authorities, through position papers and impact analysis documents, either at their request or on its own initiative.

CaixaBank's public policy actions follow a broad focus, ultimately aimed at favouring economic development and growth in the territories where it has a presence. In particular, we should emphasise the support to regulatory initiatives that strive to strengthen financial stability and support the proper performance of the European banking sector, with a special focus on those who help to complete the Banking Union, promoting the development of an effective resolution and the establishment of a common deposit guarantee fund. Similarly, CaixaBank promotes the development of a regulatory framework for sustainable finance, with the aim of complying with the 2030 Agenda for sustainable development and the Paris Agreement on climate change. Other activities developed are related to promoting digital transformation, improving transparency and consumer protection.

CaixaBank does not contract services related to direct lobbying or representation of interests to position itself with the authorities. Instead, it generally shares its opinions through different associations to reach a consensus on the industry's position, though in specific cases it does send direct messages to regulators and public authorities.

The CaixaBank Regulation Committee is the body in charge of deciding on the regulatory strategy and positioning in terms of regulatory and legislative initiatives. It is supported by internal analyses of regulatory proposals to identify potential unwanted effects or impacts that may be disproportionate to the regulatory goal. Once the proposals are analysed, the Committee decides on the regulatory strategy. This strategy will be channelled through the associations or transmitted directly by the institution itself.

The relationship with political parties and public authorities are subject to the CaixaBank Code of Ethics and Principles of Action, and its Anti-corruption Policy, both serving as essential elements for setting up participation in regulatory processes.

CaixaBank's Code of Ethics and Anti-corruption Policy aim to not only comply with applicable legislation, but also its firm commitment with its ethical principles as a signatory to the United Nations Global Compact. This reflects its strong determination in the fight against corruption.

Social, technological and competitive context

Business profitability and capital adequacy

Covid-19 has had an unprecedented impact on economic activity. In this context, the aggregate profitability of the European banking sector has been significantly weakened. In particular, the ROE decreased by approximately 3.2 percentage points before settling at 2.5% in the third quarter of 2020.[1]

On one hand, this fall in sector profitability can be explained by the reduced capacity to generate revenue as a result of lower interest rates and the reduction in activity.

As regards the Spanish sector, the net interest income and the fee and commission income have particularly suffered with a year-on-year decrease of close to 5% in the first half of 2020.

Meanwhile, the significant increase in provisions due to asset impairment implemented by financial institutions (in anticipation of the possible detrimental impact of the pandemic on creditworthiness) has contributed significantly to the reduced profits in the sector. Until now, creditworthiness has remained stable thanks to the range of measures implemented by the government and the financial sector (e.g., moratoriums, temporary redundancy plans, and public guarantee schemes), which have significantly mitigated the effects of the pandemic on the income of households and business, and, in turn, have prevented a sudden and marked increase in non-performing loans. In this regard, the economic recovery rate and the introduction of measures of flexibility (e.g., extending the term of ICO facilities) will help to contain a potential increase in non-performing loans. Meanwhile, the higher levels of capital (with respect to the 2008-2014 crisis) give the Spanish banking sector a greater capacity to absorb potential losses, even in more adverse scenarios.

Ultimately, the projected spike in non-performing loans and the prolonged maintenance of minimal interest rates suggest that the profitability of the banking sector will remain weak over the coming quarters before recovering very slowly.

This context of revenue reductions for banks highlights the need to make additional efforts to reduce operating expenses and improve the efficiency levels of the sector.

> The projected spike in non-performing loans and the prolonged maintenance of minimal interest rates suggest that **the profitability of the banking sector will remain weak over the coming quarters before recovering very slowly**

[1] Details of the European Banking Authority

Digital transformation

Digitalisation has received a major boost as a result of the healthcare crisis and mobility restriction measures due to the increased use of digital tools and the progress made in terms of the need to digitise processes and services.

In the financial sector in particular, digitalisation is generating greater demands to satisfy customers and facilitating the emergence of competitors with business models that harness new technologies (FinTech and BigTech). Meanwhile, access to data and the ability to generate value from data has become an important source of competitive advantage.

Furthermore, payment patterns are changing. The reduction in the use of cash in favour of electronic payments has gained speed. In addition, the digital payments arena is also evolving from a model dominated almost exclusively by card systems (linked to bank accounts) to a more mixed model that involves FinTechs and BigTechs (which are starting to offer alternative payment solutions) and is starting to introduce alternative types of money and payment methods, such as *stablecoins*. In this context, a high percentage of central banks are evaluating the option of issuing central bank digital currency as a complement to cash.

CaixaBank is tackling the challenge of digitalisation with a strategy focused on improving the customer experience.

In this regard, the digital transformation offers the Institution new opportunities to understand its customers and offer them a higher-value proposal, using a multi-channel assistance model. Furthermore, in response to the change in habits as a result of the health crisis, CaixaBank is focusing on initiatives that allow for greater interaction with customers through remote channels. Meanwhile, digital transformation is also driving CaixaBank to focus more on the development of skills, such as advanced analytics and the provision of native digital services. Accordingly, CaixaBank will continue to foster new business models, such as Imagin, a digital ecosystem that offers financial and non-financial products and services to the youngest segment of the population. CaixaBank is also driving new ways of working (more cross-cutting and collaborative), and is looking to collaborate more actively with new entrants, as a way to improve the service offered to customers. In the area of payments, CaixaBank is involved in several sector-wide initiatives aimed at promoting new solutions.

> CaixaBank is tackling the challenge of digitalisation with a **strategy focused on improving the customer experience**

Cybersecurity

Although digital transformation is essential for the competitiveness and efficiency of banking, it also increases technological risks. In particular, there has been an upturn in the frequency and severity of cybercrime, particularly due to the increase in online transactions due to the pandemic. As a result, the fields of cybersecurity and information protection rank increasingly higher in the strategies of banks and the agendas of supervisors.

CaixaBank constantly monitors the technological environment and apps to manage any external threats and to ensure the integrity and confidentiality of information, the availability of IT systems, and business continuity. This monitoring is carried out through planned reviews and a continued audit (which includes monitoring risk indicators). Furthermore, CaixaBank conducts the relevant analyses to align safety protocols with new challenges and implements a strategic information security plan, aiming to keep the bank at the cutting edge of information protection, in accordance with the highest market standards.

CaixaBank is also involved in international research projects related to cybersecurity and the protection of customer privacy and data against cyber threats. Its participation in these projects facilitates the continuous improvement of CaixaBank's cybersecurity environment and collaboration with other industries at the European level.

Sustainability

The medium-term goal of decarbonisation of the European economy is being accompanied by increased regulatory activity at all levels and growing pressure (from investors, regulators, and supervisors) for companies to adjust their strategies accordingly.

These include the publication of regulations and recommendations that aim to guide and equip companies, investors and supervisors with the appropriate tools for proper management and governance. An example is the approval of the European Union (EU) Green Taxonomy (entering into force in 2022), which establishes a classification system for sustainable activities. Similarly, it is worth highlighting the recent publication of the European Central Bank's guide on climate-related and environmental risks, which addresses the disclosure of non-financial information, climate risk management, and portfolio decarbonisation.

Meanwhile, the EU has started to deploy measures to reduce Greenhouse Gas (GHG) emissions and move towards a decarbonised economy. In this context, the Next Generation EU Recovery Plan (NGEU) aims to make a significant contribution to achieving climate neutrality for the European economy. As a result, the European Commission will require Member States to allocate a minimum of 37% of EU recovery funds to support climate objectives.

This commitment offers a unique opportunity to support investments that accelerate the ecological transition and assist in climate change mitigation and adaptation, which are highly exposed to transition risks.

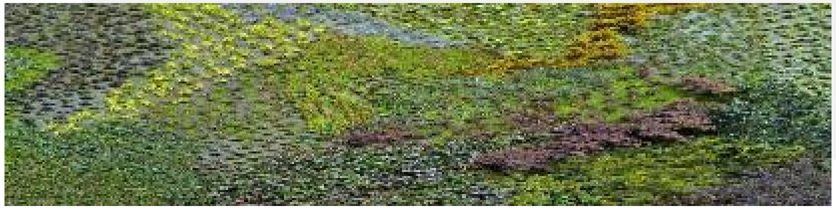
In this context, CaixaBank prioritises making progress in the transition to a low-carbon economy as an essential action to promote sustainable and socially inclusive development.

Accordingly, CaixaBank has integrated an environmental strategy into its Socially Responsible Banking Plan and strives to contribute to this transition by reducing the direct impact of its operations, as well as financing and investing in sustainable projects. CaixaBank is also a signatory to the Collective Commitment to Climate Action (CCCA), promoted by the United Nations and the banking sector, aiming to mobilise the capacities and resources of the financial sector to facilitate the transition to a decarbonised economy, in line with the objectives of the Paris Agreement. Likewise, CaixaBank is a signatory and adheres to several initiatives and working groups aimed at improving the management and reporting of information in these areas.

> In the context of COVID-19, the Entity has worked intensively to mitigate the economic and social effects of the pandemic, and respond to the groups most affected by the crisis.

In addition, social and governance issues are receiving increasing attention from investors and society as a whole. In this regard, CaixaBank is highly committed to improving financial culture and inclusion with a view to promoting access to financial services for society as a whole through social policies that go beyond financial activity and seek to address social issues.

This commitment has been particularly evident during COVID-19, during which the Entity has worked tirelessly to mitigate the economic and social effects of the pandemic and to respond to the groups most affected by the crisis.



3.1 Covid-19: response to the emergency and contribution to recovery

>> CaixaBank has been given the Euromoney award '*Excellence in Leadership in Western Europe 2020*', due to its social commitment in its response to the COVID-19 crisis

>> CaixaBank, recognised for its leadership in its response to the COVID-19 crisis by Global Finance. CaixaBank is the only European company among the global winners of the *Outstanding Crisis Leadership* awards, which highlight the companies and enterprises that have demonstrated their business leadership with measures to promote economic and social recovery.

Support for customers and suppliers

The CaixaBank Group wants to be a key part of the contribution to society's well-being, particularly among the most vulnerable groups, and to help ensure that the recovery of the Spanish and Portuguese economies is as quick as possible. To do this, they have implemented a range of measures, and have developed products with conditions adapted to the current context, taking on the impact that these kinds of decisions can have on the growth and profit generation.

#Moratoriums: in Spain, two types of moratoriums have been put into place, adapted to the current situation; (i) a government-approved mortgage moratorium due to the coronavirus, which offers a deferral of three months of principal and interests (it can also be applied to personal loans with the same duration); (ii) a mortgage moratorium implemented by most Spanish banks with a deferral period of up to twelve months (up to six months for personal loans) for capital only.

#Loans to companies: A priority of ours is to facilitate granting loans and advances so that they go where they are needed, in coordination with the state guarantee schemes established by the authorities. CaixaBank has launched a range of funding lines for the self-employed and SMEs, available for those who need new financing, as well as the ICO line driven by the Government to help businesses affected by the COVID-19 crisis.

Note 3.4 of the non-consolidated Financial Statements for 2020 provides detailed information on moratoriums.

#ICO rents: agreement signed with the ICO for the incorporation of a new line of financing for tenants in situations of financial vulnerability, who cannot pay their rent due to the impact of Covid-19. These are ICO-backed loans for customers and non-customers who need help to pay their rent for 6 months.

#Streamlining supplier payments: CaixaBank has made an effort to streamline the payment flow to our suppliers, providing them with key liquidity at these times and thus contributing to the maintenance of their businesses. The measures implemented have been focussed on maximising early payments, without considering maturities, streamlining invoice authorisations and making an effort to settle old invoices.

#Advance payment of pensions and unemployment benefits: since the declaration of the state of alarm due to the COVID-19 pandemic, CaixaBank has been one of the first financial institutions to bring forward the payment, by 7/10 days, both of unemployment benefits and pensions.

Continuing to provide a key service

CaixaBank has prioritised maintaining business continuity at all times, while offering customers key financial services for their day-to-day life and ensuring the highest safety standards for everybody.

For this reason, CaixaBank kept an average of around 90% of its branch network open from March to June 2020.

Furthermore, to prevent unnecessary travel and protect the health of customers and employees, CaixaBank has promoted the use of digital channels by reviewing and reinforcing the main processes and enhancing its services for remote banking and contracting new products and services.

CaixaBank also understands financial inclusion, a pillar of its responsible banking model, as the commitment to be close to its customers, serving as an accessible, proximity-based bank. The firm commitment of the last few years to a multi-channel approach has been a determining factor in the sound development of the business in this period of mobility restrictions.

Health and safety measures

The current evolution of the health crisis generates the need to continuously adapt and specify measures to adapt to the epidemiological situation and the different local and community-wide regulations.

Companies are responsible for assessing the risk of exposure experienced by staff in their job positions and to follow the guidelines and recommendations issued by the health authorities in order to prevent infections, based on the classification of CaixaBank's business activity as a key service

Prior to adopting preventive measures, CaixaBank performed a specific COVID-19 risk assessment, which concluded that there was a *low exposure risk*, and prepared a protocol to identify and manage situations that could involve a risk of spread, which was updated according to the criteria issued by the health authorities and the measures stipulated by the CaixaBank prevention services at any time.

In point 01: Our Identity – Covid-19: CaixaBank's response to the health emergency and contribution to recovery, from the CaixaBank Group's Consolidated Management Report, provides further information on the measures adopted by the Group in response to the Covid-19 crisis.

Modification of the application of the profit for the 2019 financial year

In order to accommodate the bank's position to the new environment, in its meeting of 26 March, the Board of Directors agreed to cancel the proposal to allocate the profits for the year ending on 31 December 2019 that the Board of Directors proposed on 20 February 2020, contained in the non-consolidated and consolidated financial statements of CaixaBank corresponding to the year ending on 31 December 2019.

This proposal included the payment of a dividend of 0.15 euros gross per share, in line with the CaixaBank Dividend Policy and the 2019-2021 Strategic Plan, which forecast the distribution of an amount of cash that was more than 50% of the consolidated net profit.

Within the framework of the measures adopted as a result of the situation created by COVID-19, and under an attitude of prudence and social responsibility, the Board of Directors, in the same meeting of 26 March 2020, agreed to reduce the amount of the dividend from 0.15 to 0.07 euros per share, representing a payout of 24.6%. The dividend was paid on 15 April, allocated to the profits of 2019. This is the only shareholder remuneration planned to be charged to 2019.

The new agreed proposal for the distribution of the profits of 2019, which includes the corresponding declaration from CaixaBank'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, is as follows:

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 corresponding to 2019

3.33%
Dividend yield (based on share price on 31.12.20)

With respect to the dividend policy consisting in the distribution of a cash dividend of more than 50% of consolidated net profit, the Board of Directors, in an exercise of prudence and social responsibility, agreed to modify it exclusively for 2020, limiting the distribution to a cash dividend in a percentage of no more than 30% of consolidated net profit.

Modification of the capital objectives

After considering the new regulatory and supervisory aspects, among others, the impact of the standards laid down in the Capital Requirements Directive V (CRD V) with regard to the composition of the Pillar 2 Requirement (P2R); the Board agreed to reduce the target CET1 capital adequacy ratio established in the 2019-2021 Strategic Plan to 11.5% for December 2021, rendering null and void the objective of a CET1 ratio of 12% plus a buffer of 1%, which was allocated to absorb the effects of implementing the Basel IV developments and other regulatory impacts.

Compensation package for Senior Management

Following a principle of prudence in variable remuneration, and as an act of co-responsibility between CaixaBank Senior Management and the Institution, the CEO and members of the Steering Committee decided to forego their 2020 variable compensation, both with respect to the annual bonus and their participation in the second cycle of the 2020 Long-Term Incentives Plan. 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.

Increased provisions for credit risk

CaixaBank has strengthened its coverage for credit risk, with an extraordinary provision of 1,012 million euros, anticipating future impacts of COVID-19.

4. Strategy

The banking sector has faced the impact of Covid-19 while already tackling several existing major challenges. On the one hand, the profitability of the European banking sector has been under enormous pressure since the financial crisis, largely due to the persistently low interest rate environment that is weighing on net interest income. Furthermore, digitalisation has been influencing the banking environment for a long time, which requires large investments in technology to manage the process.

In this respect, Covid-19 has accentuated these determining factors due to its macroeconomic impact and potentially permanent changes in the behaviour of consumers, such as a greater preference for digital interactions and the increased adoption of remote working. In light of this situation, the pressure for further consolidation in the banking sector has intensified. In addition to increasing efficiency and profitability, these operations also help to increase the capacity to invest in technology and to fully deploy the new business models that emerge from digitalisation. These models are based on network economies and require the largest possible customer base to develop digital financial services ecosystems that are profitable.

Merger

In this context, in September 2020, the Entity announced the planned merger with Bankia. In addition to providing a large customer base, this merger transaction will enable CaixaBank to maintain a balanced and diversified geographic presence. Bankia is also a financially sound institution that shares similar foundational roots and values with CaixaBank, born from its origin as a savings bank. In addition to bringing significant cost savings (€770 million per year approx.), the merger offers enormous potential for revenue synergies (€290 million per year approx.), due to the possibility of offering Bankia's existing customers the financial products and services of the CaixaBank group. Ultimately, the merger will result in a stronger, more efficient and more profitable financial institution. As a result, it will generate more value for customers, shareholders, employees, and society as a whole.

Following the recent approval of the transaction by shareholders, the merger is expected to be completed in the first quarter of 2021 after obtaining the corresponding regulatory and administrative authorisations. Meanwhile, the operational integration between the two financial institutions is expected to be implemented before the end of 2021.

Additional information on the merger transaction is detailed in Note 1.9 of the individual financial statement for 2020.

Strategic priorities

In the new context shaped by the pandemic and pending completion of the merger with Bankia, CaixaBank has decided to maintain the guidelines of the 2019-2021 Strategic Plan as the best course of action. CaixaBank considers that the five strategic lines defined in the plan remain fully in force as they reflect trends that have been accelerated by Covid-19. However, certain initiatives have been redefined, and some initial objectives have been revised in response to the new environment.

In particular, the achievement of many of the Strategic Plan's financial targets (including profitability) will be delayed beyond 2021 due to the impact of Covid-19 and the deterioration of the economic environment. Likewise, certain business priorities have been adjusted to reflect the worsening macroeconomic scenario. Furthermore, the changes caused by the pandemic (such as the increased use of digital and remote tools by customers and employees) have led to a redefinition of priorities to further accelerate CaixaBank's digital transformation, enhance the capabilities of the digital channel, and incorporate the reality of remote working for a substantial part of the organisation.

The preparation of the next strategic plan will be addressed once the integration of the two financial institutions is at a more advanced stage and there is a clearer understanding of the economic context.

