# Ibercaja Banco, S.A.
# and subsidiaries
# (Ibercaja Banco Group)

Consolidated financial statements at 31 December 2021
and consolidated directors' report for 2021

Audit Report on Financial Statements
issued by an Independent Auditor

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2021

Ernst & Young, S.L.
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# AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of IBERCAJA BANCO, S.A.:

## Audit report on the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Ibercaja Banco, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2021, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2021 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

### Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

## Key audit matters

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

*Estimate of impairment losses due to credit risk of the loans and advances portfolio at amortized cost*

**Description**

The estimate of impairment loss allowances for credit risk is one of the most significant and complex areas in the process of preparing the Group's financial information requiring, in some respects, a high degree of judgment and estimation. Notes 2.3, 11.5 and 11.6 to the accompanying consolidated financial statements describe the relevant principles and criteria applied by the Group for estimating the aforementioned impairment losses, which is computed individually or collectively, and the related amounts.

The methodology used for the individual estimates primarily entails identifying and classifying impaired exposures or those in which there has been a significant increase in risk since their approval, examining forecasts of the debtors' future cash flows or, where appropriate, the estimates of the realizable value of the related guarantees.

Collective estimates are carried out mainly through internal models, based on historical experience of customer behavior, which take into account aspects such as:

- segmentation of transactions into homogeneous groups according to credit risk (type of borrower, purpose of the transaction, type of guarantee, etc.);
- identification and classification of impaired exposures or exposures where there has been a significant increase in risk since their approval;
- risk parameters such as exposure, probability of default and severity rate, as well as the construction of scenarios and forecasts on future macroeconomic variables such as GDP, unemployment rate or house price;
- the value of the real estate property-based collateral, for which the Group has developed an internal methodology that estimates the recoverable amount from the appraised values, considering the sale costs and estimated discounts based on the Group's experience in the sale of assets of similar characteristics.

The Group periodically recalibrates these models to improve their predictive capacity, modifying the scenarios and algorithms used, and, in addition, performs retrospective tests ("backtesting") and monitoring on the main parameters used in these models.

The COVID-19 pandemic has been negatively affecting the Spanish economy since 2020. To mitigate the impacts of COVID-19, the Spanish Government has launched initiatives to help the sectors and customers most affected through various measures such as granting government-backed credit lines, payments moratoriums without penalty or the flexibility of financing and liquidity lines. All these factors increase the uncertainty surrounding the variables considered by the Group when quantifying impairment losses, such as future trends in its clients' businesses, the realizable value of collateral associated with approved transactions, the macroeconomic variables considered, etc. Accordingly, as of December 31, 2021, the Group has considered the adverse effects of COVID-19 on impairment and credit risk provisions, supplementing impairment losses resulting from internal models with certain temporary additional adjustments deemed necessary to reflect the particular characteristics of borrowers or portfolios that may not be identified by the models.

As a result, we determined the estimate of impairment loss allowances for credit risk on the portfolio of loans and advances at amortized cost to be a key audit matter.

**Our response**

Our audit approach in this area included analyzing and evaluating the internal control system related to the processes of estimating impairment loss allowances for credit risk, as well as performing substantive procedures for the estimated losses both individually and collectively.

Regarding the internal control system, our tests focused on:

- Evaluating the adequacy of the Group's various policies and procedures, as well as the internal models for credit risk and valuation of real estate assets (collateral) to determine if they are in line with applicable regulatory requirements.
- Reviewing the procedures established by the Group for its credit approval process to assess the debtor's ability to pay, based on the analysis of future cash flows and related financial information.
- Verifying the criteria for classifying exposures ("staging") according to their credit risk, taking into account the age of the arrears, the terms and conditions of the transaction, including refinancing or restructuring, and the controls or monitoring alert established by the Group.
- Verifying relevant controls established by the Group for the management and valuation of the collateral related credit transactions.
- Assessing whether the process of periodically reviewing borrower files to monitor their classification and identify impairment, where applicable, is carried out in accordance with the monitoring and alert system defined by the Group.
- Evaluating the consideration given to the issues observed in the Reports issued by the Internal Validation Department in relation to the recalibration and contrast tests of the internal models.
- Verifying the reliability and consistency of the data sources used and evaluating the integrity, the data used, and the related control and management processes.

Additionally, we carried out substantive procedures consisting mainly of:

- Carrying out detailed tests on a sample of files whose process of estimating impairment losses is carried out individually to evaluate the correct classification, as well as estimating and recording, where appropriate, the corresponding impairment losses. This sample has included borrowers from the economic sectors most affected by COVID-19 and/ or that have obtained government aid as a result of the pandemic.

- Carrying out selective checks on internal models, with the involvement of our financial risk specialists, in relation to: i) the reasonableness of the methodology for estimating risk parameters and the criteria for segmenting customers or operations; (ii) the correct classification of credit transactions based on whether there has been a significant increase in credit risk or a default event; (iii) the completeness and reliability of the information used for the estimation of impairment; (iv) historical loss rates due to impairment of credit risk; v) the reasonableness of the assumptions and assumptions made about the future evolution of the macroeconomic variables in the different scenarios used.
- Carrying out, for a sample of transactions, checks on the related underlying data to validate the key information used in collectively estimating impairment losses.
- Recalculating collectively estimated impairment losses.
- Assessing the need for additional adjustments to the expected losses identified by the internal models, as well as a review of the reasonableness of the assumptions and information used by the Group to estimate such adjustments.

*Assessment of goodwill recoverability*

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| Description | In note 2.16.1 to the accompanying consolidated financial statements, the Group describes the relevant principles and criteria applied by management to verify whether there is impairment of the goodwill recorded by the Group as at December 31, 2021 amounting to €145 million (see Note 16.1).<br><br>This goodwill is associated with a single cash generating unit (CGU) that encompasses the Group's entire business. To estimate the recoverable amount of the CGU, the Group uses business projections that are based on assumptions about the future developments in the economic situation and other key business assumptions (credit trends, delinquency, sources of financing, interest rates or capital requirements), as well as the discount rate and long-term growth rate used to discount expected cash flows. The assessment of the CGU and some of these assumptions are carried out by management's experts.<br><br>Given that the assessment impairment of goodwill is a process that requires a high degree of judgment and estimation, especially in the current context of Covid-19, we determined this to be a key audit matter. |
| Our response | Our audit procedures, which have been carried out with the collaboration of our valuation experts, included primarily:<br><br>- Reviewing the criterion used for defining the Group's CGU to which the goodwill is associated.<br>- Evaluating methodology used for estimating impairment of goodwill.<br>- Reviewing the annual valuation report prepared by an external expert, which serves as a basis for Management to carry out its assessment of the impairment of goodwill and evaluate the assumptions used to determine the discount rate and growth in perpetuity.<br>- Evaluating assumptions used by the Management to construct financial projections (growth rates, interest rate curves, cost of risk, capital requirements, etc.). |

- Reviewing the sensitivity analysis carried out by the Management to evaluate the impact of changes in the main variables on the result of the impairment test.

Finally, we assessed whether the attached consolidated financial statements contain the breakdowns required by the regulatory financial reporting framework applicable to the Group.

*Valuation of liabilities for life insurance contracts*

**Description**

The Group's life insurance busines entails marketing life insurance and unit linked products. The Group's balance sheet at December 31, 2021 shows an amount of 5,326 million euros under "Liabilities covered by insurance contracts – Mathematical Provision" (see Note 20), which represents the difference between the actuarial present value of the Company's future obligations and those of the policyholder or, where appropriate, the policyholder, with respect to the life insurance contracted on that date.

In note 2.19 to the accompanying consolidated financial statements, the Group describes the relevant principles and criteria applied by the Group to record liabilities associated with insurance contracts. The determination of the mathematical provision is an estimate that requires the use of actuarial methods and calculations, based on the use of a high number of individual calculations, as well as the use of a series of key data, depending on the type of product marketed, i.e., the technical interest rate, the mortality tables, the sex and age of the policyholder, the duration of the contract and the guaranteed capital. Likewise, compliance with the precepts developed by article 33 of the Regulation on Private Insurance must be taken into account for savings insurance, where it has been defined.

As a result, we determined the valuation of the mathematical provision to be a key audit matter.

**Our response**

Our main audit procedures, which involved the collaboration of our actuarial specialists, included:

- Obtaining an understanding of the process of calculating and recording the mathematical provision in accordance with the nature of the products marketed by the Company, as well as with the regulatory requirements and common practices of the insurance sector.
- Evaluating the design and operational effectiveness of the relevant controls that mitigate the risks of material misstatement identified in determining the mathematical provision.
- Reviewing the reconciliation of the base data of actuarial calculations with accounting data.
- Evaluating the adequacy of the calculations of mathematical provision to assess whether they are in line with the current mortality and survival tables required of insurance and reinsurance entities, in accordance with the resolution of December 17, 2020.
- Evaluating the application of the provisions of section 2 of Additional Provision 5 of Royal Decree 1060/2015 regarding the adaptation of the temporary structure of rates.

- Evaluating, on a sample basis, the reasonableness of the data used when calculating the mathematical provision, i.e., the technical interest rate, mortality tables, sex and age of the policyholder, the duration of the contract and the guaranteed capital.
- Recalculating the mathematical provision for a sample of products marketed by the Company. Verifying the application of interest rates in accordance with the specifications of Article 33 of the private insurance law (ROSSP). For those product portfolios subject to immunization by flows and, verifying compliance with the terms and conditions of articles 2 and 3 of Order EHA/339/2007 for a sample of portfolios as of September of the audited year.
- Verifying the assumptions of expenses detailed in the technical notes and their adequacy, by comparing them with the actual expenses incurred.

Finally, we assessed whether the attached consolidated financial statements contain the breakdowns required by the regulatory financial reporting framework applicable to the Group.

*Assessment of the Group´s ability to recover deferred tax assets*

**Description**

In accordance with the Group's accounting policies, as explained in note 2.14 to the attached consolidated financial statements, deferred tax assets are only recognized if it is considered likely that sufficient tax gains will be obtained in the future to make them effective. As indicated in note 25 to the accompanying consolidated financial statements, at December 31, 2021, the Group maintains deferred tax assets amounting to 1,292 million euros, of which the recovery of 634 million euros is guaranteed through the monetization mechanisms established in Royal Decree Law 14/2013 and Article 130 of the Corporate Tax Law.

Management evaluates the Group's ability to recover deferred tax assets based on estimates of future tax gains, made on the basis of the Group's financial projections and business plans, and considering the applicable tax regulations. Given that the assessment of the Group's ability to recover deferred tax assets is a complex process that requires a high degree of judgment and estimation, we determined this process to be key audit matter.

**Our response**

We carried out audit procedures, with the involvement of our valuation and tax specialists, to evaluate the assumptions considered by management to estimate the recovery of deferred tax assets, focusing our analysis on the economic and financial assumptions used by the Group to estimate future tax benefits. In addition, we carried out a sensitivity analysis of the results and evaluated whether the attached consolidated financial statements contain the breakdowns required by the regulatory financial reporting framework applicable to the Group.

*Automated financial information systems*

**Description**

The continuity of the Group's business processes is highly dependent on its technological infrastructure. The rights of access to the different systems are granted to their employees for the purpose of allowing the development and fulfillment of their responsibilities. These access rights are relevant, as they are designed to ensure that changes to applications are properly authorized, implemented, and monitored, and are key controls to mitigate the potential risk of fraud or error as a result of application changes.

In this context, it is necessary to assess aspects of the effectiveness of the general internal control framework of information systems. As a results, we determined the assessment of the risks associated with the information systems and the control environment implemented to be a key audit matter.

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| Our response | In the context of our audit and with, with the collaboration of our information systems specialists, we evaluated the general controls of the information systems relevant to the preparation of financial information. In this regard, our work consisted primarily testing the general access controls to the systems, changes in the management and development of applications, and security, as well as the application controls established in the key processes for financial reporting, with the collaboration of our computer specialists. |

**Other issues**

On March 3, 2021, other auditors issued their Audit report on the consolidated annual accounts for the year 2020 in which the expressed a favorable opinion.

**Other information: consolidated management report**

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

### Responsibilities of the parent company´s directors and the audit and compliance committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and compliance committee is responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and compliance committee of the parent company 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 audit and compliance committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

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

## Report on other legal and regulatory requirements

### European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Ibercaja Banco, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

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

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

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

## Additional report to the audit and compliance committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on March 8, 2022.

## Term of engagement

The ordinary general shareholders' meeting held on December 19, 2019 appointed us as auditors for three years, commencing on January 1, 2021.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under Nº S0530)

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús
(Registered in the Official Register of Auditors under Nº 17469)

March 8, 2022

iberCaja

**CERTIFICATE OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

Certificate issued by the Secretary of the Board, Mr Jesús Barreiro Sanz, to record that the Board of Directors of Ibercaja Banco, S.A., at its meeting held on 25 February 2022, has prepared the 2021 consolidated financial statements comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, having been signed by all Directors.

For the record, I hereby issue this instrument in Zaragoza, on 25 February 2022.

**MR JESÚS BARREIRO SANZ**
Non-Director Secretary

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 25 February 2022 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2021 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2021 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial condition, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2021 consolidated directors' report presents fairly the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 1/11- Mr Aguirre.

Zaragoza, 25 February 2022

**MR JOSÉ LUIS AGUIRRE LOASO**
Chairman

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

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Zaragoza, 25 February 2022

**MR JESÚS BUENO ARRESE**
First Deputy Chairman

**IBERCAJA BANCO, S.A.**

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Zaragoza, 25 February 2022

**MR VÍCTOR IGLESIAS RUIZ**
CEO

**IBERCAJA BANCO, S.A.**

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 4/11- Ms González-Bueno.

Zaragoza, 25 February 2022

**MS GABRIELA GONZÁLEZ-BUENO LILLO**
Member

**IBERCAJA BANCO, S.A.**

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Zaragoza, 25 February 2022

**MR JESÚS SOLCHAGA LOITEGUI**
Member

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

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Zaragoza, 25 February 2022

**MR JOSÉ MIGUEL ECHARRI PORTA**
Member

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 7/11- Mr Cóndor.

Zaragoza, 25 February 2022

**MR VICENTE CÓNDOR LÓPEZ**
Member

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 25 February 2022 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2021 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2021 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial condition, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2021 consolidated directors' report presents fairly the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 8/11- Mr Longás.

Zaragoza, 25 February 2022

**MR FÉLIX LONGÁS LAFUENTE**
Member

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 9/11- Mr Tejel.

Zaragoza, 25 February 2022

**MR JESÚS TEJEL GIMÉNEZ**
Member

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 10/11- Mr Arrufat.

Zaragoza, 25 February 2022

**MR ENRIQUE ARRUFAT GUERRA**
Member

**IBERCAJA BANCO, S.A.**

**PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT**

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 25 February 2022 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2021 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 11/11- Ms Segura.

Zaragoza, 25 February 2022

**MS MARÍA PILAR SEGURA BAS**
Member

# Ibercaja Banco, S.A.
# and subsidiaries
# (Ibercaja Banco Group)

Consolidated financial statements at
31 December 2021 and

## IBERCAJA BANCO, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

| ASSETS | Note | 2021 | 2020 (*) |
|---|---|---|---|
| **Cash and cash balances at central banks and other demand deposits** | **6** | **6,388,624** | **7,572,609** |
| **Financial assets held for trading** | **7** | **2,864** | **5,503** |
| Derivatives | | 2,864 | 5,503 |
| Debt securities | | - | - |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | | - | - |
| **Financial assets not held for trading mandatorily measured at fair value through profit or loss** | **8** | **1,668,437** | **853,721** |
| Equity instruments | | 1,666,941 | 824,170 |
| Debt securities | | - | 28,009 |
| Loans and advances | | 1,496 | 1,542 |
| *Customers* | | 1,496 | 1,542 |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | | - | - |
| **Financial assets at fair value through profit or loss** | **9** | **7,451** | **8,602** |
| Debt securities | | 7,451 | 8,602 |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | | - | - |
| **Financial assets at fair value through other comprehensive income** | **10** | **6,464,034** | **7,023,328** |
| Equity instruments | | 345,676 | 353,872 |
| Debt securities | | 6,118,358 | 6,669,456 |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | | *190,604* | *71,059* |
| **Financial assets at amortised cost** | **11** | **40,989,400** | **39,726,825** |
| Debt securities | | 9,974,513 | 8,474,312 |
| Loans and advances | | 31,014,887 | 31,252,513 |
| *Credit institutions* | | *361,357* | *311,651* |
| *Customers* | | *30,653,530* | *30,940,862* |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | | 3,623,061 | 3,116,505 |
| **Derivatives - Hedge accounting** | **12.1** | **71,866** | **142,020** |
| **Fair value changes of the hedged items in a portfolio with interest rate risk hedging** | | - | - |
| **Investments in joint ventures and associates** | **13** | **101,328** | **106,525** |
| Joint ventures | | 25,480 | 29,705 |
| Associates | | 75,848 | 76,820 |
| **Assets under insurance or reinsurance contracts** | **14** | **390** | **429** |
| **Tangible assets** | **15** | **1,004,091** | **960,967** |
| Property, plant and equipment | | 748,138 | 714,068 |
| *For own use* | | *656,681* | *638,443* |
| *Assigned under operating lease* | | *91,457* | *75,625* |
| Investment property | | 255,953 | 246,899 |
| *of which: assigned under operating lease* | | *59,235* | *63,416* |
| *Memorandum items: acquired under finance lease* | | - | - |
| **Intangible assets** | **16** | **269,167** | **237,226** |
| Goodwill | | 144,934 | 144,934 |
| Other intangible assets | | 124,233 | 92,292 |
| **Tax assets** | **25** | **1,304,032** | **1,345,136** |
| Current tax assets | | 11,880 | 9,511 |
| Deferred tax assets | | 1,292,152 | 1,335,625 |
| **Other assets** | **17** | **148,297** | **155,526** |
| Inventories | | 89,654 | 108,102 |
| Remainder of other assets | | 58,643 | 47,424 |
| **Non-current assets and disposal groups classified as held for sale** | **18** | **211,428** | **262,373** |
| **TOTAL ASSETS** | | **58,631,409** | **58,400,790** |

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

**IBERCAJA BANCO, S.A. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| LIABILITIES | Note | 2021 | 2020 (*) |
|---|---|---|---|
| **Financial liabilities held for trading** | **7** | **8,775** | **5,630** |
| Derivatives | | 8,775 | 5,630 |
| **Financial liabilities at fair value through profit or loss** | | - | - |
| *Memorandum items: subordinated liabilities* | | - | - |
| **Financial liabilities at amortised cost** | **19** | **47,285,113** | **46,627,380** |
| Deposits | | 44,884,582 | 44,460,275 |
| *Central banks* | | *5,871,128* | *5,371,202* |
| *Credit institutions* | | *745,174* | *1,207,820* |
| *Customers* | | *38,268,280* | *37,881,253* |
| Debt securities issued | | 1,316,321 | 1,340,670 |
| Other financial liabilities | | 1,084,210 | 826,435 |
| *Memorandum items: subordinated liabilities* | | *502,752* | *510,326* |
| **Derivatives - Hedge accounting** | **12.1** | **275,690** | **216,202** |
| **Fair value changes of the hedged items in a portfolio with interest rate risk hedging** | **12.2** | **17,758** | **37,593** |
| **Liabilities under insurance or reinsurance contracts** | **20** | **7,121,494** | **7,521,867** |
| **Provisions** | **21** | **268,943** | **393,100** |
| Pensions and other post-employment defined benefit obligations | | 89,239 | 119,125 |
| Other long term employee remuneration | | 1,544 | 122 |
| Lawsuits and litigation for outstanding taxes | | 7,163 | 7,780 |
| Commitments and guarantees given | | 16,707 | 19,477 |
| Other provisions | | 154,290 | 246,596 |
| **Tax liabilities** | | **160,221** | **167,326** |
| Current tax liabilities | | 772 | 165 |
| Deferred tax liabilities | 25.4 | 159,449 | 167,161 |
| **Other liabilities** | **22** | **223,014** | **213,272** |
| **Liabilities within disposal groups classified as held for sale** | | - | - |
| **TOTAL LIABILITIES** | | **55,361,008** | **55,182,370** |

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

## IBERCAJA BANCO, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

| EQUITY | Note | 2021 | 2020 (*) |
|---|---|---|---|
| **Shareholders' equity** | **23** | **3,253,857** | **3,160,630** |
| Capital | | 214,428 | 214,428 |
| *Paid-in capital* | | 214,428 | 214,428 |
| *Called-up capital* | | - | - |
| *Memorandum items: uncalled capital* | | - | - |
| Share premium | | - | - |
| Equity instruments issued other than capital | | 350,000 | 350,000 |
| *Equity component of compound financial instruments* | | - | - |
| *Other equity instruments issued* | | *350,000* | *350,000* |
| Other equity items | | - | - |
| Retained earnings | | 621,589 | 602,663 |
| Revaluation reserves | | 3,288 | 3,297 |
| Other reserves | | 1,960,567 | 1,966,640 |
| *Accumulated reserves or losses on investments in jointly-controlled entities and associates* | | *(35,848)* | *(33,603)* |
| *Other* | | *1,996,415* | *2,000,243* |
| (Treasury shares) | | - | - |
| Profit attributable to owners of the Parent | | 150,985 | 23,602 |
| (Interim dividends) | | (47,000) | - |
| **Other accumulated comprehensive income** | | **16,544** | **57,790** |
| Items that will not be reclassified to profit or loss | | 25,282 | 10,132 |
| *Actuarial gains/(losses) on defined benefit pension plans* | *24.1* | (13,612) | (23,741) |
| *Non-current assets and disposal groups classified as held for sale* | | - | - |
| *Share in other income and expense recognised in joint ventures and associates* | | - | - |
| *Changes in the fair value of equity instruments measured at fair value through other comprehensive income* | *24.3* | *38,894* | *33,873* |
| *Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income* | | - | - |
| *Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)* | | - | - |
| *Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)* | | - | - |
| *Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk* | | - | - |
| Items that may be reclassified to profit or loss | | (8,738) | 47,658 |
| *Hedges of net investment in foreign operations (effective portion)* | | - | - |
| *Foreign currency translation* | | - | - |
| *Hedging derivatives. Cash flow hedge reserve (effective portion)* | *24.2* | *(24,973)* | *8,551* |
| *Changes in the fair value of debt instruments measured at fair value through other comprehensive income* | *24.3* | *16,388* | *39,091* |
| *Hedging instruments (undesignated items)* | | | |
| *Non-current assets and disposal groups classified as held for sale* | | - | - |
| *Share in other income and expense recognised at joint ventures and associates* | | *(153)* | *16* |
| **Non-controlling interests** | **23.2** | - | - |
| Accumulated other comprehensive income | | - | - |
| Other items | | - | - |
| **TOTAL EQUITY** | | **3,270,401** | **3,218,420** |
| **TOTAL EQUITY AND LIABILITIES** | | **58,631,409** | **58,400,790** |
| **Memorandum items: off-balance sheet exposures** | | | |
| **Loan commitments given** | **27.3** | **3,220,412** | **3,288,448** |
| **Financial guarantees granted** | **27.1** | **97,630** | **93,631** |
| **Other commitments given** | | **820,619** | **795,006** |

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

## IBERCAJA BANCO, S.A. AND SUBSIDIARIES

## CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

| | Note | 2021 | 2020 (*) |
|---|---|---|---|
| **Interest income** | **28** | **549,923** | **632,798** |
| Financial assets at fair value through other comprehensive income | | 95,251 | 111,533 |
| Financial assets at amortised cost | | 423,097 | 493,287 |
| Other | | 31,575 | 27,978 |
| **(Interest expenses)** | **29** | **57,097** | **99,125** |
| **(Expenses on share capital repayable on demand)** | | **-** | **-** |
| **NET INTEREST INCOME** | | **492,826** | **533,673** |
| **Dividend income** | **30** | **9,542** | **5,208** |
| **Share of profit of entities accounted for using the equity method** | **31** | **5,589** | **579** |
| **Fee and commission income** | **32** | **457,495** | **390,771** |
| **(Fee and commission expenses)** | **33** | **19,509** | **16,636** |
| **Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.** | **34** | **46,108** | **128,856** |
| Financial assets at amortised cost | | 40,779 | 125,366 |
| Other financial assets and liabilities | | 5,329 | 3,490 |
| **(Net gains or (-) losses on financial assets and liabilities held for trading)** | **34** | **645** | **1,149** |
| Reclassification of financial assets from fair value through other comprehensive income | | - | - |
| Reclassification of financial assets from amortised cost | | - | - |
| Other gains or (-) losses | | 645 | 1,149 |
| **Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss** | **34** | **103** | **(10,476)** |
| Reclassification of financial assets from fair value through other comprehensive income | | - | - |
| Reclassification of financial assets from amortised cost | | - | - |
| Other gains or (-) losses | | 103 | (10,476) |
| **(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)** | **34** | **-** | **-** |
| **Net gains or (-) losses from hedge accounting** | **34** | **(194)** | **(364)** |
| **Net exchange differences** | **35** | **557** | **852** |
| **Other operating income** | **36** | **37,944** | **47,022** |
| **(Other operating expenses)** | **37** | **78,553** | **78,581** |
| **Income from assets covered by insurance and reinsurance contracts** | **20.2** | **904,463** | **960,230** |
| **(Liability expenses covered by insurance or reinsurance contracts)** | **20.2** | **904,756** | **960,461** |
| **GROSS INCOME** | | **952,260** | **1,001,822** |
| **(Administration expenses)** | | **544,249** | **655,588** |
| (Staff expenses) | 38 | 375,183 | 502,568 |
| (Other administration expenses) | 39 | 169,066 | 153,020 |
| **(Amortisation and depreciation)** | **15, 16** | **66,973** | **62,918** |
| **(Provisions or (-) reversal of provisions)** | **21** | **5,722** | **(14,236)** |
| **(Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on modification)** | | **78,008** | **219,646** |
| (Financial assets at fair value through other comprehensive income) | 10 | (1,887) | 1,300 |
| (Financial assets at amortised cost) | 11.5 | 79,895 | 218,346 |
| **(Impairment or (-) reversal of impairment on investments in joint businesses or associates)** | | **128** | - |
| **(Impairment or (-) reversal of impairment on non-financial assets)** | **40** | **11,927** | **1,559** |
| (Tangible assets) | | 4,414 | 1,471 |
| (Intangible assets) | | - | - |
| (Other) | | 7,513 | 88 |
| **Net gains/(losses) on derecognition of non-financial assets** | **41** | **(5,199)** | **(3,047)** |
| **Negative goodwill recognised in profit or loss** | | **-** | **-** |
| **Profit/(loss) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations** | **42** | **(25,281)** | **(19,830)** |
| **PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | | **214,773** | **53,470** |
| **(Expense or (-) income from taxes on income from continuing operations)** | **25** | **63,788** | **29,868** |
| **PROFIT AFTER TAX FROM CONTINUING OPERATIONS** | | **150,985** | **23,602** |
| **Profit/(loss) after tax from discontinued activities** | | **-** | **-** |
| **PROFIT/(LOSS) FOR THE YEAR** | | **150,985** | **23,602** |
| Attributable to non-controlling interests | | - | - |
| Attributable to owners of the parent | | 150,985 | 23,602 |

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated income statement for 2021.

**IBERCAJA BANCO, S.A. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| | Note | 2021 | 2020 (*) |
|---|---|---|---|
| **PROFIT/(LOSS) FOR THE YEAR** | | **150,985** | **23,602** |
| **OTHER COMPREHENSIVE INCOME** | **24** | **(31,727)** | **(10,008)** |
| **Items that will not be reclassified to profit or loss** | | **24,669** | **(3,747)** |
| Actuarial gains/(losses) on defined benefit pension plans | | **14,470** | **779** |
| Non-current assets and disposal groups of items held for sale | | - | - |
| Share in other income and expense recognised in joint ventures and associates | | - | - |
| Changes in the fair value of equity instruments measured at fair value through other comprehensive income | | **22,224** | **(8,047)** |
| Net gains or (-) losses from hedge accounting of equity instruments measured at fair value through other comprehensive income | | - | - |
| *Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)* | | **-** | **-** |
| *Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)* | | **-** | **-** |
| Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk | | - | - |
| Income tax relating to items not to be reclassified | 25.4 | (12,025) | 3,521 |
| **Items that may be reclassified to profit or loss** | | **(56,396)** | **(6,261)** |
| Hedges of net investment in foreign operations (effective portion) | | - | - |
| *Valuation gains/(losses) taken to equity* | | - | - |
| *Transferred to the income statement* | | - | - |
| *Other reclassifications* | | - | - |
| Currency translation | | - | - |
| *Valuation gains/(losses) taken to equity* | | - | - |
| *Transferred to the income statement* | | - | - |
| *Other reclassifications* | | - | - |
| Cash flow hedges (effective portion) | | (47,891) | 39 |
| *Valuation gains/(losses) taken to equity* | | *(42,246)* | *39* |
| *Transferred to the income statement* | | (5,645) | - |
| *Transferred to initial carrying amount of hedge items* | | | |
| *Other reclassifications* | | - | - |
| | | - | - |
| Hedging instruments (undesignated items) | | - | - |
| *Valuation gains/(losses) taken to equity* | | - | - |
| *Transferred to the income statement* | | - | - |
| *Other reclassifications* | | - | - |
| Debt instruments at fair value through other comprehensive income | | (32,433) | (9,170) |
| *Valuation gains/(losses) taken to equity* | | *(24,925)* | *3,686* |
| *Transferred to the income statement* | *34* | *(7,508)* | *(12,856)* |
| *Other reclassifications* | | - | - |
| Non-current assets and disposal groups of items held for sale | | - | - |
| *Valuation gains/(losses) taken to equity* | | - | - |
| *Transferred to the income statement* | | - | - |
| *Other reclassifications* | | - | - |
| Share in other income and expense recognised in joint ventures and associates | | (169) | 131 |
| Corporation tax relating to items that may be reclassified to profit or loss | 25.4 | 24,097 | 2,739 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **119,258** | **13,594** |
| Attributable to non-controlling interests | | - | - |
| Attributable to owners of the parent | | 119,258 | 13,594 |

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of recognised income and expense at 31 December 2021.

## IBERCAJA BANCO, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Thousands of euros)

| | | | | | | | | | | | | Non-controlling interests | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Capital** | **Share premium** | **Equity instruments issued other than capital** | **Other equity items** | **Retained earnings** | **Revaluation reserves** | **Other reserves** | **(Treasury shares)** | **Attributable to owners of the parent (Note 4)** | **(Interim dividends)** | **Accumulated other comprehensive income (Note 24)** | **Other accumulated comprehensive income** | **Other items** | **Total (Note 23)** |
| **I. Closing balance at 31/12/2020** | **214,428** | **-** | **350,000** | **-** | **602,663** | **3,297** | **1,966,640** | **-** | **23,602** | **-** | **57,790** | **-** | **-** | **3,218,420** |
| Effects of error correction | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **II. Adjusted opening balance** | **214,428** | **-** | **350,000** | **-** | **602,663** | **3,297** | **1,966,640** | **-** | **23,602** | **-** | **57,790** | **-** | **-** | **3,218,420** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **150,985** | **-** | **(31,727)** | **-** | **-** | **119,258** |
| **Other changes in equity** | **-** | **-** | **-** | **-** | **18,926** | **(9)** | **(6,073)** | **-** | **(23,602)** | **(47,000)** | **(9,519)** | **-** | **-** | **(67,277)** |
| Issuance of common shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of preference shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of other equity instruments (Note 23) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exercise or maturity of other equity instruments issued | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of debt into equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital reduction (Note 23) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends (or other shareholder remuneration) (Note 4) | - | - | - | - | (3,849) | - | - | - | - | (47,000) | - | - | - | (50,849) |
| Reclassification of financial instruments from equity to liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial instruments from liabilities to equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers between equity components | - | - | - | - | 22,775 | (9) | 10,355 | - | (23,602) | - | (9,519) | - | - | - |
| Increase/(decrease) in equity due to business combinations | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increases/(decreases) in equity | - | - | - | - | - | - | (16,428) | - | - | - | - | - | - | (16,428) |
| **III. Closing balance at 31/12/2021** | **214,428** | **-** | **350,000** | **-** | **621,589** | **3,288** | **1,960,567** | **-** | **150,985** | **(47,000)** | **16,544** | **-** | **-** | **3,270,401** |

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2021.

## IBERCAJA BANCO, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (*)

(Thousands of euros)

| | Capital | Share premium | Equity instruments issued other than capital | Other equity items | Retained earnings | Revaluation reserves | Other reserves | (Treasury shares) | Attributable to owners of the parent (Note 4) | (Interim dividends) | Accumulated other comprehensive income (Note 24) | Non-controlling interests: Other accumulated comprehensive income | Non-controlling interests: Other items | Total (Note 23) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Closing balance at 31/12/2019** | **214,428** | **-** | **350,000** | **-** | **545,893** | **3,305** | **1,941,402** | **-** | **83,989** | **-** | **102,080** | **-** | **-** | **3,241,097** |
| Effects of error correction | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **II. Adjusted opening balance** | **214,428** | **-** | **350,000** | **-** | **545,893** | **3,305** | **1,941,402** | **-** | **83,989** | **-** | **102,080** | **-** | **-** | **3,241,097** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **23,602** | **-** | **(10,008)** | **-** | **-** | **13,594** |
| **Other changes in equity** | **-** | **-** | **-** | **-** | **56,770** | **(8)** | **25,238** | **-** | **(83,989)** | **-** | **(34,282)** | **-** | **-** | **(36,271)** |
| Issuance of common shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of preference shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of other equity instruments (Note 23) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Exercise or maturity of other equity instruments issued | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of debt into equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital reduction (Note 23) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends (or other shareholder remuneration) (Note 4) | - | - | - | - | (17,500) | - | - | - | - | - | - | - | - | (17,500) |
| Reclassification of financial instruments from equity to liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial instruments from liabilities to equity | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers between equity components | - | - | - | - | 74,270 | (8) | 44,009 | - | (83,989) | - | (34,282) | - | - | - |
| Increase/(decrease) in equity due to business combinations | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increases/(decreases) in equity | - | - | - | - | - | - | (18,771) | - | - | - | - | - | - | (18,771) |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| **III. Closing balance at 31/12/2020** | **214,428** | **-** | **350,000** | **-** | **602,663** | **3,297** | **1,966,640** | **-** | **23,602** | **-** | **57,790** | **-** | **-** | **3,218,420** |

(*) Presented for comparison purposes only (Note 1.4).

**IBERCAJA BANCO, S.A. AND SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| | Note | 2021 | 2020 (*) |
|---|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES** | | **(1,066,329)** | **3,659,874** |
| **Profit/(loss) for the year** | **23** | **150,985** | **23,602** |
| **Adjustments to obtain cash flows from operating activities** | | **384,850** | **222,170** |
| Amortisation/Depreciation | 15 and 16 | 66,973 | 62,918 |
| Other adjustments | | 317,877 | 159,252 |
| **Net increase/decrease in operating assets** | | **(1,715,097)** | **358,308** |
| Financial assets held for trading | | 2,639 | 3,460 |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | | (814,716) | (488,186) |
| Financial assets at fair value through profit or loss | | 1,151 | 337 |
| Financial assets at fair value through other comprehensive income | | 539,545 | 1,153,025 |
| Financial assets at amortised cost | | (1,479,094) | (313,845) |
| Other operating assets | | 35,378 | 3,517 |
| **Net increase/(decrease) in operating liabilities** | | **182,830** | **3,084,855** |
| Financial liabilities held for trading | | 3,145 | (3,839) |
| Financial liabilities at fair value through profit or loss | | - | - |
| Financial liabilities at amortised cost | | 656,487 | 3,195,573 |
| Other operating liabilities | | (476,802) | (106,879) |
| **Income tax credit/(payments)** | | **(69,897)** | **(29,061)** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES** | | **(35,528)** | **25,859** |
| **Payments** | | **(142,576)** | **(139,856)** |
| Tangible assets | | (94,815) | (98,300) |
| Intangible assets | | (42,623) | (32,620) |
| Investments in joint ventures and associates | | (597) | - |
| Subsidiaries and other business units | | - | - |
| Non-current assets and liabilities classified as held for sale | | (4,541) | (8,936) |
| Other payments related to investing activities | | - | - |
| **Receipts** | | **107,048** | **165,715** |
| Tangible assets | | 41,397 | 61,318 |
| Intangible assets | | - | - |
| Investments in joint ventures and associates | | 833 | 1,552 |
| Subsidiaries and other business units | | - | - |
| Non-current assets and liabilities classified as held for sale | | 64,818 | 49,562 |
| Other receipts related to investing activities | | - | 53,283 |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES** | | **(93,517)** | **(42,000)** |
| **Payments** | | **(143,517)** | **(542,000)** |
| Dividends | 4 | (50,849) | (17,500) |
| Subordinated liabilities | 19.4 | - | (500,000) |
| Write down of own equity instruments | | - | - |
| Acquisition of own equity instruments | | - | - |
| Other payments related to financing activities | 23.1 | (92,668) | (24,500) |
| **Receipts** | | **50,000** | **500,000** |
| Subordinated liabilities | 19.4 | - | 500,000 |
| Issuance of own equity instruments | | - | - |
| Disposal of own equity instruments | | - | - |
| Other receipts related to financing activities | | 50,000 | - |
| **D) EFFECT OF EXCHANGE RATE FLUCTUATIONS** | | **-** | **-** |
| **E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | | **(1,195,374)** | **3,643,733** |
| **F) CASH AND CASH EQUIVALENTS AT START OF PERIOD** | | **7,562,634** | **3,918,901** |
| **G) CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **6,367,260** | **7,562,634** |
| | | | |
| **MEMORANDUM ITEMS** | | | |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | | |
| *of which: in the possession of Group companies but not drawable by the Group* | | - | - |
| Cash | 6 | 221,486 | 239,019 |
| Cash equivalents at central banks | 6 | 5,961,332 | 7,079,491 |
| Other financial assets | 6 and 19.2 | 184,442 | 244,124 |
| Less: bank overdrafts repayable on demand | | - | - |

(*) Presented for comparison purposes only (Note 1.4).

Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of cash flows at 31 December 2021.

# Ibercaja Banco, S.A. and subsidiaries

## Notes to the consolidated annual accounts for the financial year ended 31 December 2021

**Contents**

# Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for
the financial year ended 31 December 2021

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

### 1.1 Introduction

Ibercaja Banco, S.A. (hereinafter, Ibercaja Banco, the Bank or the Company), is a credit institution, 88.04% owned by Fundación Bancaria Ibercaja (hereinafter, the Foundation), subject to the rules and regulations issued by the Spanish and European Union economic and monetary authorities.

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Zaragoza Companies Registry in volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also registered in the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.com, on which its bylaws and other public information can be viewed. During the 2021 financial year the Entity has not changed its corporate name.

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

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and which, together with it, make up the Ibercaja Banco Group (hereinafter, the "Group" or the Ibercaja Banco Group).

Likewise, the Foundation also prepares consolidated financial statements of the Group of which it is the parent (Ibercaja Group). Its registered office is at Joaquín Costa, nº 13, Zaragoza. At the date of preparation of these consolidated financial statements, the Foundation had not prepared either individual or consolidated financial statements.

Note 45 contains the Bank's balance sheets, income statements, statements of recognised income and expense, statements of total changes in equity and statements of cash flows for the years ended 31 December 2021 and 2020, in accordance with the same accounting policies and measurement bases applied in the Group's consolidated financial statements.

The Ibercaja Banco Group's consolidated financial statements for 2020 were approved by the Bank's shareholders at the Annual General Meeting held online on 15 April 2021. The resolutions adopted by this governing body were adopted by written vote and without a meeting, in accordance with article 40.2 of Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to deal with the economic and social impact of Covid-19.

Both the consolidated financial statements and the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2021 are pending approval, if applicable, by their respective General Shareholders' Meetings. However, the Bank's directors believe that they will be approved without any modifications.

### 1.2 Basis of presentation of the consolidated financial statements

These consolidated financial statements were prepared in accordance with the accounting policies, accounting standards and measurement bases applicable under the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and considering Bank of Spain Circular 4/2017 of 27 November ("Circular 4/2017"), and subsequent modifications; accordingly, they fairly present the Group's equity and financial condition at 31 December 2021, and the consolidated results of its operations and consolidated cash flows during the year then ended.

The consolidated financial statements of the Group for 2021 have been prepared by the directors of the Company, at a meeting of its Board of Directors held on 25 February 2022, applying the consolidation criteria and the accounting principles and policies and measurement bases described in Note 2, so as to present fairly the consolidated equity and consolidated financial condition of the Group as at 31 December 2021 and the consolidated results of its operations and its consolidated cash flows for the year then ended.

These financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Company and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's financial statements for 2021, adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Company.

### 1.3 Estimates made

The consolidated financial statements corresponding to 2021 contained opinions and estimates have been made on certain occasions to quantify the value of certain assets, liabilities, revenues, expenses and obligations recorded therein. These estimates basically relate to:

- impairment losses on certain financial assets and the estimate of the guarantees associated with them (Notes 10 and 11), in particular as regards the changes arising from changes in portfolios as a result of specific business models, the consideration of the "significant increase in credit risk (SICR)" and "default", and the introduction of forward-looking information,
- the assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees (Notes 2.13, 38.2 and 38.3), and those used to calculate liabilities arising under insurance contracts (Note 20),
- the measurement of goodwill and other intangible assets (Note 16).
- useful life of tangible and intangible assets (Notes 2.15 and 2.16),
- the valuation of real estate assets (Notes 2.18, 17 and 18),
- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events (Notes 2.20 and 21),
- the fair value of certain financial assets (Note 26),
- the income tax expense and the recoverability of deferred tax assets (Notes 2.14, 25.3 and 25.4),
- the valuation of investments in joint ventures and associates (Note 13),
- the determination of returns from investments in joint ventures and associates (Note 13) and
- the discount rate used in the valuation of the lease liability (Note 2.10).

The appearance of the Coronavirus Covid-19 in China and its global expansion to a large number of countries has caused the viral outbreak to be classified as a global pandemic by the World Health Organisation since 11 March 2020. The pandemic has adversely affected and continues to adversely affect the global economy and global activity, leading to an unprecedented economic recession; however, signs of economic recovery are beginning to emerge during 2021, despite ongoing uncertainties.

Considering the complexity of the markets due to their globalisation, the effects of government measures to curb the spread of the virus and the progress of the vaccination campaigns as a medical treatment against the virus, the consequences for the Group's operations still subject to a significant degree of uncertainty and will depend largely on the course and extent of the pandemic in the coming months, as well as on the ability of all economic actors affected to react and adapt.

In view of this situation, the Group has focused its attention on guaranteeing continuity in the operational security of the business as a priority and monitoring the impacts on the Group's business and risks (such as impacts on results, capital or liquidity).

In addition, the Group adopted a series of measures to support its main stakeholders from the beginning of the pandemic. In this respect, the Group's long-term strategic purpose and priorities remain unchanged. In order to mitigate the impact associated with Covid-19, various European and international bodies, mainly in 2020, issued a number of pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks.

The main impacts of the Covid-19 pandemic on the Group's consolidated financial statements have been considered in the estimates mentioned above and their effects are detailed in the accompanying selected explanatory notes including an explanation of the events or changes that are, if any, material to the explanation of the changes in the consolidated financial condition from 31 December 2020 to 31 December 2021.

The estimates described above have been made on the basis of the best available information as at 31 December 2021 on the events analysed, taking into account the above-mentioned uncertainty resulting from the coronavirus health crisis. For this reason, future events may require them to be modified in the coming years, which would occur in accordance with prevailing regulations, prospectively recognising the effects of the change in estimate in the consolidated financial statements for the years in question.

### 1.4 Comparative information relating to 2020

Under the regulations in force, the information contained in these consolidated financial statements for 2020 is presented exclusively for the purpose of comparison with the information for 2021, in order to aid understanding.

### 1.5 Agency agreements

Neither at year-end 2021 and 2020 nor at any time during the two years did the Group have any "agency agreements" in force within the meaning of article 21 of Royal Decree 84/2015, of 13 February.

### 1.6 Investments in credit institutions

Pursuant to article 28 of Royal Decree 84/2015, neither at 31 December 2021 and 2020 nor at any time during the two years did the Group own direct or indirect equity interests in the capital of Spanish or foreign credit institutions exceeding 5% of the share capital or voting rights of such entities.

### 1.7 Capital management and requirements

#### *1.7.1 Regulatory framework*

In December 2010, the Basel Committee on Banking Supervision approved a new regulatory framework (Basel III), which increased the capital requirements with the best quality instruments, seeking consistency and a uniform application by entity and country. The new agreement improves the transparency and comparability of capital ratios and includes new prudential tools, in the area of liquidity and leverage.

The European Union transfers these agreements to its legal system (Basel III) through the Directive 2013/36/EU (CRD-IV) of the European Parliament and of the Council of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable since 1 January 2014.

In order to adapt the Spanish legal system to international regulatory requirements, Law 10/2014, of 26 June, was approved on the regulation, supervision and solvency of credit institutions, together with Royal Decree 84/2015, of 13 February, enacting the aforementioned law, continuing the transposition commenced by Royal Decree-Law 14/2013, of 29 November, and Bank of Spain Circulars 2/2014 and 3/2014, stipulating the regulatory options for the applicable requirements during the transition period.

In 2015, new regulations were published that complement the (EU) Regulation No. 575/2013 (CRR) on aspects relating to shareholders' equity, liquidity, the risks of Pillar I and capital requirements.

Also, in February 2016, Bank of Spain Circular 2/2016, of 2 February, was published for credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no. 575/2013.

In June 2019, the European governing bodies enacted the new capital regulatory framework, which modifies the previous one (CRR/CRD IV). The reform package included the adoption of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital preservation measures (hereinafter CRD V), and Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 575/2013 as regards the leverage ratio, NSFR, eligible capital and liability requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and Regulation (EU) 648/2012 ('CRR II').

However, the economic disruptions caused by the Covid-19 pandemic and the exceptional containment measures taken by the authorities have significantly affected the main economic players.

In June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council entered into force, amending both the CRR and CRR II as regards certain adaptations made in response to the pandemic.

The most relevant new feature is the extension for two years of the transitional provisions on the application of IFRS 9, limiting the negative effect that a possible increase in provisions for expected credit losses may have on institutions' capital. It also lays down, on a temporary basis, a prudential filter on exposures to sovereign bonds, aimed at mitigating the consequences of financial market turmoil on the solvency of institutions.

In addition, the amendments also include bringing forward the introduction of some measures to reduce capital requirements for banks in relation to certain loans secured by pensions or salaries, and loans to SMEs and infrastructure.

In December 2020, Commission Delegated Regulation (EU) 2020/2176 was published amending the existing deduction for intangible assets associated with in-house software development. This amendment, introduced in order to further support the transition to a more digitised banking sector, allows software assets that have been prudently valued and whose value is not significantly affected by the resolution, insolvency or liquidation of an institution not to be deducted directly from the capital of financial institutions.

At the same time, it should be recalled that, the TLAC Term Sheet was implemented, established internationally by the FSB (Financial Stability Board) within the European capital framework, called MREL (Minimum Requirement for own funds and Eligible Liabilities) in such a way that systemic banks have to comply with the MREL requirements in Pillar 1. Within this package of changes, amendments to the Single Resolution Mechanism Regulation and the Bank Recovery and Resolution Directive (SRMR and BRRD, respectively) were also included and replaced with SRMR II and BRRD II, where MREL requirements are established by Pillar 2 for all banks in resolution, whether systemic or not, and the resolution authority sets requirements on a case-by-case basis.

The minimum requirements for own funds established by the prevailing regulations (Pillar I) are calculated based on the Group's exposure to credit, exchange rate, market and operational risks and risks of financial assets and liabilities held for trading. Also, the Group is subject to compliance with risk concentration limits.

*1.7.2 Quantitative information*

The Ibercaja Banco Group determines its capital and leverage ratios in accordance with the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business of credit institutions and their prudential supervision (CRD IV), and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) as updated by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II) and Regulation (EU) 2020/873 of the European Parliament and of the Council (CRRII Quick Fix).

At 31 December 2021, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following table:

| | 2021 | 2020 |
|---|---|---|
| **Capital ratios** | | |
| Eligible common equity tier 1 (thousands of euros) (a) | 2,420,441 | 2,484,668 |
| Additional eligible equity tier 1 (thousands of euros) (b) | 350,000 | 350,000 |
| Eligible equity tier 2 (thousands of euros) (c) | 500,000 | 500,000 |
| Risks (thousands of euros) (d) | 18,051,935 | 18,248,449 |
| Common equity tier 1 ratio (CET 1) (A)=(a)/(d) | 13.41% | 13.62% |
| Additional tier 1 capital ratio (AT 1) (B)=(b)/(d) | 1.94% | 1.92% |
| Tier 1 capital ratio (Tier 1) (A)+(B) | 15.35% | 15.53% |
| Tier 2 capital ratio (Tier 2) (C)=(c)/(d) | 2.77% | 2.74% |
| **Total capital ratio (A)+(B)+(C)** | **18.12%** | **18.27%** |

| | 2021 | 2020 |
|---|---|---|
| **Market leverage** | | |
| Tier 1 capital (thousands of euros) (a) | 2,770,441 | 2,834,668 |
| Exposure (thousands of euros) (b) | 46,071,860 | 45,295,546 |
| **Leverage ratio (a)/(b)** | **6.01%** | **6.26%** |

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET 1 ratio of 4.5%, Tier I of 6% and a total capital ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) has notified its decision with respect to the prudent minimum capital requirements, once the results of the Supervisory Review and Evaluation Process (SREP) are known.

This decision means that Ibercaja Banco must maintain, from 1 March 2022, a phased-in common equity tier 1 (CET1) ratio of 8.21% and a total capital ratio of 12.65%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.21% for CET1 and 2.15% for total capital) and the capital conservation buffer (2.5%).

At 31 December 2021, Ibercaja Banco's consolidated ratios, CET1 of 13.41% and total capital of 18.12%, stood at 5.20% and 5.47%, respectively, above the regulatory requirements established for 2022.