Strategic lines

Offer the best customer experience

The ambitious Plan will see the Group stepping up its digital transformation process to ensure better customer orientation and adapt to new customer behaviour. The aim is to offer the best experience across any channel, based on the knowledge that most modern consumers prefer omnichannel services. Therefore, the following leverage factors have been established:

- Continuing to transform the distribution network to offer greater value to the customer: consolidation of the Store urban branch model (increase to at least 600 branches by 2021) and strengthening of the AgroBank model in rural areas (more than 1,000 branches in towns with fewer than 10,000 inhabitants). This reconfiguration will maintain customer proximity while also improving commercial efficiency, productivity and service.
- Enhancing the remote and digital customer service model: boost to the inTouch model and opportunity to continue growing imaginBank and the high-value services offered through our digital channels.
- Continuing to expand our range of products/services: we will continue to expand our ecosystem to cover all the financial and insurance needs of our customers, through new banking and non-banking products and services.

- Segmentation and review of customer journeys: optimisation of processes and usability to provide the best customer experience through any selected channel.

Accelerate digital transformation to boost efficiency and flexibility

The current environment and new technologies offer new opportunities (such as blockchain, artificial intelligence, and cloud computing) that will enable us to become a faster, more efficient and flexible bank. The main priorities in this area are:

- Reducing time-to-market for new product launches.
- Promoting efficiency in back-office processes.
- Exploiting the potential of Big Data for the whole organisation.
- Continuing to improve the flexibility, scalability and efficiency of our infrastructures, including increasing the use of the cloud, developing architecture, extending the use of agile methodologies, and continuing to invest in cybersecurity.

Foster a people-centric, agile and collaborative culture

The main goal of this strategic line is to strengthen our corporate culture and keep people at the heart of the organisation. The new plan will continue to promote talent (ensuring the development of their potential through a merit-based approach, diversity and empowerment), as well as defining and implementing the best value proposition for employees (improving the employee experience), and promoting agility and collaboration. This will include the following initiatives, among others:

- Simplifying processes and structures to make them more agile, cross-cutting and closer to customers.
- Fostering horizontal collaboration and communication.
- Increasing teams through an agile working methodology.
- Rewarding and promoting innovation.

Generating an attractive return for shareholders while remaining financially sound

The objective for the 2019-2021 Strategic Plan is to sustain a high return (even in an environment of stable interest rates) by maintaining a strong balance sheet. We expect to achieve our objective return on tangible equity (ROTE), based on the following leverage factors:

- Increasing core income supported by the following drivers:
  - Long-term insurance and saving, businesses with a high potential for growth.
  - Consumer finance, offering customers efficient solutions.
  - Loans to companies, helping them to grow.
  - Payment methods: our leadership generates opportunities for growth through increased electronic trade.
  - BPI: opportunity to replicate the CaixaBank model in Portugal.

High investment and transformational effort, making it possible to enhance the service provided and boost productivity.

- Reduction of problematic assets: significant reduction in bad loans, achieving a NPL ratio of under 3% in 2021.
- Consolidating financial stability.

The higher return, together with maintaining financial stability, will enable us to sustain an attractive dividend policy for our shareholders (>50% cash payout).

Setting the benchmark for responsible management and social commitment

CaixaBank strives to be an industry leader in socially responsible banking by reinforcing responsible business management (with an emphasis on transparency with customers), ensuring best practices in internal control and corporate governance, and maintaining its commitment to society. The priorities of the Socially Responsible Banking Plan are as follows:

- To strengthen the culture of transparency with customers.
- To have a more diverse and skilled team.
- To maintain our commitment to financial inclusion.
- To promote the responsible and sustainable financing.
- To promote financial culture.

5. Income statement and financial information

Main financial metrics of the CaixaBank Group

When managing the business and making decisions, the directors and management team at CaixaBank essentially rely on the CaixaBank Group or consolidated financial management information, the main financial figures of which are as follows:

€ millions / %	January - December 2020	January - December 2019	Year-on-year
PROFIT/(LOSS)			
Net interest income	4,900	4,951	(1.0%)
Net fee and commission income	2,576	2,598,4	(0.9%)
Core income	8,310	8,316	(0.1%)
Gross income	8,409	8,605	(2.3%)
Recurring administrative expenses, depreciation and	(4,579)	(4,771)	(4.0%)
Pre-impairment income	3,830	2,855	34.2%
Pre-impairment income stripping out extraordinary expenses	3,830	3,834	(0.1%)
Profit/(loss) attributable to the Group	1,381	1,705	(19.0%)
INDICATORS OF PROFITABILITY (Last 12 months)			
Cost-to-income ratio	54.5%	66.8%	(12.3)
Cost-to-income ratio stripping out extraordinary expenses	54.5%	55.4%	(0.9)
ROE	5.0%	6.4%	(1.4)
ROTE	6.1%	7.7%	(1.6)
ROA	0.3%	0.4%	(0.1)
RORWA	0.8%	1.1%	(0.3)

€ millions / %	January - December 2020	January - December 2019	Year-on-year
BALANCE SHEET			
Total Assets	451,520	391,414	15.4%
Equity	25,278	25,151	0.5%
Customer funds	415,408	384,286	8.1%
Loans and advances to customers, gross	243,924	227,406	7.3%
RISK MANAGEMENT			
NPL	8,601	8,794	(193)
Non-performing loan ratio	3.3%	3.6%	(0.3)
Cost of risk (last 12 months)	0.75%	0.15%	0.6
Provisions for insolvency risk	5,755	4.863	892
NPL coverage ratio	67%	55%	12
Net foreclosed assets held for sale	930	958	(28)
Foreclosed available for sale real estate assets coverage ratio	42%	39%	3
LIQUIDITY			
Total Liquid Assets	114,451	89,427	25,024
Liquidity Coverage Ratio (last 12 months)	248%	186%	62
Net Stable Funding Ratio (NSFR)	145%	129%	16
Loan to deposits	97%	100%	(3)
SOLVENCIA			
Common Equity Tier 1 (CET1)	13.6%	12.0%	1.6
Tier 1	15.7%	13.5%	2.2
Total capital	18.1%	15.7%	2.4
MREL	26.3%	21.8%	4.5
Risk-Weighted Assets (RWAs)	144,073	147,880	(3,807)
Leverage Ratio	5.6%	5.9%	(0.3)
SHARE INFORMATION			
Share price (€/share)	2.101	2.798	(0.697)
Market capitalisation	12,558	16,727	(4,169)

The following section (Results) shows the business performance of CaixaBank, S.A., unless otherwise indicated.

[1] Exposure in Spain.

Income

The income statement of CaixaBank, S.A. for 2020 is shown below, together with a comparison with the previous year.

€ millions	2020	2019
Net interest income	**3,304**	**3,375**
Dividend income and share of profit/(loss) of entities accounted for using the equity method	1,467	1,857
Net fees and commission income	2,099	2,106
Gains/losses due to financial assets and liabilities and others	260	208
Other operating income and expense	(465)	(480)
Gross income	**6,665**	**7,066**
Recurring administrative expenses, depreciation and amortisation	(3,885)	-4,067
Extraordinary expenses	-	(978)
Operating income/loss	**2,780**	**2,021**
Allowances for insolvency risk	(1,469)	(295)
Other charges to provisions	(156)	(151)
Gains/(losses) on disposal of assets and others	(561)	473
Profit/loss before tax	**594**	**2,048**
Income tax	94	26
Profit for the period	**688**	**2,074**

Profit/(loss) after tax amounted to €688 million, down 67.0% compared to the same period in 2020.

Gross income is EUR 6,665 million. Core income[1] is EUR 5,403 million in 2020 (-1.42%), practically remaining stable despite the difficulties associated with the current economic context. The evolution of gross income (-5.7%) was mainly affected by; the lower dividend income as a result of the current economic environment.

Recurring administrative expenses, depreciation and amortisation (-4.5%) reflect the savings associated with the 2019 labour agreement and the early retirements in 2020, as well as the intensive management of the cost base and lower expenses incurred in the context of Covid-19.

The performance of Allowances for insolvency risk was impacted by the reinforcement of provisions for credit risk, which include an extraordinary provision of €1.012 billion to anticipate the future impacts of Covid-19.

[1] Includes net fee and commission income and net interest income.

Other charges to provisions included EUR 109 million associated with early retirements during the first quarter.

Gains/(losses) on disposal of assets and others were impacted by, among other things, the recording of the provision associated with the stake in Erste Group Bank in 2020 (–€192 million).

Net interest income

Net interest income stands at €3.304 billion (-2.1 with respect to 2019). In a negative interest rate environment, this decrease is due to: (i) a decrease in income from loans due to a fall in the interest rate, impacted by the change in the lending portfolio structure (increase in ICO loans), and the decrease in the interest rate curve. This rate reduction has been partially compensated by a higher volume.

These effects have been partially compensated by: (ii) reduction of costs for financial institutions due to the increase in financing taken from the ECB under better conditions and the measures taken by the ECB in October 2019 (increasing the excess over the cash ratio not penalised with negative rates); (iii) savings in institutional financing costs due to a price drop as a result of a decrease in the curve; (iv) slight decrease in retail funding costs.

€ millions	2020		2019	
	Average balance	% rate	Average balance	% rate
Financial Institutions	38,464	0.99%	19,081	0.93%
Loans and advances (a)	206,301	1.63%	197,404	1.89%
Debt securities	36,816	0.69%	29,529	1.16%
Other assets with returns	1,256	0.78%	2,074	1.81%
Other assets	54,297	-	54,524	-
Total average assets (b)	**337,134**	**1.19%**	**302,612**	**1.42%**
Financial Institutions	45,201	0.41%	36,917	0.51%
Retail customer funds (c)	213,382	0.12%	187,720	0.15%
Wholesale marketable debt securities & other	28,593	0.75%	24,974	0.94%
Subordinated debt securities	5,547	1.3%	6,335	1.73%
Other funds with cost	2,083	2.44%	3,208	1.61%
Other funds	42,328	-	43,458	-
Total average funds (d)	**337,134**	**0.23%**	**302,612**	**0.29%**
Customer spread (a-c)		**1.51%**		**1.74%**
Balance sheet spread (b-d)		**0.96%**		**1.13%**

According to applicable accounting standards, income resulting from the application of negative interest rates should be reported in the appropriate income classification. The heading of financial intermediaries on the assets side incorporates negative interests of financial intermediaries on the liabilities side, whereby income from ECB financing measures are the most significant (TLTRO and MRO). Conversely, the heading 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 expense for both headings has economic significance.

The balances of all headings except "Other assets" and "Other funds" correspond to balances with returns/cost. "Other assets" and "Other funds" incorporate balance items that do not have an impact on the Net interest income and on returns and costs that are not assigned to any other item.

With regard to compensating the trading derivatives held via clearing houses LCH and EUREX, the compensation criteria established in IAS 32 have been met since 31 December 2019.

Dividend income

The dividend income stands at €1.467 billion, down 21% with respect to the previous year, which includes dividends distributed by the companies of the Group, (mainly VidaCaixa and CaixaBank Payments&Consumer). It also includes the Telefónica dividend for €100 million. The decrease in the dividend income is due to the current economic situation, which has forced many companies eliminate or reduce dividends.

Fees and commissions

Fee and commission income reached €2.099 billion, down 0.3% with respect to the previous year, impacted by the reduction in economic activity due to Covid-19.

Banking services, securities and other fees include income on securities transactions, transactions, deposit management, payment methods, and investment banking. In terms of performance (-0.33% with respect to the previous year), it is worth highlighting the decrease in payment method fees and the steady evolution of investment banking fees.

The fee and commission income from insurance sales dropped with respect to 2019 (-1.54%), primarily due to less commercial activity in the second and third quarters.

The fee and commission income from mutual funds, managed accounts, and SICAVs came to €317 million (+0.32%).

The fee and commission income from managing pension plans stand at €105 million (-4.5%).

€ millions	2020	2019
Banking services, securities and other fees	1,230	1,226
Insurance sales	447	454
Investment funds, portfolios and SICAVs	317	316
Pension plans	105	110
Net fees and commission income	**2,099**	**2,106**

Gains/losses due to financial assets and liabilities and others

Gains/losses due to financial assets and liabilities and others stand at €260 million (+25%), which include the materialisation of latent capital gains of financial assets measured at amortised cost.

Other operating income and expenses

Other operating income and expenses stand at €465 million (-3.12%), which include contributions to the Single Resolution Fund (SRF) and the Deposit Insurance Fund (DIF), in addition to income from rentals and contributions, rates, and taxes (such as the Spanish Property Tax [IBI]).

€ millions	2020	2019
Contribution to the Single Resolution Fund / Deposit Guarantee Fund	(334)	(327)
Other	(131)	(153)
Other operating income and expense	**(465)**	**(480)**

Administration expenses, depreciation and amortisation

The year-on-year performance of Administration expenses, depreciation and amortisation (-4.5%) includes the management of the cost basis and minor expenses in the context of Covid-19. Personnel expenses dropped by 5.77% due to savings associated with the 2019 labour agreement and early retirements in 2020 (effective from 1 April 2020), which offset the natural increase. Depreciations and amortisations rose by 2.0% due to investments made in CaixaBank's transformation projects over the previous year.

No extraordinary expenses were recorded in 2020. However, in 2019, extraordinary expenses included the agreement reached with employee representatives for €978 million (gross) regarding a compensated termination plan and other measures that would provide additional labour flexibility. The majority of the agreed departures took place on 1 August 2019.

€ millions	2020	2019
Gross income	**6,665**	**7,067**
Staff expenses	(2,369)	(2,514)
General expenses	(963)	(1,011)
Depreciation and amortisation	(553)	(542)
Recurring administrative expenses, depreciation and amortisation	**(3,885)**	**(4,067)**
Extraordinary expenses	**-**	**(978)**

Allowances for insolvency risk and other charges to provisions

Allowances for insolvency risk amounted to -€1.469 billion (-€295 million for the 2019 financial year).

This performance is marked by the modification, in 2020, of macroeconomic scenarios and the weighting given to each scenario used to calculate the expected credit risk loss. For this purpose, internal economic projection scenarios based on the impact of the Covid-19 health crisis on the economy and different levels of severity have been used. Combining scenarios allows reducing the uncertainty of projections in the current context, although these provisions will be updated in coming quarters based on new available information.

As a result, a credit risk provision of €1.012 billion was recorded in 2020 to anticipate future impacts related to Covid-19.

The performance in 2019 has been particularly impacted by the reversion of provisions associated with updating the recoverable value of exposure in a large borrower, as well as the detrimental impact of recalibrating models.

Other charges to provisions mainly includes coverage for contingencies and the impairment of other assets. The performance is essentially marked by the €109 million associated with early retirements in 2020.

Gains/(losses) on disposal of assets and others

Gains/(losses) on disposal of assets and others includes, essentially, the results of completed one-off transactions and proceeds on asset sales and write-downs. Its evolution is essentially influenced by extraordinary events in 2020 and 2019:

- In 2020, heading includes, primarily, the recording of a provision of EUR 192 million associated with Erste Group Bank due to the impact of COVID-19 in the economic environment, as well as the extension of the low interest rate scenario.
- In 2019, it included mainly the profit generated from the sale of PromoCaixa, Comercia Global Payments, and Visa shares to CaixaBank Payments&Consumer.

Balance sheet

When managing the business and making decisions, the directors and management team at CaixaBank rely on the Group or consolidated management information. Accordingly, the figures that appear in this section refer to information of the CaixaBank Group, unless otherwise indicated.

€ millions	Group		CaixaBank, S.A.	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total assets	451,520	391,414	349,942	299,164
Total liabilities	426,242	366,263	328,268	277,109
Equity	25,278	25,151	21,674	22,055

Customer funds

Customer funds stood at €415.408 billion on 31 December 2020 (+8.1% in the year).

On-balance sheet funds totalled €303.650 billion (+9.5% in the year). Key factors:

- Growth of demand deposits to €220.325 billion. The performance (+16.2%) is largely down to the strength of the franchise in a context in which families and companies have managed their liquidity needs.
- Term deposits stand at €21.909 billion (-24.4%). Their performance continues to be marked by the reduction of deposits on the renewal of maturities against a backdrop of rock-bottom interest rates.
- Increase in liabilities under insurance contracts[2] in the year (+3.3%) due primarily to the positive net subscriptions of *Unit Link*.

Assets under management stand at €106,643 million. Their annual performance (+4.2%), following the fall in markets at the start of 2020, is down to their progressive recovery over the year. Similarly, positive net subscriptions were recorded in the year. Assets under management in mutual funds, portfolios and SICAVs stand at €71.315 billion (+4.0% in the year). Pension plans stand at €35.328 billion (4.7% in the year).

Other accounts includes primarily temporary resources associated with transfers and collection.

€ millions	Group CaixaBank	
	31.12.2020	31.12.2019
Customer funds	242,234	218,532
Demand deposits	*220,325*	*189,552*
Time deposits[1]	*21,909*	*28,980*
Liabilities under insurance contracts	59,360	57,446
Repurchase agreement and others	2,057	1,294
On-balance sheet funds	**303,650**	**277,272**
Mutual funds, managed accounts and SICAV's	71,315	68,584
Pension plans	35,328	33,732
Assets under management	**106,643**	**102,316**
Other accounts	**5,115**	**4,698**
Total customer funds	**415,408**	**384,286**

The reconciliation of customer funds from CaixaBank Group to CaixaBank, S.A. (criteria management) is attached below:

€ millions	Group Conciliation - CaixaBank, S.A.	
	31.12.2020	31.12.2019
Total customer funds management criterion - Group CaixaBank	**415,408**	**384,286**
(+) Removal of CaixaBank balances with Group companies	2,207	2,576
(+) Consolidation adjustments	6,521	6,208
(-) Balance from Group companies	(37,366)	(37,760)
Total customer funds management criterion - CaixaBank, S.A.	**386,770**	**355,310**

[1] Includes retail debt securities amounting to EUR 1,436 million at 31 December 2020 (EUR 1,625 million in 2019).

[2] Excluding the impact of the change in value of the associated financial assets, with the exception of Unit Link and Flexible Investment Life Annuity products (the part managed).

Loans and advances to customers

Gross loans and advances to customers stand at €243.924 billion (+7.3% for the year). Significantly, there was strong growth in loans to businesses and the public sector.

Lending for home purchases (-3.3% in the year) continues to be marked by household deleveraging in line with the trend of previous quarters.

Loans to individuals - other purposes fell by 2.2% in the year. Its performance was influenced by a 3.8% decrease in consumer lending in the year due to the slowdown in economic activity and increased mobility restrictions in the last quarter of the year.