The reconciliation of accounting and eligible shareholders' equity is as follows:

| | **Thousands of euros** | |
|---|---|---|
| | **2021** | **2020** |
| *Share capital* | *214,428* | *214,428* |
| *Equity instruments issued other than capital* | *350,000* | *350,000* |
| *Retained earnings* | *621,589* | *602,663* |
| *Revaluation reserves* | *3,288* | *3,297* |
| *Other reserves* | *1,960,567* | *1,966,640* |
| *Profit/(loss) attributed to the parent* | *150,985* | *23,602* |
| *Interim dividends* | *(47,000)* | *-* |
| Shareholders' equity in public balance sheet | 3,253,857 | 3,160,630 |
| Other accumulated comprehensive income | 16,544 | 57,790 |
| Non-controlling interests | - | - |
| **Equity in public balance sheet** | **3,270,401** | **3,218,420** |
| *Intangible assets* | *(275,742)* | *(245,635)* |
| *Intangible asset amortisation adjustment* | *30,772* | *25,369* |
| *Deferred tax assets* | *(265,415)* | *(263,693)* |
| *Adjustments to Common Equity Tier 1 due to prudential filters* | *23,151* | *(9,940)* |
| *Transitional adjustment for first-time application of IFRS9 9* | *74,110* | *114,002* |
| *of which due to modifications introduced by Quick Fix* | *23,607* | *40,359* |
| *Proposed distribution of dividends* | *(51,140)* | *(3,849)* |
| *Deduction for insufficient coverage of doubtful transactions* | *(3,689)* | *-* |
| *Additional deductions ordinary tier 1 capital* | *(32,000)* | *-* |
| *Equity instruments ineligible as CET1* | *(350,000)* | *(350,000)* |
| *Contingent convertible bonds* | *-* | *-* |
| *Differences in public equity for prudential purposes* | *(7)* | *(9)* |
| Total adjustments and deductions | (849,960) | (733,752) |
| Total common equity tier 1 (CET1) | 2,420,441 | 2,484,668 |
| *Equity instruments eligible as AT1* | *350,000* | *350,000* |
| *Other temporary adjustments for additional tier 1 capital* | *-* | *-* |
| Total additional tier 1 capital (AT1) | 350,000 | 350,000 |
| Total tier 1 capital (T1) | 2,770,441 | 2,834,668 |
| Subordinated financing and other | 500,000 | 500,000 |
| Total tier 2 capital (T2) | 500,000 | 500,000 |
| **Total eligible shareholders' equity** | **3,270,441** | **3,334,668** |

Below are the details at 31 December 2021 and 2020 of the consolidable Group's eligible shareholders' equity (phased-in), indicating each of its components and deductions, broken down into common equity tier 1 instruments, additional tier 1 capital instruments and tier 2 capital instruments:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **TOTAL ELIGIBLE SHAREHOLDERS' EQUITY** | **3,270,441** | **3,334,668** |
| **Tier 1 capital (T1)** | **2,770,441** | **2,834,668** |
| **Common equity tier 1 (CET1)** | **2,420,441** | **2,484,668** |
| Equity instruments disbursed | 214,428 | 214,428 |
| Retained earnings and other reserves | 2,582,149 | 2,569,298 |
| Admissible results | 52,845 | 19,753 |
| Revaluation reserves | 3,288 | 3,297 |
| Non-controlling interests | - | - |
| Other accumulated comprehensive income | 16,544 | 57,789 |
| Adjustments to Common Equity Tier 1 due to prudential filters | 23,151 | (9,940) |
| Transitional adjustment for first-time application of IFRS9 9 | 74,110 | 114,002 |
| *of which due to modifications introduced by Quick Fix* | *23,607* | *40,359* |
| Deductions of common equity tier 1 instruments (CET 1) | (546,074) | (483,959) |
| *Deduction for insufficient coverage of doubtful transactions* | *(3,689)* | - |
| *Additional deductions ordinary tier 1 capital* | *(32,000)* | - |
| *Intangible assets* | *(275,742)* | *(245,635)* |
| *Intangible asset amortisation adjustment* | *30,772* | *25,369* |
| *Deferred tax assets dependent on future earnings* | *(265,415)* | *(263,693)* |
| **Additional tier 1 capital (AT1)** | **350,000** | **350,000** |
| Additional Tier 1 capital instruments | 350,000 | 350,000 |
| *Deductions of additional tier 1 capital instruments (AT 1)* | - | - |
| **Tier 2 capital (T2)** | **500,000** | **500,000** |
| Subordinated financing, subordinated loans and others | 500,000 | 500,000 |

With regard to the minimum requirement for own funds and eligible liabilities (MREL), the current rules set the deadline for compliance with the requirements set out below as 1 January 2024, with an intermediate requirement to be met by 1 January 2022, and expressing these requirements as a percentage of both risk-weighted assets and the leverage ratio.

The binding interim requirement of 1 January 2022 has been set at 15.38% RWAs, excluding the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs). The requirement in terms of MREL leverage ratio is 5.21%.

Given the structure of own funds and eligible liabilities of the resolution group, as at 31 December 2021, the MREL ratio in terms of RWAs is 15.89%, excluding the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs) and 7.21% in terms of leverage ratio, 6.38% excluding the waiver to not compute central bank exposures which expires in March 2022, complying with the aforementioned MREL requirements.

As of 1 January 2024, Ibercaja Banco must have a percentage of own funds and eligible liabilities of 18.59%, not including the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs). The requirement in terms of leverage ratio will be 5.21%.

These requirements are in line with Ibercaja's financing plan.

Both this information and further details on regulatory capital and risk-weighted assets can be found in the Prudential Relevance Report (Pillar III Disclosures) published on the Company's website.

*1.7.3 Capital management*

The objective of Basel's Pilar II is to ensure an adequate relationship between the Group's risk profile and the own funds that it effectively holds. Accordingly, the Group performs a recurring capital self-assessment process in which:

- it applies processes for the identification, measurement and aggregation of risks;
- it determines the capital needed to cover them; in addition to the minimum own funds, it maintains a level in keeping with the risks inherent in its activity, in the economic climate in which it operates, in the management and control of such risks, in its governance and internal audit systems and in its strategic business plan;
- it plans capital at medium term; and
- It establishes the own funds objectives.

The Group sets a capital objective enabling it to permanently maintain sufficient means regarding prudential minimum requirements and capital guidelines, ensuring an adequate relationship between its risk profile and its own funds.

The Group's total capital needs were estimated through the aggregation of capital requirements associated with each risk.

In order to adequately plan the Group's future capital requirements, it forecast capital sources and consumption on the basis of business performance and expected results over a three-year period.

Likewise, the Group estimates projected capital levels in line with stress scenarios.

*1.7.4 Information of Prudential Relevance*

In order to comply with market disclosure requirements, the Board of Directors approved the information of prudential relevance disclosure policy (Basel Pillar III); consequently, the Ibercaja Group will make such information public on its web page prior to the publication and approval of the 2020 consolidated financial statements (Note 1.1).

*1.7.5 Credit ratings granted*

The credit ratings granted to Ibercaja Banco, S.A. are as follows:

| | Date | | Short-term | | Long-term | | Outlook | |
|---|---|---|---|---|---|---|---|---|
| **Company** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Standard&Poors | June 2021 | Abril 2020 | B | B | BB+ | BB+ | Stable | Negative |
| Moody's | October 2021 | Abril 2020 | NP | NP | Ba1 | Ba3 | Stable | Stable |
| Fitch Ratings | September 2021 | September 2020 | B | B | BB+ | BB+ | Positive | Negative |

During 2021, the rating agencies have revised upwards their outlook for Ibercaja as a result of the improvement in the health situation caused by Covid-19 and the improvement in the Bank's fundamentals.

On 27 January 2022, S&P Global Ratings affirmed the credit rating of "BB+" of Ibercaja Banco, S.A., maintaining the outlook unchanged at "Stable".

*1.7.6 Stock market launch*

On 31 March 2020, RDL 11/2020 was published, adopting urgent additional measures in the social and economic field to deal with Covid-19. In the current context of the health, social and economic crisis, the banking foundations' welfare projects take on even greater importance. Therefore, and with the aim of guaranteeing these welfare projects, Law 26/2013 of 27 December on savings banks and banking foundations was amended to extend by two years the divestment period foreseen for banking foundations with majority shareholdings in credit institutions.

In this context, the Bank maintains its plan to go public within the new deadline laid down by current regulations, before the end of 2022, and is taking the appropriate and necessary actions to achieve this objective.

## 1.8 Single Resolution Fund and Deposit Insurance Fund

### *1.8.1 Single Resolution Fund*

Law 11/2015, of 18 June, together with its regulatory enactment through Royal Decree 1012/2015, led to the transposition into Spanish law of Directive 2014/59/EU, establishing the new framework for the resolution of credit institutions and investment services companies, and regulated the creation of the National Resolution Fund.

As part of the enactment of such regulation, on 1 January 2016, the Single Resolution Fund entered into force, which was established as a financing instrument for the Single Resolution Board, which is the European authority that will take resolution decisions to effectively implement the resolution measures adopted. The Single Resolution Fund will be maintained with the contributions made by investment services companies and credit institutions availing themselves of such Fund.

Under Regulation (EU) 2015/63, the calculation of the contribution of each entity will take into account the proportion that it represents with respect to the total aggregate of total liabilities of all banks included, net of own funds and the guaranteed amount of the deposits, adjusted with the Company's risk profile.

In 2021, the expense incurred as a result of the contribution to this body was 13,794 thousand euros (11,094 thousand euros in 2020; Note 37).

### *1.8.2 Deposit Guarantee Fund*

The Company is a member of the Deposit Guarantee Fund of Credit Institutions.

Royal Decree-Law 2606/1996, of 20 December, amended by Royal Decree 1012/2015, of 6 November, stipulates that the Management Committee of the Deposit Guarantee Fund will calculate the annual contributions of the companies included in the Deposit Guarantee Fund for Credit Institutions.

The Management Committee of the Deposit Insurance Fund for credit institutions, pursuant to Article 6 of Royal Decree-Law 16/2011 and Article 3 of Royal Decree 2606/1996, set the contribution to be made for all institutions adhering to the deposit insurance sub-fund at 1.8 per thousand of the amount of insured deposits as at 30 June each year. Each institution's contribution is calculated on the basis of the amount of insured deposits and their risk profile, taking into account indicators such as capital adequacy, asset quality and liquidity, introduced by Bank of Spain Circular 5/2016 of 27 May, as amended by Circular 1/2018 of 31 January. Likewise, the contribution to the securities guarantee compartment was set at 2/1000 of 5% of the guaranteed amount of the securities and other financial instruments at 31 December each year.

The expense for ordinary contributions referred to in the preceding paragraph accrue in full at year end, accordingly, at that time, the balance sheet included the liability for the contribution paid in the first quarter of the subsequent year (44,786 thousand euros and 46,229 thousand euros at 31 December 2021 and 2020, respectively; Note 22).

On 30 July 2012, the Management Committee of the Deposit Guarantee Fund agreed to cover an extraordinary shortfall between Fund members, to be paid by each entity through ten equal annual instalments. The amount of the shortfall corresponding to the Bank is 81,460 thousand euros (ten annual instalments of 8,146 thousand euros each).

In 2021, the expense incurred as a result of all contributions made to this body was 52,094 thousand euros (53,774 thousand euros in 2020). This amount was recognised under "Other operating expenses" (51,819 thousand euros and 53,269 thousand euros in 2021 and 2020, respectively; Note 37) and "Interest costs" (275 thousand euros and 505 thousand euros in 2021 and 2020, respectively; Note 29).

## 1.9 Minimum reserve ratio

At 31 December 2021, and throughout 2021, the Company complied with the minimums required by the minimum reserve ratio. In compliance with the legal obligations stipulated by the European Central Bank, the daily average of the minimum reserves to be held at 31 December 2021 amounted to 359,127 thousand euros (362,377 thousand euros at 31 December 2020).

## 1.10 Events after the reporting period

Between the closing date and the date of preparation of the consolidated financial statements and the corresponding explanatory notes, no events have occurred that significantly affect them, other than those mentioned in the various explanatory notes included in this document.

### 1.11 Changes in accounting estimates and criteria

In 2021, amendments were made to the accounting regulations applicable to the Group with respect to those applied in the previous period. The changes considered to be most important are listed below.

The mandatory standards, amendments and interpretations for the years commencing on 1 January 2021 were as follows:

| **Standards and Interpretations** | **Title** |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Reform of interest rate benchmarks – phase 2 |
| Amendments to IFRS 4 | Deferral of IFRS 9 |
| Amendments to IFRS 16 | Covid-19-related rent concessions |

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks – phase 2*

In the context of the global reform of interbank offered rates (IBORs), the IASB initiated a project to revise the main IFRS standards concerned in two phases.

The first phase focused on the accounting impacts prior to the replacement of interest rate indices and materialised with the publication in September 2019 of certain amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed at European level on 17 January 2020 and became effective on 1 January 2020. These amendments provided exceptions so that institutions would not discontinue their hedging relationships in an environment of uncertainty about the long-term viability of some benchmark interest rates.

On 27 August 2020, the IASB issued the second phase of the above-mentioned benchmark reform, which involves amendments to IAS39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements best reflect the economic effects of this reform. These amendments focus on the accounting for financial instruments once a new risk-free reference rate ("RFR") has been introduced and focus on cases where an entity replaces the previous benchmark interest rate with an alternative reference rate and on the effects of the change on the financial statements. Specifically:

- Changes in contractual cash flows: an entity need not derecognise or adjust the carrying amount of financial instruments due to changes required by the adopted reform, but should update the effective interest rate to reflect the change to the alternative reference rate;

- Hedge accounting: an entity need not discontinue hedge accounting simply because of changes required by the reform if the hedge meets other hedge accounting criteria; and

- Disclosures: the institution shall disclose information on the new risks arising from the reform and how it manages the transition to alternative reference rates.

A significant portion of the Group's financial assets and liabilities are tied to the Euribor index, and the existing hedging relationships are based on this index, with no positions tied to other indices.

The Euribor index has not been replaced, but only its calculation methodology has been changed to date. Therefore, the impacts of the overall reform itself are small and the disclosures of information envisaged in both the first and second phases do not apply to it.

*Amendment to IFRS 4 Insurance contracts: deferral of IFRS 9*

Currently, with IFRS 4 Insurance Contracts, the date of application of IFRS 9 Financial Instruments for entities applying that standard is 1 January 2021. The IASB has decided to delay the effective date for these entities to periods beginning on or after 1 January 2023 in order to align it with the effective date of IFRS 17. This standard has had no impact on the Group.

*Amendment to IFRS 16 – Leases: Covid-19-related rent concessions*

The IASB has extended the deadline to take advantage of the exemption that allows lessees not to account for concessions in leases as a lease modification if they are a direct consequence of Covid-19. This exemption has had no impact on the Group as the Bank has not received any concessions on its rents as a result of Covid-19.

Application of the exemption will remain optional and applies to rent concessions made up until 30 June 2022.

Standards and interpretations that are not effective as at 31 December 2021

At the date of preparation of these consolidated financial statements, new International Financial Reporting Standards and Interpretations had been published which were not mandatory as at 31 December 2021. Although, in some cases, the International Accounting Standards Board ("IASB") allows the application of the amendments prior to their effective date, the Group has not applied them early.

| **Standards and Interpretations** | **Title** |
|---|---|
| Amendment to IAS 16 (*) | Property, plant and equipment – Revenue earned prior to intended use |
| Amendment to IAS 37 (*) | Onerous contracts – Cost of fulfilling a contract |
| Amendment to NIIF 3 (*) | Reference to the Conceptual Framework |
| Annual improvements to IFRS (*) | Cycle 2018-2020 |
| IFRS 17 (**) | Insurance contracts |
| Amendment to IAS 1 (**) | Classification of liabilities as current or non-current and breakdown of accounting policies |
| Amendment to IAS 8 (**) | Definition of Accounting Estimates |
| Amendment to IAS 12 (**) | Taxes |
| Amendment to IFRS 10 and IAS 28 | Sales or contributions of assets between an investor and its associate/joint venture (***) |

(*) Applicable for financial years beginning on or after 1 January 2022.
(**) Applicable for financial years beginning on or after 1 January 2023.
(***) Applicable for annual periods beginning on or after 1 January 2016, however, the IASB decided to postpone the effective date.

*Amendments to IAS 16 Property, Plant and Equipment: Revenue earned prior to intended use*

These amendments, issued by the IASB in May 2020, prohibit the deduction from the acquisition cost of assets of the amount of sales made from the asset while it is being brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, these amounts shall be recorded in the income statement.

These amendments are effective for periods beginning on or after 1 January 2022 and are to be applied retrospectively only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management as of the beginning of the earliest period presented in the financial statements in which they are first applied. The Group does not expect any material impact from these changes.

*Amendments to IAS 37 - Costs of Fulfilling a Contract*

These amendments, issued by the IASB in May 2020, detail the costs that entities have to include when assessing whether a contract is onerous or loss-making. The amendments propose a "direct cost approach". Costs directly related to a contract for the delivery of goods or services include both incremental costs as well as an allocation of costs directly related to the contract. General and administrative costs are not directly attributable to a contract and are therefore excluded from the calculation unless they are explicitly passed on to the counterparty in accordance with the contract.

These amendments are effective for periods beginning on or after 1 January 2022. The Group does not expect any material impact from these changes.

*Amendments to IFRS 3 Business Combinations: Reference to the conceptual framework*

These amendments, issued by the IASB in May 2020, are intended to replace the reference to the 1989 Framework with a reference to the 2018 Framework, without significantly changing its requirements.

The IASB also added an exception to the requirements of IFRS 3 to avoid 'day 2' gains or losses that may arise from liabilities or contingent liabilities (within the scope of IAS 37 or IFRIC 21) if they are incurred separately. At the same time the IASB has decided to clarify the existing IFRS 3 guidance for the recognition of contingent assets which will not be affected by the references to the Conceptual Framework.

These amendments are effective for periods beginning on or after 1 January 2022 and are applied prospectively. The Group does not expect any impact from these changes.

*Minor amendments to several IFRS and the annual cycle of minor improvements to various IFRS 2018- 2020 (IFRS 1 - First-time application of IFRS, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and amendments to illustrative examples in IFRS 16 - Leases).*

The IASB issued minor amendments and improvements to several IFRS to clarify the wording or correct minor consequences, oversights or conflicts between the requirements of the Standards. The affected standards are: IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, IFRS 9 Financial Instruments, IFRS 16 Leases, IFRS 1 First-time Adoption of IFRS and IAS 41 Agriculture.

The amendments will come into force on 1 January 2022. They are not expected to have a significant impact on the Group's consolidated financial statements.

*IFRS 17 Insurance contracts*

IFRS 17 sets out the principles that an entity shall apply in accounting for insurance contracts. This new standard replaces IFRS 4, introducing profound changes in the way insurance contracts are accounted for, with the aim of achieving greater consistency and increasing comparability between entities.

In contrast to IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for recognition and measurement purposes, determining units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), cohorts and onerousness.

As regards the measurement model, the new standard provides for several methods, with the General Model (Building Block Approach) being the default method to be applied for the valuation of insurance contracts, unless the conditions for applying one of the other two methods are met: the Variable Fee Approach and the Premium Allocation Approach.

With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model using updated assumptions at each closing. The General Model requires entities to value insurance contracts at the total of:

– compliance flows, comprising the estimate of future cash flows discounted to reflect the time value of money, the financial risk associated with future cash flows and a risk adjustment for non-financial risk;

– and the contractual service margin, representing the expected unearned benefit of insurance contracts, which is recognised in the entity's income statement as the service is provided in the future, rather than at the time of estimation.

Amounts recognised in the income statement shall be broken down into income from insurance activity, expenses from the provision of insurance service and insurance finance income or expenses. The income from the insurance business and the expenses of providing the insurance service shall exclude any investment component. Revenue from insurance activity shall be recognised over the period in which the entity provides insurance cover.

This standard will apply to financial years beginning on or after 1 January 2023 (with a minimum of one year's comparative information), pending its adoption by the European Commission.

The Group has an IFRS 17 implementation project in place with the objective of identifying the impacts and changes necessary to adapt to the new criteria. This standard will have an impact on information systems, accounting and IT tools for information generation. The implementation of the standard and the assessment of the impact on the Group's financial statements is still ongoing and preliminary figures are not yet available.

To date, the Group specified the structure of the financial statements to comply with the measurement, presentation and disclosure requirements of IFRS 17. In addition, the Group is in the process of specifying the chart of accounts to link the output information from the measurement engines with the accounting events and thus be able to subsequently set relevant parameters in the insurance company's accounting tool.

*Amendments to IAS 1 and IFRS Practice Paper 2 - Disclosures about Accounting Policies and amendments to IAS 1 on Classification of Non-current or Current Liabilities*

In these amendments, the IASB has included guidance and examples for applying judgement in identifying which accounting policies are material. The amendments replace the criterion of disclosing significant accounting policies with material accounting policies. It also provides guidance on how the concept of materiality should be applied in deciding which accounting policies are material.

Regarding classification as non-current or current liabilities, these amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the end of the period. The amendment also clarifies what is meant in IAS 1 when it refers to the "settlement" of a liability.

These amendments are effective for periods beginning on or after 1 January 2023. The Group is currently analysing the impact of these changes.

*Amendments to IAS 8 – Definition of Accounting Estimates*

In these amendments, the IASB has introduced a new definition of “accounting estimate”, which clarifies the difference between changes in accounting estimates, changes in accounting policies and corrections of errors.

These amendments are effective for periods beginning on or after 1 January 2023. The Group does not expect any material impact from these changes.

*Amendments to IAS 12 “Income Taxes”*

The IASB issued an amendment to IAS 12 to clarify how deferred taxes arising on transactions such as leases or decommissioning obligations should be accounted for.

The amendments clarify that entities are required to recognise deferred taxes on leases and decommissioning provisions. The purpose of the amendments is to reduce diversity in the reporting of deferred tax information on such transactions. The amendments will come into force on 1 January 2023. Earlier application is permitted and it is not expected to have a significant impact on the consolidated financial statements of the Ibercaja Group.

IFRS 10 and IAS 28 (Amendment) *“Sale or allocation of assets between an investor and its associates or joint ventures”*

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business”. The investor will recognise the full gain or loss when the non-monetary assets constitute a “business”. If the assets do not comply with the definition of “business”, the investor recognises the gain or loss in line with the interests of other investors. The amendments will only be applied when the investor sells or contributes assets to its associates or joint ventures.

Originally, these modifications to IFRS 10 and IAS 28 were applied prospectively and were effective for the annual financial years that began on 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone their date of validity (without setting a new specific date), as it is planning a more extensive review that may result in the simplification of accounting for these transactions and other accounting aspects for associates and joint ventures.

The Group is analysing the impact that these standards, amendments and interpretations may have on the consolidated financial statements and at the date of preparation of these consolidated financial statements it is considered that their entry into force will not have a material impact.

## 2. Accounting policies and measurement bases

The most significant accounting policies and principles and measurement bases applied in the preparation of these consolidated financial statements are described below. There are no accounting principles or measurement bases that, having a material effect on the 2021 financial year, have not been applied in its preparation.

### 2.1 Business combinations and consolidation

#### *2.1.1 Subsidiaries*

“Subsidiaries” are those companies over which the Entity has the ability to exercise control, which is generally, although not exclusively, expressed by the direct or indirect ownership of over 50% of the voting rights of the investees or, if this percentage is less or nil, by the existence of other circumstances or agreements that grant control. In line with the prevailing standards, control is deemed to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Appendices I and II provide significant information on these companies.

The financial statements of the subsidiaries are consolidated using the equity method, as defined by the prevailing standards: Consequently, all balances arising from transactions performed between companies consolidated using this method and which were significant were eliminated on consolidation. Also, the ownership interest of third parties in:

- the Group’s equity was recognised under “Non-controlling interests” in the consolidated balance sheet,

- consolidated profit for the year was posted under “Profit/(loss) attributable to non-controlling interests” in the consolidated income statement.

The results of subsidiaries acquired during the year are consolidated only taking into consideration those relating to the period between the date of acquisition and the close of that year. Alongside this, the results of subsidiaries disposed of during the year are consolidated only taking into consideration those relating to the period between the start of that year and the disposal date.

*2.1.2 Joint ventures*

“Jointly controlled entities” are deemed to be those companies, although not subsidiaries, with which contractual agreements of joint control exist, whereby decisions on significant activities are taken unanimously by the entities that share control, with entitlement to their net assets.

These entities are accounted for using the “equity method”.

Appendices I and II provide significant information on these companies.

*2.1.3 Associates*

An “associate” is an enterprise over which the Bank has significant influence, but with which it does not form a decision-making unit nor is it subject to joint control therewith. In general, although not exclusively, this capacity is presumed when a direct or indirect ownership interest is held equal to or exceeding 20% of the voting rights of the investee.

In the consolidated financial statements, associates are accounted for using the “equity method”, as defined by the prevailing standards:

If, as a consequence of the losses incurred, an associate reported negative equity, it would be recognised in the consolidated balance sheet as zero, since the Group is not obliged to provide it with financial support, and a provision for liability would be recognised under “Provisions” on the liability side of the balance sheet.

Appendices I and II provide significant information on these entities.

*2.1.4 Structured entities*

A structured entity is an entity designed in a manner that its voting and/or similar rights are not a decisive factor when determining control thereover.

When the Group forms or holds ownership interests in entities to transfer risks or to provide access to investments, it analyses whether it has control thereover and, therefore, whether the entities formed should be consolidated, mainly taking into account the following factors:

- Analysis of the Group’s influence over the entity’s activities that are important with a view to determining said entity’s profit.

- Implicit or explicit commitments to provide financial support to the entity.

- Significant exposure of the Group to the variable returns of the entity’s assets.

These entities include the so-called “asset securitisation funds” consolidated by the Group when contractual financial aid agreements exist (commonly used on the securitisations market). In virtually all securitisations performed by the Group, the transferred risks cannot be derecognised from the asset side of the balance sheet and the securitisation fund issues are recognised as liabilities on the Group’s balance sheet.

The Group does not hold any significant interests in the companies and investment and pension funds managed by the Group itself that would constitute a potential indication of control or meet the criteria for consolidation as defined in IFRS 10 Consolidated Financial Statements. Therefore, these investment vehicles marketed to customers are not consolidated.

Note 27.5 provides details of the Group’s structured entities and Appendix III provides details of the percentages held by the Group in the companies and mutual and pension funds managed by the Group.

As at 31 December 2021 and 2020 there were no unconsolidated structured entities.

### *2.1.5 Business combinations*

A business combination is the union of two or more entities or independent economic units within a single entity or group of entities in which the acquirer obtains control over the other entities.

At the acquisition date, the acquirer will include the assets, liabilities and contingent liabilities of the acquired company in its financial statements, including the intangible assets not recognised by the latter, initially booking all of them at their fair value.

Any excess of the cost of the ownership interests in the entities over their corresponding carrying amounts acquired, adjusted on the date of the first business combination, are allocated as follows:

- Where they can be allocated to specific assets of the companies acquired, they are recognised by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets and whose accounting treatment is similar to that of the Group's equivalent assets (liabilities).

- If they are attributable to specific intangible assets, they are explicitly recognised in the consolidated balance sheet provided that their fair value at the date of acquisition can be measured reliably.

- The remaining non-attributable differences are recognised as goodwill, which is allocated to one or more specific cash-generating units.

Negative differences, once their amount has been established, are recognised in the consolidated income statement.

Acquisitions of non-controlling interests, subsequent to the takeover of the entity, are recognised as an addition to the business combination.

In those cases in which the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities of the acquired entity cannot be definitively determined, the initial recognition of the business combination will be deemed to be provisional. In any case, the process must be completed within a maximum of one year from the acquisition date, effective on that date.

## 2.2 Financial instruments

### *2.2.1 Initial recognition of financial instruments*

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contract originating them, in accordance with the provisions thereof. Specifically, debt instruments, such as credits and monetary deposits, are recognised from the date on which the legal right to receive or a legal obligation to pay cash, respectively, arises. Financial derivatives are generally recognised on their trading date.

Regular way purchases and sales of financial assets are recognised on the date on which the benefits, risks, rights and duties attaching to all owners are for the purchaser which, depending on the type of financial asset bought or sold, may be the trading date or the settlement or delivery date. In particular, transactions carried out in the spot currency market are recognised on the settlement date, transactions carried out with equity instruments traded on Spanish secondary securities markets are recognised on the trade date and transactions carried out with debt instruments traded on secondary Spanish securities markets are recognised on the settlement date.

### *2.2.2 Derecognition of financial instruments*

A financial asset is derecognised from the consolidated balance sheet when any of the following circumstances occur:

- the contractual rights over the cash flows they generate have expired, or

- the financial asset is transferred, together with substantially all its risks and benefits, or

- the risks and rewards associated with the transferred financial asset are not substantially transferred or retained - this being the case of sales of financial assets with an acquired call or written put option that are not deeply in or out of the money, or securitisations in which the transferor assumes subordinated financing or other credit enhancements for part of the transferred asset and other similar cases - if the transferor does not retain control of the transferred financial asset, it is derecognised and any rights or obligations retained or created as a result of the transfer are recognised.

A financial liability is derecognised from the balance sheet when the related obligation is extinguished or when it is re-purchased by the Group.

*2.2.3 Fair value and amortised cost of the financial instruments*

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable interested parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence of this information, of valuation techniques commonly used by the international financial community, taking into consideration the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of the financial derivatives traded in organised, transparent and deep markets, included in the trading portfolios, is similar to their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

All investments in equity instruments and contracts relating to such instruments are measured at fair value.

Amortised cost is the amount at which a financial asset or liability is measured at initial recognition, as corrected by principal repayments and by the cumulative amortisation of any difference between that initial amount and the maturity amount of the financial instrument, using the effective interest rate method. In the case of financial assets, amortised cost also includes any impairment loss allowances.

The effective interest rate is the discount rate that matches the gross carrying amount of a financial asset or the carrying amount of a financial liability to estimated cash flows over the expected life of the instrument, based on the contractual terms and disregarding expected credit losses. For fixed-rate financial instruments, the effective interest rate is the contractual interest rate set upon acquisition, adjusted by any fees and transaction costs that in accordance with current legislation form part of the effective yield or cost of the instrument and must therefore be considered in the calculation of the effective interest rate. For financial instruments at variable interest rates, the effective interest rate is estimated in a similar way to the transactions at a fixed interest rate, with the contractual interest rate of the transaction being recalculated on each review date, taking into account the changes to future cash flows from the transaction.

*2.2.4 Classification and measurement of financial assets and liabilities*

<u>Business model and contractual cash flow characteristics of financial assets</u>

Financial assets are classified into different categories depending on the business model under which they are managed and the contractual characteristics of their cash flows.

"Business model" means the way in which the Group manages its financial assets to generate cash flows, having regard to how groups of financial assets are managed together to achieve a specific objective. So a business model does not depend on the Group's intentions for an individual instrument but is determined for a wider set of instruments.

Specifically, the business models used by the Group consist of holding financial assets to collect their related contractual cash flows, selling such assets, or a combination of both approaches (mixed model):

– Holding financial assets to collect their related contractual cash flows: the Group's objective is to hold financial assets to collect their related contractual cash flows. In accordance with the requirements of the standard, debt instruments managed under this model are rarely or never sold, i.e., sales are merely accessory and subject to restrictions. However, the Group takes the view that sales of financial assets close to maturity and sales prompted by increased credit risk or the need to manage concentration risk are consistent with this business model.

– Sale of financial assets: the Group's objective is to realise gains and losses on financial assets.

– Mixed model: the Group's objective combines collection of contractual cash flows and realisation of financial assets. For financial instruments managed under the mixed model, sales are essential and not accessory; therefore, sales are unrestricted.

Based on the characteristics of its contractual cash flows, a financial asset is initially classified into one of the following categories:

– Financial assets whose contractual terms give rise, on specified dates, to cash flows consisting only of payments of principal and interest on principal outstanding.

– Other financial assets:

For the purposes of this classification, the principal of a financial asset is its fair value at the time of initial recognition. That amount may change over the life of the financial asset: for example, after repayments of principal. Interest is defined as the sum of the consideration for the time value of money, for financing and structural costs, and for the credit risk associated with the principal amount outstanding during a specified period, plus a profit margin.

Although, given the nature of the Group's business, almost none of its debt instruments give rise to cash flows other than payments of principal and interest, the Group monitors compliance with the contractual conditions of its financial assets (solely payments of principal and interest, SPPI test) and classifies such assets accordingly.

The main function of this test is to discriminate which products contained in the "holding of financial assets to receive their contractual cash flows" and "mixed model" business models can be measured at amortised cost and at fair value through other comprehensive income, or, conversely, must be measured at fair value through profit or loss.

The following are the judgements that guide the analysis to determine that the contractual cash flows of a financial instrument are only payments of principal and interest on the amount of principal outstanding:

– Principal: variables such as leverage or transaction currency are taken into account.

– Interest: account is taken of variables such as the time value of money, credit risk, other basic risks and costs such as liquidity risk or administrative costs associated with holding the financial asset and the profit margin.

– Contract terms that change the timing or amount of contractual cash flows.

– De minimis or non-genuine features: instruments that do not pass the SPPI test provided that the impact identified is considered to be insignificant or that the event affecting compliance with the SPPI test is extremely exceptional, highly abnormal and very unlikely to occur.

– Non-recourse assets: instruments with contractual cash flows that are described as principal and interest but that are not solely payments of principal and interest on the outstanding amount of principal.

– Contractually related instruments: situations in which an institution prioritizes payments to holders of multiple contractually related instruments that create credit concentration risk.

Classification and portfolios of financial instruments for presentation and measurement purposes

Financial instruments are mainly classified in the Group's consolidated balance sheet in accordance with the categories listed below:

• **Financial assets at amortised cost:** this category includes financial assets that are managed under a business model that holds assets to collect their contractual cash flows and whose contractual terms give rise to cash flows on specified dates, which are solely principal and interest payments on the outstanding principal amount.

This portfolio includes financing to third parties from typical credit and lending activities, debt securities satisfying the two conditions set out above, and debts incurred by purchasers of goods and by users of services. Finance leases in which the Group acts as lessor are also included.

Financial assets included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. Following their acquisition, the assets classified under this category are measured at amortised cost, using the effective interest rate method.

Income and expenses from financial instruments at amortised cost are recognised on the following basis:

– Accrued interest is recognised under "Interest income" in the consolidated income statement, 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 the rate is applied to the net carrying amount).

– Other changes in value are recognised as income or expense when the financial instrument is derecognised; when it is reclassified; when there are exchange differences (see Note 2.5.3) and when there are impairment losses or gains due to subsequent recovery.

• **Financial assets at fair value through other comprehensive income:** this category mainly includes debt instruments acquired to manage the Group's balance sheet, which are managed using a mixed business model whose objective combines collection of contractual cash flows and sales, and whose contractual terms give rise to cash flows on specified dates, which are solely payments of principal and interest on the outstanding principal amount.

In addition, the Group has opted to include in this portfolio the investments it holds in equity instruments that should not be classified to the portfolio of "Financial assets held for trading" and that, but for the use of this option, would be classified as financial assets mandatorily measured at fair value through profit or loss. This optional treatment is applied instrument by instrument.

Instruments included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. After acquisition, financial assets included in this category are measured at fair value through other comprehensive income.

Income and expenses of financial assets at fair value through other comprehensive income are recognised on the following basis:

– Accrued interest or, where applicable, accrued dividends are recognised in the consolidated income statement.

– Exchange differences are recognised in the income statement in the case of monetary financial assets and in other comprehensive income, net of tax effects, in the case of non-monetary financial assets.

– For debt instruments, impairment losses or gains on subsequent recovery are recognised in the consolidated income statement.

– Other changes in value are recognised, net of tax effects, in other comprehensive income.

When a debt instrument at fair value through other comprehensive income is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. However, when an equity instrument at fair value through other comprehensive income is derecognised, the amount of the gain or loss recognised in other comprehensive income is reclassified not to profit or loss but to an item of reserves.

• **Financial assets and liabilities at fair value through profit or loss:** this category includes the following financial instruments:

– Financial assets and liabilities held for trading: financial assets or liabilities acquired to be sold in the short term or that are part of a portfolio of identified financial instruments managed jointly and for which there is evidence of a recent pattern of short-term profit-taking, together with derivative instruments that do not comply with the definition of a financial guarantee contract and have not been designated as hedging instruments, including those segregated derivatives of hybrid financial instruments pursuant to the regulations in force.

The held-for-trading portfolio also covers short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities.

– Financial assets not held for trading mandatorily measured at fair value through profit or loss: financial assets whose contractual terms do not pass the SPPI test, i.e., they do not give rise to cash flows consisting solely of principal and interest payments on the outstanding principal amount, as defined in the previous section.

– Financial assets and liabilities designated at fair value through profit or loss: to avoid differences between the measurement bases of the related assets and liabilities, the Group classifies to this portfolio any debt instruments that are managed jointly with insurance contract liabilities ("Unit-linked"), measured at fair value.

A financial asset is classified to the portfolio of financial assets held for trading or the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss if the Group's business model for its management or the characteristics of its contractual cash flows do not warrant classification to any of the financial asset portfolios described above.

Financial instruments classified at fair value through profit or loss are initially measured at fair value, and directly attributable transaction costs are recognised immediately in the income statement.

Income and expenses of financial instruments at fair value through profit or loss are recognised on the following basis:

– Changes in fair value are recognised directly in the consolidated income statement, distinguishing, for non-derivative instruments, between the portion attributable to the instrument's accrued income, which is recognised as interest or dividends depending on its nature, and the remainder, which is recorded as gains/losses on financial transactions with a balancing entry under the headings "Gains/losses on financial assets and liabilities held for trading (net)", "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss (net)" and "Gains/losses on financial assets and liabilities designated at fair value through profit or loss (net)" of the consolidated income statement.

– Accrued interest on debt instruments is calculated using the effective interest method.

In relation to derivative instruments, the Group manages both those classified as "Financial assets and liabilities held for trading" and those classified as hedging derivatives on the basis of their net exposure to their credit risk; accordingly, it estimated their fair value by taking into account such net exposure, as indicated in paragraph 48 of IFRS 13.

- **Financial liabilities at amortised cost:** this category of financial instruments includes those financial liabilities that do not belong to any of the above categories and reflect the typical funding activities of financial institutions.

Financial liabilities included in this category are initially measured at fair value, adjusted by the transaction costs directly attributable to their issue. Subsequently, they are valued at their amortised cost, calculated through the application of the effective interest rate method.

The interest accruing on these securities, calculated using such method, is registered under the "Interest cost" heading in the consolidated income statement.

Despite the foregoing, the financial instruments that must be considered to be non-current assets and disposal groups on sale under prevailing regulations are recognised in the consolidated financial statements in accordance with the criteria set forth in Note 2.18.

There have been no reclassifications in the financial asset portfolios in 2021 or 2020.

### 2.3 Impairment of financial assets

A financial asset or other form of exposure to credit risk is considered to be impaired when there is objective evidence that events have occurred that:

- in the case of debt instruments (loans and advances and debt securities), have an adverse impact on future cash flows as estimated at the time of entering into the transaction.

- in the case of other exposures involving credit risk other than debt instruments, an adverse impact on the future cash flows that would be due in the case of the drawdown of the loan commitment and the cash flows that are expected to be collected if the loan commitment is drawn, or in the case of financial security granted, on the payments that the entity expects to make.

Impairment losses on debt instruments arising in the period are recognised as an expense under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss" in the consolidated income statement, and is recorded against an allowance account that reduces the carrying amount of the asset.

Allowances for impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses arising in the period for these exposures are recognised as an expense in the consolidated income statement.

Subsequent reversals of previously recognised impairment losses are immediately recognised as income in the consolidated income statement for the period.

The calculation of the impairment of financial assets is based on the type of instrument and on other circumstances that may affect them, once the guarantees received have been taken into account. For debt instruments at amortised cost, the Group recognises both allowance accounts, when provisions for bad debts are recognised to cover estimated losses, and direct write-offs against the asset, when it is considered that the likelihood of recovery is remote.

Interest accrual is recognised in the consolidated income statement by applying the effective interest rate to the gross carrying amount of the transaction, in the case of transactions classified as normal risk (stage 1) and normal risk under special watch (stage 2); while such recognition is carried out by applying the effective interest rate at amortised cost, i.e. adjusted for any impairment correction, in the case of transactions classified as non-performing risk (stage 3).

Following are the criteria applied by the Group to determine potential impairment losses in each of the different financial instrument categories, together with the method used to calculate the allowances recognised for such impairment.

**Debt instruments and other exposures involving credit risk**

Within the framework of EU-IFRS, International Financial Reporting Standard 9, “Financial Instruments”, which sets the criteria for measurement and impairment of financial assets, it is considered important to link credit risk monitoring policies to the accounting recognition of provisions under IFRS.

Credit risk management constitutes a priority for the Group, in order to provide sustainable balanced growth and to guarantee the soundness of the Bank’s financial and equity position at all times and to optimise the return/risk ratio. These principles are followed in the “Loan and discount risk management policy and procedure manual”.

To determine impairment losses, the Group performs an individual monitoring of at least the significant debtors and a collective monitoring of the groups of financial assets with similar credit risk characteristics that are indicative of the debtor’s ability to pay all amounts due. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it is exclusively analysed individually to estimate the impairment loss.

The credit risk characteristics considered for grouping instruments are, among others: type of instrument, debtor’s sector of activity, geographical area of activity, type of security, age of past-due amounts and any other factor relevant to the estimation of future cash flows.

The Group has policies, methods and procedures in place to estimate expected losses as a result of credit risk exposures, relating both to insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied to the arrangement, study and formalisation of debt instruments and off-balance sheet exposure, and to the identification of their possible impairment and, where appropriate, to the calculation of the amounts required to hedge the estimated losses.

The Group has established criteria to identify borrowers and bond issuers displaying significant increases in risk or objective evidence of impairment and classify them on the basis of their credit risk.

The following sections describe the classification principles and methodology used by the Group.

**Classification category definitions**

Credit exposures are classified according to credit risk as follows:

- Performing (stage 1): a transaction is considered to be at this stage when no significant increase in risk has occurred since its initial recognition. Where appropriate, the impairment loss allowance will reflect the expected credit losses arising from possible default during the 12 months following the reporting date.

- Performing on special watch (stage 2): when the risk has significantly increased from the date on which the transaction was initially recognised, but without leading to impairment, the transaction will be classified to stage 2. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses arising from default during the residual life of the financial instrument.

- Non-performing (stage 3): a transaction will be catalogued as stage 3 when it shows effective signs of impairment as a result of one or more events that have already occurred and will lead to a loss. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses due to credit risk during the expected residual life of the financial instrument.

  – Due to borrower default: transactions with some part of the principal, interest or contractually agreed expenses is past-due, generally speaking, more than 90 days, unless they should be classified as written-off. Guarantees provided shall also be included in this category when the guarantor has defaulted under the guaranteed transaction. Furthermore, the amounts of all transactions of a single holder are included when the transactions with overdue sums, generally speaking, and as mentioned above, are past-due more than 90 days, account for more than 20% of the amounts receivable.

  – For reasons other than borrower default: transactions in which, not classifiable as written-off or non-performing due to default, there are reasonable doubts about their full repayment under the contractual terms; in addition to off-balance-sheet exposures not classified as non-performing due to default, concerning which payment by the Group is likely and recovery is doubtful.

  In order to determine the existence of reasonable doubt as to the full repayment of these transactions, the entity performs an analysis of indicators on transactions that are not overdue by more than 90 days, which may or may not automatically classify the transaction as stage 3.

  The indicators analysed for those borrowers whose provisioning is determined on an individual basis, which do not automatically classify the operation as stage 3, are as follows:

  - Negative equity or equity that has significantly decreased in the last financial year.
  - Negative EBITDA for two years or a significant decrease in EBITDA for one year.
  - Very significant decrease in revenue and in operating income.
  - Significant decrease in cash flow generated in the last three years or in the last year.
  - Accumulation of defaults with other credit institutions.
  - Borrower has defaults equal to or greater than 91 days in less than 20% of exposure, and there are doubts about its total repayment.

  The indicators analysed that lead to the automatic classification of the transaction as stage 3 are the following:

  - Transaction that ceases to have amounts overdue for 91 or more days but is not classified in Stage 1 as there are other transactions classified in Stage 3.
  - Refinancing with a Stage 3 rating as it meets the conditions for reclassification to non-performing.
  - The borrower is in uncured insolvency proceedings.
  - The transactions of holders that are declared or are known to be in insolvency proceedings without a winding-up petition.
  - Transaction claimed judicially or in the process of enforcement of the security interest.

- Write-off: transactions for which, after individual analysis, it is considered that there is no reasonable expectation of full or partial recovery due to a significant or irrecoverable deterioration in the creditworthiness of the transaction or the holder. The entity considers in any case that there is no reasonable expectation of recovery for the following cases:

  – The risks of customers who are declared to be insolvent and for whom it is known that the liquidation phase has been or will be declared, except for those which have effective collateral covering at least 10% of the gross carrying amount of the transaction.

  – Non-performing risks due to borrower default that have been classified as such for more than four years or, before reaching this age when the amount not covered by effective guarantees has been maintained with a credit risk coverage of 100% for more than two years, unless those balances have effective collateral covering at least 10% of the gross carrying amount of the transaction.

In the above circumstances, the Group derecognises any amount recognised along with the provision from the balance sheet, without prejudice to any actions that may be taken to seek collection until the contractual rights to receive sums are extinguished definitively by expiry of the statute-of-limitations period, remission or any other cause.

<u>Transactions purchased or originated with credit impairment</u>

As at 31 December 2021, there were no transactions purchased or originated with credit impairment. In recent years, the Bank has not acquired assets at a significant discount in accordance with the materiality threshold established by Group management.

<u>Transaction classification criteria</u>

The Group applies a range of criteria to classify borrowers, bond issuers and transactions among the different categories, depending on the related credit risk. These include:

- Automatic criteria,
- Specific refinancing criteria, and
- Indicator-based criteria.

Automatic factors and specific refinancing classification criteria constitute the classification and cure criteria against the entirety of the portfolio.

Furthermore, to facilitate advance identification of significantly increased risk or indications of impairment of transactions, the Group has constructed a series of indicators, distinguishing between significant and non-significant borrowers, which encompass all default events and signals depending on the composition of the relevant portfolio. This methodology is based on the Group's experience in Credit Risk, in the composition of its portfolio and loss events identified by the Group; in addition, it proactively seeks to identify potential impairment in advance. Specifically, non-significant borrowers who, having surpassed the automatic classification algorithm, fail to meet any of the conditions to be transferred to either the non-performing or special watch categories, are assessed using indicators; the objective of these indicators is to identify weaknesses that may involve the assumption of greater losses than other similar transactions classified as performing. These indicators are based on the best current estimate of the likelihood of being classified non-performing associated with each transaction.

To assess the significant increase in credit risk, the quantitative measurement indicators used in the ordinary management of credit risk will be taken into account, such as the increased risk of a breach in any of the key indicators for which a threshold has been previously defined which depends on the management practices of each portfolio; for example, non-payments of between 30 and 90 days will be considered, together with increases in the reporting Probability of Default (PD) with respect to the PD at the origination date, based on established thresholds. Other qualitative variables are also considered such as signs of whether an unimpaired transaction is considered to be refinanced, or the consideration of operations included in a special debt sustainability agreement.

In addition, as a result of the outbreak of Covid-19, the Group determined new indicators to determine the increase in credit risk based both on the identification of companies and individuals for which it has estimated a low or medium-low capacity to overcome the crisis or resume payments, and on belonging to sectors highly impacted by the pandemic (hotels, restaurants, management of entertainment venues, etc.) for which early warnings are being activated and which have weak financial ratios in their financial statements or significant financing and reduced liability balances.

The definition of default is based on non-payment of more than 90 days, except in the cases mentioned above, although, in accordance with the EBA (4.3.1.89 to - 4.3.1.90), indicators of subjective default (unlikeliness to pay events) have been established as described above.

Operations classified as doubtful are reclassified to performing when, as result of the partial or full collection of outstanding amounts in the case of doubtful exposures due to default, or because the cure period has been completed in the case of doubtful exposures for reasons other than default, the reasons that gave rise to the classification of the operation as doubtful no longer apply, unless reasons subsist for maintaining it in this category.

As a result of these procedures, the Group classifies its borrowers in the categories of performing under special watch or doubtful due to debtor default, or maintains them under performing.

Individual classification

The Group has established an exposure threshold for considering borrowers as significant, based on EAD (exposure at default) levels.

On the basis of credit risk management and monitoring criteria, the Group has identified the following as individually significant borrowers:

- Borrowers/issuers with EAD (exposure at default) in excess of 3 million euros.

- Borrowers classified as doubtful for reasons other than default due to non-automatic factors (manually identified default).

- Borrowers without appreciable risk classified as doubtful for accounting purposes, irrespective of EAD.

For significant borrowers assessed through individual analyses, a trigger system has been established to identify significant increases in risks or signs of deterioration. The triggers system covers signs of impairment or of weaknesses through the definition of:

- Triggers with different pre-alert thresholds permitting the identification of increased risk and signs of impairment.

- Specific triggers that indicate a significant increase in risk.

- Specific triggers that indicate signs of impairment.

A team of expert risk analysts analyses borrowers with activated triggers to conclude on the existence of a significant increase of risk or objective evidence for deterioration and, in the event that there is evidence of deterioration, whether the event or events causing the loss have any impact on estimated future cash flows from the financial asset or group of financial assets.

The indicator system for significant borrowers is automated and takes into account the specific characteristics of the differentiated behaviour segments in the loan portfolio. The issues to be identified by the indicator system are as follows:

- Significant financial difficulty faced by the issuer or obligor.

- Breach of contract terms, default or delay in interest payments.

- For financial difficulties, the borrower is granted concessions or benefits that would not otherwise be taken into account.

- Probability of borrower insolvency: cases where there is a high probability that the borrower will be declared insolvent or will have to be restructured.

The Group carries out an annual review of the reasonableness of the thresholds and coverage used in the individual analyses, unless the borrower's financial situation changes substantially, making a review of that situation necessary.

According to the specified levels, a volume of borrowers that allows a reasonable coverage of the total credit exposure is above the significance threshold, which requires them to be subjected to an individual expert analysis.

Collective classification

Both for borrowers that exceed the aforementioned materiality threshold and those that do not exceed the materiality threshold, and additionally have not been classified as doubtful or under special watch by the automatic classification algorithm, the Group has constructed a synthetic indicator to identify exposures that display significantly increased risk or weaknesses which could entail losses that are higher than those in other similar transactions classified as performing. In this respect the Group has laid down thresholds that, once exceeded, entail an automatic classification as performing exposure under special watch due to the significant increase in risk or weaknesses.

The methods used to determine whether the credit risk of an instrument has increased significantly since initial recognition must take into account the characteristics of the instrument (or group of instruments) and past default patterns in comparable financial instruments. In order to define the significant increase in risk (SICR) at the Group, qualitative variables and quantitative measurement indicators used in ordinary credit risk management are taken into account. The latter include increases in the probability of default (PD) with respect to the PD at the time of the origin of the operation, based on a series of thresholds.

For debtors assessed in line with a group approximation, thresholds were defined based on the comparison of PD during the expected lifetime of the operation. If insufficient past information of a granular nature is available, thresholds were defined based on the comparison of a current 12 months PD PIT versus a PD PIT involving 12 months of origination for such period. These thresholds were determined in such a way that the NPL rates observed, for a sufficiently long period, are statistically different.

<u>Refinancing and restructuring</u>

Once a transaction has been identified as refinancing, refinanced or restructured, it may only be classified as non-performing or under special watch.

The following refinancing or restructuring operations are classified as doubtful:

- Operations reclassified from doubtful exposures or which are refinanced to avoid their classification as doubtful due to default.
- Operations with a grace period exceeding 24 months.
- Operations with reductions higher than the impairment that would be applicable if they were classified under exposures subject to special watch.
- Transactions based on an unsuitable payment plan - because the plan has been repeatedly breached, because it has been modified to avoid default, or because it is based on expectations that are not properly supported by macroeconomic forecasts.

For a refinancing or restructuring classified as non-performing to be upgraded to "under special watch", all the criteria that generally determine the classification of transactions outside the category of non-performing risk must be satisfied, and, furthermore:

- It has been concluded, following an exhaustive review of the borrower's assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- One year has elapsed from the date of refinancing or restructuring.
- Accrued principal repayments and interest payments must be met, reducing the renegotiated capital. The transaction cannot have overdue amounts.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid. The presence of contractual terms that delay repayment, such as grace periods, entails that the transaction remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 90 days on the date of the potential reclassification.

Refinancing or restructuring operations that do not meet the above conditions for classification as doubtful will be classified as exposures under special watch. They must remain under special watch for a trial period, until the following requirements are met:

- It has been concluded, following an exhaustive review of the borrower's assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- A minimum of two years elapse from the formalisation of the operation or from reclassification from doubtful exposures.
- The borrower has paid principal and interest accruing since the date of the refinancing or since the date of reclassification from non-performing exposure.

- The principal and interest due at the time of the refinancing or which were written off as a result there of must be paid. The presence of contractual terms that delay repayment, such as grace periods, will imply that the operation remains under special watch.