Financing for businesses grew by 16.6% in the year in response to the demand for loans as companies anticipated their liquidity needs for subsequent quarters, an effect that has already slowed down in the fourth quarter of the year.

Over the year, the Group granted EUR 11,967 million in loans with public guarantees.

Public sector lending increased by 43.2% in the year, impacted by one-off transactions in an environment of high liquidity.

€ millions	Group CaixaBank	
	31.12.2020	31.12.2019
Loans to individuals	120,648	124,334
Home purchases	*85,575*	*88,475*
Other	*35,074*	*35,859*
of which: consumer lending	*14,170*	*14,728*
Loans to businesses	106,425	91,308
Corporates and SME's	*100,705*	*85,245*
Real estate developers	*5,720*	*6,063*
Public sector	16,850	11,764
Loans and advances to customers, gross	**243,924**	**227,406**
Provisions for insolvency risk	(5,620)	(4,704)
Loans and advances to customers (net)	**238,303**	**222,702**
Contingent liabilities	16,871	16,856

The reconciliation of the total gross loans and advances to customers of the CaixaBank Group to CaixaBank S.A. is as follows (management criteria):

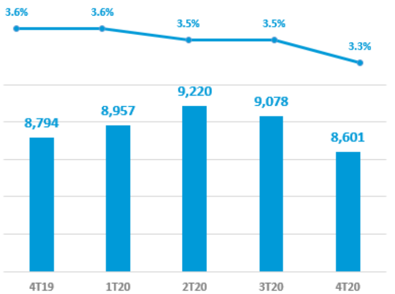
€ millions	Group conciliation - CaixaBank, S.A.	
	31.12.2020	31.12.2019
Loans and advances to customers, gross - CaixaBank Group	**243,924**	**227,406**
(+) Removal of CaixaBank balances with Group companies	10,819	11,834
(+) Consolidation adjustments	692	1,306
(-) Balance from Group companies	(35,153)	(34,910)
Loans and advances to customers, gross - CaixaBank, S.A.	**220,282**	**205,636**

Asset quality

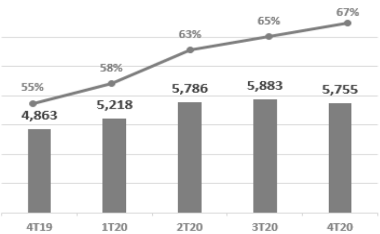
The non-performing loan ratio fell to 3.3% (–30 basis points in the year). Non-performing loans went down by €193 billion for the year despite the slowdown of the economic recovery at the start of the health crisis. The coverage ratio increased to 67% (+12 percentage points for the year following the strengthening of provisions).

%	Grupo CaixaBank	
	31.12.2020	31.12.2019
Crèdits a particulars	4,5%	4,4%
Compra d'habitatge	*3,5%*	*3,4%*
Altres finalitats	*6,9%*	6,7%
del que: consum	*4,2%*	4,0%
Crèdit a empreses	2,7%	3,2%
Sectors productius excl.-promotors	2,4%	2,9%
Promotors	6,7%	8,0%
Sector públic	0,1%	0,3%
Ràtio de morositat	**3,3%**	**3,6%**
Ràtio de cobertura de la morositat	**67%**	**55%**

Non-performing loans balance and ratio



Provisions and coverage ratio



N.B. Figures include account loans and contingent liabilities.

Liquidity

CaixaBank manages the liquidity risk to maintain sufficient liquidity levels so that it can comfortably meet all its payment obligations and to prevent its investment activities from being affected by a lack of lendable funds, at all times within the risk appetite framework.

Note 3.3.3 "Liquidity risk" in the annual accounts report details CaixaBank's strategic principles, risk strategy, and liquidity and financing risk appetite.

The main figures related to CaixaBank's liquidity and financing structure are as follows:

€ millions	CaixaBank, S.A.	
	31.12.2020	31.12.2019
Total Liquid Assets (1)	103,640	81,252
of which: HQLA	*85,777*	*50,922*
of which: available balance in non-HQLA facilty	*17,863*	*30,330*
Institutional financing	33,960	31,666

Total liquid assets stand at EUR 103,640 million as of 31 December 2020 with a growth of €22,388 million over the year due to the generation and contribution of collateral to the ECB facility, the contribution of net liquid assets due to the commercial gap, and a higher volume of new issuances than maturities.

The balance drawn from the ECB facility on 31 December 2020 amounted to €45.305 billion, corresponding to TLTRO III. The available balance increased by 33.751 billion over the year due to the early repayment of €3.409 billion under TLTRO II and the provision of €37.160 billion under TLTRO III.

With institutional financing standing at €33.96 billion, CaixaBank has successfully accessed markets through various debt instrument issuances throughout 2020.

CaixaBank's available capacity to issue mortgage and regional public sector covered bonds stood at €8.222 billion at the end of December 2020.

The following information relates to issuances by CaixaBank, S.A. in 2020:

€ millions	CaixaBank, S.A.			
Issue	Amount	Maturity	Cost[1]	Demand
Senior preferred debt	1,000	5 years	0.434% (midswap + 0.58%)	2,100
Senior preferred debt[2]	1,000	6 years	0.835% (midswap + 1.17%)	3,000
Additional Tier 1	750	Perpetual	6.006% (midswap + 6.346%)	4,100
Senior non preferred debt[3]	1,000	6 years	0.429% (midswap + 0.85%)	4,000

After the close of 2020, CaixaBank issued a green bond (non-preferred senior debt) for EUR 1,000 million over 8 years with annual returns of 0.5%, equivalent to a mid-swap + 115 basis points.

There are regulatory liquidity requirements, which, for the case of the reporting perimeter and regulatory compliance of a 'Single liquidity subgroup' (CaixaBank consolidated without BPI or CaixaBank Wealth Management Luxembourg, S.A.), are as follows:

The Liquidity Coverage Ratio (LCR) on 31 December 2020 was 276%, showing a very comfortable liquidity position (last 12-month 248% average LCR), well above the minimum requirement of 100%.

The Net Stable Funding Ratio (NSFR)[5] stands at 144% on 31 December 2020, above the regulatory minimum 100% required from 2021.

[1] Data corresponding to the reporting perimeter and regulatory compliance of a 'Single liquidity subgroup' (CaixaBank consolidated without BPI or CaixaBank Wealth Management Luxembourg, S.A.).

[2] Meaning the yield on the issuance.

[3] COVID-19 Social Bond

[4] Green Bond

[5] Calculation applying the regulatory criteria established as per Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019, to enter into force in June 2021.

Capital management

When managing the business and making decisions, the directors and management team at CaixaBank rely on the Group or consolidated management information. Accordingly, the figures that appear in this section refer to information of the CaixaBank Group, unless otherwise indicated.

€ millions and %	CaixaBank, S.A.	
	31.12.2020	31.12.2019
Common Equity Tier 1 (CET1)	13.6%	12.0%
Tier 1	15.7%	13.5%
Total capital	18.1%	15.7%
Risk-weighted Assets (RWA)	144,073	147,880

In this regard, the Group's Common Equity Tier 1 (CET1) ratio reached 13.6% on 31 December 2020 (13.1% without applying the IFRS9 transitional period). The annual evolution registered +99 basis points due to organic generation of capital, +32 basis points due to the extraordinary impact of the reduction of the dividend charged to 2019 as a result of the measures adopted by the Board of Directors due to COVID-19, +55 basis points due to the implementation of the temporary adjustment of the IFRS9 regulation[1], –15 basis points due to the forecast of dividends[2], and –10 basis points due to the evolution of markets and other impacts.

After considering the new regulatory and supervisory aspects resulting from the Covid-19 crisis, the Board of Directors agreed to reduce to 11.5% the objective of the solvency rate CET1.

The Tier 1 ratio stands at 15.7%. Over 2020, a new issuance of €750 million in AT1 instruments was completed. Following this issuance, the Group has totally filled the AT1 bucket, both in terms of the requirements of Pillar 1 (1.5%) and the corresponding part of the requirements of P2R (0.28%).

The Total Capital ratio stands at 18.1% and the leverage ratio is 5.6%.

With respect to the MREL requirement, the new recovery and resolution directive (BRRD2), which came into force in December, establishes that the CaixaBank Group must meet a minimum volume of own funds and admissible liabilities[3], total MREL, of 22.95% of RWAs as of 1 January 2024 (with an interim requirement of 22.09% from 1 January 2022).

Furthermore, from 1 January of 2022, CaixaBank must comply with a Total MREL requirement of 6.09% of leverage ratio exposure (LRE).

In December, CaixaBank had an RWA ratio of 26.3%, and 9.4% of LRE, thus already meeting the requirements. At the subordinated level, excluding senior preferred debt and other *pari passu* liabilities, the MREL ratio reached 22.7% of RWAs and 8.1% of LRE, positioned comfortably above the regulatory requirement of 16.26% of RWAs and 6.09% of LRE.

Similarly, CaixaBank is subject to minimum capital requirements on a non-consolidated basis. The CET1 ratio under this perimeter reached 15.1 %.

The decisions of the European Central Bank (ECB) and the national supervisor, including the measures adopted due to the Covid-19 health crisis, require the CaixaBank Group to maintain, during 2020, capital requirement ratios of 8.10% for CET1, 9.88% for Tier 1, and 12.26% for Total Capital.

The Group's current level of capital adequacy confirm that the applicable requirements would not lead to any automatic restrictions according to the capital adequacy regulations, regarding the distribution of dividends, variable remuneration, and the interests of holders of Additional Tier 1 capital securities.

The CaixaBank Group's capital adequacy and capital ratios required by the applicable regulations in 2020 are detailed in Note 4 of the attached financial statements.

[1] In March, CaixaBank adopted the transitional provisions of IFRS9, which allows it to partially mitigate the pro-cyclicality associated to the provisions model under IFRS9 in its capital adequacy calculations, throughout the transitional period established.

[2] Correction of expected dividend percentage.

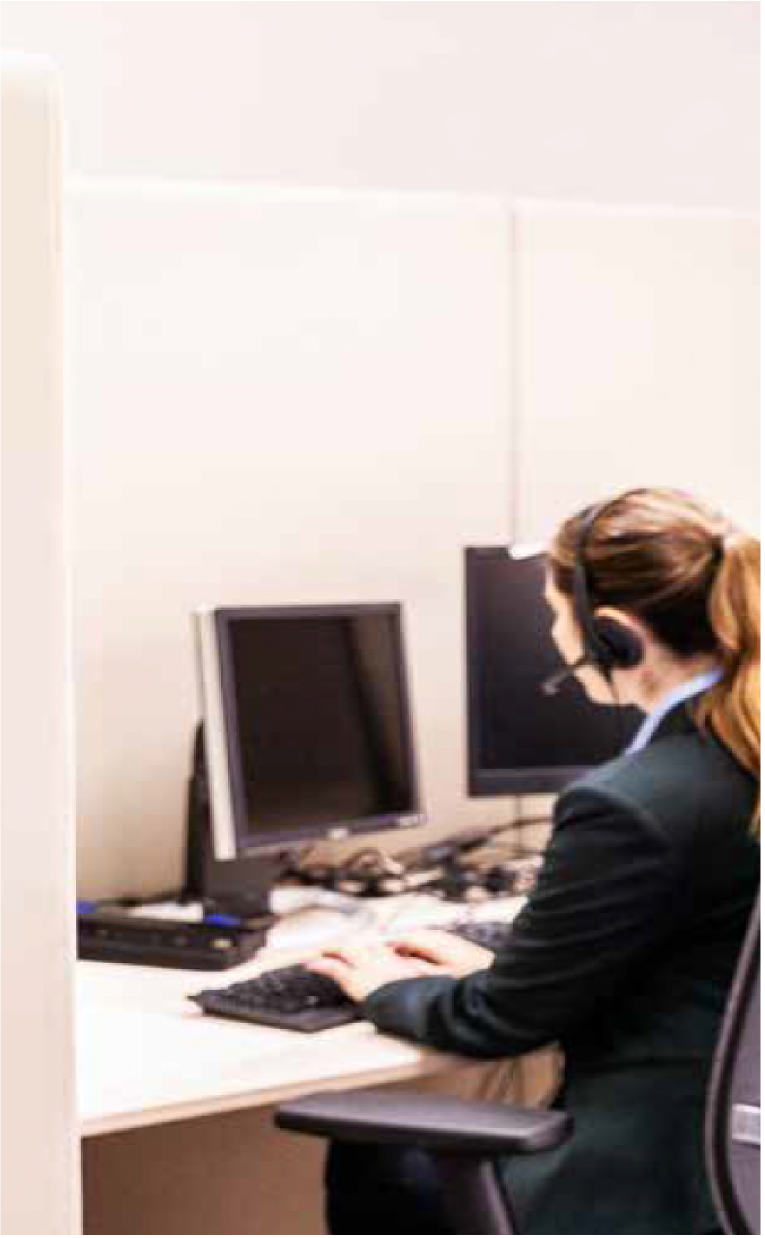
[3] Eligible liabilities include senior non-preferred debt and other pari-passu liabilities, at the criteria of the Single Resolution Board.

Dividend policy

On 15 April 2020, EUR 0.07/share was paid, which is the total shareholder remuneration paid in 2019, representing a payout of 24.6%.

With respect to the dividend policy consisting in the distribution of a cash dividend of more than 50% of consolidated net profit, the Board of Directors, in an exercise of prudence and social responsibility, agreed to modify it exclusively for 2020, limiting the distribution to a cash dividend in a percentage of no more than 30% of consolidated net profit.

At the Annual General Meeting, the Board of Directors proposed the payment of a dividend of EUR 0.0268 per share[1] in cash from the profit for the 2020 financial year[2], 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.



[1] Assumes distribution on total shares post-merger
[2] Maximum amount that can be distributed is 15% of the profit of the CaixaBank Group plus Bankia, adjusted by the payment of coupons of both entities, reclassifications of OCIs against P&L and the amortisation of intangible assets with a neutral impact on capital adequacy.

6. Non-financial information

The non-financial information related to CaixaBank, S.A. is detailed in point 03: Statement of non-financial information, from the Consolidated Management Report of the CaixaBank Group.

The most significant events of CaixaBank, S.A. in 2020 in the following areas, including research and development activities, are outlined below (and expanded upon in point 03): Statement of non-financial information, from the Consolidated Management Report of the CaixaBank Group.

Customer experience

- CaixaBank *ranked as Best Bank in Spain 2020 and Best Bank in Western Europe 2020* by Global Finance magazine
- CaixaBank ranked as *Best Private Bank in Europe* for its culture and digital vision by PWM magazine (Financial Times Group)
- CaixaBank ranked as *Best Consumer Bank in the World 2020* by Global Finance.
- CaixaBank receives the Euromoney Excellence in leadership in Western Europe 2020 prize for its social commitment in response to the Covid-19 crisis.

Innovation and digitalisation

- CaixaBank launches FX Now, an online platform to manage the foreign exchange market in real time.

People management

- CaixaBank signs a new Equality Plan to foster diversity, promote the presence of women in managerial positions, and enhance work-life balance.
- CaixaBank adheres to the international programme *Target Gender Equality* promoted by the UN Global Compact to enhance gender equality.

Sustainability

- CaixaBank adheres to the manifesto to promote a green and sustainable recovery to emerge from the crisis.
- CaixaBank issues a €1 billion Covid-19 Social Bond to finance SMEs and microenterprises in the most disadvantaged parts of Spain.
- CaixaBank is ranked as one of the best banks in the world for sustainability by the Dow Jones Sustainability Index.
- CaixaBank issues its first €1 billion Green Bond to finance renewable energy projects and energy-efficient buildings.
- CDP *(Carbon Disclosure Project)* recognises CaixaBank as one of the leading companies in the fight against climate change, maintaining its position in the top category with a rating of A-.

Glossary – Financial information

In addition to financial information, drawn up in accordance with International Financial Reporting Standards (IFRS) and Circular 4/2017 of the Bank of Spain, this document includes certain Alternative Performance Measures (APM), according to the definition of Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 30 June 2015 (ESMA/2015/1057). CaixaBank uses certain APMs, which have not been audited, for a better understanding of the company's financial performance. These measures are considered additional disclosures and in no case replace the financial information prepared under IFRSs.

Moreover, the way the Group defines and calculates these measures may differ to the way similar measures are calculated by other companies. Accordingly, they may not be comparable.

ESMA guidelines define an APM as a financial measure of historical or future performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

In accordance with these guidelines, 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:

Profitability and cost-to-income

Customer spread: the difference between: (i) average rate of return on loans (obtained as a quotient between the income from loans and advances and the net average balance of loans and advances for the period, and; (ii) average rate for retail deposits (obtained as a quotient between the cost and net balance of the retail deposits, excluding subordinated liabilities).

Balance sheet spread: the difference between: (i) average rate of return on assets (calculated from the interest income divided by the total average assets for the period) and; (ii) average cost of funds (calculated from the interest expenses divided by total average funds for the period).

ROE: 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. Allows the Group to monitor the return on its shareholder equity.

ROTE: quotient between; (i) profit/(loss) attributable to the Group (adjusted by the amount of the *Additional Tier 1* coupon reported in shareholder equity) and; (ii) 12-month average shareholder equity plus valuation adjustments deducting intangible assets using management criteria (calculated as the value of intangible assets in the public balance sheet, plus the intangible assets and goodwill associated with investees, net of provisions, recognised in Investments in joint ventures and associates in the public balance sheet). Metric used to measure the return on a company's tangible equity.

ROA: quotient between the net profit (adjusted by the amount of the Additional Tier 1 coupon, reported in shareholder equity) and the average total assets from the last twelve months.

RORWA: quotient between the net profit (adjusted by the amount of the Additional Tier 1 coupon, reported in shareholder equity) and the average risk-weighted total assets from the last twelve months.

Cost-to-income ratio: operating expenses (administrative expenses, depreciation and amortisation) divided by gross income (or *core* income for the *core* cost-to-income ratio) for the last 12 months.

Risk management

Cost of risk (CoR): quotient between the total allowances for insolvency risk (12 months) divided by average of gross loans to customers, plus contingent liabilities, using management criteria. Metric used to monitor allowances for insolvency risk on the lending portfolio.

NPL ratio quotient between the non-performing loans and advances to customers and contingent liabilities, using management criteria, and the total gross loans to customers and contingent liabilities, using management criteria.

Coverage ratio: quotient between the total credit loss provisions for loans to customers and contingent liabilities, using management criteria, and non-performing loans and advances to customers and contingent liabilities, using management criteria.

Real estate available for sale coverage ratio: quotient between the gross debt cancelled at the foreclosure or surrender of the real estate asset minus the present net book value of the real estate asset; and the gross debt cancelled at the foreclosure or surrender of the real estate asset.

Reflects the coverage level via write-downs and accounting provisions on foreclosed real estate assets available for sale.

Real estate available for sale coverage ratio with accounting provisions: quotient between accounting coverage (charges to provisions of foreclosed assets) and the gross book value of the foreclosed asset (sum of net carrying amount and the accounting provision).

Liquidity

Total liquid assets: sum of HQLAs (*High Quality Liquid Assets* within the meaning of Commission Delegated Regulation of 10 October 2014) plus the available balance under the facility with the European Central Bank (non-HQLA).

Loan-to-deposits: quotient between net loans and advances to customers using management criteria excluding brokered loans (funded by public institutions), and customer deposits on the balance sheet. Metric showing the retail funding structure (allows us to value the proportion of retail lending being funded by customer funds).

Other relevant indicators

Market capitalisation: share price multiplied by the number of outstanding shares minus the number of treasury shares held at the end of the period.

Adaptation of the structure of the public statement of profit or loss to the management format

Net fee and commission income. Includes the following line items:
• Fee and commission income.
• Fee and commission expense.

Gains/(losses) on financial assets and liabilities and others. Includes the following line items:
• Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net.
• Gains/(losses) on financial assets not designated for trading that must be designated at fair value through profit or loss, net.
• Gains/(losses) on financial assets and liabilities held for trading, net.
• Gains/(losses) from hedge accounting, net.
• Exchange differences (net).

Administrative expenses, depreciation and amortisation. Includes the following line items:
• Administrative expenses.
• Depreciation and amortisation.

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 and net 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/(reversal) of impairment on investments in joint ventures or associates.
• Impairment/(reversal) of impairment on non-financial assets.
• Gains/(losses) on derecognition of non-financial assets and investments, net.
• Negative goodwill recognised in profit or loss.
• Profit/(loss) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations, net.

Reconcilation of activity indicators with management criteria

Loans and advances to customers, gross	
December 2020	
€ million	
Financial assets at amortised cost - Customers (Public Balance Sheet)	236,988
Reverse repurchase agreements (public and private sector)	(232)
Clearing houses	(960)
Other, non-retail, financial assets	(481)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss- Loans and advances (Public Balance Sheet)	85
Fixed income bonds considered retail financing (Financial assets at amortised cost - Public debt securities, Balance Sheet)	2,715
Fixed income bonds considered retail financing (Assets under the insurance business - Balance Sheet)	189
Provisions for insolvency risk	5,620
Loans and advances to customers (gross) using management criteria	243,924

Customer funds	
December 2020	
€ million	
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[1]	5,115
Total customer funds	415,408

1. Includes, among others, transitional funds associated with transfers and collection activity, as well as other funds distributed by the Group.

2020

Annual Corporate
Governance Report

Interactive document

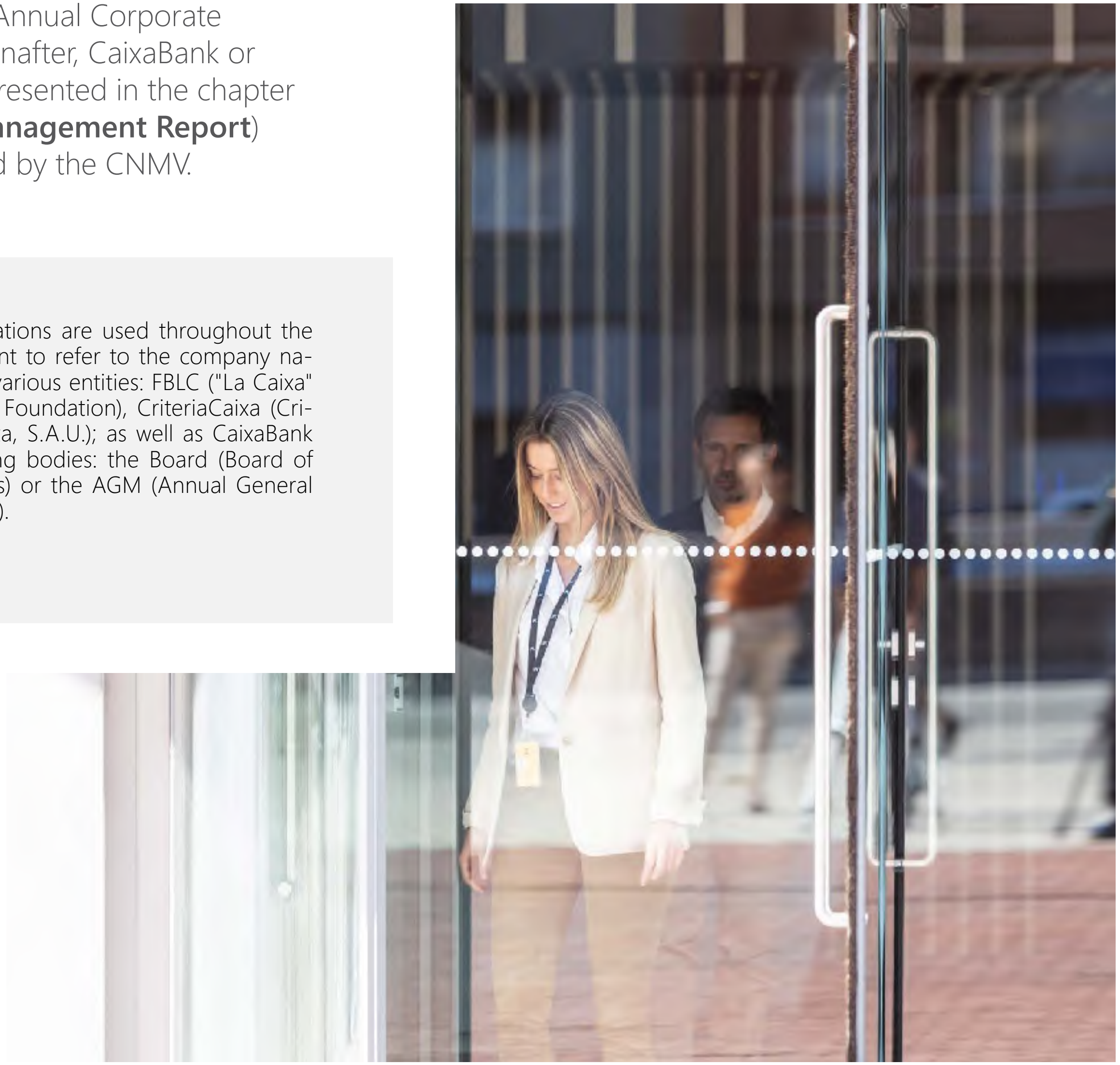
CaixaBank

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).



Legal notice

This document is intended exclusively for information purposes and does not aim to provide financial advice or constitute an offer to sell, exchange, or acquire, or an invitation to acquire any type of security or any financial service or product of CaixaBank, S.A. (the "Company") or of any other company mentioned herein. Anyone who purchases a security at any time must do so solely on the basis of their own judgment or the suitability of the security for their own purposes, and exclusively on the basis of the public information set out in the public documentation drawn up and registered by the issuer in the context of this specific information, availing themselves of advice if they consider this necessary or appropriate in accordance with the circumstances, and not on the basis of the information set out in this document.

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.

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 statement of profit or loss 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 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.

Without prejudice to applicable legal requirements or to any other limitations imposed by the CaixaBank Group, permission to use the contents of this document or the signs, trademarks and logos it contains is expressly denied. This prohibition extends to any reproduction, distribution, transmission to third parties, public communication or conversion, in any medium, for commercial purposes, without the prior express consent of the respective proprietary titleholders. Failure to observe this prohibition may constitute a legal infraction sanctionable under prevailing legislation.

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.

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 ADRR and this ACGR report are 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

02. Diversity and balance in the composition of the Board of Directors

03. Professionalism and duties of members of the Board of Directors

04. Balanced remuneration aimed at attracting and retaining the appropriate profile of members of the Board of Directors

05. Commitment to ethical and sustainable action

06. Protection and promotion of shareholders' rights

07. Compliance with current regulations as the guiding principle for all people who form part of CaixaBank

08. Internal control framework

09. Acceptance and update of good governance practices

10. Transparent information

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 5

Because the Annual General Meeting of 28 April 2016 approved a motion which allows the Board to issue bonds and other instruments convertible into shares with the exclusion of pre-emptive subscription rights by making any capital increases that the Board of Directors may approve under this authorisation subject to the legal limitation of 50% of the capital and not 20%. The aim of this is to provide the entity with maximum flexibility in relation to the instruments available for the integration of its regulatory capital.

Recommendation 10

Because the regulations of CaixaBank's Annual General Meeting provide for a different voting system depending on whether resolutions are proposed by the Board of Directors or by shareholders. This is to avoid counting difficulties in respect of shareholders who are absent before the vote and to resolve new proposals dealing with resolutions that contradict the proposals submitted by the Board, ensuring in all cases the transparency of counting and the proper recording of votes.

Recommendation 27

Because the proxies for voting at the headquarters of the Board, when applicable, in cases when attendance in not possible, may be carried out with or without specific instructions at the discretion of each director. The freedom to appoint proxies with or without specific instructions is considered a good Corporate Governance practice by the Company and, specifically, the absence of instructions is seen to facilitate the proxy's ability to adapt to the content of the debate.

Recommendation 36

Because 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.

Recommendation 64

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.

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 deemed to be applicable as CaixaBank is not a company controlled by another entity, listed or otherwise, in the sense of Article 42 of the Commercial Code.

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 CaixaBank 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.

>> 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

(*) 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:

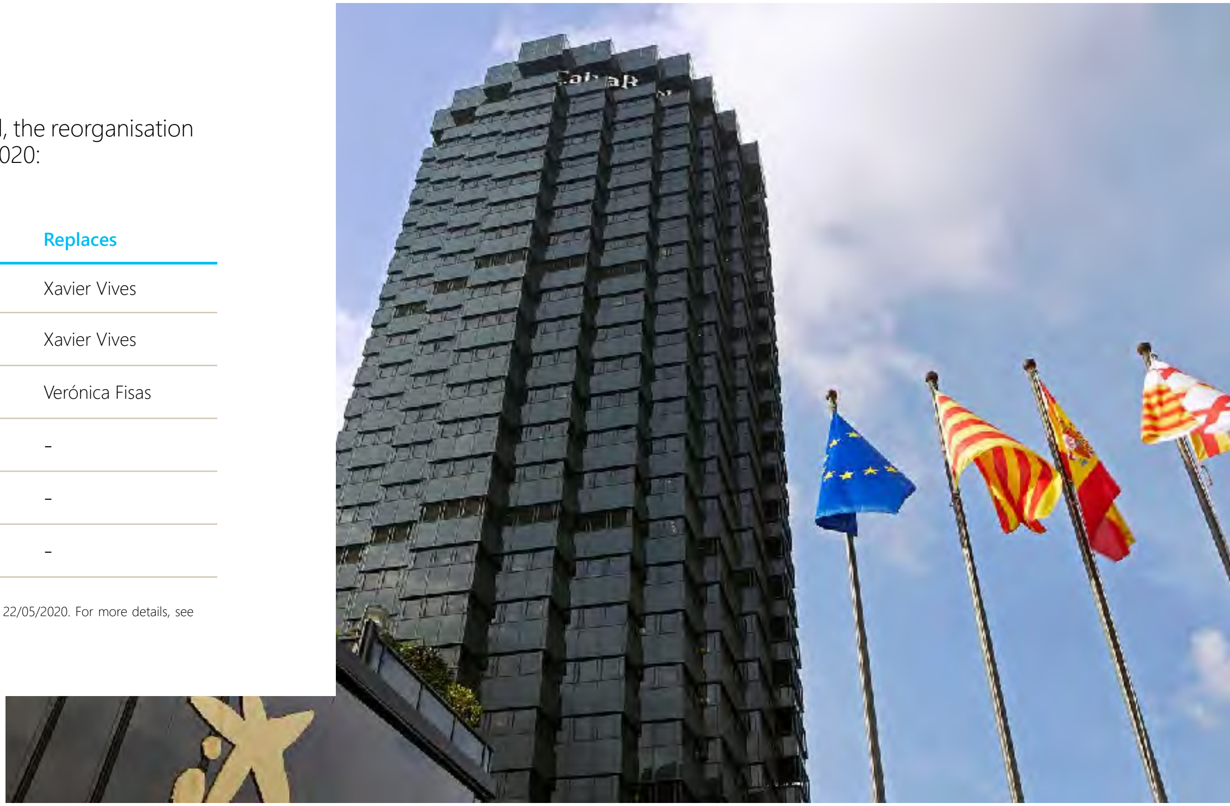
Appointment	Board Position and Committee	Replaces
Koro Usarraga	Member of Executive Committee	Xavier Vives
Eduardo Javier Sanchiz	Member of Appointments	Xavier Vives
Cristina Garmendia	Member of Remuneration Committee	Verónica Fisas
Verónica Fisas	Member of Risk Committee	-
Tomás Muniesa	Member of Risk Committee	-
Cristina Garmendia	Member of Audit and Control Committee	-

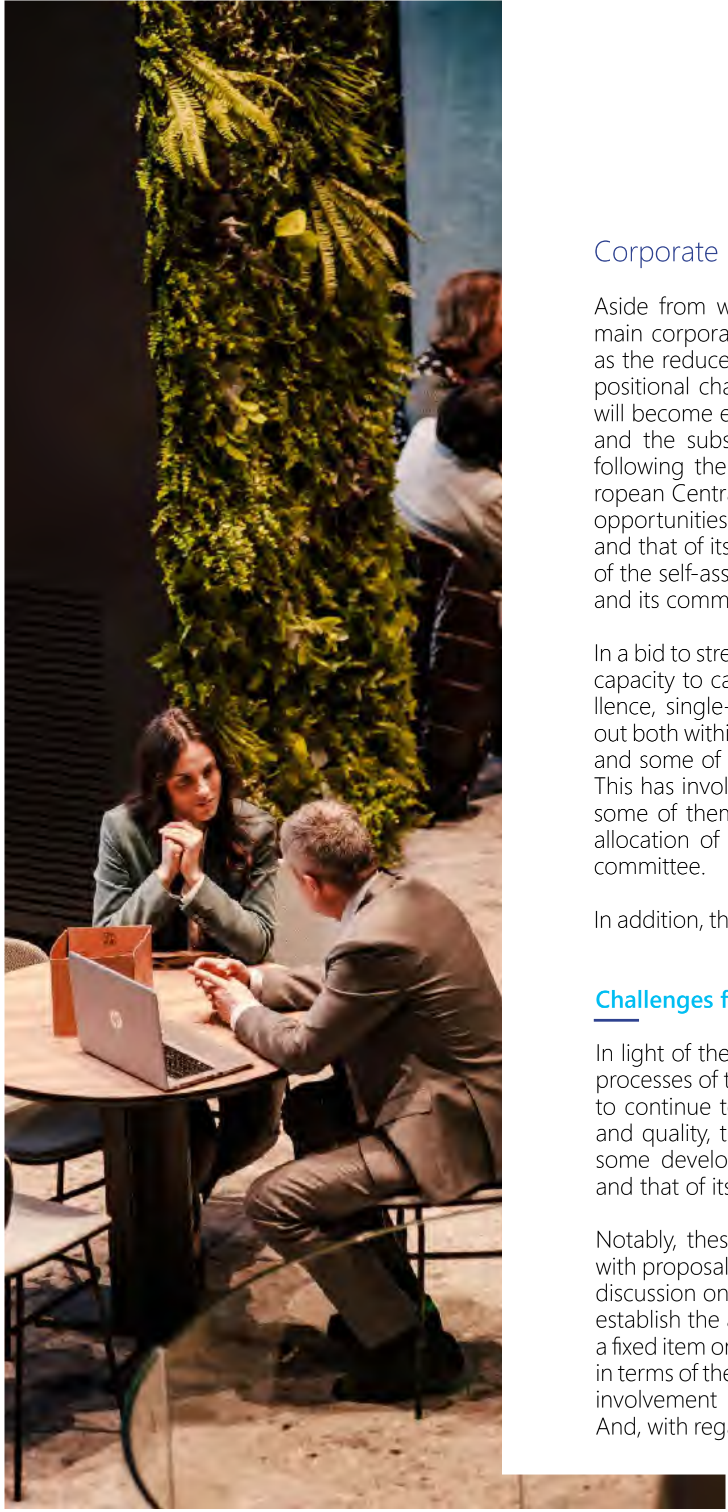
(*) Verónica Fisas has also been reappointed as a member of the Executive Committee. For more details see ORI of 22/05/2020. For more details, see other relevant information (ORI).

>> 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 (*)

(*) Pending merger registration, suitability verification and acceptance of appointments





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 By-laws 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.

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.

Shareholder structure

Share tranches	Shareholders[1]	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[2]	603	4,919,799,262	82.3
Total	**564,723**	**5,981,438,031**	**100**

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:

	% of voting rights attributed to the shares		% of voting rights attributed through financial 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

[1] 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.

[2] Includes treasury shares.

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[1]:

		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.

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 subsequently 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[1].

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 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 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.

[1] 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.

0.67% Board

0.07% Treasury shares

51.02 % Regulatory Free Float (CNMV criterion)

48.2% Significant shareholders (Total)

40.0% CriteriaCaixa

2.8% Treasury stock, Directors and other shareholders represented on the Board

57.1% Free Float

57.1% Free Float

34% Retail

66% Institutional

Geographical distribution of institutional investors

66% Institutional

8% Asia and rest of the world

27% USA and Canada

14% Spain

15% Unidentified (foreign)

22% Rest of Europe

14% United Kingdom

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[1]
(Millions of euros)

Issue date	Maturity	Nominal amount	Nominal interest rate	Amount pending redemption 31-12-2020	Conversion	Maximum number of shares in the case of conversion
June 2017[2]	Perpetual	1,000	6.750%	1,000	CET1 < 5.125%	356,760,000
March 2018[2]	Perpetual	1,250	5.250%	1,250		483,931,250
October 2020[2]	Perpetual	750	5.875%	750		620,347,394
PREFERENCE SHARES [2]				3,000		

[1] The preference shares that may be convertible into shares are admitted to trading on the AIAF (Spanish Association of Financial Intermediaries).

[2] 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.