- The borrower must not have any other operations involving amounts overdue by more than 30 days at the end of the trial period.

During the trial period described, a new refinancing or restructuring of the refinanced or restructured operations, or the existence of amounts overdue by more than 30 days, will entail the reclassification of these operations to doubtful exposures for reasons other than default, provided that they were classified as doubtful before the trial period.

Credit risk management policies and procedures applied by the Group guarantee detailed monitoring of borrowers, indicating that provisions need to be recorded when there is evidence of impairment in a borrower's solvency. The Group records any bad-debt provisions that may be necessary in transactions in which the borrower's situation thus requires, before restructuring or refinancing operations are formally approved.

For refinanced operations, the algorithm provides for their initial classification on the basis of their characteristics, mainly the existence of financial difficulties for the borrower and certain contractual terms, such as lengthy grace periods; subsequently, the algorithm changes the initial classification on the basis of the cure periods established.

The Group's refinancing, restructuring, renewal and renegotiation policies are described in Note 3.5.5.2 to these financial statements.

Determination of provisions

Once the accounting classification of the borrower and of the related transactions has been determined, credit risk allowances are calculated. These allowances can be calculated by individual analysis or collective analysis.

The criteria for selecting portfolios for creating internal models for collective impairment testing follow the principles of materiality and complexity, and provide results that are in line with the real situation of the transactions in the current economic environment.

The Group applies the following policies for calculating credit risk loss provisions.

The amount of impairment loss provisions is calculated on the basis of whether or not there has been a significant increase in credit risk since the initial recognition of the transaction and whether or not an event of default has occurred. Thus, the allowance for impairment losses on transactions is equal to:

- The expected credit losses over twelve months, when the risk of an event of default in the transaction has not increased significantly since initial recognition (Stage 1).

- The expected credit losses over the lifetime of the transaction, if the risk of an event of default in the transaction has increased significantly since initial recognition (Stage 2).

- The expected credit losses over the lifetime of the transaction, if an event of default has occurred (Stage 3).

The Group uses forward-looking information in the calculation of the expected loss, for which it uses scenario projection models. The considerations made by the Group in relation to the effects of the Covid-19 health crisis are explained in Note 11.6.3.

The application of a range of scenarios to reflect the effect of non-linearity of losses entails estimation of the allowances required in different scenarios, including those that are unlikely but plausible. Specifically, three macroeconomic scenarios have been considered, a central scenario, an adverse scenario and a favourable scenario, which have been defined at Group level, with probabilities of occurrence of 60%, 30% and 10% respectively, taking into account the current uncertainty about how the pandemic will evolve and the time a large part of the economy will normalise. Timescales of three years are considered to cast these projections and the most relevant variables considered are the performance of GDP, the unemployment rate and housing prices, among others.

– Base case scenario:

The recovery continues to consolidate and the convergence with the Eurozone started in the second half of 2021 continues. The buoyant employment trend leads us to consider that structural damage has been limited and will allow, together with the investments derived from the European funds, a positive inertia and an intense improvement of the lagging sectors in 2022 and 2023, which would lead to above trend growth in the long term.

– Adverse scenario:

In the adverse scenario, the recovery of international tourism remains incomplete and causes more severe damage to the affected sectors. The increase in energy prices is persistent and is detrimental to households' spending power. Furthermore, there is a low take-up of Next Generation European Union funds.

– Favourable scenario:

In a favourable scenario, the rapid lifting of pandemic-related restrictions allows for a faster recovery of international tourism. Inflation moderates in the second half of the year thanks to the stabilisation of commodity prices and the easing of supply constraints.

The Group estimated the pre-payment rates for a range of different products and segments based on observed historical data. These pre-payment rates are applied to determine the expected loss on the exposures classified in Stage 1 and Stage 2. Also, the repayment table agreed for each transaction is applied.

Further, operations identified as not having appreciable risk (essentially operations with central banks, public administrations and companies, and financial institutions, all belonging to the European Union or certain countries regarded as non-risk, as well as advances to social security pensioners) are given a percentage of 0% (based on an analysis of past such operations and backtesting analysis), except for operations classed as doubtful, in which an individual impairment estimate is carried out. In this estimate, the amount of the provisions required for the credit risk allocable to the debtor and for the relevant country risk are calculated. When it is necessary to provide for both the debtor's credit risk and the country risk, more demanding provisioning criteria are applied.

The Group's exposure metric for provisioning purposes considers currently drawn down balances and the estimate of the amounts that are expected to be disbursed in the event that off-balance-sheet exposures become doubtful, through the application of a Credit Conversion Factor or CCF.

For transactions classified as non-performing, an estimate is made of expected losses, defined as the difference between the current exposure amount and the estimated future cash flows, as described below.

Subsequently, those cash flows are discounted at the current effective interest rate of the financial asset (if the contractual rate is fixed) or at the contractual interest rate effective on the date of discounting (if the contractual rate is variable).

The various Group methodologies are described in the following paragraphs.

Individualised provision estimates

In order to estimate the credit risk provisions due to the insolvency of a financial instrument, the Group makes an individualised estimate of the expected credit losses of those financial instruments that are considered to be material and with sufficient information to make such calculation.

On this point, it should be noted that the Entity estimates collectively the positions classified in Stage 1 of individually significant borrowers (except for borrowers with an exposure of more than 50 million euros), since on the basis of its historical experience and the hedge monitoring analyses performed, the individualised estimate of the hedges of these borrowers would be considerably lower than that calculated by the collective estimate.

The Group has developed a method for estimating these allowances: calculating the difference between the carrying amount of the asset and the present value of the future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Furthermore, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from enforcement of the security, less costs of obtaining and selling the collateral, whether or not enforcement is probable, with application of a haircut to the collateral.

The following methods for calculating the recoverable amount of assets tested individually have been established:

a) Generation of cash flows by the activity itself (going concern): this will be applied for borrowers with respect to which it is estimated that future cash flows can be generated in the course of business, which will allow the repayment of part or all of the debt concerned. In addition, these flows could be supplemented by potential sales of equity assets that are not essential for the generation of said cash flows.

b) Enforcement of guarantees (gone concern): this will be applied for borrowers that are not capable of generating cash flows in the course of their business, the only means of recovering the investment being the foreclosure and liquidation of their assets.

c) Mixed approach: individual analysis of the borrower in which the two previous approaches are combined, enforcing secondary (non-essential) collateral.

The Group uses macroeconomic scenarios in its method for calculating provisions for individually material borrowers via an add-on calculated on the basis of the Group's internal models.

<u>Collective provision estimates</u>

The Group estimates expected credit losses as a group in cases where they are not estimated individually.

The criteria for selecting portfolios for creating internal models involve the principles of significance and complexity, and provide results that are in line with the real situation of the operations in the current economic environment.

The Group has conducted a prior study of the operations used in the collective calculation of provisions. As a result of this study, the Group has chosen the following portfolios to be used in the development of internal methodologies:

- Home purchases,
- Credit cards and
- Companies (SMEs).

The following portfolios are excluded from the utilisation of internal models:

- Consumption,
- Self-employed,
- Large corporations and
- Property developers.

For the excluded portfolios, apart from the borrowers that are subject to individual analysis, the Group makes a group calculation of coverage based on the models prepared at sector level by the Bank of Spain on the basis of experience and the information it has on the Spanish banking sector, as well as forecasts of future conditions. In any case, these models are periodically checked retrospectively to ensure the reasonableness of the provision.

When calculating a collective impairment loss, the Group, in accordance with IFRS 9 and taking into account Bank of Spain Circular 4/2017, mainly takes into consideration the following aspects:

- The impairment estimate process takes into account all credit exposures except performing loans with no appreciable risk for which impairment estimation methods are used based on statistical data and models that aggregate the average behaviour across Spanish banking institutions. The Group recognises an impairment loss equal to the best available estimate under internal models, bearing in mind all available relevant information on conditions at the end of the period to which the calculation relates. The Group has identified the following transactions without appreciable risk for the estimation of credit risk allowances:
    - Transactions with central banks.
    - Transactions with the government bodies of European Union countries, including those arising from reverse repurchase loans of debt securities.

    - Transactions with central governments of countries classified in group 1 for country-risk purposes.
    - Transactions in the name of deposit insurance funds and resolution funds, provided that they are comparable in credit quality to those of the European Union.
    - Transactions with credit institutions and credit financial institutions of European Union countries and, in general, of countries classified in Group 1 for country-risk purposes.
    - Transactions with Spanish mutual guarantee companies and with government bodies or government-controlled companies from other countries classified in Group 1 for country-risk purposes whose main activity is credit insurance or guarantee.
    - Transactions with non-financial corporations that qualify as public-sector.
    - Advances on pension benefits and pay packets corresponding to the following month, provided that the paying entity is a government body and the payments are made to the bank on standing orders, and
    - Advances other than loans.

- In order to make a group assessment of impairment, financial assets are grouped according to the similarity in characteristics relating to credit risk (such as type of product, purpose of financing, trade identifier, guarantees, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and allows for a more precise calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturity. The segmentation takes into account historical loss experience observed for a uniform group of assets (segment), once the present economic situation has been analysed, which is representative of the unreported losses incurred that will take place in that segment. This segmentation distinguishes risk, and is aligned with management and is being used in the Group's internal models, having been applied on various occasions by the internal control units and the supervisor. Finally, it is subjected to backtesting and the regular update and review of estimates to include all available information.

The Group has developed internal models for the collective calculation of impairment losses in which the aggregate amount of a credit risk loss is determined on the basis of the following parameters:

- Probability of impairment (PI): probability of an asset becoming impaired (corresponding to a borrower or uniform borrower group) within a specific time horizon (appropriate to the period for the identification/emergence of impairment).

- Probability of recovery: probability of asset being recovered expressed as a percentage, in the event of the impairment event occurring (determined using the PI parameter).

- Discounting of guarantees: percentage loss in the value of guarantees.

- Exposure at the time of Default: Group's exposure when the borrower impairment materialises (on the basis of which the above-mentioned probability of impairment is determined).

<u>Classification and Provision for credit risk due to country risk</u>

Country risk is considered to be the risk arising in counterparties resident in a specific country due to circumstances other than ordinary commercial risk (sovereign risk, transfer risk or risks arising from international financial activity). The Group classifies transactions with third parties into groups according to the economic performance of the respective countries, their political situation, regulatory and institutional framework, and payment ability and history.

Debt instruments or off-balance-sheet exposures with final obligors resident in countries with persistent difficulties in servicing their debt are considered non-performing assets due to the materialisation of country risk: the possibility of recovery is considered doubtful. The same applies to off-balance-sheet exposures for which the likelihood of recovery is considered remote, unless they are to be classified as write-offs.

Allowances are estimated in two stages: first, we estimate the allowance for insolvency risk and then the additional allowance for country risk.

Provision levels for this risk are not significant in relation to the impairment provisions recognised by the Group.

Guarantees

In-rem and personal guarantees are regarded as efficient when the Group has demonstrated their validity in mitigating credit risk. The analysis of guarantee efficiency takes into account the time required to enforce the guarantees and the Group's capacity and experience in this respect.

Under no circumstances are guarantees whose efficiency depends substantially on the credit quality of the debtor or corporate group to which the debtor belongs regarded as admissible as efficient guarantees.

The Group's collateral valuation criteria are in line with current regulations. Specifically, the Group applies policies for selecting and engaging valuation companies which aim to ensure their independence and the quality of the valuations. All the valuation companies and agencies used are entered in the Special Valuation Companies Register of the Bank of Spain and the valuations are conducted in accordance with the provisions of Order ECO/805/2003 on rules for valuing real estate and certain rights for certain financial purposes.

Real-estate guarantees in loan operations and properties are appraised at the time they are granted or acquired, the latter by purchase, adjudication or dation in payment, and when an asset suffers a significant decline in value. In addition, minimal updating criteria are applied that guarantee an annual frequency in the case of impaired assets (special vigilance, doubtful and repossessed assets or assets received in settlement of debts), or on a three-yearly basis for very large debts performing normally without any symptoms of latent risk. Statistical methods are used to update the appraisals, when the regulations so permit, especially for the above assets when exposure and risk is low.

### 2.4 Accounting hedges

The Group employs derivative financial instruments as part of its strategy to reduce exposure to interest rate and foreign exchange risks, where the transactions in question fulfil applicable legal requirements.

The Group designates a transaction as a hedge from inception. In the documentation relating to hedge operations, the hedged and hedging instruments are identified adequately along with the nature of the risk to be covered and the criteria or methods followed by the Group to appraise their efficiency over the term of the operation.

The Group only considers hedging operations to be those which are highly efficient throughout their term. A hedge is regarded as being highly efficient if the fluctuations arising in the fair value or in the cash flows attributed to the hedged risk over the duration of the hedge are almost entirely offset by the fluctuations in the fair value or the cash flows, as applicable, of the hedging instruments.

To assess whether a hedge is effective, the Group analyses whether, from inception to the finalisation of the term defined for the operation, it may be expected prospectively that any changes in the fair value or the cash flows of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value or the cash flows, as applicable, of the hedging instruments and that, retrospectively, the gains or losses on the hedge operation are within a range of 80% to 125% of the gains or losses on the hedged item.

Hedging operations performed by the Group are classified into the following categories:

- Fair value hedges: they 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, provided that it affects the consolidated statement of profit or loss.

- 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 the consolidated statement of profit or loss.

In fair value hedges, the differences in the fair value of both hedging instruments or hedged items, involving hedged type of risk are recognised directly in the consolidated statement of profit or loss.

In cash flow hedges, changes to the fair value arising in the portion of the effective hedge of the hedging instruments are recognised temporarily in "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedge (effective portion) reserve until the time when the hedged transactions occur. At this moment, the amounts previously recognised in equity are taken to the statement of profit and loss in a symmetrical manner to the hedged cash flows. Gains or losses on the hedging instrument corresponding to the ineffective portion of cash flow hedging operations are recognised directly in the statement of profit or loss. Financial instruments hedged in this type of hedging transaction are recognised in the manner explained in Note 2.2, without any changes for their consideration as hedged items.

As well as the above hedging operations, the Group carries out fair value hedges of foreign exchange risk for a certain amount of financial assets (or financial liabilities) which form part of the instruments in its portfolio, but not specific instruments, which in accounting terms are usually called macro-hedges.

In fair value macro-hedges, changes to the fair value of hedged items attributable to interest rate risk are recognised directly in the statement of profit and loss, but the balancing entry is recognised 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.

The accounting technique known as a macro-hedge requires the periodic assessment of its efficiency and therefore efficiency is verified on a quarterly basis by checking that the net position of assets and liabilities that mature or are repriced in the corresponding time band is higher than or equal to the amount hedged (sum of the hedging instruments in that band). Therefore, inefficiencies arise when the amount hedged is higher than the net asset and liabilities in the same time band, with the fair value of the inefficient portion immediately recognised in the consolidated statement of profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or, lastly, when the designation as a hedge is revoked.

Where fair value hedge accounting is interrupted as stated in the preceding paragraph, the value adjustments made for hedge accounting purposes are recognised in the statement of profit or loss until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date of the hedge.

In turn, in the event of an interruption of a cash flow hedge, the cumulative gain or loss recognised in equity remain in equity until the forecast transaction occurs, at which point it is recognised in the statement of profit and loss. However, if it is expected that the transaction will not be carried out, the cumulative gain or loss is recognised immediately in the consolidated statement of profit or loss.

## 2.5 Foreign currency transactions

### *2.5.1 Functional currency*

The Ibercaja Group's presentation and functional currency is the euro. All balances and transactions denominated in currencies other than the euro are therefore foreign currency balances and transactions.

The equivalent value of the main asset and liabilities balances on the consolidated balance sheet recorded in foreign currency breaks down as follows based on the nature of the items making them up and the most significant currencies in which they are denominated:

| | Equivalent value in thousand euro | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Assets | Liabilities/ Equity | Assets | Liabilities/ Equity |
| **Breakdown by type of portfolio -** | | | | |
| Financial assets/liabilities at fair value through equity | 104,863 | - | 10,443 | - |
| Financial assets/liabilities at amortised cost | 75,105 | 41,988 | 58,252 | 45,321 |
| Other | - | (3,086) | - | 480 |
| | **179,968** | **38,902** | **68,695** | **45,801** |
| **Breakdown by type of currency -** | | | | |
| US dollar | 171,237 | 38,902 | 53,076 | 41,692 |
| Pound sterling | 4,357 | 2,974 | 6,600 | 2,949 |
| Swiss franc | 872 | 796 | 1,353 | 1,331 |
| Japanese yen | 943 | 15 | 909 | 16 |
| Canadian dollar | 23 | 8 | 10 | 7 |
| Norwegian krone | 45 | 20 | 2,798 | 19 |
| Other | 2,491 | (3,813) | 3,949 | (213) |
| | **179,968** | **38,902** | **68,695** | **45,801** |

*2.5.2 Conversion criteria for foreign currency balances*

Transactions in foreign currencies are initially recognised at the equivalent value in euro based on the exchange rates prevailing at the date of the transactions. Monetary balances denominated in foreign currency are subsequently converted to the functional currency at the exchange rate prevailing on the date of issue of the financial information.

Furthermore:

- Non-monetary items valued at historical cost are translated into the functional currency at the exchange rate prevailing on the date of acquisition.

- Non-monetary items stated at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value is determined.

*2.5.3 Recognition of exchange rate differences*

Exchange differences that arise when translating balances in foreign currency to the entities' functional currency are recorded in general at net value under Differences on exchange (net) on the consolidated statement of profit or loss, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated statement of profit or loss under "Gain/(loss) on financial assets and liabilities held for trading, net" and "Gain/(loss) on financial assets and liabilities at fair value through profit or loss, net", without differentiating them from other fair value fluctuations.

Exchange differences arising on foreign currency equity instruments whose fair value is adjusted against equity are recognised in consolidated equity under "Other accumulated comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheet until they are realised. When an equity instrument at fair value through other comprehensive income is derecognised, the amount of exchange differences arising on these financial instruments is not reclassified to profit or loss, but to an item of reserves alongside the gains or losses recorded in accumulated other comprehensive income from changes in fair value.

**2.6 Recognition of income and expenses**

The paragraphs below summarise the most significant accounting criteria applied by the Group in recognising income and expense:

*2.6.1 Interest income, interest expenses, dividends and similar items*

As a general rule, interest income, interest expense and similar items are recognised on a time proportion basis using the effective interest method. Dividends received from other companies are recognised as income when the right to receive them is declared by the consolidated entities. Dividends for which the right to receive payment has been declared prior to initial recognition shall not form part of the carrying amount of the equity instrument and shall not be recognised as income. If the distribution relates to income generated by the issuer prior to the date of initial recognition, the dividends are not recognised as income but as a reduction of the carrying amount of the instrument.

*2.6.2 Fees, commissions and similar items*

Commission and fee income and expenses which are not included in the calculation of the effective interest rate on transactions and/or which do not form part of the acquisition cost of financial assets or liabilities other than those classified at fair value through profit or loss are recognised on the consolidated statement of profit or loss using accounting policies that vary according to the nature of the item concerned. The most significant fee and commission items are as follows:

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the statement of profit or loss when payment is made.

- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated statement of profit or loss over the term of the transaction or service.

- Those relating to a one-off event, which are recorded when the originating event takes place.

*2.6.3 Non-financial income and expense*

They are recognised for accounting purposes when the goods are delivered or the non-financial service is rendered. To determine the amount and timing of recognition, a five-step model is followed: identify the contract with the customer, identify the separate obligations of the contract, determine the transaction price, allocate the transaction to each identified obligation, and finally recognise revenue as and when obligations are satisfied.

*2.6.4 Deferred receipts and payments*

Deferred receipts and payment are recognised for accounting purposes at the amount resulting from discounting the expected cash flows to net present value at market rates.

*2.6.5 Contributions to the Single Resolution Fund and Deposit Insurance Fund*

In accordance with IFRIC 21 Levies, recognition of the obligation, which entails recording the amount accrued to date, takes place upon receipt of the payment notification (second quarter for the contribution to the Single Resolution Fund and fourth quarter for the contribution to the Deposit Insurance Fund).

**2.7 Offsetting of financial instruments**

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

**2.8 Transfers of financial assets**

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

- If the Group transfers substantially all the risks and rewards of transferred assets to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised simultaneously.

- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of financial asset securitisations in which subordinated financing or another kind of credit improvement is maintained which substantially absorbs the loan losses expected for the securitised assets, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the criteria used prior the transfer. Conversely, the following items are recognised and not offset:

  – An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.

  – The income from the financial asset which is transferred but not written off, and the expenses derived from the new financial liability.

Therefore, financial assets are only derecognised from the consolidated balance sheet when the cash flows they generate have been extinguished, when the risks and rewards involved have been substantially transferred to third parties, and when the transferor does not retain control of the transferred financial asset.

Note 27.5 summarises the most significant circumstances of the main asset transfers in effect in the Group at year-end.

**2.9 Financial guarantees and provisions made thereon**

Financial guarantees are agreements in which the Group undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: collateral, financial guarantee, irrevocable documentary credit issued or guaranteed by the entity, etc.

At the time of initial recognition, the Group accounts for the financial guarantees provided under liabilities in the consolidated balance sheet at fair value, which is generally equal to the present value of the commissions and returns to be received on such contracts over the term of the same with, as the balancing entry under assets on the consolidated balance sheet, the amount of likened commissions and returns collected at inception and accounts receivable at the present value of the commissions and returns pending collection. These amounts are amortised on a straight-line basis over the term of the contracts in the consolidated statement of profit or loss.

Financial guarantees, whatever the holder or instrumentation, are analysed periodically to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to create a provision for them, which is determined by applying criteria similar to those used to quantify impairment losses on debt instruments, as explained in Note 2.3 above.

Provisions set aside for these operations are recognised under “Provisions – Commitments and guarantees given” on the liability side of the consolidated balance sheet. Additions to and reversals from these provisions are recognised in the consolidated statement of profit or loss under “Provisions or reversal of provisions”.

When a provision is required for financial guarantees, the associated commissions pending accrual, carried in the consolidated balance sheet under “Other liabilities”, are reclassified to the relevant provision.

Income from guarantee instruments is recorded under “Fee and commission income” in the consolidated income statement and is calculated by applying the rate established in the underlying contract to the nominal amount of the guarantee (Note 32).

### 2.10 Accounting of operating leases

The Group should identify at the beginning of the lease whether a contract is a lease or contains a lease component and this conclusion will only be reassessed in the event of a change in the terms and conditions of the contract. According to the criteria of the Standard, a contract is a lease if it gives the customer the right to exercise control over the use of the asset identified in the contract for a period of time in exchange for a consideration.

The Standard provides two exemptions from the recognition of lease assets and liabilities, which may be applied in the case of short-term contracts and those whose underlying asset is of low value, which the Group has decided to use.

<u>Leases in which the bank acts as lessee</u>

The lease term corresponds to the non-cancellable period of a lease, plus the periods covered by the option to extend the lease if it is reasonably certain that the lessee will exercise the option and the periods covered by the option to terminate the lease if it is reasonably certain that the lessee will not exercise the option.

The lease liabilities, which are initially recognised under “Financial liabilities at amortised cost - other financial liabilities” in the balance sheet, include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive receivable,
- variable lease payments that depend on an index or rate,
- amounts expected to be paid by the lessee as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise that option, and
- lease termination penalty payments, if the term of the lease reflects the lessee’s exercise of that option.

Subsequent to their initial recognition, they are measured at amortised cost using the effective interest rate method.

Lease payments are discounted using the interest rate implicit in the lease. The discount rate used was determined by the institution’s Capital Strategy and Balance Sheet Unit, which calculated a financing curve that approximates the cost of funding the Group through senior debt.

When the implicit interest rate cannot be readily calculated, use is made of the incremental interest rate, which is defined as the interest rate that a lessee would have to pay for borrowing, for a term similar to the duration of the lease and with similar security, funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.

Each lease payment is allocated between liabilities and finance expense. The interest expense is charged to income over the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. Interest expense on lease liabilities are recognised in the consolidated statement of profit or loss under “Interest expense - Other liabilities”.

Right-of-use assets are initially measured at cost, which includes the following:

- the amount of the initial valuation of the lease liability,
- any lease payment made on or before the start date less any lease incentive received,
- any initial direct cost and
- restoration costs.

Such assets are measured subsequent to initial recognition at cost corrected by:

- Accumulated depreciation and impairment, and
- any revaluation of the corresponding lease liability.

Depreciation is calculated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis. The annual provisions for depreciation are charged to the statement of profit or loss under "Depreciation - Tangible assets" and are calculated on the basis of the following average years of the different underlying asset classes comprising the rights of use, as follows:

| | **Years of estimated useful life** |
|---|---|
| Branch offices | 1 to 20 |
| Sale & lease-back | 8 to 28 |
| Other | 2 to 8 |

The criteria for impairment of these assets are similar to those used for tangible assets (see Note 2.15).

Leases in which the bank acts as lessor

*Finance leases*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

Whenever consolidated entities act as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value, are recorded as financing provided to third parties and are therefore recognised under "Financial assets at amortised cost" in the consolidated balance sheet, in accordance with the nature of the lessee.

Note 11.4 sets out information on these leases.

*Operating lease*

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

When the consolidated entities act as lessors in operating leases, the acquisition cost of the leased assets is presented under "Tangible assets" as "Investment property" or as "Other assets leased out under operating lease", depending on the substance of the leased assets. These assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated statement of profit or loss on a straight-line basis under "Other operating income".

The impacts of these leases are presented in Note 15.2 in the consolidated income statement.

### 2.11 Assets managed

Third party assets managed by the consolidated companies are not included in the consolidated balance sheet. Fees generated by this activity are recorded under "Fee income" in the consolidated statement of profit or loss. Note 27.4 provides information on the third-party assets managed at year end.

## 2.12 Investment funds and pension funds managed by the Group

Mutual funds and pension funds managed by consolidated companies are not recognised in the Group's consolidated balance sheet since the related assets are owned by third parties. Fees and commissions earned on the services rendered to these funds by Group companies (asset management services, portfolio deposits, etc.) are recognised under "Fee income" in the consolidated statement of profit or loss.