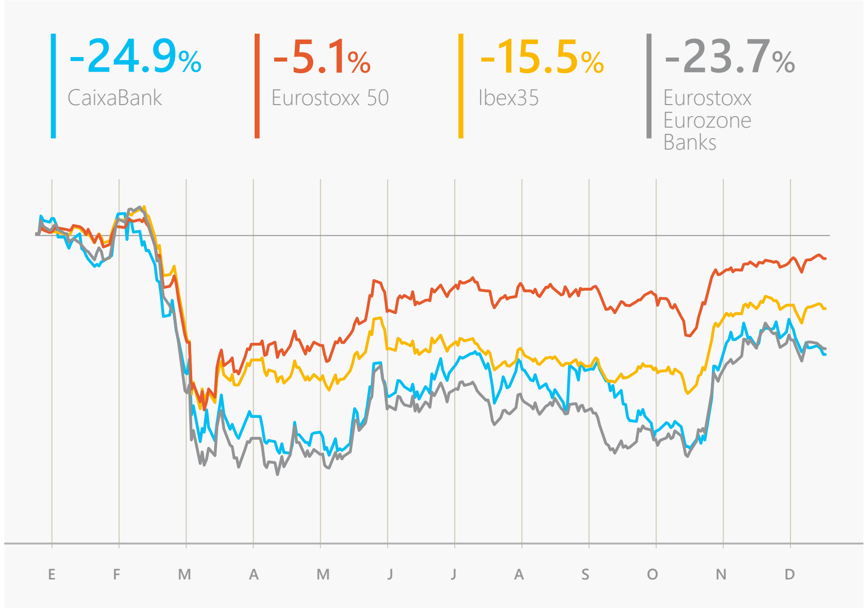
Performance of stocks (A.1)

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 quarter of 2020.

>> PERFORMANCE OF THE MAIN INDICES
(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[1]	3.33%	6.08%	4.74%	(2.75)	1.34

[1] 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[1], 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)

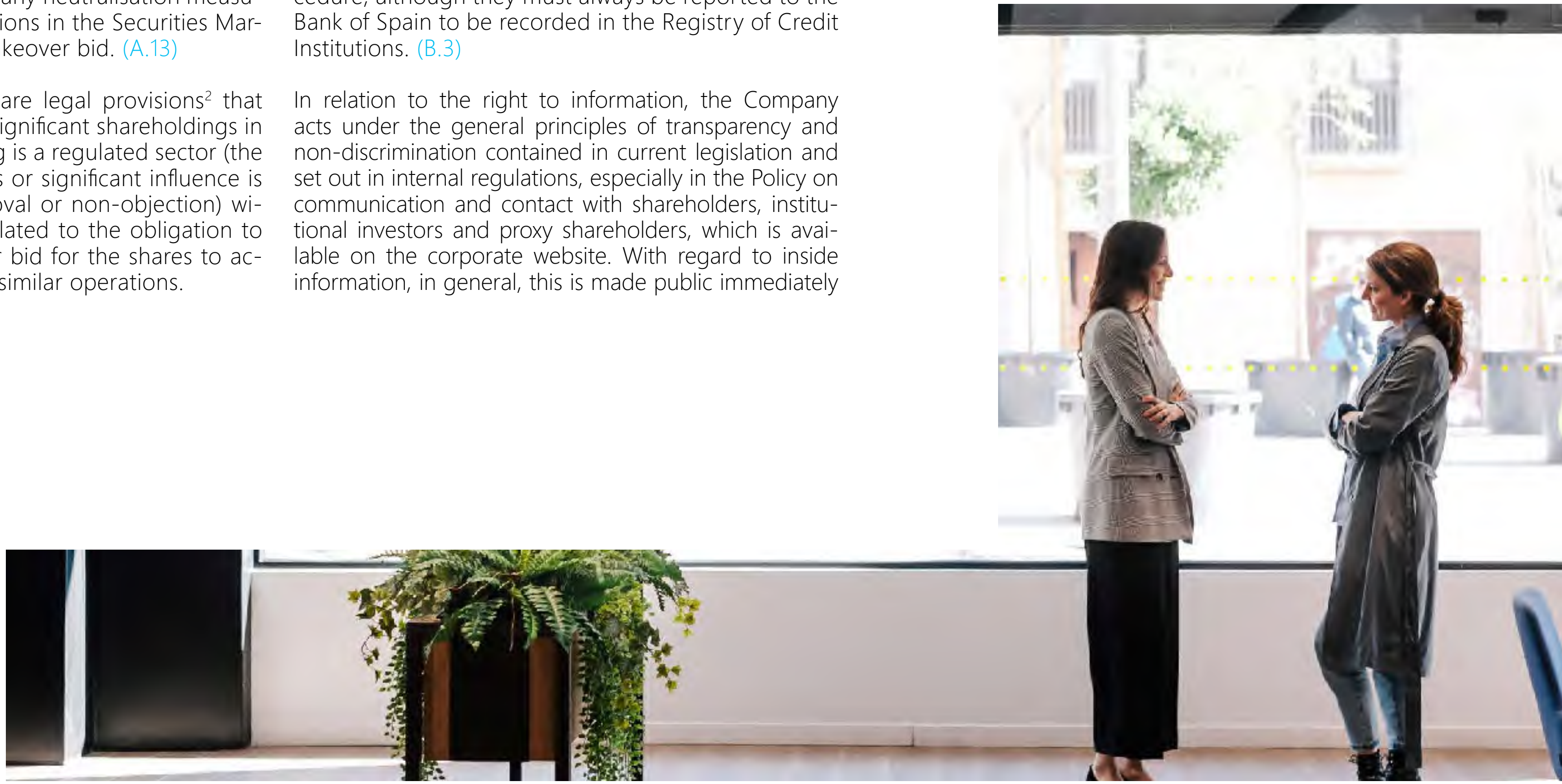
There are no statutory restrictions on the transfer of shares, other than those established by law. (A.12)

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[2] 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 acquire 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 non-discrimination contained in current legislation and set out in internal regulations, especially in the Policy on communication and contact with shareholders, institutional investors and proxy shareholders, which is available on the corporate website. With regard to inside information, in general, this is made public immediately 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.



[1] Registration of ownership of shares in the relevant book-entry ledger, at least 5 days in advance of the date on which the General Meeting is to be held and ownership of at least 1,000 shares, individually or in a group with other shareholders.

[2] 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.

The Administration

At CaixaBank, the management and control functions in the Company are distributed among the Annual General Meeting, the Board of Directors, and its committees:

ANNUAL GENERAL MEETING — **EXTERNAL AUDIT**

BOARD OF DIRECTORS

- Executive Committee
- Appointments Committee
- Risk Committee
- Remuneration Committee
- Innovation, Technology and Digital Transformation Committee
- Audit and Control Committee

>> Designates/
>> Reports to/

MANAGEMENT BODIES
CEO and Management Committee

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)

Date of general meeting	Physically present	Present by proxy	Distance voting: Electronic means	Distance voting: Other	Total
06/04/2018	41.48%	23.27%	0.03%	0.23%	65.01%
Of which: Free float[1]	3.78%	19.57%	0.03%	0.23%	23.61%
05/04/2019	43.67%	20.00%	0.09%	1.86%	65.62%
Of which: Free float[1]	3.02%	15.96%	0.09%	1.86%	20.93%
22/05/2020[2]	40.9%	24.92%	0.114%	0.30%	66.27%
Of which: Free float[1]	0.28%	16.90%	0.114%	0.30%	17.59%
03/12/2020[3]	43.05%	25.85%	1.17%	0.27%	70.34%
Of which: Free float[1]	2.36%	15.90%	1.17%	0.27%	19.70%

[1] Approximate information given that significant foreign shareholders hold their stakes through nominees.

[2] 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.

[3] 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.

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
6.3 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

>> EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF 3 DECEMBER 2020

70.33% QUORUM OF TOTAL SHARE CAPITAL

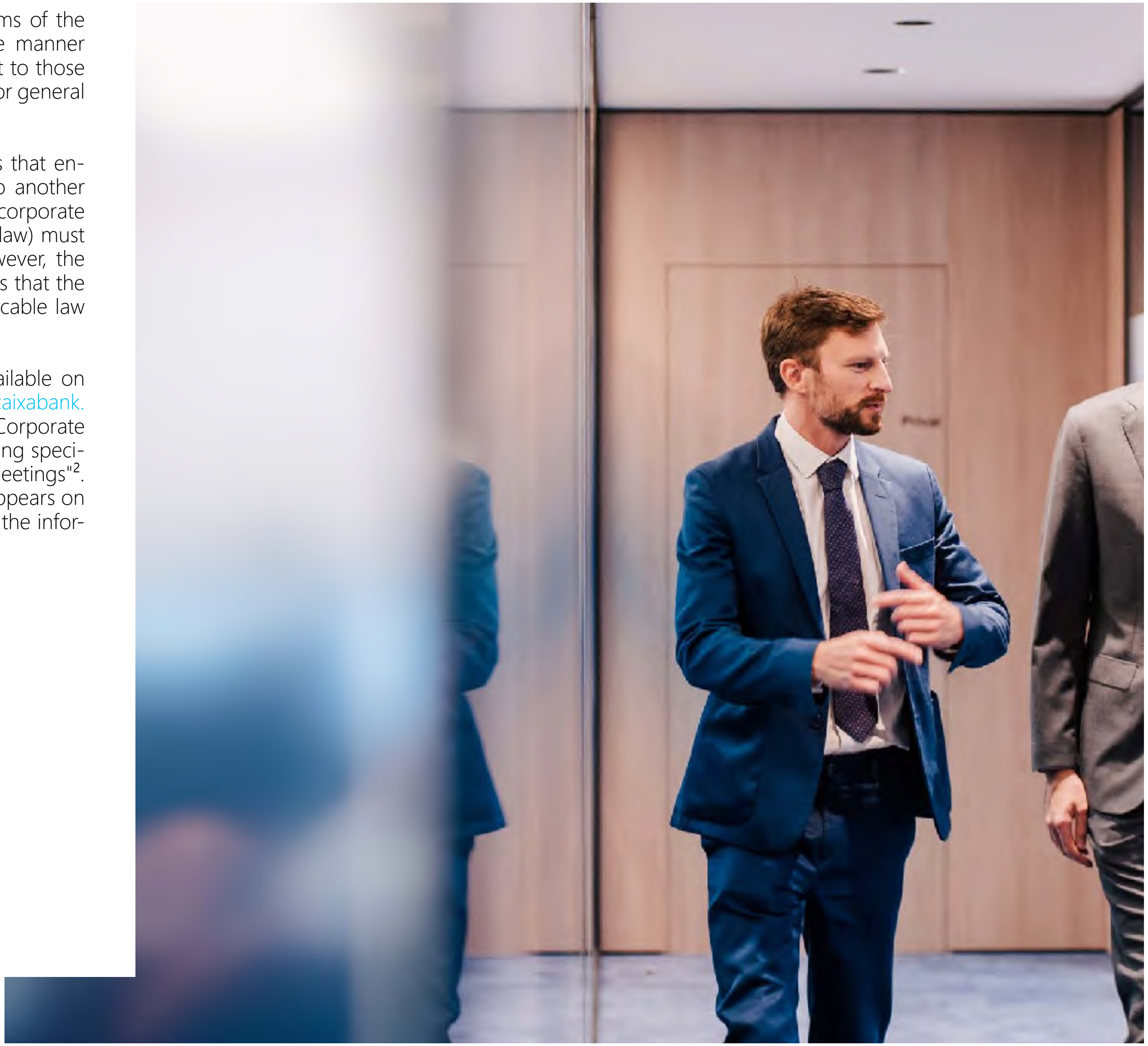
99.56% AVERAGE APPROVAL

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

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"[1], including specific information on the general shareholders' meetings"[2]. 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).



[1] https://www.caixabank.com/es/accionistas-inversores/gobierno-corporativo/consejo-administracion.htm

[2] 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[1] 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, the 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).

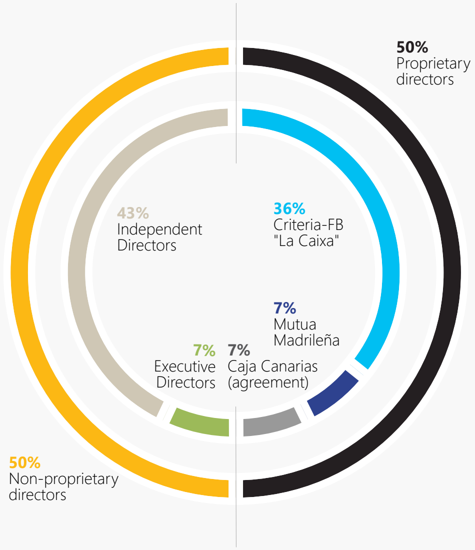
In terms of independent directors, these make up 43% of the CaixaBank Board of Directors, which is in line with the current provisions of Recommendation 17 of the Code of Good Governance for Listed Companies in companies that have one shareholder who controls more than 30% of the share capital.

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.

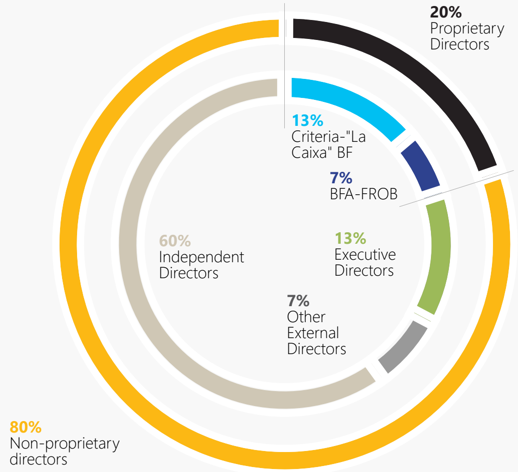
The Board will also have two executive directors (the Chairman of the Board and the CEO), an external director, as well as three proprietary directors, two of which are proposed by the FBLC and CriteriaCaixa and one by the FROB Executive Resolution Authority and BFA Tenedora de Acciones, S.A.U.

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



[1] 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_JGEA20_es.pdf

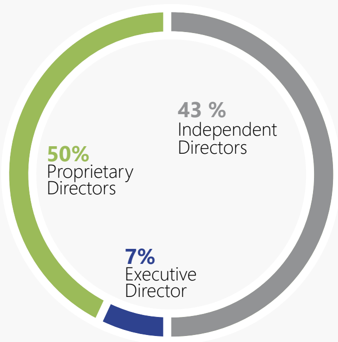
42.9%
INDEPENDENT DIRECTORS
(C.1.3)

50%
PROPRIETARY DIRECTORS
(C.1.3)

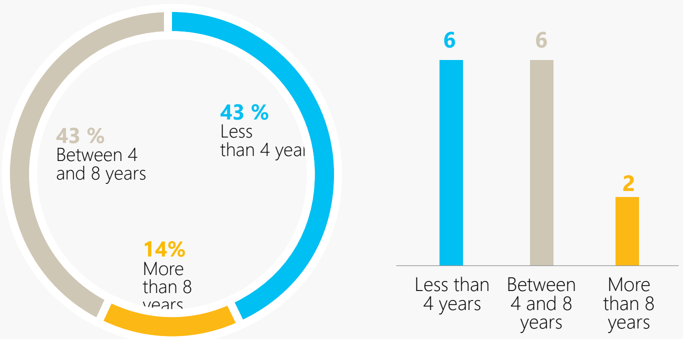
7.1%
EXECUTIVE DIRECTOR
(C.1.3)

4.8 years
TIME IN THE ROLE
5.12 YEARS IN THE CASE OF INDEPENDENT DIRECTORS

>> DIRECTORS IN EACH CATEGORY, AS AT 31 DECEMBER



>> TIME IN ROLE AS AT 31 DECEMBER



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.

Details of the Company's directors at year-end 2020 are set out below: (C.1.2)

	Jordi Gual	Tomás Muniesa	Gonzalo Gortázar[1]	John S. Reed	CajaCanarias Foundation[2]	Maria Teresa Bassons	Verónica Fisas	Alejandro García-Bragado	Cristina Garmendia[3]	Ignacio Garralda[4]	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 Chairman	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 RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION	AGM RESOLUTION
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[5]	Proprietary	05/04/2019	02/04/2020	Innovation, Technology and Digital Transformation Committee	Yes
Xavier Vives[6]	Independent	23/04/2015	22/05/2020	Executive Committee. Appointments Committee.	No

[1] 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)

[2] 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)

[3] 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. (C.1.8)

[5] Reason 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 interfere with the performance of his duties as CEO of CriteriaCaixa. The resignation was in line with good corporate governance practices.

[6] 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.

>> SHARES HELD BY BOARD (A.3)

Name or corporate name of the director	% of voting rights attributed to the shares		% of voting rights through financial 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	0.024	0.000	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**

See the CV of the directors

% 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).

Career

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 European Commission's Directorate-General for Economic and Financial Affairs and as a visiting professor at the University of California (Berkeley), the Université Libre de Bruxelles and the Barcelona Graduate School of Economics.

Other positions currently held

Member of the Board of Directors of Telefónica 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 Foundation, the Real Instituto Elcano and Fundación Barcelona Mobile.

TOMÁS MUNIESA
Deputy Chairman

Education

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 remained until November 2018.

He was Deputy Chairman and CEO of VidaCaixa (1997-2018).

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 the Insurance Compensation Consortium, 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 Portugal.

GONZALO GORTÁZAR
CEO

Education

He holds a degree in Law and Business from Universidad Pontificia de Comillas (ICADE) and an MBA from the INSEAD Business School.

Career

Prior to his appointment as CEO in 2014, he was the Chief Financial Officer at CaixaBank and CEO of CriteriaCaixaCorp (2009-2011).

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, SegurCaixa Adeslas, Abertis, Port Aventura and Saba.

Other positions currently held

Chairman of VidaCaixa and Board Member of Banco BPI.

JOHN S. REED
Independent

Education

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 Corporation (2010-2014).

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 Philosophical Society.

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.

Career

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.

Career

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 "l'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 XXI S.L.U.

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 EAE Business School.

Career

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 CaixaBank, 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 Chairman of CriteriaCaixa.

Other positions currently held

Member of the Board of Directors of Saba Infraestructuras.

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.

Career

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

Education

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 MEFF (Spanish Financial Futures Market). 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 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 companies.

KORO USARRAGA
Independent Director

Education

She holds a degree and a master's in Business Administration from ESADE Business School.

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 the Audit Division in 1993.

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 Hotel Group (2015-2017).

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.

>> 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 associated board	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
Caja Canarias Foundation[1]	Natalia Aznárez	Director of the Caja Canarias Foundation

[1] 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[2]
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

[2] 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.

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)

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 percentage 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.