Note 27.4 provides information on the investment funds and pension funds managed by the Group at the year end.

## 2.13 Staff expenses

### *2.13.1 Post-employment benefits*

Post-employment remuneration is remuneration paid to employees after the end of their period of employment. All post-employment obligations are classified as defined contribution plans or defined benefit plans, based on the conditions of these obligations.

The Bank's post-employment commitments with its employees are treated as "Defined contribution plans" when the Bank makes predetermined contributions to a separate entity, on the basis of the agreements reached with each specific group of employees, without any legal or effective obligation to make additional contributions were the separate entity unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as "Defined benefit plans".

Defined contribution plans

The Group's pension commitments to active employees are arranged through a defined contribution system for retirement and a defined benefit system for death and disability during active employment, the latter being covered by annual insurance policies.

Defined contribution plans are recognised under "Personnel expenses" in the consolidated statement of profit or loss. The contributions made by the defined contribution plan promoters amounted to 15,413 thousand euros in 2021 and 15,339 thousand euros in 2020 (Note 38).

Defined benefit plans

With respect to defined benefit plans, the Group recognises the present value of post-employment obligations less the fair value of the plan assets, under "Provisions - Pensions and other post-employment defined benefit obligations" and "Provisions - Other long-term employee remuneration" on the liabilities side of the balance sheet. The liabilities for defined benefits are calculated annually by independent actuaries using the projected unit credit method.

"Plan assets" are the assets linked to a certain defined benefit obligation that will be directly used to settle these obligations and that meet the following conditions:

- They are not owned by the Bank, but rather by a legally separate, non-related third party.
- They are available to be used only to pay or fund employee benefits and are not available to Bank's own creditors, even in the event of bankruptcy.
- They cannot be returned to the Bank unless the assets remaining in the scheme are sufficient to meet all obligations of the scheme and of the Bank relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid.
- They may not be non-transferable financial instruments issued by the Bank.

The Group records its reimbursement right under assets on the balance sheet under "Other assets".

The present value of the defined benefit obligations with staff is determined by discounting the future cash flows estimated at discount rates for corporate bonds with high credit ratings that are consistent with the currency and estimated terms that the liabilities for post-employment benefits will be settled.

The expected return on plan assets for defined benefit plans and reimbursement rights are determined using the same discount rate as for calculating the present value of the obligations.

Post-employment benefits are recognised as follows:

- In the statement of profit or loss: the cost of services provided by employees, both during the year and in prior years (where not recognised in prior years), net interest on the provision (assets), and the gain or loss arising on settlement.

- In the statement of changes in equity: new measurements of the provision (asset) as a result of actuarial gains or losses, of yields on plan assets that have not been included in net interest on the provision (assets), and changes in the present value of the assets due to changes in the present value of flows available to the entity, which are not included in net interest on the provision (assets). The amounts not recorded in net interest under equity will not be reclassified to the statement of profit or loss in a subsequent period.

"Actuarial gains and losses" arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

<u>Pension supplements for serving or retired personnel</u>

Post-employment commitments acquired by the Group with serving and retired personnel derive from the various Collective Agreements and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

Post-employment commitments acquired by the Group with retired personnel included in the "Ibercaja Employee Pension Plan" derive from the Collective Agreement and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

In addition, the Group has retirement supplements commitments with former retired employees and management personnel which are externalised through insurance policies with Caser, Compañía de Seguros y Reaseguros, S.A. and Ibercaja Vida, S.A.

*2.13.2 Other long term employee remuneration*

Commitments with staff taking early retirement, widowhood commitments and disability commitments prior to retirement that depend on length of service and other similar items will be processed for accounting purposes, as applicable, as established in defined benefit post-employment plans, except that actuarial gains and losses are recognised immediately in the statement of profit or loss.

The Group has no commitments towards early retirees to pay salary complements and other welfare charges from the time of early retirement to the date of actual retirement.

*2.13.3 Severance payments*

Severance payments are recognised as a personnel expense when the Group undertakes to terminate the employment relationship before the normal retirement date, or to pay severance indemnities as a result of an offer made to encourage voluntary termination of employment by employees.

*2.13.4 Other employee benefits*

The Group has committed to providing employees with certain goods and services at partially or totally subsidised prices, in accordance with the collective bargaining agreement and the Corporate or Company Agreements. The most relevant employee benefits are credit facilities.

Employees of Ibercaja Banco, S.A. with indefinite contracts are generally entitled to request loans or credit facilities, subject to a maximum limit based on their annual salary, once their trial period has ended.

- Home loans: the maximum amount to be granted is that determined by the value of the dwelling plus the expenses inherent to the acquisition thereof, which must be duly supported and may not exceed five annuities, which are considered as comprising the items referred to in Article 39 of the Collective Agreement, plus the family support. If this second limit is applicable, the resulting amount may not be less than 200,000 euros under a Resolution of the Board of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 0.50% and a maximum of 5.25%.

- Personal loan/credit: the maximum capital to be financed is 25% of the employee's annual remuneration with respect to the corresponding items from those provided for in Article 39 of the Collective Agreement, plus the family support. However, any employee may obtain up to 30,000 euros. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October, with a minimum of 0%.

- Welfare support: to meet fully justified essential needs. The amount will not exceed six gross monthly payments, including all fixed items that make up the monthly salary, and will be repaid in monthly instalments consisting of 10% of the gross salary.

*2.13.5 Multiannual incentive plan*

On 15 April 2021, the General Shareholders' Meeting of Ibercaja Banco approved the terms and conditions of the long-term incentive plan (the "Plan") for the Bank's key executives, linked to the Strategic Challenge Plan for 2023. This Plan is aimed at a group of 29 members of staff (the "Beneficiaries") whose professional activities have a significant impact on the Bank's risk profile.

The Plan is linked to the permanence of the Beneficiaries and the achievement of objectives in the 2021-2023 period. The assessment of the degree of achievement of the multi-annual objectives shall be measured from the start date to the end date.

The maximum amount of the incentive shall be fixed as a percentage of the annual fixed remuneration for each Beneficiary. The deferred incentive shall be paid in the first quarter of 2024, 2025, 2026, 2027 and 2028, respectively. Each deferred incentive payment will be made 45% in cash and the remaining 55% in instruments linked to the Bank's value and subject to a one-year holding period.

The degree of achievement of the multi-annual objectives will be determined on the basis of:

I. Achievement of the Bank's shareholder return target for the 2021-2023 period.
II. Achievement of the tangible equity performance target for 2023.
III. Meeting the Fully Loaded Common Equity Tier I ratio target set for 2023
IV. Fulfilment of sustainability objectives for 2023.

The total estimated value of these commitments if the targets set in 2023 are met amounts to 4,632 thousand euros. At 31 December 2021 the Group has recognised a provision of 1,544 thousand euros under "Provisions - Other long-term employee benefits" in the accompanying consolidated balance sheet (Notes 21 and 38) for the accrued amount as it considers that the targets set in the plan will be met on the basis of the information available at year-end.

## 2.14 Income tax

The corporate income tax expense is recognised in the income statement, except when it results from a transaction whose outcome is recognised directly in equity, in which case the corporation tax is recognised with a balancing entry in equity.

The corporate income tax expense is calculated as the tax payable on the taxable profit for the year, adjusted for the changes arising during the financial year in the assets and liabilities recognised as a result of timing differences, tax credits and relief and possible tax loss carryforwards (Note 25).

As mentioned in Note 25, Ibercaja Banco forms part of a Tax Group, the parent of which is Fundación Bancaria Ibercaja, in accordance with Chapter VII of Title VII of the Corporate Income Tax Law.

A timing difference is a difference between the carrying amount and the taxable amount of an asset or liability. A taxable amount is one which will generate a future obligation to make a payment to the tax authorities and a deductible amount is one that will generate the right to a refund or a reduction in a payment to the tax authorities in the future.

Timing differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are only recognised when it is probable that sufficient future taxable profit will be obtained against which the deferred tax asset can be utilised. Deferred tax liabilities are recognised for practically all taxable temporary differences.

Tax credits and relief, and credits for tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, provided that the Group considers it probable that they will be used in future periods. Note 25 gives details of the assets recorded in this respect.

Current tax assets and liabilities are those which, respectively, are regarded as being recoverable or payable within 12 months as from the year end. Deferred tax assets and liabilities are those which, respectively, are expected to be recovered or paid in future years.

Deferred tax assets and liabilities are reviewed at each balance sheet date to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

### 2.15 Tangible assets

In general, tangible assets are presented on the balance sheet at cost, this being the fair value of any consideration paid plus all cash payments made or committed net of accumulated depreciation and any value adjustment resulting from comparing the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The annual provisions for depreciation are charged to the consolidated statement of profit or loss under “Depreciation - Tangible assets” and are calculated on the basis of the following average years of estimated useful life of the various assets, as follows:

| | Years of estimated useful life |
|---|---|
| Properties for own use | 25 to 100 |
| Furniture | 6 to 16.6 |
| Fixtures | 5 to 16.6 |
| Computer equipment and installations | 4 to 8 |

At each balance sheet date, the consolidated entities assess whether there is any internal or external indication that a tangible asset is impaired (i.e. its carrying amount exceeds its recoverable amount). If any such indication exists, the carrying amount of the asset is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the asset’s adjusted carrying amount and its new remaining useful life, in the event that a re-estimation of this is necessary. This reduction in the carrying amount is charged, as necessary to “Impairment or reversal of impairment of the value of non-financial assets (net)” in the consolidated statement of profit or loss.

Similarly, if there is an indication of a recovery in the value of a deteriorated tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods, through the corresponding credit to the heading “Impairment or reversal of impairment of the value of non-financial assets (net)” in the consolidated statement of profit or loss, and adjusts the future depreciation charges accordingly.

“Investment property” in the consolidated balance sheet includes the net values of land, buildings and other structures which are held either for rental purposes or to generate a possible capital gain on their sale as a result of possible future increases in their respective market prices.

Foreclosed assets that, depending on their nature and purpose, are classified as real-estate investments by the Group, are initially recognised at the lower of the fair value net of sales cost and the acquisition cost, which is understood as the net carrying value of the debts that give rise to them, with the net value calculated pursuant to the provisions of the applicable regulations as set out in Note 2.18. Subsequently, these foreclosed assets are subject to the corresponding estimated impairment losses that, as applicable, are generated; to this end, an appraisal is carried out on whether the lease operation meets the following requirements:

- the lessee’s payment capacity is sufficient to repay the amounts agreed in the contract, and

- the market value of the asset in the price of the lease exceeds its carrying amount.

In the event that either of these two points are not met, the estimated fair value will be calculated using the internal methodologies set out in Note 2.18.

Additionally, at least once every year, the estimated useful life of the elements of property, plant and equipment is reviewed, in order to detect significant changes in them that, if produced, will be adjusted through the corresponding correction charged to the statement of profit or loss for future years in concept of their depreciation by virtue of the new useful lives.

Repair and maintenance expenses relating to fixed assets for own use are charged to “Other administrative expenses” on the consolidated statement of profit or loss (Note 39).

## 2.16 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from an acquisition from third parties or have been developed internally.

### *2.16.1 Goodwill*

The positive difference between the price paid in a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entities is recognised under assets on the balance sheet as goodwill. Goodwill represents a payment made by the group in anticipation of the future economic benefits from assets of an acquired entity that are not capable of being individually or separately identified and recognised. It is recognised only if it has been purchased for valuable consideration through a business combination. Goodwill is not amortised, but at the end of each accounting period it is subject to analysis for any possible impairment that would reduce its recoverable value to below its stated net cost and, if found to be impaired, is written down against the consolidated statement of profit or loss.

In order to verify if any impairment has taken place, the goodwill acquired in a business combination will be allocated from the date of acquisition among the cash generating units of the acquiring entity which are expected to benefit from the synergies produced by the business combination, irrespective of whether other assets or liabilities of the acquired entity are allocated to these units or groups of units. Each unit or group of units among which the goodwill is distributed:

a) will represent the lowest level of detail within the entity to which the goodwill is assigned for internal control purposes; and

b) will not be larger than an operating segment, as defined in Note 27.8.

Therefore, in the annual impairment test on goodwill, the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit’s carrying value.

To detect possible indications of goodwill impairment, value appraisals are undertaken generally based on the medium-term dividend discount model, having regard to the following parameters:

- Key business assumptions. The cash flow projections used in the measurement are based on these assumptions. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates, as well as capital requirements.

- The period covered by the projections: This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.

- Discount rate. The present value of estimated future dividends, from which a value in use is derived, is calculated from a discount rate taken as the capital cost of the entity from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) is used.

- The rate of growth used to extrapolate cash flow projections beyond the year in which they are considered standardised. Based on long-term estimates for the main macroeconomic numbers and key business variables, and bearing in mind the current financial market outlook at all times, a rate of growth in perpetuity is estimated.

Goodwill impairment losses are not reversed in a subsequent period.

### *2.16.2 Other intangible assets*

Intangible assets other than goodwill are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortisation and any impairment losses.

Intangible assets may have indefinite useful lives when, on the basis of the analyses performed, it is concluded that there is no foreseeable limit to the period during which they are expected to generate cash flows and they are not amortised. Rather, at each accounting close, the Group reviews the assets’ remaining useful lives in order to ensure that they are still indefinite. The Group has not identified any assets of this kind.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets. The annual amortisation of intangible assets with finite useful lives is recognised under "Depreciation – Intangible assets" in the income statement and is calculated on the basis of the years of estimated useful life as follows:

| | **Years of estimated useful life** |
|---|---|
| Computer software | 3 to 14 |
| Trademark | 5 |
| Customer relationships (Core Deposits) of Banco Grupo Cajatrés, S.A.U. | 6 to 10 |

During 2020, the useful lives of computer software were re-estimated based on a functional, technical and strategic analysis, with the new useful lives ranging from 3 to 14 years, compared to 3 to 5 years in 2019.

The Group recognises any impairment loss in the carrying amount of these assets and makes a balancing entry under "Impairment or reversal of impairment of non-financial assets (net) - tangible assets" in the consolidated 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 property, plant and equipment (Note 2.15).

### 2.17 Inventories

This item in the consolidated balance sheet includes the non-financial assets that the consolidated entities:

- hold for sale in the ordinary course of business,
- are in the process of making, building or developing for such purposes, or
- expect to consume in production or the provision of services.

Inventories are valued at the lower of their cost, including all acquisition and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated statement of profit or loss in the financial year they are incurred, under "Impairment or reversal of impairment of non-financial assets (net) - Other".

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated statement of profit or loss under "Other operating expenses" in the year the income from their sale is recognised.

For assets foreclosed or received in settlement of debts which, according to their nature and purpose (in production, construction or development), are classified as inventories, the Group applies criteria similar to those described in Note 2.18 for said assets.

### 2.18 Non-current assets and disposal groups classified as held for sale

Under this heading, assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are recognised, provided that the sale is considered highly probable.

These are valued on the acquisition date and thereafter at the lower of carrying value and fair value of the estimated costs to sell. Assets that would otherwise be subject to depreciation and amortisation are not depreciated or amortised while they remain in the category of non-current assets held for sale.

In particular, repossessed real estate assets or assets received in settlement of debts by the Group in order to partially or fully meet the payment obligations of its debtors are considered non-current assets and disposal groups of items that are classified as held for sale, unless the decision has been taken to make continuing use of these assets or they are used in operations as leased properties.

- The carrying value at the date of acquisition of non-current assets and disposal groups of items that are classified as held for sale from foreclosures or received in settlement of debts is defined as the outstanding amount receivable of loans or credit facilities from which they originate net of any related provisions according to their accounting classification before receiving said assets. These repossessed assets or assets received in settlement of debts are treated as collateral. This carrying amount is compared with the previous carrying amount and the difference is recognised as a an increase or release of provisions, as applicable.

To estimate the provisions mentioned, the recoverable amount of the guarantee is taken to be fair value less estimated costs to sell of the repossessed assets or assets received in settlement of debts, since the Group has sufficient sales experience to ratify its capacity to realise the assets at fair value.

- To determine the fair value of selling costs, the repossessed assets or assets received in settlement of debts are measured initially on the basis, as a reference value, of the market value calculated in complete individual appraisals applying the policies and criteria described under Guarantees in Note 2.3. In addition, the Group assesses whether it is necessary to apply a discount to this reference value given its experience in sales and the average time that similar assets are held on the balance sheet.

  With the exception of the certain properties, which do not account for a significant amount in this portfolio, classified under Other properties, to which the discount on the reference value provided by the Bank of Spain is applied as an alternative solution given its experience and the information it has on the Spanish banking sector, the Group has developed internal methodologies for estimating discounts on reference values and selling costs, taking into account its experience in selling similar assets.

For the purposes of determining impairment after the foreclosure date or receipt as payment, when the fair value of costs to sell exceeds the carrying amount, the difference is recognised in the consolidated statement of profit or loss as income from impairment reversals, subject to the limit of the accumulated impairment since the initial recognition of said assets. When an asset has surpassed the average period for holding properties, the Company reviews the procedure for determining fair value. Therefore, no impairment reversal income is recognised for these assets.

The Group carries out regular comparison and reference exercises for the estimates made and has devised backtesting methods for comparing estimated and actual losses.

As a result of these analyses, the Group makes changes to internal methodologies when regular backtesting brings to light significant differences between estimated losses and actual losses.

The backtesting methods and analyses are also revised by the internal control department.

Gains and losses generated on the disposal of non-current assets and disposal groups of items classified as held for sale and impairment losses and impairment reversals, where applicable, are recognised under “Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” on the consolidated statement of profit or loss. The remaining income and expenses associated with these assets and liabilities are disclosed by nature.

### 2.19 Insurance transactions

The assets and liabilities of the Group’s insurance companies are recorded, depending on their nature, under the corresponding headings in the consolidated balance sheet.

The technical reserves for ceded reinsurance, calculated on the basis of the relevant reinsurance treaties applying the same criteria as for direct insurance, are recognised under “Assets under insurance or reinsurance contracts” (Note 14).

The technical provisions for direct insurance and accepted reinsurance recognised by the consolidated insurance company to cover the obligations arising from the insurance contracts in force at the end of the period are presented in the consolidated balance sheet under “Liabilities under insurance or reinsurance contracts” (Note 20).

In addition, the Group corrects the accounting asymmetries that arise in insurance transactions that are not covered by the Group’s insurance policies:

- are financially immunised,
- link the surrender value to the value of the assets specifically assigned,
- envisage a share in the profits of a related asset portfolio,
- are characterised by the fact that the policyholder assumes the investment risk.

The adjustment consists of symmetrically recognising the changes in the fair value of the financial assets linked to insurance activity classified in the categories “Financial assets not held for trading mandatorily measured at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.

The balancing entry for these changes is the life insurance provision, when this is required by Spanish insurance legislation, or a liability account (with a positive or negative balance) for the portion not recorded as in the life insurance provision which is disclosed under “Other liabilities” on the consolidated balance sheet.

In accordance with accounting standards specific to the insurance sector, group insurance companies record a revenue for the amount of premiums issued during the year and an expense for the cost of claims when these are made known. These accounting practices require insurance companies to apportion the amounts credited to the statement of profit or loss and not accrued at that date at year-end.

The most significant accruals and deferrals made by the consolidated entities in relation to direct insurance purchased by them are: unearned premiums, benefits, life insurance when the investment risk is assumed by the policyholder, share in profits and returned premiums.

**Life insurance provisions**

They represent the value of the institution’s obligations net of the Policyholder’s obligations for life insurance at the end of the financial year.

Life insurance reserves are broken down into the unearned premium reserve for insurance whose period of coverage is equal to or less than one year plus, where appropriate, the provision for current risks and, for other insurance, the mathematical reserves.

- **Unearned premium reserve**

The unearned premium reserve relates to the fraction of the premiums in the year that is allocated to the period between the year-end date and the end of the contract coverage period. The reserve is calculated for each individual policy, applying the actuarial bases contained in its technical notes.

- **Provision for current risks**

This provision is set up for each line of insurance in so far as the amount of the unearned premium reserve is not sufficient to reflect the value of all the risks and expenses to be covered by the institution for the coverage period not elapsed at the end of the financial year.

The necessary claims study has been carried out to determine the need for the provisioning of the Current Risk Provision on the basis of the provisions of Art. 31 of the Insurance Regulation, with a positive balance, which shows that there is no obligation to record the aforementioned provision.

- **Mathematical reserves**

The mathematical reserves represents the difference between the actuarial present value of the entity’s future obligations and those of the policyholder or, if applicable, the insured party. Its calculation is made policy by policy, via an individual system and applying a prospective method, taking as a basis for calculation the inventory premium accrued in the year.

Calculation of the mathematical reserves was based on the provisions of the Regulation for the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November, Royal Decree 239/2007 of 16 February and Order EHA/339/2007 of 16 February, as well as its subsequent amendments and the Resolutions of the Directorate General of Insurance of 6 July 2012 and 9 March 2015.

However, pursuant to the Second Transitional Provision of the Regulations, for insurance contracted before the entry into force of the Regulation for the Organisation and Supervision of Private Insurance, if the real yield obtained from the investments concerned in the financial year was lower than the technical rate used, the Company would calculate the mathematical reserves by applying an interest rate equal to the yield actually obtained.

The insurance company calculates the mathematical reserves of a significant part of its insurance portfolio in accordance with article 33.2 of the Regulation for the Organisation and Supervision of Private Insurance, measuring it by the maximum interest rate derived from the internal rate of return of certain investments allocated to the product, provided that certain requirements established in the applicable regulations are met by means of matching flows.

On 2 December 2015, Royal Decree 1060/2015 of 20 November was published on the organisation, supervision and solvency of insurance and reinsurance undertakings. It came into force on 1 January 2016 and its main purpose is to complete the transposition of European Solvency II regulations into Spanish law.

As a result of the foregoing, the institution has applied the fifth additional provision, which is mandatory for it, in relation to the interest rate for the calculation of technical provisions for accounting purposes of life insurance with respect to contracts entered into on or after 1 January 2016.

In 2017, the insurance company, pursuant to the provisions of section 1 of the fifth additional provision of Royal Decree 1060/2015, of 20 November, on the Regulation, Supervision and Solvency of Insurance and Reinsurance Companies, accepted, with regard to the interest rate to be used in the calculation of the life insurance provision for contracts concluded before 1 January 2016 and whose calculation is governed by the provisions of sections 1.a.1 and 1.b)1 of article 33 of the Regulation for the Organisation and Supervision of Private Insurance, to the option of adapting to the relevant temporary structure of risk-free interest rates provided for in article 54 of this Royal Decree, including, where appropriate, the component relating to the adjustment for volatility provided for in article 57 of this Royal Decree.

- **Reserves for benefits pending payment**

This represents the amount of the institution's outstanding obligations arising from claims occurring prior to the year-end date, which is equal to the difference between its total estimated or certain cost, including external and internal file management and administration expenses, and all the amounts already paid in respect of such claims.

In order to determine their amount, claims are classified by year of occurrence, with each claim being measured individually.

- **Reserves for benefits pending declaration**

The reserves for claims pending declaration has been estimated based on the information and experience in previous years of the Insurer, as established in article 41 of the Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

- **Provision for claim settlement expenses**

It reflect the amount sufficient to cover the internal expenses of the institution necessary for the total settlement of the claims. The provision for benefits for settlement expenses has been estimated as set out in article 42 of Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

**Provision for profit sharing and returned premiums**

It contains the amount of the benefits accrued in favour of the policyholders, insured parties or beneficiaries and the amount of the premiums that should be returned to the policyholders or insured parties, if applicable, by virtue of the behaviour experienced by the insured risk, as long as they have not been allocated individually to each of them.

**Provisions for life insurance in which the investment risk is borne by the policyholders**

The provision for life insurance in which it is contractually estimated that the risk of the investment is borne by the policyholder is determined on the basis of the technical notes for each type and on the basis of the investments concerned in order to establish the economic value of the policyholder's rights.

The Group carries out various procedures and has implemented controls to ensure the sufficiency of technical reserves, including:

- With regard to insurance reserves with mortality risk: the provision for current risks is calculated annually as detailed above. This calculation involves the preparation of a profit or loss account for the last two years of mortality risk in order to determine that the premiums collected, determined with the same mortality tables used for the calculation of technical reserves, are higher than the claims actually incurred. The fact that the mortality business yields profits ensures the sufficiency of the provisions made.

- With regard to insurance reserves with longevity risk: each year, the Group obtains real historical mortality assumptions in relation to this activity, for application in the Solvency II calculations (Best Estimate Liability and Capital Requirements (SCR)). For this generation of assumptions, the company's historical mortality rate in these products compared with the mortality tables applied in the collection of premiums and in the calculation of technical reserves. The fact that the reality does not differ from the tables applied ensures the sufficiency of the provisions made with these tables.

- Every month, from the second line of defence (control), the results obtained by the company are monitored by product, differentiating the financial result from the technical result (result associated with insurance risk). The observation that positive technical results are being generated in the different products ensures the sufficiency of the technical provisions set up.

- The Group has a specific Internal Audit function for the insurance activity which is set up as a third line of defence, independent from the rest of the company's units, which, as part of its action planning, periodically reviews the adequacy of the technical reserves associated with each insurance line.

- Lastly, the Group's external auditor issues the "Report on the Financial Condition and Solvency of the insurance company".

### 2.20 Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, their respective directors distinguished between:

- Provisions: credit balances covering present obligations at the date of the balance sheet arising from past events which could give rise to pecuniary losses for the entities that are considered likely to occur, are certain as to their nature but uncertain as to their amount and/or timing.

- Contingent liabilities: possible obligations that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events not within the control of the consolidated entities.

The Group's consolidated 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. Contingent liabilities are not recognised in the consolidated financial statements, although they are disclosed in accordance with applicable regulations (Note 27.1).

Provisions, which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close if new information comes to light, are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

Provisions considered necessary in accordance with the above criteria are debited or credited to "Provisions or reversal of provisions" on the consolidated statement of profit or loss.