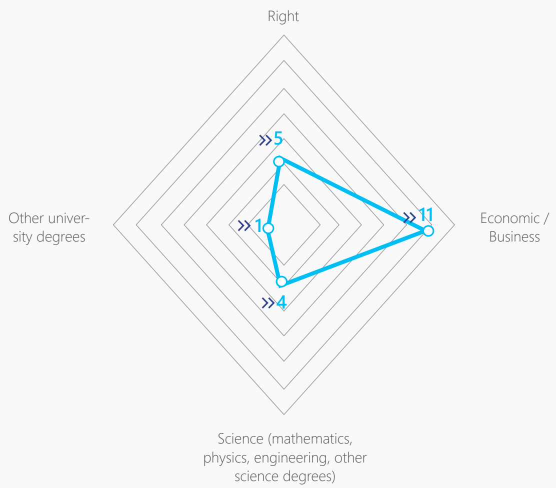
In this regard, the revision of said Code in June 2020 must be considered and, in particular, recommendation 15, according to which the percentage of female directors should never be less than 30% of the total number of members of the Board of Directors and that by the end of 2022, the number of female 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.

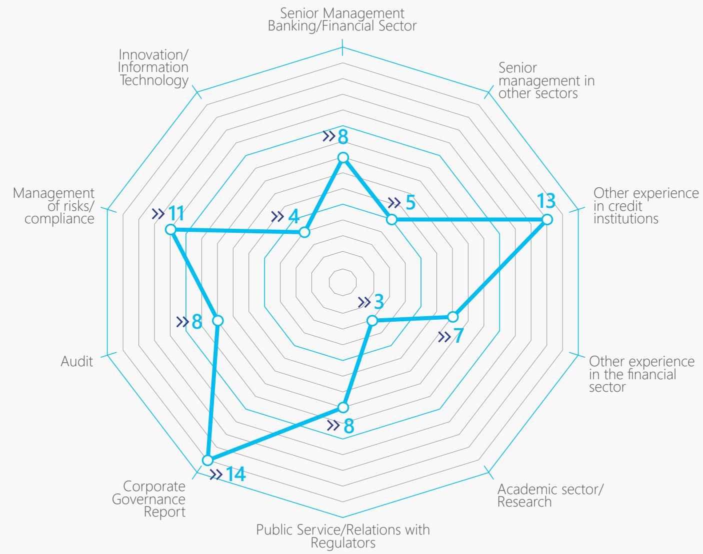
As a result, it can be said that the diversity aspects have been taken into account when submitting the proposals for the appointment of new directors to the Extraordinary General Shareholders' Meeting in December 2020 for approval so that the percentage of female directors could be maintained at 40% 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 EDUCATION OF MEMBERS OF THE BOARD OF DIRECTORS



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.

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):

(C.1.4)	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	-	-	-	-	0.00	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**

43%
WOMEN ON THE BOARD
[TARGET: >30%]

50%
WOMEN ON EXECUTIVE COMMITTEE

33.3%
WOMEN ON APPOINTMENTS COMMITTEE

60%
WOMEN ON RISK COMMITTEE

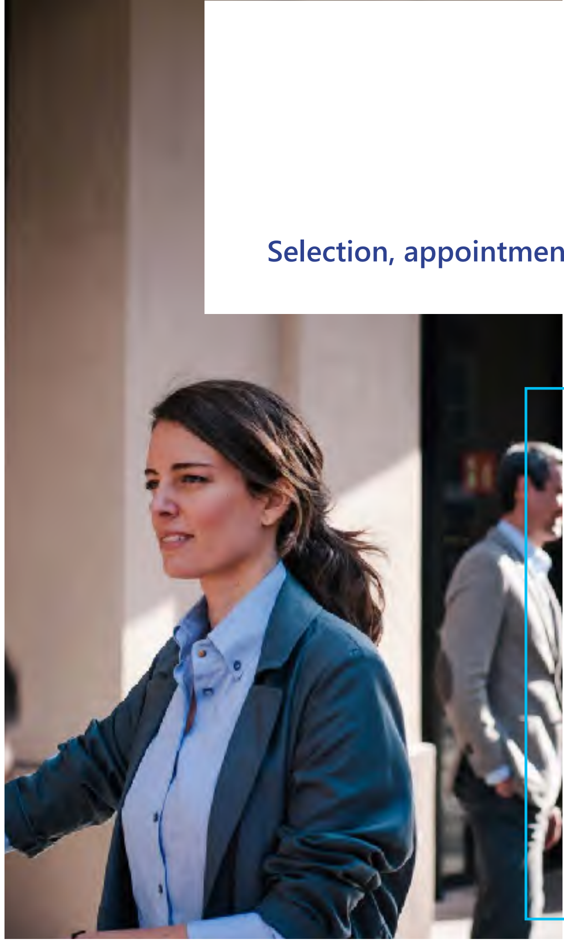
66.7%
WOMEN ON REMUNERATION COMMITTEE

50%
WOMEN ON INNOVATION, TECHNOLOGY AND DIGITAL TRANSFORMATION COMMITTEE

50%
WOMEN ON AUDIT AND CONTROL COMMITTEE

As a result, the CaixaBank Board can be said to be within the upper band of Ibex 35 companies in terms of the present of women, according to the public information available on the composition of Boards of Directors of Ibex 35 companies at year-end 2020 (the average of which is 30.11%)[1].

[1] Average number of women sitting on the Board of IBEX35 companies, calculated according to the public information available on the websites of the companies.



Selection, appointment, re-election and removal of members of the board

Principles of proportionality among board member categories (C.1.16)

01 External (non-executive) directors should constitute a majority over executive directors, and the number of the latter should be the minimum necessary.

02 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).

03 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).

04 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.

Selection and appointment (C.1.16)

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.

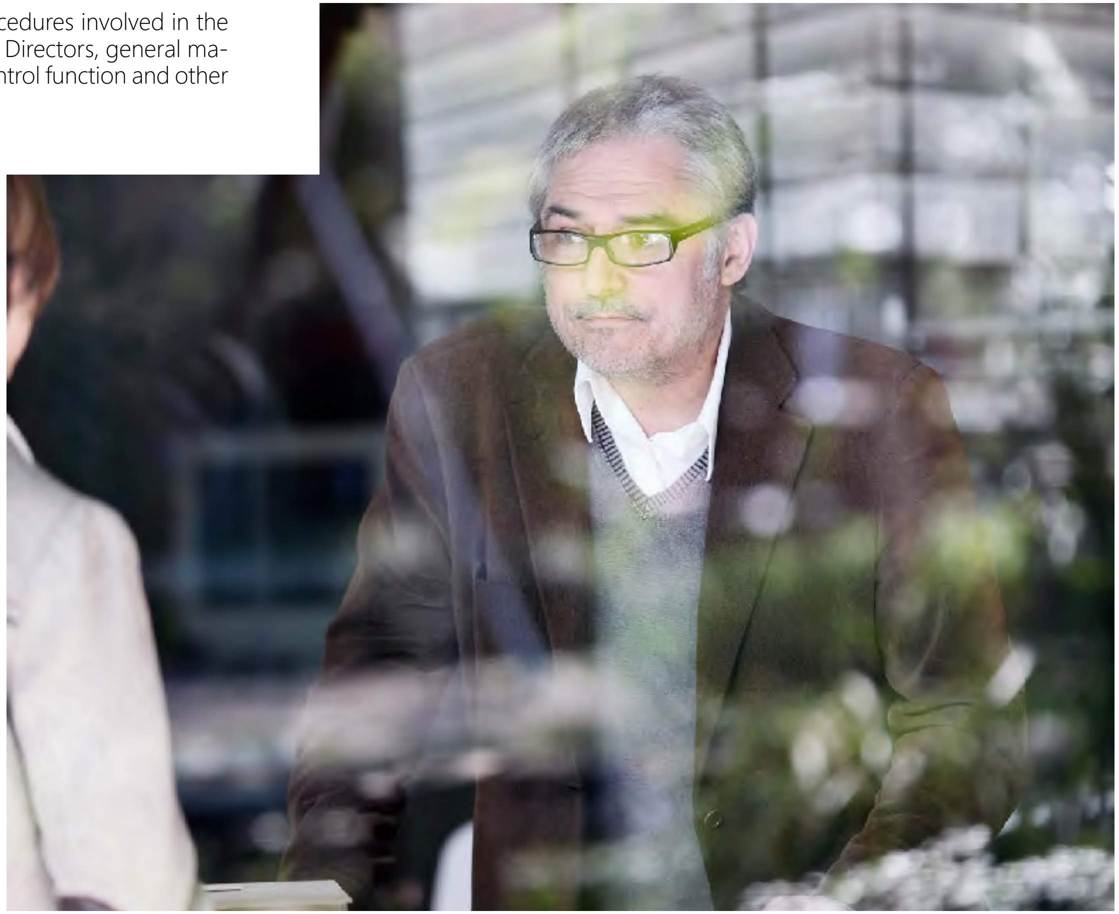
The Protocol establishes the Company's units and internal procedures involved in the selection and ongoing assessment of members of the Board of Directors, general managers and other senior executives, the heads of the internal control function and other key posts in CaixaBank, as defined under applicable 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.



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.[1]
- 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.

[1] In the case of proprietary directors, when the shareholder they represent transfers its stake in its entirety or lowers it to a level that requires a reduction in the number of proprietary directors. its stake.

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	-
Alejandro 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)

OPERATION AND WORKINGS OF THE BOARD (C.1.25 AND C.1.26)

NUMBER OF BOARD MEETINGS	16
NUMBER OF BOARD MEETINGS HELD WITHOUT THE CHAIRMAN'S ATTENDANCE	0
NUMBER OF BOARD MEETINGS HELD WITHOUT THE ATTENDANCE OF THE EXECUTIVE DIRECTORS	1
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
NUMBER OF MEETINGS ATTENDED IN PERSON BY AT LEAST 80% OF DIRECTORS	16
% ATTENDED IN PERSON OUT OF THE TOTAL VOTES DURING THE YEAR	100%
NUMBER OF MEETINGS ATTENDED IN PERSON OR BY REPRESENTATIONS MADE WITH SPECIFIC INSTRUCTIONS OF ALL DIRECTORS	16
% OF VOTES ISSUED AT IN SITU MEETINGS OR WITH REPRESENTATIONS MADE WITH SPECIFIC INSTRUCTIONS OUT OF ALL VOTES CAST DURING THE YEAR	100%

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.

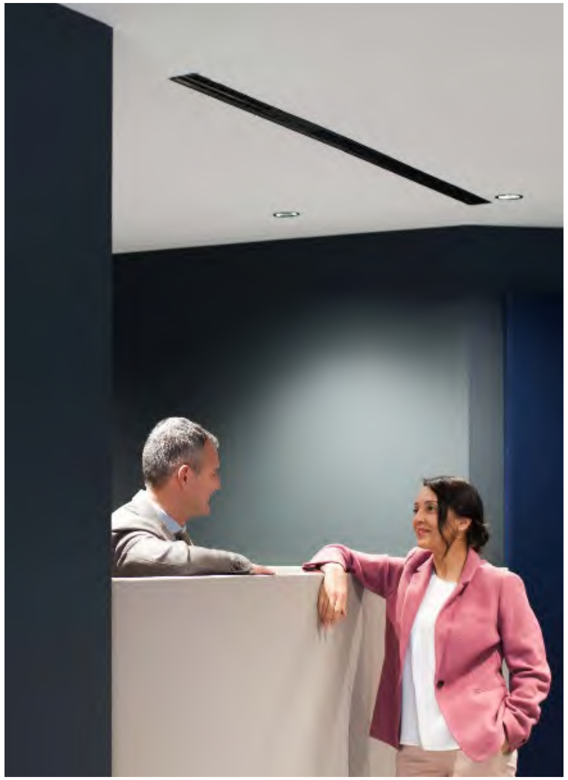
The Board committees, in accordance with the provisions of the Regulations of the Board and applicable legislation, draw up an annual report on its activities, which includes the assessment of its performance during the year. The annual reports on the activity of the Appointments Committee, the Remuneration 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		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

>> 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 By-laws 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[1]
Tomás Muniesa	20/20
Gonzalo Gortázar	20/20
Verónica Fisas	20/20
Amparo Moraleda	20/20
Xavier Vives[2]	08/08
Koro Usarraga[3]	12/12

[1] 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.

[2] Mr Vives was a member of the Executive Committee until 22 May 2020, when his appointment as a director of CaixaBank expired.

[3] 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.

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.1.25)

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[1]
Eduardo Javier Sanchiz	8 / 8[2]

[1] Xavier Vives was a member of the Committee until 22 May 2020

[2] Eduardo J. Sanchiz has been a member of the Committee since 22 May 2020

Composition

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.

- 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.

>> 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	8/8[1]
Tomás Muniesa	8/8[2]
Koro Usarraga	14/14

[1] Verónica Fisas became a member of the Committee on 22 May 2020

[2] Tomás Muniesa joined 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.

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.

>> 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 / 3[1]
Cristina Garmendia	2 / 2[2]

[1] Verónica Fisas was a member of the Committee until 22 May 2020

[2] Cristina Garmendia has been a member of the Committee since 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 majority 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.

> 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.

>> 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*	1/1[1]

[1] 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, paying 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.

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[1]

[1] 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 meetings 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 auditors 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.

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 non-financial information

02 Structural and corporate changes

03 Risk management control (in collaboration with the Risk Committee)

04 Regulatory compliance

05 Internal Audit

06 Relationship with the financial auditor

07 Independence of the financial auditor

08 Assessment of the work of 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 independence, 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 regulations. (C.1.30)

NUMBER OF CONSECUTIVE YEARS
AS FINANCIAL AUDITOR PWC (C.1.34)

3	3
Individual	Consolidated

% OF YEARS AUDITED BY PWC
OF TOTAL YEARS AUDITED (C.134)

14%	14%
Individual	Consolidated

The audit firm carries out other non-audit work for the Company and/or its group:

(C.1.32)	CaixaBank	Subsidiary companies	Total group
Amount of non-audit work (€m)	547	573	1,120
% Amount of non-audit work / Amount of 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 CaixaBank 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)

Name or corporate name of significant shareholder	Name or corporate name of the company or its group entity	Nature of the relationship	Transaction type	Amount (thousands of euros)
CriteriaCaixa	CaixaBank	Corporate	Dividends and other profit distributed	167,477

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%

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.

Career

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.

LUIS JAVIER BLAS

Head of Resources

Education

He holds a degree in Law from Universidad de Alcalá 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 IESE-BBVA (Madrid-2003), New Economy. IESE (Madrid-2002).

Career

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.

Career

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.

Other positions currently held

Member of the Board of Directors of BPI and Cecabank.

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.

Career

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.

Career

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.

Other positions currently held

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 COMMITTEE (assets and liabilities)

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

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

All of this, under the 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 operating areas.

Frequency **Monthly**

Reports to **Management Committee**

Risks managed **Liquidity and Financing, Market and Structural Interest Rate Risk**

REGULATION COMMITTEE

The Regulation Committee is the decision-making body for all aspects related to financial regulation. Its functions include spearheading the activity to represent the Bank's interests, as well as the systematisation of regulatory activities, periodically assessing the initiatives carried out in this field.

Frequency **Bimonthly**

Reports to **Management Committee**

Risks managed **Legal and Regulatory and Conduct**

INFORMATION GOVERNANCE AND DATA QUALITY COMMITTEE

Oversee the coherence, consistency and quality of the information reported to the regulator and to the Group's management, providing a comprehensive view at all times.

Frequency **Monthly**

Reports to **Management Committee**

Risks managed **Technological**

GLOBAL RISK COMMITTEE

Responsible for the overall management, control and monitoring of risks affecting the Group's Corporate Risk Taxonomy, together with their implications for solvency management and capital consumption.

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

The GRC is responsible for adapting the risk strategy to the RAF set out by the Board of Directors, coordinating measures to mitigate any breaches and reactions to early warnings of the RAF, as well as keeping CaixaBank's Board informed.

Frequency **Monthly**

Reports to **Risk Committee**

Risks managed **All in the Group's Corporate Risk Catalogue**

CORPORATE RESPONSIBILITY AND REPUTATION COMMITTEE

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

Its mission is to contribute to making CaixaBank 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 policies and positions within the Group.

Frequency **Monthly**

Reports to **Management Committee**

Risks managed **Reputational**

CORPORATE CRIMINAL MANAGEMENT COMMITTEE

Manage any observations or reports made through any channel regarding the prevention of and response to criminal conduct. The main functions are: Prevention, Detection, Response, Report and Monitoring of the Model.

Frequency **Monthly**

Reports to **Global Risk management**

Risks managed **Conduct**

PERMANENT LENDING COMMITTEE

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

Frequency **Weekly**

Board **of Directors**

Risks managed **Credit**

TRANSPARENCY COMMITTEE

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

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

Frequency **Monthly**

Reports to **Management Committee**

Risks managed **Legal and Regulatory, Conduct and Reputational**

DIVERSITY COMMITTEE

Its mission is the creation, promotion, monitoring and presentation of actions to the corresponding bodies to increase diversity with a focus on the representation of women in management positions and to avoid the loss of talent, as well as in the other areas of diversity that are a priority for the Bank such as functional, generational and cultural diversity.

Frequency **Quarterly**

Reports to **Management Committee**

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 crises on contributors.

Frequency **Monthly**

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 appropriate, approving the proposals made by the various functional areas with regard to the strategic positioning of the Bank in relation to Environmental Risk Management, in addition to identifying, managing and controlling the risks associated with this area on the front line. It also authorises exceptions to the general and sectoral exclusions set out in the Policy.

Frequency **Quarterly**

Reports to **Management Committee**

Risks managed **Reputational**

PRIVACY COMMITTEE

It acts as the senior and decision-making body for all aspects relating to privacy and personal data protection within the CaixaBank Group.

Frequency **Monthly**

Reports to **Management Committee**

Risks managed **Legal and Regulatory and Conduct**

EFFICIENCY COMMITTEE

The mission of this committee is to improve the organisation's efficiency, and it is responsible for proposing and agreeing, with the Divisions and Subsidiaries, the proposed annual cost and investment budgets to be presented to the Management Committee for approval.

Frequency **Monthly**

Reports to **Management Committee**

Risks managed **Business return and Own funds: solvency**

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-level 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 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:

5,959

REMUNERATION OF THE BOARD OF DIRECTORS (accrued in 2020[1])
(THOUSANDS OF €) (C.1.13)

6,121

AMOUNT OF VESTED PENSION INTERESTS FOR CURRENT DIRECTORS (THOUSAND €) (C.1.13)

0

AMOUNT OF VESTED PENSION INTERESTS for **FORMER DIRECTORS**
(THOUSANDS OF €) (C.1.13)

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)

>> 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.

[1] 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 Xavier 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: Verónica 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 Executive 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).

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.

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 2020[1](THOUSANDS OF €) (C.1.14)

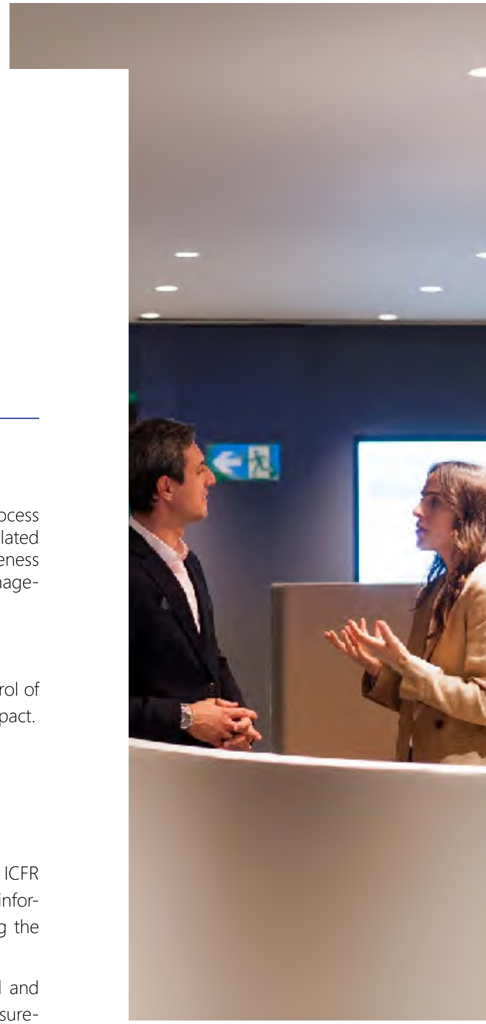
[1] This amount includes the fixed remuneration, remuneration in kind, social security insurance premiums and discretionary pension benefits, along with other long-term benefits assigned to members of the Senior Management. In April 2020, the market was informed of the waiver by the Management Committee 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)

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 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 regarding 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 verification 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:

01. 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 (hereinafter, ICFR)

04. Specify the more functional aspects of ICFR.

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.

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.

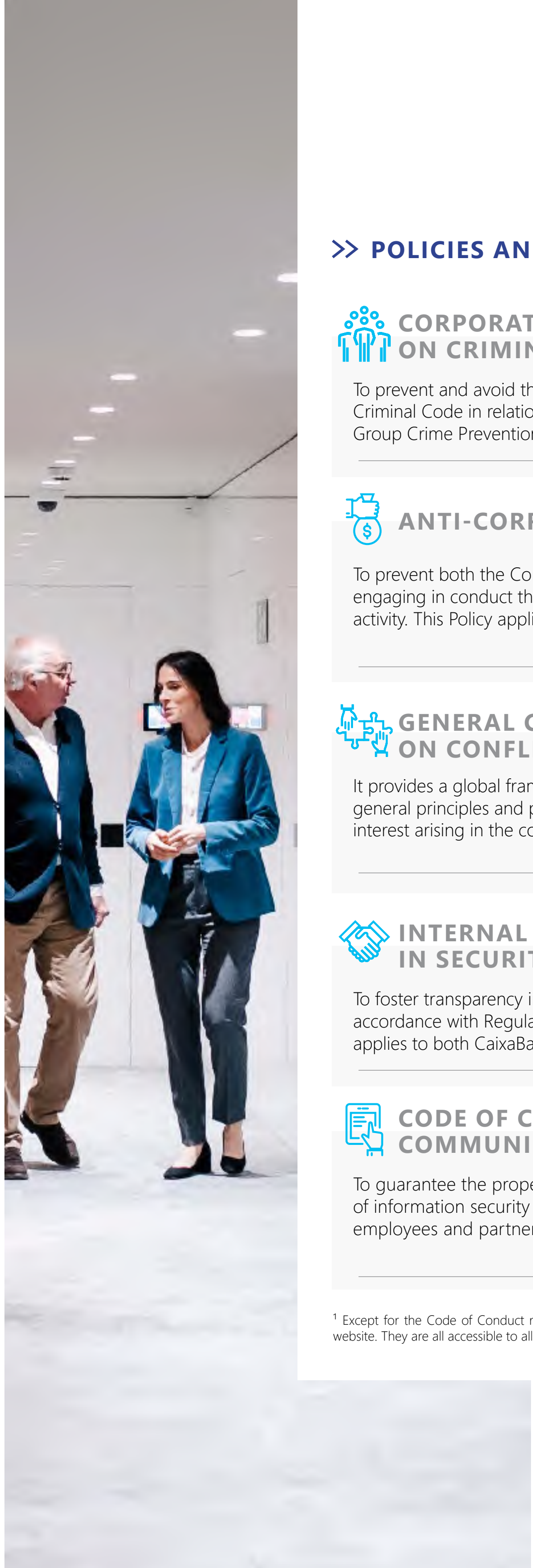
As the Code establishes, CaixaBank undertakes to provide its customers with accurate, truthful and understandable information on its operations, the terms and conditions of products and services, fees and procedures for filing claims and resolving incidents. Moreover, CaixaBank provides its shareholders 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 CaixaBank'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:



POLICIES AND CODE OF CONDUCT[1]

CORPORATE POLICY ON CRIMINAL COMPLIANCE

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.

[1] 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.

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 queries regarding the ICC can be forwarded to the Secretary of the ICC Committee or the Corporate Regulatory Compliance Division, depending on the issue.

Whistleblowing channel

CaixaBank Group has made the Queries and Whistleblowing Channel **available** to all users defined in CaixaBank 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

02 CaixaBank Asset Management S.G.I.I.C. S.A.

03 BuildingCenter S.A.

04 CaixaBank Payments & Consumer, E.F.C., E.P., S.A.

05 Telefónica Consumer Finance, E.F.C., S.A.

06 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.

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.

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

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.

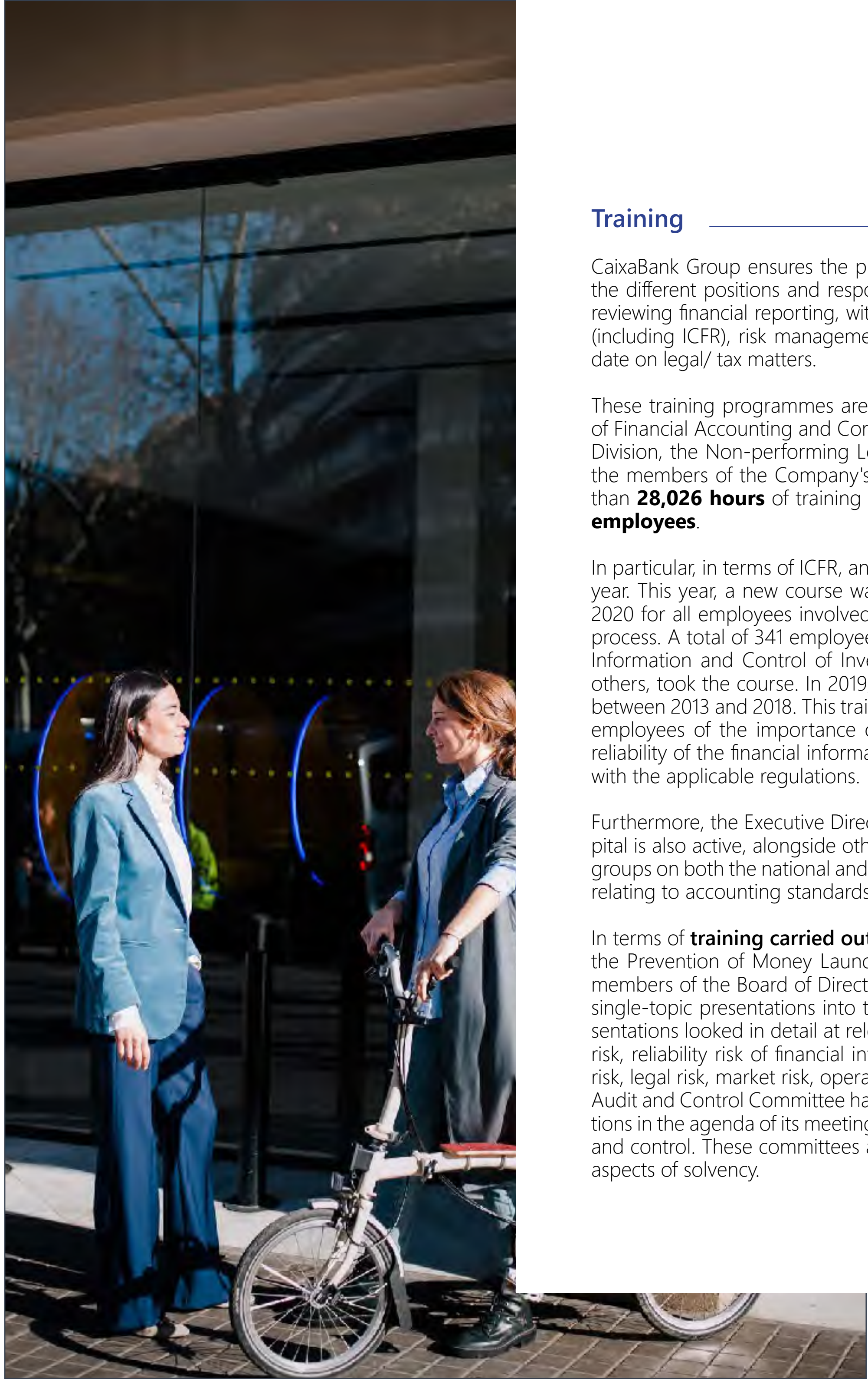
  CaixaBank's Regulatory Compliance may raise queries, request information, require investigations and any other measure or procedure for the proper management of the complaints process.

- 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.



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.

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.

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.
Who are they?	Business units and their support functions.	Internal Control over Financial Reporting (ICFR).	Internal audit.

Coordination of the process for preparing and submitting financial reporting

Reporting of conclusions of the control certification process

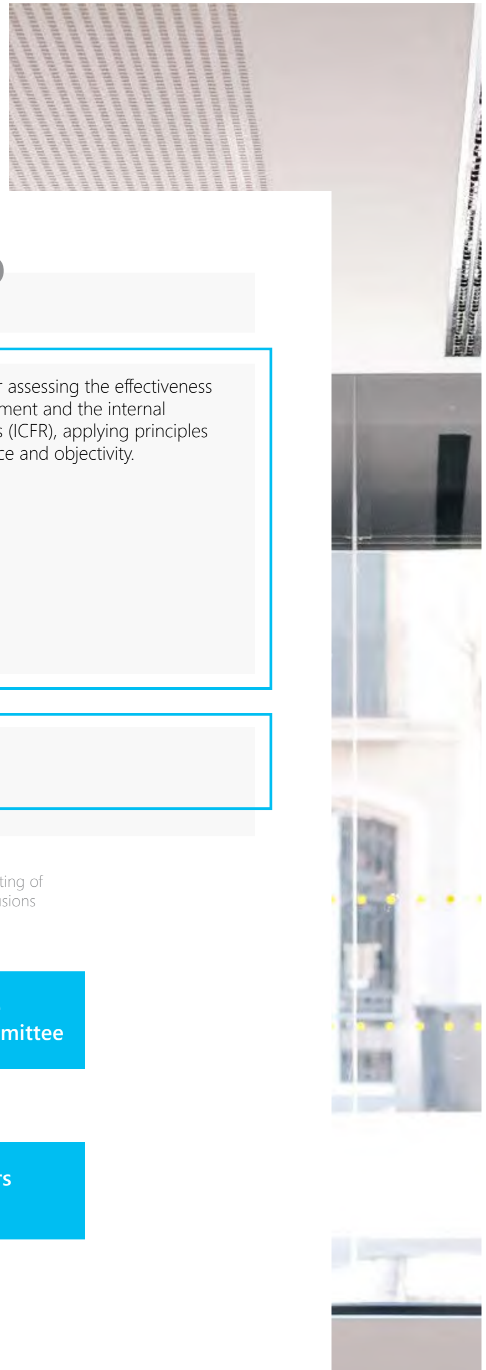
Reporting of conclusions

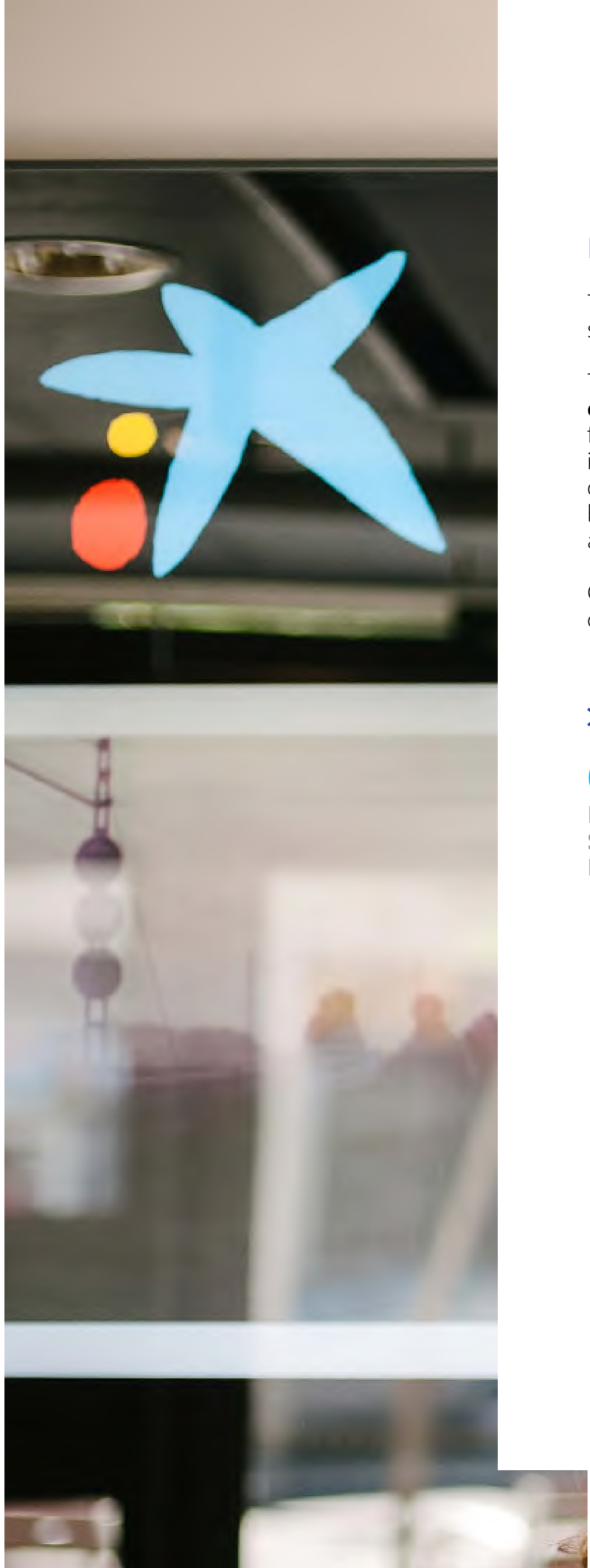
Executive Directorate of Financial Accounting, Control and Capital

Management Committee

Audit Committee and Control Committee

Board of Directors





CaixaBank

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 Capita**l, 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

01. PROCESSES/ SUB-PROCESSES

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 controls

>> **04.** REPORTING TO SENIOR MANAGEMENT AND GOVERNING BODIES

Revision prior to the design 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**

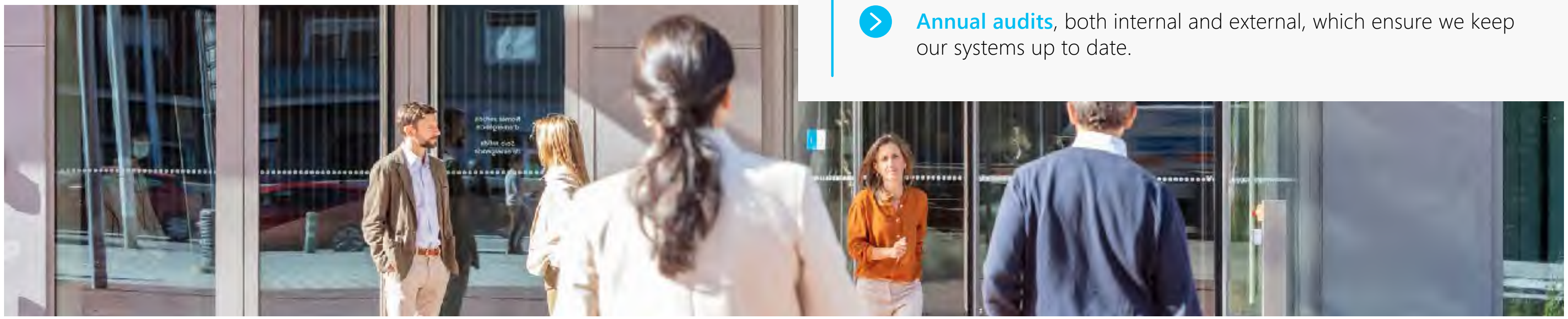
The **IT systems** which give support to processes regarding the preparation of financial information are subject to internal control **policies and procedures** which guarantee completeness when preparing and publishing financial information.

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:

- **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.

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 CaixaBank 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 queries 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.

CaixaBank

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 Committee 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 on:

- 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
COMMENTS		CaixaBank is the only listed company in the Group.		

Recommendation 5

DESCRIPTION

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.

COMPLIANT

Partial compliance

COMMENTS

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.

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.

	Recommendation 6	Recommendation 7	Recommendation 8
DESCRIPTION	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.	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.
COMPLIANT	Yes	Yes	Yes
COMMENTS			

	Recommendation 9	Recommendation 10	Recommendation 11
DESCRIPTION	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: **a)** Immediately disclose 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. **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 shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.	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.
COMPLIANT	Yes	Partial compliance	Yes
COMMENTS		With regard to section c), the Board agrees that there are different presumptions about the direction of the vote for proposals submitted by shareholders and those submitted by the Board (as established in the Regulations of the Company's General Meeting), opting for the presumption of a vote in favour of agreements proposed by the Board of Directors (because the shareholders absent for the vote have had the opportunity to record their absence so their vote is not counted and they can also vote early in another direction through the mechanisms established for that purpose) and for the presumption of a vote against agreements proposed by shareholders (since there is a probability that the new proposals will deal with agreements that are contradictory to the proposals submitted by the Board of Directors and it is impossible to attribute opposite directions for their votes to the same shareholder. Additionally, shareholders who were absent have not had the opportunity to assess and vote early on the proposal). Although this practice does not reflect the wording of Recommendation 10, it does better achieve the final objective of Principle 7 of the Good Governance Code which makes express reference to the Corporate Governance Principles of the OECD, which outline that the procedures used in Shareholders' Meetings must ensure the transparency of the count and the adequate registration of votes, especially in situations of voting battles, new items on the agenda and alternative proposals, because it is a measure of transparency and a guarantee of consistency when exercising voting rights.	