At year end, certain litigation and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on the consolidated financial statements in the years in which they are settled.

### 2.21 Consolidated statements of recognised income and expenses

In accordance with the options established in IAS 1.81, the Group has chosen to present separately a statement showing the components of consolidated profits ("consolidated statement of profit or loss") and a second statement which, on the basis of consolidated profits for the year, reflects the components of the remaining income and expenses for the year recognised directly in equity ("Consolidated statement of comprehensive income").

The "Consolidated statement of comprehensive income" shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between items of income and expense that are recognised in profit and loss for the year and items of income and expense that, as required under current regulations, are recognised directly in consolidated equity.

In general, income and expenses recognised directly in equity are disclosed at the gross amount and the relevant tax effect is reflected under "Corporate Income Tax".

Therefore, this statement shows:

a) Consolidated profit/(loss) for the year.

b) The net amount of income and expenses recognised as “Other accumulated comprehensive income” in equity, which will not be reclassified to profit or loss.

c) The net amount of income and expenses recognised in equity, which may be reclassified to profit or loss.

d) Corporation tax accrued on the items indicated in (b) and (c) above, except for adjustments to other comprehensive income arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented on a net basis.

e) Total consolidated recognised income and expenses, calculated as the sum of the foregoing letters, showing separately the amount attributed to the parent and the amount attributed to non-controlling interests.

### 2.22 Total statement of changes in equity

The “Total statement of changes in equity” presents all changes in equity, including those arising from changes in accounting criteria and the correction of errors. This statement therefore reflects a reconciliation of the carrying value at the beginning and end of the year for all items forming part of consolidated equity, grouping movements on the basis of their nature into the following items:

a) Adjustments due to changes in accounting principles and correction of errors: Includes changes in consolidated equity due to the retroactive adjustment to financial statement balances because of changes in accounting principles or to correct errors.

b) Comprehensive income for the year: comprises an aggregate of all the aforementioned items recognised in the statement of comprehensive income.

c) Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of earnings, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in consolidated equity.

### 2.23 Consolidated statement of cash flows

The following expressions are used with the following meaning in the consolidated cash flow statement:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as on-demand investments.

- Operating activities: the ordinary activities of credit institutions. Activities involving financial instruments are regarded as operating activities, with certain exceptions such as the equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments and subordinate financial liabilities.

- Investing activities: the acquisition, sale or other disposal of long-term assets 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 do not form part of operating activities.

For the purposes of preparing the consolidated cash flow statement, “cash and cash equivalents” are considered to be short-term, highly liquid investments with an insignificant risk of changes in value. The Group therefore treats the following financial assets and liabilities as cash or cash equivalents:

- The Group’s own cash, which is recognised in the consolidated balance sheet under “Cash and cash balances at central banks and other demand deposits” (Note 6).

- Net demand balances held with Central Banks, recognised in the consolidated balance sheet under “Cash and cash balances at central banks and other demand deposits” (Note 6).

- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised in the consolidated balance sheet under “Cash and cash balances at central banks and other demand deposits” (Note 6). Creditor balances are recognised under liabilities on the consolidated balance sheet under the heading “Financial liabilities at amortised cost – Deposits – Credit institutions” (Note 19.2).

## 3. Risk management

### 3.1 General principles

The Ibercaja Group's risk management is based on the strategic principles described below:

- Maintain a medium-low risk profile.
- Comply with regulatory requirements at all times, and with the capital and liquidity targets set in the self-assessment processes.
- Maintain strong risk governance with the effective involvement of senior management and the Board of Directors.
- Foster a risk-aware culture and support the organisation's suitable understanding of the level and nature of risks to which it is exposed.
- Maintain and reinforce the trust of customers, investors, employees, suppliers and other stakeholders.
- Maintain levels of credit, market and interest rate risk that ensure a medium-low risk profile and the objectives of profitability and solvency.
- Avoid concentration of risks in any form (individual, economic groups, sectorial, etc).
- Avoid the materialisation of operational, regulatory, legal or reputational risks through active and continuing risk management.
- Maintain a liquidity position that ensures that payment obligations can be met.
- Maintain suitable levels of risk-adjusted returns to ensure achievement of profit targets.

### 3.2 Catalogue of material risks for the Ibercaja Group

The material risks identified by the Ibercaja Group in the course of its business are as follows:

- Credit risk: the risk of loss due to borrowers' breach of payment obligations, and loss of value due to impairment in borrowers' credit quality. Includes the following sub-categories:
    - Concentration risk: These are defined as the risk of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Group.
    - Real estate risk: Risk of impairment of properties used as collateral in financing transactions or acquired through foreclosure arising from periods of crisis in the real estate market.
    - Sovereign risk: This relates to the risk that the country in which the investment is made, often in the form of purchase of bonds and government debt, will default on its payment obligations, outside the normal risks of a common credit operation.
- Operational Risk: reflects potential loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or a loss arising from external events. Includes the following sub-categories:
    - Reputational risk: Risk tied to the perception of stakeholders (customers, investors, employees, suppliers and others), from which economic losses may derive.
    - Legal risk: the possibility of financial loss due to failure to comply with applicable legal and administrative provisions, issuance of unfavourable administrative and judicial decisions, application of fines or sanctions in relation to any of the bank's operations, processes or activities, such as errors in legal opinions, contracts, bonds or any legal document, such as to preclude enforceability of a right or determine the legal impossibility of enforcing a contract due to failures of legal implementation.
    - Technological risk: the probability that the bank's ICT (information and communication technologies) services or infrastructure will not achieve the service levels necessary to support business processes with sufficient effectiveness, as a consequence of an event that affects the availability, integrity or confidentiality of the data, applications and networks that make up such infrastructure, causing economic loss or other types of loss.

- Market risk: the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, commodity prices, etc.) that determine the value of those positions. This risk affects the trading portfolio and the “hold to collect and sell” portfolio.

- Interest rate risk: the risk that the financial margin or economic value of the Bank are affected by adverse variations in interest rates that impact the cash flows of financial instruments.

- Liquidity and financing risk: the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

- Business and profitability risk: the probability of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. In addition, the risk encompasses extraordinary threats, which may endanger the continuity of the business or the Bank.

- Insurance business risk. In addition to its banking business risk, Ibercaja Banco, as a financial conglomerate, must specifically manage and control its insurance business risk. Material risks of this business include interest rate risk, spread risk, concentration risk, counterparty risk, underwriting risk, operational risk and sovereign risk.

- Adequacy of own funds: Possibility of having an inadequate quantity or quality of capital to meet internal business objectives, regulatory requirements or market expectations.

### 3.3 Global risk management processes and tools

Risk Appetite Framework (RAF)

The Group’s risk management is organised through the Risk Appetite Framework (RAF). The key aim of the Ibercaja Group’s RAF is to establish a set of principles, procedures, controls and systems through which the Bank’s risk appetite is specified, communicated and monitored.

Risk appetite is the level or profile of risk that the Ibercaja Group is willing to accept and maintain, in terms of type and amount, and its level of tolerance. Risk appetite must be geared towards achieving the targets of the strategic plan, in accordance with the lines of action established in that plan.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterized by:

- Alignment with the strategic plan and capital planning.

- Integration into the entity’s risk culture, with the involvement of all levels of responsibility.

- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.

- Associated with the information management systems.

Internal Capital/Liquidity Adequacy Assessment Process (ICAAP & ILAAP)

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) seek to provide certainty about the risks to which the Bank is or may be exposed and its ability to remain viable, while maintaining an adequate level of capitalisation and liquidity and managing its risks effectively.

This requires prospective assurance that all material risks are identified, managed effectively (with an appropriate combination of measurement and controls), and covered by a sufficient amount of high-quality capital, in the case of ICAAP, and by a sufficient amount of liquid assets and stable sources of financing, in the case of ILAAP.

The purpose of ICAAP and ILAAP is to ensure an adequate relationship between the Bank's risk profile and the own funds that it effectively holds. To do this, a recurring process is carried out that allows:

In relation to capital.

- Identify material risks whose materialisation could impair the capital base of the Ibercaja Banco Group.
- Assess the Group's ability to manage the main risks identified: policies, mitigation limits, tools, governance and monitoring.
- Quantify capital needs, additional to Pillar 1, for material risks using internal methodologies.
- Conduct a capital planning exercise based on a projection of the future development of the business.
- Realise severe but plausible adverse scenarios.
- Assess the results of the self-assessment and identify whether there are capital shortfalls relative to the levels needed to cover the requirements of Pillar 1, Pillar 2, the combined buffer, the capital guideline and the economic quantification.
- Establish action plans to respond to any situation of capital shortage.
- Present a formal and unequivocal statement on the adequacy of the Group's capital.

In relation to liquidity.

- Identify the material risks whose materialisation could impair Ibercaja Banco's liquidity position.
- Assess the Group's ability to manage the main risks identified: policies, mitigation limits, tools, governance and monitoring.
- Assess the adequacy of the Group's funding strategy in line with the business model and its risk profile, as well as the extent to which financial planning contributes to improving the funding profile.
- Assess the Group's ability to cope with unexpected liquidity stress, considering the possibility of facing stress conditions specific to the nature of the Group, the financial system or a combination of both.
- Assess the availability of alternative sources of funding in case of changes in market conditions.
- Present a formal and unequivocal statement on the adequacy of the Group's liquidity.

Recovery Plan

Ibercaja Banco's recovery plan is a response to the requirement under Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, or "Bank Recovery and Resolution Directive" (BRRD). The main objectives of the plan are:

- To provide a detailed view of the Bank, including an analysis of its main lines of business and critical economic functions.
- To describe the process of development, approval and updating of the plan, and how it is integrated into the Bank's procedures.
- To describe in detail the model of escalation and decision-making in a situation of continuity, early warning and recovery.
- To identify the set of recovery indicators that are to be monitored periodically to anticipate any situations of severe stress.
- To set out the selected recovery measures, which could be taken in a recovery situation to restore Ibercaja's capital and liquidity position. For each recovery measure, a feasibility and financial impact analysis was carried out, an operational plan was designed for its implementation, a communication plan was rolled out, and needs were analysed from an information management point of view. In addition, a test of the effectiveness of the measures in the face of hypothetical stress scenarios is described.

- To design the internal and external communication plan to be carried out in a recovery situation.

- To describe preparatory measures.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are reviewed and approved by the Bank's Board of Directors on an annual basis.

## 3.4 Governance Model

The Ibercaja Group has a robust organisational structure that allows it to ensure effective risk management and control. The governance structure provides adequate channels of communication to convey information and decisions at all levels of the organisation.

The following are the Governing Bodies and Executive Committees that directly address risk management and control.

### *3.4.1 Governing Bodies*

Board of Directors

The Board of Directors is the body responsible for ensuring a robust risk culture, establishing the strategic lines of risk management and control and approving policies, manuals and procedures relating to risk management.

Its risk management and control duties and powers include:

- Establishing and approving the Ibercaja Group's Risk Appetite Framework (RAF) after a report from the Large Exposures and Solvency Committee, and review it at least once a year or whenever necessary depending on the circumstances.

- Evaluating and supervising the risk profile and its alignment with the established framework and the Group's strategy, and approving the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports.

- To approve and periodically review the strategies and policies for accepting, managing, supervising and reducing the risks to which the Group is or may be exposed, including risks posed by the macroeconomic situation in which it operates in relation to the current stage of the economic cycle.

- To actively participate in the management of material risks covered by solvency regulations and ensure that the organisation has adequate resources for such management.

- To ensure that the necessary action plans and corrective measures are in place to manage limit overshoots.

- To establish and supervise the Group's risk information and control systems, following a report from the Large Exposures and Solvency Committee.

- To ensure that all aspects of capital planning are integrated with management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Financing Plan.

The boards of directors of the subsidiaries are responsible for approving the respective risk appetite proposals once they have been validated by the Global Risk Committee and the Large Exposures and Solvency Committee.

The Ibercaja Group is a financial conglomerate and its insurance business is significant, so it jointly manages the risks arising from the banking and insurance businesses.

Large Exposures and Solvency Committee

The Large Exposures and Solvency Committee has had powers delegated to it by the Board of Directors to carry out the functions of framing and supervising risk management.

Its risk management duties and powers include:

- To report to the Board of Directors, prior to approval, on the Bank's Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS), the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan, ensuring that they are consistent with other policies and with the Bank's strategic framework.

- To review the effectiveness of the risk management framework and internal control systems.

- To periodically review compliance with risk appetite (significant risk exposures, breaches of limits and agreed management measures).

- To receive adequate information from management so as to be able to identify the risks faced by the Bank and its Group; to be able to assess and, where appropriate, propose measures to mitigate the impact of the risks identified.

<u>Strategy Committee</u>

The Strategy Committee has the core function of informing the Board of Directors of the Bank's strategic policy, ensuring that there is a specific organisation in place for its implementation.

<u>Audit and Compliance Committee</u>

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

*3.4.2 Executive Committees*

<u>Global Risk Committee</u>

Executive body responsible for defining and monitoring the Group's risk strategies and policies. The main functions and responsibilities of the Global Risk Committee are:

- To report periodically to the Large Exposures and Solvency Committee on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the action plans required to correct overshoots or breaches.

- To submit the proposed RAF, the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan to the Large Exposures and Solvency Committee for evaluation and analysis with a view to consistency with the Group's risk management policy and strategic plan.

- To evaluate and approve action plans in response to alerts or overshoots, prior to referral to the Large Exposures and Solvency Committee.

- To ensure that the Group has adequate procedures and means in place for the identification, measurement, follow-up and monitoring of the risk profile.

<u>Audit Committee</u>

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organisational scheme provides the Bank with a global structure of governance and risk management, in proportion to the complexity of the Ibercaja Group's business, with three lines of defence:

- First line of defence: Configured by the Group's risk-taking business and support units.

- Second line of defence: Located organisationally in the General Secretary's Office-Control Department as the head of the second line, it acts independently of the business units. The second line comprises the Risk Control functions, which monitor and report risks and review the application of management policies and control procedures by the first line, and the Compliance functions, in charge of reviewing that business is conducted in accordance with applicable legislation, regulations and internal policies.

- Third line of defence: Internal audit, as an independent function that provides an assessment and proposals for improving risk management and control processes.

### 3.5 Exposure to credit risk

Defined as the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

#### *3.5.1 Strategies and policies for the credit risk management*

Credit risk management is geared towards facilitating sustained and balanced growth in loans and receivables while guaranteeing at all times the soundness of the Company's position in financial and equity terms, so as to optimise the return / risk ratio within levels of tolerance established by the Board of Directors based on the defined management principles and operational policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Credit Risk Management Framework", the "Irregular Assets Management Framework" and the "Risk Models Management Framework" and the various policy manuals that implement those frameworks. The manuals include, inter alia, the action guidelines for the main operating segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorising risks that exceed the competence of the operating circuit.

In the current context of the health pandemic, the Entity, through the various support measures (public and private) put in place as a result of the Covid-19 crisis, has offered its customers solutions in keeping with their financial condition. The company has also implemented the guidelines issued by the regulator on the treatment and accounting recognition of such aid. (Note 11.6.1)

The Entity has carried out exercises to identify borrowers affected by this crisis, in order to assess their payment capacity, and the customers and exposures identified as having a higher risk profile, the Entity has carried out various risk management and accounting recognition actions.

The impact of the Covid-19 crisis, the support measures granted and their characteristics, as well as macroeconomic forecasts have been considered in the projection of the financial statements for the coming years, with special attention to the foreseeable development of inflows and outflows of non-performing loans, accounting provisioning and solvency.

#### *3.5.2 Credit risk granting, monitoring and recovery policies*

The loan portfolio is segmented into groups of customers with homogeneous risk profiles susceptible to different treatment through the application of specific evaluation models.

a) In relation to the granting of credit risk, the following policies have been implemented:

- Classifications of risk for borrower groups through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.

- Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.

- Methodology for operations analysis based on type and correspondence to different segments.

- Internal credit rating models integrated with decision-taking systems for the various areas of the retail business.

- Requirements necessary to provide each operation with legal safeguards.

- Risk mitigation techniques.

- Pricing policies in line with customers' credit quality.

The credit risk management policy is structured through a decentralised lending arrangement based on a formally established delegation of powers and set out in risk manuals.

The Bank has established in its “Admission Policies Manual” risk concession policies in accordance with Law 2/2011 of 4 March on Sustainable Economy, Order EHA/2899/2011 of 28 October on transparency and protection of customers of banking services and Bank of Spain Circular 5/2012, of 27 June on transparency of banking services and responsibility in the granting of loans and credit, the General Framework of Annex IX of Circular 4/2017 and in accordance with the Guidelines on Loan Origination and Monitoring (Guidelines on Loan Origination and Monitoring EBA/GL/2020/06) published in May 2020.

With respect to granting loans, the manual considers essential criteria to be the reasonableness of the proposal, the analysis of the borrower’s payment capacity and the prudent valuation of guarantees. Real-estate collateral is always appraised by independent valuation companies (authorised by the Bank of Spain).

In terms of banking services customer protection and transparency standards, the Group performs the following actions:

- Current rates (interest, fees and expenses) applied to the various financial products are displayed at branches.
- Rates in force are reported quarterly to the Bank of Spain.
- The rates applied in products can be consulted on the Company’s website (http://contransparencia.ibercaja.es).
- Customers are provided with documentation setting out contractual conditions before any contract is signed. A copy of the contract is subsequently given to the customer.
- Every January, customers receive personal reports giving details of interest, fees and expenses applied during the preceding year in the products they have contracted.

The Internal Audit Department, as part of the control actions performed at the branches, is responsible for overseeing compliance with the established policies and procedures.

b) In the area of credit risk monitoring, the main objective is to identify in advance any impairment in borrowers’ risk quality, to take corrective action and minimise the adverse impact of any entry into default of the exposure, or of classification of the exposure as Stage 2.

The credit risk monitoring function is carried out on the basis of individual monitoring of customers whose exposure or risk profile requires greater attention, monitoring at the portfolio level, as well as individual monitoring of the metrics and thresholds of the Risk Appetite Framework (section 2 of the Credit Risk Management Framework), and another series of operational or second level indicators, which complement the aforementioned metrics.

Some of the credit risk monitoring conducted at the Bank, including classification and estimation of allowances for exposures, is based on Annex IX “Analysis and Coverage of Credit Risk”, of Bank of Spain Circular 4/2017, of 27 November. Those regulatory provisions require institutions to have policies in place for credit risk assessment, monitoring and control that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, both when granted and throughout their term of effect. Under this Circular, the Bank considers borrowers with respect to which exposure exceeds 3 million euros to be individually material borrowers.

The principles, procedures and key tools on which the monitoring function is based to carry out its work effectively are set out in the Bank’s Credit Risk Monitoring Policy.

c) Integrated management risk is completed by recovery policies aimed at avoiding or minimising potential default through specific recover circuits based on the quantity and nature of the operations concerned and with the involvement of various internal and external managers to tailor the actions required by each situation.

### *3.5.3 Country risk*

This is defined as the possibility of incurring losses due to the failure of a country to comply with payment obligations due to circumstances other than normal commercial risk. Comprises sovereign risk, transfer risk and other risks inherent to international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2017, on the basis of their rating, economic performance, political situation, regulatory and institutional framework, payment capacity and payment record.

In relation to sovereign risk, the Company has maximum limits for public debt issued by European Union States and other States, also based on their corresponding ratings.

*3.5.4 Information on the credit risk of financial instruments*

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and of the portfolio of financial assets at amortised cost (Note 11) at 31 December 2021 and 2020:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Gross amount** | **39,253,900** | **1,559,842** | **717,621** | **41,531,363** |
| **Accumulated negative changes in fair value due to credit risk from non-performing exposures** | **-** | **-** | **1,278** | **1,278** |
| **Allowances for impairment of assets** | **46,049** | **111,280** | **381,860** | **539,189** |
| *Of which: calculated collectively* | *46,049* | *96,904* | *286,866* | *429,819* |
| *Of which: calculated separately* | - | *14,376* | *94,994* | *109,370* |
| **Net amount** | **39,207,851** | **1,448,562** | **334,483** | **40,990,896** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2020 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Gross amount** | **37,712,925** | **1,677,854** | **1,012,938** | **40,403,717** |
| **Accumulated negative changes in fair value due to credit risk from non-performing exposures** | **-** | **-** | **2,241** | **2,241** |
| **Allowances for impairment of assets** | **52,154** | **132,330** | **460,616** | **645,100** |
| *Of which: calculated collectively* | *52,154* | *120,060* | *363,511* | *535,725* |
| *Of which: calculated separately* | - | *12,270* | *97,105* | *109,375* |
| **Net amount** | **37,660,771** | **1,545,524** | **550,081** | **39,756,376** |

Impairment adjustments to collectively calculated assets amount to 2 thousand euros at 31 December 2021 (57 thousand euros at 31 December 2020) due to country risk.

In relation to the maximum level of exposure to credit risk, the most significant sectors of activity are detailed in relation to non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and financial assets at amortised cost (Note 11), by transaction purpose:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Public sector | 10,571,973 | 7,453,249 |
| Credit institutions | 421,129 | 405,120 |
| Real estate construction and development | 1,044,664 | 1,033,184 |
| Other production activities | 9,229,100 | 10,525,004 |
| Housing acquisition and refurbishment | 18,385,389 | 19,052,798 |
| Consumer and other household lending | 765,958 | 807,713 |
| Other sectors not classified | 1,113,150 | 1,126,649 |
| | **41,531,363** | **40,403,717** |

With respect to the maximum level of exposure to credit risk, financial assets at amortised cost (Note 11) secured by collateral or credit enhancements are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Mortgage guarantees | 20,887,418 | 21,857,969 |
| Pledges - financial assets | 161,579 | 74,900 |
| Off-balance sheet guarantees – public sector, credit institutions, mutual guarantee funds | 3,278,296 | 3,175,311 |
| Guarantees - public sector debt | 1,615,394 | 1,620,857 |
| | **25,942,687** | **26,729,037** |

Guarantees received and financial guarantees granted break down as follows at 31 December 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Value of collateral | 20,621,799 | 21,535,458 |
| *Of which: guarantees risks on special watch* | *1,003,794* | *1,124,234* |
| *Of which: guarantees non-performing risks* | *424,694* | *642,981* |
| Value of other collateral | 7,120,648 | 7,344,364 |
| *Of which: guarantees risks on special watch* | *696,350* | *713,748* |
| *Of which: guarantees non-performing risks* | *249,032* | *316,958* |
| **Total value of the collateral received** | **27,742,447** | **28,879,822** |

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Loan commitments given (Note 27.3)** | **3,220,412** | **3,288,448** |
| *Of which: classified as non-performing* | *5,383* | *5,732* |
| Amount recognised under liabilities on the balance sheet (Note 21) | 4,174 | 4,898 |
| **Financial guarantees granted (Note 27.1)** | **97,630** | **93,631** |
| *Of which: classified as non-performing* | *4,733* | *5,495* |
| Amount recognised under liabilities on the balance sheet (Note 21) | 6,073 | 6,048 |
| **Other commitments given** | **820,619** | **795,006** |
| *Of which: classified as non-performing* | *25,359* | *31,270* |
| Amount recognised under liabilities on the balance sheet (Note 21) | 6,460 | 8,531 |

At December 2021 the LTV (loan to value, reflecting the relationship between the financial transaction balance and the value of the guarantee associated with that transaction) of the Ibercaja Group’s mortgage portfolio stood at 50.16% (51.14% at December 2020).

The classification of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8), of fixed-income assets at fair value through other comprehensive income (Note 10) and financial assets at amortised cost (Note 11) that are impaired, distinguishing between those where impairment arises from non-payment and those where it emerges from other factors, is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Customer default | 572,801 | 839,140 |
| Other factors | 144,820 | 173,798 |
| | **717,621** | **1,012,938** |

The main factors taken into account to calculate impairment for reasons other than non-payment are those reflected in Note 2.3.

There are generally no non-performing financial assets that are not impaired. The only exceptions to this rule are transactions where the Public Sector is the titleholder or which are secured through a cash guarantee and the amount involved is insignificant.