	Recommendation 12	Recommendation 13	Recommendation 14	Recommendation 15	Recommendation 16
DESCRIPTION	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.	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.	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.	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.	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	Yes	Yes	Yes	Yes
COMMENTS					

	Recommendation 17	Recommendation 18	Recommendation 19	Recommendation 20	Recommendation 21
DESCRIPTION	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.	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.	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.	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.	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	Yes	Yes	Yes	Yes	Yes
COMMENTS					

	Recommendation 22	Recommendation 23	Recommendation 24	Recommendation 25	Recommendation 26
DESCRIPTION	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.	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.	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.	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.	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	Yes	Yes	Yes	Yes	Yes
COMMENTS					

	Recommendation 27	Recommendation 28	Recommendation 29	Recommendation 30
DESCRIPTION	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 recorded in the minute book.	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 Directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.
COMPLIANT	Partial compliance	Yes	Yes	Yes
COMMENTS	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.			

	Recommendation 31	Recommendation 32	Recommendation 33	Recommendation 34	Recommendation 35
DESCRIPTION	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.	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.	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.	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 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	Yes	Yes	Yes	Yes	Yes
COMMENTS					

	Recommendation 36	Recommendation 37	Recommendation 38	Recommendation 39	Recommendation 40
DESCRIPTION	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.	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.	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.	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.	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	Yes	Yes	Yes	Yes
COMMENTS	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.				

	Recommendation 41	Recommendation 42	Recommendation 43	Recommendation 44
DESCRIPTION	The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results 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: **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.	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	Yes	Yes	Yes	Yes

	Recommendation 45	Recommendation 46	Recommendation 47	Recommendation 48	Recommendation 49	Recommendation 50
DESCRIPTION	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.	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.	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.	Large cap companies should operate separately constituted nomination and remuneration committees.	The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors. When there are vacancies on the Board, any Director may approach the nomination committee to propose candidates that it might consider suitable.	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	Yes	Yes	Yes	Yes	Yes	Yes

	Recommendation 51	Recommendation 52	Recommendation 53	Recommendation 54
DESCRIPTION	The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive Directors and senior officers.	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.	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.	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	Yes	Yes	Yes	Yes

	Recommendation 55	Recommendation 56	Recommendation 57	Recommendation 58	Recommendation 59
DESCRIPTION	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.	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.	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.	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. **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.	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	Yes	Yes	Yes	Yes	Yes
COMMENTS					

	Recommendation 60	Recommendation 61	Recommendation 62
DESCRIPTION	In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.	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.	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	Yes	Yes	No
COMMENTS			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.

	Recommendation 63	Recommendation 64
DESCRIPTION	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.	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	Yes	Partial compliance
COMMENTS		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.

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

A. OWNERSHIP STRUCTURE

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"
A.2	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Significant shareholders"
A.3	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
A.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"
A.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"
A.6	No	CMR Section "Our Identity – Corporate Governance – The Administration – The Board of Directors"
A.7	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Significant shareholders – Shareholders' agreements"
A.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.
A.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"
A.12	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
B.1	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
B.2	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
B.3	No	CMR Section "Our Identity – Corporate Governance – Ownership – Shareholder rights"
B.4	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
B.5	Yes	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
B.6	Yes	CMR Section "Our Identity – Corporate Governance – Ownership – Shareholder rights"
B.7	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"
B.8	No	CMR Section "Our Identity – Corporate Governance – The Administration – The General Shareholders' Meeting"

C. COMPANY ADMINISTRATION STRUCTURE

C.1 Board of Directors

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"

C.1.19	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.1.20	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 – Risk 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

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"
C.1.39	Yes	The Company maintains contractual termination clauses under the following terms: • CEO: One year of the fixed components of his remuneration. • 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. • 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. A total of 29 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. These clauses are approved by the Board of Directors and are not notified to the General Shareholders' Meeting.

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"

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: 31/12/2020

Corporate name: CAIXABANK, S.A.

CIF A-08663619

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:

☐ YES ☒ NO

A.2. DETAILS OF DIRECT AND INDIRECT OWNERS OF SIGNIFICANT HOLDINGS AT THE END OF THE FINANCIAL YEAR, EXCLUDING DIRECTORS:

Name or corporate name of the shareholder	% of voting rights attributed to the shares		% of voting rights through financial instruments		% total voting rights
	Direct	Indirect	Direct	Indirect	
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 name of the shareholder	% voting rights attributed to shares		% voting rights through financial instruments		% total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		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 the Board of Directors							**0.67**

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	% total voting rights	% of voting rights that can be transferred through financial instruments
José Serna	María Soledad García Conde	0.00	0.00	0.00	0.00

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:

[X] YES [ ] NO

Shareholders bound by agreement	% of share capital affected	Brief 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"	40.64	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. 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 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 VidaCaixa proposed by the other foundations.	The expiry date of the agreement was 3 August 2020. 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 director to the CaixaBank Board of Directors.

State whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

[ ] YES [X] NO

A.8. STATE WHETHER ANY INDIVIDUAL OR COMPANY EXERCISES OR MAY EXERCISE CONTROL OVER THE COMPANY IN ACCORDANCE WITH ARTICLE 5 OF THE SPANISH SECURITIES MARKET ACT. IF SO, IDENTIFY THEM:

[ ] YES [X] NO

A.9. COMPLETE THE FOLLOWING TABLES ON THE COMPANY'S TREASURY STOCK:

AT YEAR-END:

Number of shares held directly	Number of shares held indirectly(*)	% of total share capital
3,528,919	532,590	0.07

(*) THROUGH:

Name or corporate name of direct shareholder	Number of shares held directly
BANCO BPI, S.A.	506,446
CAIXABANK PAYMENT & CONSUMER	3,466
VIDACAIXA, S.A. DE SEGUROS Y REASEGUROS	14,743
MICROBANK	7,935
Total	**532,590**

A.11. ESTIMATED FLOATING CAPITAL:

Estimated floating capital (%)	51.02

A.14. STATE IF THE COMPANY HAS ISSUED SHARES THAT ARE NOT TRADED ON A REGULATED EU MARKET.

[ ] YES [X] NO

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		
Date of general meeting	% attending in person	% by proxy	Electronic means	Other	Total
06/04/2018	41.48	23.27	0.03	0.23	65.01
Of which, free float	3.78	19.57	0.03	0.23	23.61
05/04/2019	43.67	20.00	0.09	1.86	65.62
Of which, free float	3.02	15.96	0.09	1.86	20.93
22/05/2020	40.94	24.92	0.11	0.30	66.27
Of which, free float	0.28	16.90	0.11	0.30	17.59
03/12/2020	43.05	25.85	1.17	0.27	70.34
Of which, free float	2.36	15.90	1.17	0.27	19.70

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	1

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 Directors	**1**
% of the Board	**7.14**

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of significant shareholder represented or proposing appointment	Profile
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 CajaCanarias. After Banca Cívica acquired all the assets and liabilities of CajaCanarias, she became General Manager at CajaCanarias as the financial institution indirectly carrying out the financial activity. Following the entity's transformation into a banking foundation, she served as General Manager until 30 June 2016. She has actively served on several committees in the savings bank sector, including the executive committee of the Savings Bank Association for Labour Relations (Asociación de Cajas de Ahorros Para Relaciones Laborales, ACARL), the Euro6000 Marketing Committee, and the marketing committee and the human resources committee of the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, CECA). She has also held several positions at foundations. She is currently chair of the CajaCanarias employee pension plan control committee, vice-chair of the Cristino de Vera Foundation, secretary of the CajaCanarias Business Learning and Development Foundation, and director of the CajaCanarias Foundation.
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.
Alejandro 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 CriteriaCaixa 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
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 the inclusion and contribution of women in technology development worldwide. She has also received numerous accolades, such as: the Values Leadership Award (FIGEVA Foundation – 2008), the Javier Benjumea Prize (Engineering Association of the ICAI – 2003) and the Award for Excellence (Spanish Federation of Female Directors, Executives, Professionals and Entrepreneurs – Fedepe – 2002).
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.

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:

☒ 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)	

C.1.14. LIST ANY MEMBERS OF SENIOR MANAGEMENT WHO ARE NOT EXECUTIVE DIRECTORS AND STATE THEIR TOTAL REMUNERATION ACCRUED DURING THE YEAR:

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 (thousands 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:

☒ YES ☐ NO

C.1.21. STATE WHETHER THERE ARE SPECIFIC REQUIREMENTS, 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

C.1.26. STATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR AND THE INFORMATION ON MEMBER ATTENDANCE:

Number of meetings attended in person by at least 80% of directors	16
% attended in person out of the total votes during the year	100.00
Number of meetings attended in person or by representations made with specific instructions of all directors	16
% of votes issued at meetings attended in person or by representations made with specific instructions out of all votes cast during the year	100.00

C.1.27. STATE IF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR PREPARATION WERE PREVIOUSLY CERTIFIED:

☐ YES ☒ NO

Identify, where applicable, the person or people that certified the company's individual and consolidated annual accounts for presentation to the board:

C.1.29. STATE IF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR PREPARATION WERE PREVIOUSLY CERTIFIED:

☐ YES ☒ NO

Complete if the Secretary is not also a Director:

Name or corporate name of Secretary	Representative
Óscar Calderón	

C.1.31. STATE WHETHER THE COMPANY HAS CHANGED ITS EXTERNAL AUDIT FIRM DURING THE YEAR. WHERE APPLICABLE, IDENTIFY THE INCOMING AND OUTGOING AUDITOR:

☐ YES ☒ NO

Explain any disagreements with the outgoing auditor and the reasons for the same:

☐ YES ☒ NO

C.1.32. STATE WHETHER THE AUDIT FIRM PROVIDES ANY NON-AUDIT SERVICES TO THE COMPANY AND/OR ITS GROUP AND, IF SO, THE SUM OF THE FEES PAID AND THE PERCENTAGE THIS REPRESENTS OF THE FEES FOR AUDIT WORK INVOICED TO THE COMPANY AND/OR ITS GROUP:

☒ YES ☐ NO

	Society	Group companies	Total
Amount of non-audit work (thousands of euros)	547	573	1,120
Amount invoiced for non-audit services/ Amount for audit work (in %)	24.00	23.00	24.00

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:

☐ YES ☒ NO

C.1.34. STATE THE NUMBER OF CONSECUTIVE YEARS THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE INDIVIDUAL AND/OR CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY. FURTHERMORE, STATE THE NUMBER OF YEARS AUDITED BY THE CURRENT AUDIT FIRM AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS THAT THE FINANCIAL STATEMENTS HAVE BEEN AUDITED:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated
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 [ ] NO

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:

Number of beneficiaries	29
Type of beneficiary	Description of the agreement
29 CEO and 4 members of the Management Committee, 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 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:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	√	
	Yes	No
Is the General Shareholders' Meeting informed of such clauses?	√	

C.2. BOARD COMMITTEES

C.2.1. Give details of all the Board committees, their members and the proportion of proprietary and independent Directors:

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Cristina Garmendia	Member	Independent
Eduardo Javier Sanchiz	Member	Independent
José Serna	Member	Proprietary
Koro Usarraga	Chairman	Independent

% of executive Directors	0.00
% of proprietary Directors	25.00
% of independent Directors	75.00
% 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.

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

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	0.00
% 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.

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	50.00
% 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.

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 year 2019		Financial year 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	Relationship	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 CONDITIONS.

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.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the 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 [ ]

2. 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:

    a. 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.

    b. The mechanisms established to resolve any conflicts of interest that may arise.

Compliant [ ] Partially compliant [ ] Explain [ ] Not applicable [X]

CaixaBank is the only listed company in the Group.

3. 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.

Compliant [X] Partially compliant [ ] Explain [ ]

4. 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 [ ]

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.

Compliant ☐ Partially compliant ☒ Explain ☐

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.
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.

   b. Reviews of the operation of the audit committee and the nomination and remuneration committee.

   c. Audit committee report on third-party transactions.

Compliant ☒ Partially compliant ☐ Explain ☐

7. 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 ☒ Partially compliant ☐ Explain ☐

8. 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.

Compliant ☒ Partially compliant ☐ Explain ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant ☒ Partially compliant ☐ Explain ☐

10. 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.

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 ☒ Explain ☐ Not applicable ☐

With regard to section c), the Board agrees that there are different presumptions about the direction of the vote for proposals submitted by shareholders and those submitted by the Board (as established in the Regulations of the Company's General Meeting), opting for the presumption of a vote in favour of agreements proposed by the Board of Directors (because the shareholders absent for the vote have had the opportunity to record their absence so their vote is not counted and they can also vote early in another direction through the mechanisms established for that purpose) and for the presumption of a vote against agreements proposed by shareholders (since there is a probability that the new proposals will deal with agreements that are contradictory to the proposals submitted by the Board of Directors and it is impossible to attribute opposite directions for their votes to the same shareholder. Additionally, shareholders who were absent have not had the opportunity to assess and vote early on the proposal).
Although this practice does not reflect the wording of Recommendation 10, it does better achieve the final objective of Principle 7 of the Good Governance Code which makes express reference to the Corporate Governance Principles of the OECD, which outline that the procedures used in Shareholders' Meetings must ensure the transparency of the count and the adequate registration of votes, especially in situations of voting battles, new items on the agenda and alternative proposals, because it is a measure of transparency and a guarantee of consistency when exercising voting rights.

11. 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.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

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.

Compliant ☒ 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 ☒ Partially compliant ☐

14. The Board of Directors should approve a policy aimed at promoting an appropriate composition of the board that:

a. Is concrete and verifiable;

b. 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 senior managers are considered to favour gender diversity.

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The nomination committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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 [X] Partially compliant [ ]

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 Board places.

Compliant [X] Partially compliant [ ]

18. Companies should post the following Director particulars on their websites, and keep them permanently updated:

    a. Professional experience and background.

    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. Dates of their first appointment as a board member and subsequent re-elections.

    e. Shares held in the company, and any options on the same.

Compliant [X] Partially compliant [ ] Explain [ ]

19. Following verification by the nomination committee, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary Directors at the request of shareholders controlling less than 3 percent of capital; 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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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 [X] 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 [X] Partially compliant [ ] Explain [ ]

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 [X] Partially compliant [ ] Explain [ ]

27. 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.

Compliant [ ] Partially compliant [X] 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 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, 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.

28. 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 recorded in the minute book.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

29. 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.

Compliant [X] Partially compliant [ ] Explain [ ]

30. Regardless of the knowledge Directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant [X] Partially compliant [ ] Explain [ ]

31. The agendas of Board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

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 [ ]

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.

Compliant [ ] Partially compliant [X] 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.

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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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 [X] Partially compliant [ ] Explain [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

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.

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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

43. 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.

Compliant [X] Partially compliant [ ] Explain [ ]

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the Board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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. Measures in place to mitigate the impact of risk events should they occur.

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.

Compliant [X] Partially compliant [ ] Explain [ ]

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 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 [X] Partially compliant [ ] Explain [ ]

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 [X] Partially compliant [ ] Explain [ ]

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Compliant [X] Partially compliant [ ] Explain [ ]

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any Director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant [X] Partially compliant [ ] Explain [ ]

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 for senior officer contracts.

b. Monitor compliance with the remuneration policy set 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 in corporate documents, including the Annual Directors' Remuneration Statement.

Compliant [X] Partially compliant [ ] Explain [ ]

51. The Remuneration Committee should consult with the Chairman and Chief Executive, especially on matters relating to executive Directors and senior officers.

Compliant [X] Partially compliant [ ] Explain [ ]

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 mandatory Board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a. Committees should be formed exclusively by non-executive Directors, with a majority of independents.

b. Committees should be chaired by an independent Director.

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 missions, discuss their proposal sand 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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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 [X] Partially compliant [ ] Explain [ ]

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:

    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.

Compliant [X] Partially compliant [ ] Explain [ ]

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.

Compliant [X] Partially compliant [ ]

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.

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.

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.

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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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 [X] 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.

Compliant [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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 [X] 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 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.

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 [X] Partially compliant [ ] Explain [ ] Not applicable [ ]

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 ☒ 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.

☒ YES ☐ NO

Names of the members of the Board of Directors who voted against the approval of this report	Reasons (voted against, abstained, non-attendance)	Explain the reasons
Alejandro García-Bragado	Voted against	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.

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.

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.

5. Reading the minutes of meetings of the Board of Directors, Audit and Control Committee and other committees of the Company, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and 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 INDIVIDUAL DE CAIXABANK, S.A. 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 que el informe de gestión incluye un análisis fiel de la evolución y los resultados empresariales y de la posición de CaixaBank, S.A., junto con la descripción de los principales riesgos e incertidumbres a que se enfrenta.

Las Cuentas Anuales e Informe de Gestión individual 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.

____

Don Jordi Gual Solé
Presidente

____

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 debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

____

Don Gonzalo Gortázar Rotaeche
Consejero Delegado

Diligencia del Secretario para hacer constar la no firma del Sr. Delegado al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

____

Don John Shepard Reed
Consejero Coordinador

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero Consejero Coordinador al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. 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 debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. 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 debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

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 representante de la Consejera al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

Don Alejandro García-Bragado Dalmau
Consejero

Diligencia del Secretario para hacer constar la no firma del Sr. Consejero al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

Doña Cristina Garmendia Mendizábal
Consejera

Diligencia del Secretario para hacer constar la no firma de la Sra. al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

Don Ignacio Garralda Ruíz de Velasco
Consejero

Diligencia del Secretario para hacer constar la no firma del Sr. Consejera Consejero al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

Doña María Amparo Moraleda Martínez
Consejera

Diligencia del Secretario para hacer constar la no firma de la Sra. al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

Don Eduardo Javier Sanchiz Irazu
Consejero

Diligencia del Secretario para hacer constar la no firma del Sr. Consejera Consejero al haber asistido por medios telemáticos a la sesión del Consejo debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. 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 debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los desplazamientos. El Secretario,

Doña Koro Usarraga Unsain
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 debido a las restricciones y recomendaciones de las autoridades sanitarias derivadas de la propagación de la Covid-19 y que limitan las reuniones con presencia física de personas y los

d