Note 11.4.1 includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

### *3.5.5 Information concerning risk concentration, refinancing and restructuring*

#### 3.5.5.1 Information concerning risk concentration

Below is a breakdown of the carrying amount of the distribution of customer loans by activity at 31 December 2021 and 2020:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2021 | | | | | | | |
| | Total | of which: mortgage collateral | of which: other collateral | Collateralised loans Carrying amount based on latest available appraisal (loan to value) | | | | |
| | | | | Less than or equal to 40% | Greater than 40% and less than or equal to 60% | Greater than 60% and less than or equal to 80% | Greater than 80% and less than or equal to 100% | Greater than 100% |
| **Public administrations** | **672,711** | **48,679** | **334** | **4,782** | **21,835** | **21,241** | **381** | **774** |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **1,628,474** | **7,571** | **1,615,223** | **5,056** | **2,463** | **59** | **1,615,115** | **101** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)** | **8,036,651** | **2,209,609** | **115,307** | **677,892** | **612,908** | **459,033** | **248,411** | **326,672** |
| Real estate construction and development (including land) | 993,549 | 968,088 | 18 | 100,323 | 170,838 | 282,314 | 199,624 | 215,007 |
| Civil engineering | 18,091 | 29 | - | 29 | - | - | - | - |
| Other purposes | 7,025,011 | 1,241,492 | 115,289 | 577,540 | 442,070 | 176,719 | 48,787 | 111,665 |
| *Large corporations* | *1,821,670* | *27,732* | *172* | *6,975* | *8,158* | *12,502* | *0* | *269* |
| *SMEs and individual entrepreneurs* | *5,203,341* | *1,213,760* | *115,117* | *570,565* | *433,912* | *164,217* | *48,787* | *111,396* |
| **Other households and non-profit institutions serving households** | **19,975,083** | **18,448,699** | **49,802** | **5,809,684** | **7,096,571** | **4,965,959** | **392,659** | **233,628** |
| Homes | 18,236,178 | 17,993,549 | 21,622 | 5,551,930 | 6,975,555 | 4,898,612 | 374,194 | 214,880 |
| Consumption | 743,313 | 97,582 | 17,855 | 72,192 | 22,190 | 14,176 | 5,221 | 1,658 |
| Other purposes | 995,592 | 357,568 | 10,325 | 185,562 | 98,826 | 53,171 | 13,244 | 17,090 |
| **Total** | **30,312,919** | **20,714,558** | **1,780,666** | **6,497,414** | **7,733,777** | **5,446,292** | **2,256,566** | **561,175** |
| **Memorandum items: refinancing, refinanced and restructured operations** | **385,304** | **342,443** | **811** | **70,714** | **68,623** | **75,654** | **49,155** | **79,108** |

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2020 | | | | | | | |
| | Total | of which: mortgage collateral | of which: other collateral | Collateralised loans Carrying amount based on latest available appraisal (loan to value) | | | | |
| | | | | Less than or equal to 40% | Greater than 40% and less than or equal to 60% | Greater than 60% and less than or equal to 80% | Greater than 80% and less than or equal to 100% | Greater than 100% |
| **Public administrations** | **733,879** | **53,579** | **-** | **5,408** | **17,753** | **29,207** | **396** | **815** |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **1,631,822** | **4,033** | **1,620,429** | **1,093** | **2,740** | **200** | **1,620,429** | **-** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)** | **7,582,830** | **2,369,709** | **31,675** | **734,812** | **622,044** | **450,185** | **259,672** | **334,671** |
| Real estate construction and development (including land) | 978,430 | 942,023 | - | 79,388 | 153,749 | 236,948 | 206,002 | 265,936 |
| Civil engineering | 18,651 | 33 | - | 33 | - | - | - | - |
| Other purposes | 6,585,749 | 1,427,653 | 31,675 | 655,391 | 468,295 | 213,237 | 53,670 | 68,735 |
| *Large corporations* | *1,459,380* | *20,584* | - | *10,349* | *1,732* | *8,022* | - | *481* |
| *SMEs and individual entrepreneurs* | *5,126,369* | *1,407,069* | *31,675* | *645,042* | *466,563* | *205,215* | *53,670* | *68,254* |
| **Other households and non-profit institutions serving households** | **20,663,018** | **19,141,646** | **29,340** | **5,858,906** | **7,413,127** | **5,039,182** | **539,079** | **320,692** |
| Homes | 18,851,339 | 18,614,980 | 11,066 | 5,565,573 | 7,279,779 | 4,961,056 | 519,706 | 299,932 |
| Consumption | 783,435 | 118,191 | 12,163 | 87,511 | 23,870 | 12,441 | 4,721 | 1,811 |
| Other purposes | 1,028,244 | 408,475 | 6,111 | 205,822 | 109,478 | 65,685 | 14,652 | 18,949 |
| **Total** | **30,611,549** | **21,568,967** | **1,681,444** | **6,600,219** | **8,055,664** | **5,518,774** | **2,419,576** | **656,178** |
| **Memorandum items: refinancing, refinanced and restructured operations** | **526,552** | **472,615** | **160** | **98,656** | **87,388** | **106,157** | **73,827** | **106,747** |

The carrying amount of the risks classified by business and geographic area are set out below, including loans and advances, debt securities, equity instruments, trading derivatives, hedge derivatives, shares and contingent risks.

• Total activity:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 31/12/2021 | | | | |
| | **Spain** | **Other EU** | **America** | **Rest of the world** | **Total** |
| **Central banks and credit institutions** | **6,818,974** | **177,629** | **6,891** | **54,357** | **7,057,851** |
| **Public administrations** | **13,430,040** | **1,700,051** | **100,972** | **-** | **15,231,063** |
| Central government | 12,465,518 | 1,700,051 | 100,972 | - | 14,266,541 |
| Other public administrations | 964,522 | - | - | - | 964,522 |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **1,875,751** | **91,852** | **-** | **1,978** | **1,969,581** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)** | **11,004,116** | **885,722** | **34,949** | **10,380** | **11,935,167** |
| Real estate construction and development (including land) | 1,335,591 | - | - | - | 1,335,591 |
| Civil engineering | 26,005 | - | - | - | 26,005 |
| Other purposes | 9,642,520 | 885,722 | 34,949 | 10,380 | 10,573,571 |
| *Large corporations* | *2,291,535* | *841,929* | *15,033* | *6,672* | *3,155,169* |
| *SMEs and individual entrepreneurs* | *7,350,985* | *43,793* | *19,916* | *3,708* | *7,418,402* |
| **Other households and non-profit institutions serving households** | **19,978,281** | **58,200** | **10,522** | **41,918** | **20,088,921** |
| Homes | 18,127,226 | 57,561 | 9,619 | 41,772 | 18,236,178 |
| Consumption | 742,261 | 451 | 497 | 104 | 743,313 |
| Other purposes | 1,108,794 | 188 | 406 | 42 | 1,109,430 |
| **Total** | **53,107,162** | **2,913,454** | **153,334** | **108,633** | **56,282,583** |

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 31/12/2020 | | | | |
| | **Spain** | **Other EU** | **America** | **Rest of the world** | **Total** |
| **Central banks and credit institutions** | **8,239,362** | **112,408** | **8,962** | **33,781** | **8,394,513** |
| **Public administrations** | **11,159,034** | **1,145,475** | **-** | **3,981** | **12,308,490** |
| Central government | 10,282,826 | 1,145,475 | - | 3,981 | 11,432,282 |
| Other public administrations | 876,208 | - | - | - | 876,208 |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **3,582,550** | **170,455** | **-** | **-** | **3,753,005** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)** | **9,667,457** | **1,022,964** | **26,333** | **22,246** | **10,739,000** |
| Real estate construction and development (including land) | 1,278,958 | - | - | - | 1,278,958 |
| Civil engineering | 26,628 | - | - | - | 26,628 |
| Other purposes | 8,361,871 | 1,022,964 | 26,333 | 22,246 | 9,433,414 |
| *Large corporations* | *1,951,031* | *985,918* | *7,613* | *18,190* | *2,962,752* |
| *SMEs and individual entrepreneurs* | *6,410,840* | *37,046* | *18,720* | *4,056* | *6,470,662* |
| **Other households and non-profit institutions serving households** | **20,648,372** | **57,961** | **12,637** | **46,600** | **20,765,570** |
| Homes | 18,736,241 | 57,137 | 11,481 | 46,479 | 18,851,338 |
| Consumption | 781,895 | 673 | 790 | 76 | 783,434 |
| Other purposes | 1,130,236 | 151 | 366 | 45 | 1,130,798 |
| **Total** | **53,296,775** | **2,509,263** | **47,932** | **106,608** | **55,960,578** |

- Activity in Spain:

| | Thousands of euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2021 | | | | | | | | |
| | Aragon | Madrid | Catalonia | Comm. of Valencia | Andalusia | Castilla León | Castilla La Mancha | Other | Total |
| **Central banks and credit institutions** | **6,680,473** | **39,603** | **-** | **39,006** | **24,257** | **-** | **-** | **35,635** | **6,818,974** |
| **Public administrations** | **162,018** | **99,054** | **7,407** | **62,016** | **41,049** | **102,725** | **44,724** | **445,529** | **13,430,040** |
| Central government (*) | - | - | - | - | - | - | - | - | 12,465,518 |
| Other public administrations | 162,018 | 99,054 | 7,407 | 62,016 | 41,049 | 102,725 | 44,724 | 445,529 | 964,522 |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **121,116** | **1,749,551** | **873** | **316** | **649** | **1,987** | **231** | **1,028** | **1,875,751** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)** | **4,316,740** | **2,341,900** | **1,034,961** | **668,055** | **593,671** | **452,230** | **280,257** | **1,316,302** | **11,004,116** |
| Real estate construction and development (including land) | 293,872 | 710,770 | 65,190 | 47,886 | 79,210 | 47,025 | 25,906 | 65,732 | 1,335,591 |
| Civil engineering | 1,356 | 24,280 | - | - | - | 212 | - | 157 | 26,005 |
| Other purposes | 4,021,512 | 1,606,850 | 969,771 | 620,169 | 514,461 | 404,993 | 254,351 | 1,250,413 | 9,642,520 |
| *Large corporations* | *538,589* | *669,787* | *318,871* | *179,529* | *122,554* | *77,799* | *47,945* | *336,461* | *2,291,535* |
| *SMEs and individual entrepreneurs* | *3,482,923* | *937,063* | *650,900* | *440,640* | *391,907* | *327,194* | *206,406* | *913,952* | *7,350,985* |
| **Other households and non-profit institutions serving households** | **5,275,510** | **5,370,661** | **1,930,812** | **1,670,685** | **1,234,740** | **863,308** | **1,217,557** | **2,415,008** | **19,978,281** |
| Homes | 4,279,095 | 5,102,455 | 1,821,792 | 1,589,465 | 1,177,322 | 782,682 | 1,147,151 | 2,227,264 | 18,127,226 |
| Consumption | 296,909 | 116,734 | 54,003 | 42,129 | 28,391 | 41,854 | 44,010 | 118,231 | 742,261 |
| Other purposes | 699,506 | 151,472 | 55,017 | 39,091 | 29,027 | 38,772 | 26,396 | 69,513 | 1,108,794 |
| **Total** | **16,555,857** | **9,600,769** | **2,974,053** | **2,440,078** | **1,894,366** | **1,420,250** | **1,542,769** | **4,213,502** | **53,107,162** |

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

| | Thousands of euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2020 | | | | | | | | |
| | Aragon | Madrid | Catalonia | Comm. of Valencia | Andalusia | Castilla León | Castilla La Mancha | Other | Total |
| **Central banks and credit institutions** | **8,008,760** | **65,951** | **-** | **27,063** | **21,584** | **-** | **-** | **116,004** | **8,239,362** |
| **Public administrations** | **158,489** | **58,542** | **8,762** | **63,996** | **20,787** | **86,295** | **14,870** | **464,467** | **11,159,034** |
| Central government (*) | - | - | - | - | - | - | - | - | 10,282,826 |
| Other public administrations | 158,489 | 58,542 | 8,762 | 63,996 | 20,787 | 86,295 | 14,870 | 464,467 | 876,208 |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **151,034** | **3,425,252** | **1,610** | **449** | **696** | **2,115** | **320** | **1,074** | **3,582,550** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)** | **3,395,506** | **2,182,543** | **965,381** | **615,344** | **528,644** | **486,397** | **273,036** | **1,220,606** | **9,667,457** |
| Real estate construction and development (including land) | 267,920 | 657,467 | 52,264 | 66,467 | 80,418 | 76,593 | 18,095 | 59,734 | 1,278,958 |
| Civil engineering | 1,441 | 24,768 | 2 | - | - | 267 | - | 150 | 26,628 |
| Other purposes | 3,126,145 | 1,500,308 | 913,115 | 548,877 | 448,226 | 409,537 | 254,941 | 1,160,722 | 8,361,871 |
| *Large corporations* | *535,491* | *583,098* | *251,779* | *133,379* | *90,983* | *65,707* | *36,234* | *254,360* | *1,951,031* |
| *SMEs and individual entrepreneurs* | *2,590,654* | *917,210* | *661,336* | *415,498* | *357,243* | *343,830* | *218,707* | *906,362* | *6,410,840* |
| **Other households and non-profit institutions serving households** | **5,527,566** | **5,401,921** | **1,957,435** | **1,733,119** | **1,291,608** | **916,796** | **1,283,623** | **2,536,304** | **20,648,372** |
| Homes | 4,534,543 | 5,118,429 | 1,840,461 | 1,646,431 | 1,228,761 | 828,019 | 1,206,575 | 2,333,022 | 18,736,241 |
| Consumption | 307,058 | 124,967 | 54,838 | 44,508 | 30,535 | 46,374 | 44,704 | 128,911 | 781,895 |
| Other purposes | 685,965 | 158,525 | 62,136 | 42,180 | 32,312 | 42,403 | 32,344 | 74,371 | 1,130,236 |
| **Total** | **17,241,355** | **11,134,209** | **2,933,188** | **2,439,971** | **1,863,319** | **1,491,603** | **1,571,849** | **4,338,455** | **53,296,775** |

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

The concentration of credit quality risk in debt securities based on the counterparty's rating at 31 December 2021 and 2020 is detailed below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Financial assets not held for trading mandatorily measured at fair value through profit or loss** | **Financial assets at fair value through profit or loss** | **Financial assets at fair value through other comprehensive income** | **Financial assets at amortised cost** |
| AAA / AA | - | - | 416,897 | 1,486 |
| A | - | 4,596 | 3,766,510 | 6,580,561 |
| BBB | - | 2,855 | 1,934,951 | 3,362,658 |
| BB | - | - | - | 29,808 |
| B | - | - | - | - |
| CCC | - | - | - | - |
| Unrated | - | - | - | - |
| **Total** | **-** | **7,451** | **6,118,358** | **9,974,513** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | **Financial assets not held for trading mandatorily measured at fair value through profit or loss** | **Financial assets at fair value through profit or loss** | **Financial assets at fair value through other comprehensive income** | **Financial assets at amortised cost** |
| AAA / AA | - | - | 154,612 | 7,719 |
| A | 18,008 | 5,473 | 4,287,913 | 5,619,781 |
| BBB | 10,001 | 3,129 | 2,221,418 | 2,816,381 |
| BB | - | - | 5,513 | 30,431 |
| B | - | - | - | - |
| CCC | - | - | - | - |
| Unrated | - | - | - | - |
| **Total** | **28,009** | **8,602** | **6,669,456** | **8,474,312** |

3.5.5.2 Information concerning refinancing and restructuring

The Group follows a policy aimed at utilising operations refinancing and restructuring as credit risk management instruments which, when implemented prudently and appropriately, contribute to improving risk quality, based on individualised analyses focused on providing economic viability to borrowers that, at some stage of the transaction, undergo transitory difficulties to meeting their payments commitments promptly at the time they fall due. The policy is aimed at:

- Ensuring the economic feasibility of borrowers and operations (grant of interest free periods, increase in timeframes, etc.).

- Improving as far as possible the Group's risk position through the delivery of additional effective guarantees and the review of existing guarantees.

<u>Acceptance of transactions</u>:

In general, refinancing/restructuring transactions must meet the following requirements:

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.

- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.

- Assessment of the borrower's/operation's compliance record.

- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. To this end, the following are considered effective guarantees:

  – Guarantees pledged over cash deposits, listed equity instruments and debt securities.

  – Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.

  – Personal guarantees (guarantee deposits, new holders etc.) fully covering the guaranteed risk.

Sanction:

The branch network is not authorised to sanction refinancing or restructuring transactions. The transactions are authorised by a specific circuit other than the admission circuit, which is completely separate from the Commercial Network.

In 2012 Ibercaja adhered to the Code of Good Practice for the viable restructuring of debts secured by mortgages over habitual dwellings governed by Royal Decree 6/2012.

A breakdown of refinancing and restructuring balances at 31 December 2021 and 2020 can be seen below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Total | Of which: default/non-performing | Total | Of which: default/non-performing |
| **Gross amount** | **538,586** | **329,245** | **736,561** | **496,929** |
| **Accumulated negative changes in fair value due to credit risk from non-performing exposures** | **1,278** | **1,278** | **2,241** | **2,241** |
| **Allowances for impairment of assets** | **152,002** | **139,280** | **207,768** | **188,750** |
| *Of which: collective* | *96,679* | *85,261* | *147,103* | *130,674* |
| *Of which: individual* | *55,323* | *54,019* | *60,665* | *58,076* |
| **Net amount** | **385,306** | **188,687** | **526,552** | **305,938** |
| **Value of the collateral received** | **572,005** | **331,133** | **788,729** | **511,512** |
| Value of collateral | 390,364 | 217,750 | 544,141 | 351,281 |
| Value of other collateral | 181,641 | 113,383 | 244,588 | 160,231 |

On 31 December 2021, the Group assessed the renegotiated transactions, and according to their better judgement identified and provided those that having not mediated renegotiation could have been past-due or impaired, for a global risk amount of 209,341 thousand euros (239,632 million euros on 31 December 2020).

The reconciliation of the gross amounts of refinanced and restructured transactions at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Opening balance** | **736,561** | **988,179** |
| (+) Refinancing and restructuring in the period | 64,432 | 67,251 |
| *Memorandum items: impact recognised in the statement of profit and loss for the period* | *7,860* | *13,862* |
| (-) Debt repayments | 127,016 | 165,891 |
| (-) Foreclosures | 26,249 | 41,052 |
| (-) Derecognitions (reclassification to written-off assets) | 26,658 | 19,460 |
| (+)/(-) Other changes (*) | (82,484) | (92,466) |
| **Closing balance** | **538,586** | **736,561** |

(*) Includes operations that are no longer classified as refinancing, refinanced or restructured as the requirements for reclassification from performing exposures under special vigilance to performing exposures have been met (Note 2.3).

On 31 December 2021, the details of the refinanced and restructured transactions are as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | | | | | | |
| | Unsecured loans | | Secured loans | | | | Accumulated impairment or accumulated losses in fair value due to credit risk | Carrying amount |
| | No. of transactions | Gross carrying amount | No. of transactions | Gross carrying amount | Maximum amount of the collateral that can be considered | | | |
| | | | | | Real estate collateral | Other collateral | | |
| **Credit institutions** | - | - | - | - | - | - | - | - |
| **Public administrations** | - | - | - | - | - | - | - | - |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **3** | **15** | **1** | **29** | **29** | **-** | **(13)** | **31** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity)** | **1,000** | **72,458** | **754** | **144,995** | **107,654** | **589** | **(91,181)** | **126,272** |
| *of which: financing for real estate construction and development (including land)* | *8* | *3,424* | *115* | *53,679* | *40,006* | *6* | *(23,569)* | *33,534* |
| **Other household** | **2,034** | **24,125** | **3,598** | **296,964** | **262,570** | **76** | **(62,086)** | **259,003** |
| **Total** | **3,037** | **96,598** | **4,353** | **441,988** | **370,253** | **665** | **(153,280)** | **385,306** |
| **Additional information** | | | | | | | | |
| **Financing classified as non-current assets and disposal groups of items classified as held for sale** | - | - | - | - | - | - | - | - |

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Of which: default/non-performing | | | | | | | |
| | Unsecured loans | | Secured loans | | | | Accumulated impairment or accumulated losses in fair value due to credit risk | Carrying amount |
| | No. of transactions | Gross carrying amount | No. of transactions | Gross carrying amount | Maximum amount of the collateral that can be considered | | | |
| | | | | | Real estate collateral | Other collateral | | |
| **Credit institutions** | - | - | - | - | - | - | - | - |
| **Public administrations** | - | - | - | - | - | - | - | - |
| **Other financial companies and individual entrepreneurs (financial business activity)** | **1** | **12** | **1** | **29** | **29** | **-** | **(13)** | **28** |
| **Non-financial companies and individual entrepreneurs (non-financial business activity)** | **600** | **49,788** | **517** | **108,037** | **75,932** | **267** | **(86,478)** | **71,347** |
| *of which: financing for real estate construction and development (including land)* | *7* | *3,334* | *102* | *44,709* | *31,056* | *6* | *(22,565)* | *25,478* |
| **Other household** | **1,352** | **18,370** | **1,908** | **153,009** | **129,281** | **65** | **(54,067)** | **117,312** |
| **Total** | **1,953** | **68,170** | **2,426** | **261,075** | **205,242** | **332** | **(140,558)** | **188,687** |
| **Additional information** | | | | | | | | |
| **Financing classified as non-current assets and disposal groups of items classified as held for sale** | - | - | - | - | - | - | - | - |

On 31 December 2020, the details of the refinanced and restructured transactions are as follows:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | | | | | | |
| | Unsecured loans | | Secured loans | | | | Accumulated impairment or accumulated losses in fair value due to credit risk | Carrying amount |
| | No. of transactions | Gross carrying amount | No. of transactions | Gross carrying amount | Maximum amount of the collateral that can be considered | | | |
| | | | | | Real estate collateral | Other collateral | | |
| **Credit institutions** | - | - | - | - | - | - | - | - |
| **Public administrations** | 1 | 815 | 5 | 1,069 | 578 | - | 673 | 1,211 |
| **Other financial companies and individual entrepreneurs (financial business activity)** | 2 | 20 | 1 | 29 | 29 | - | 15 | 34 |
| **Non-financial companies and individual entrepreneurs (non-financial business activity)** | 1,216 | 95,376 | 1,031 | 205,267 | 160,439 | 766 | 122,962 | 177,681 |
| *of which: financing for real estate construction and development (including land)* | *8* | *8,118* | *143* | *77,470* | *63,353* | *6* | *29,780* | *55,808* |
| **Other household** | 2,412 | 28,902 | 4,773 | 405,083 | 358,161 | 130 | 86,359 | 347,626 |
| **Total** | 3,631 | 125,113 | 5,810 | 611,448 | 519,207 | 896 | 210,009 | 526,552 |
| **Additional information** | | | | | | | | |
| **Financing classified as non-current assets and disposal groups of items classified as held for sale** | - | - | - | - | - | - | - | - |

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Of which: default/non-performing | | | | | | | |
| | Unsecured loans | | Secured loans | | | | Accumulated impairment or accumulated losses in fair value due to credit risk | Carrying amount |
| | No. of transactions | Gross carrying amount | No. of transactions | Gross carrying amount | Maximum amount of the collateral that can be considered | | | |
| | | | | | Real estate collateral | Other collateral | | |
| **Credit institutions** | - | - | - | - | - | - | - | - |
| **Public administrations** | - | - | 5 | 1,069 | 578 | - | 673 | 396 |
| **Other financial companies and individual entrepreneurs (financial business activity)** | 1 | 17 | 1 | 29 | 29 | - | 14 | 32 |
| **Non-financial companies and individual entrepreneurs (non-financial business activity)** | 726 | 67,059 | 756 | 152,835 | 114,875 | 255 | 114,429 | 105,465 |
| *of which: financing for real estate construction and development (including land)* | *7* | *7,978* | *125* | *57,739* | *43,761* | *6* | *28,882* | *36,835* |
| **Other household** | 1,499 | 20,563 | 2,963 | 255,357 | 220,861 | 50 | 75,875 | 200,045 |
| **Total** | 2,226 | 87,639 | 3,725 | 409,290 | 336,343 | 305 | 190,991 | 305,938 |
| **Additional information** | | | | | | | | |
| **Financing classified as non-current assets and disposal groups of items classified as held for sale** | - | - | - | - | - | - | - | - |

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during fiscal years 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Public administrations** | - | - |
| **Other legal persons and individual entrepreneurs** | 4,674 | 7,269 |
| *Of which: financing for real estate construction and development* | *-* | *364* |
| **Other individuals** | 10,932 | 15,708 |
| **Total** | 15,606 | 22,977 |

*3.5.6 Policies for the management of problematic assets*

Ibercaja Banco, S.A. establishes specific policies relating to the management of assets of the real estate sector.

These policies are focused on favouring the compliance of the obligations of the borrowers and mitigate the risks to which the Group is exposed. In this sense, alternatives are searched for that allow for the completion and sale of the projects, analysing the renegotiation of the risks if it improves the credit position of the Group and with the basic purpose that the borrower can maintain his/her commercial activity. To do so, they keep in mind the previous experience with the borrower, the apparent willingness of payment and the improvement of the Group in terms of expected loss, seeking to increase the guarantees of the credits and not increase the customer's risk.

Additionally the Group supports the promoters once the promotions are finished, working together in the management and speeding up of sales.

In the case that the support measurements are not possible or sufficient, other alternatives are searched for such as the granting in payment or the purchase of assets, with legal claim and subsequent acquisition of real estate being the last option.

All those assets that form part of the Group's balance sheet are managed seeking their divestment or lease.

To do so, the Group has agreements with third parties or has instrumental companies, specialised in the management of urban projects, sale of real estate and lease of real estate assets.

The Group has specific Units to implement these strategies and coordinate the actions of instrumental subsidiaries, the branch office network and the rest of actors involved. Additionally, the Group has the website www.ibercaja.es/inmuebles as one of the main tools with which they disclose to the public interested in these assets.

3.5.6.1 Credit investment linked to development and real estate activities and to retail mortgages

On 31 December 2021 and 2020, the details of the financing for the real estate construction and development and the hedging thereof is the following:

| | Thousands of euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross carrying amount | | Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*) | | Accumulated impairment | | Net value | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Financing for real estate construction and development (including land) (businesses in Spain)** | **1,041,081** | **1,029,181** | **162,223** | **85,280** | **37,617** | **40,497** | **1,003,464** | **988,684** |
| of which: default/non-performing | 57,701 | 79,927 | 31,061 | 38,696 | 28,745 | 34,457 | 28,956 | 45,470 |
| **Memorandum items: written-off assets** | **133,524** | **131,500** | **-** | **-** | **-** | **-** | **-** | **-** |

(*) Excess of the gross exposure on the maximum recoverable amount of the effective collateral calculated according to Circular 04/2017. That is, the positive difference between the gross carrying amount of the financial assets and the maximum recoverable amount of the effective collateral.

| | Thousands of euros | |
|---|---|---|
| | Carrying amount | |
| **Memorandum items: Data from the public consolidated balance sheet** | **2021** | **2020** |
| Loans to customers, excluding Public Administrations (businesses in Spain) | 29,640,212 | 29,877,672 |
| Total consolidated asset (total businesses) | 58,631,409 | 58,400,790 |
| Impairment loss and provisions for exposures classified as normal (total businesses) | 169,425 | 198,237 |

The breakdown of the heading of the financing for the real estate construction and development (including land), on 31 December 2021 and 2020 is the following:

| | Thousands of euros | |
|---|---|---|
| | Gross carrying amount | |
| | 2021 | 2020 |
| **Without real estate collateral** | **21,921** | **26,516** |
| **With real estate collateral (breakdown as per the type of asset received in collateral)** | **1,019,160** | **1,002,665** |
| Buildings and other completed constructions | 350,164 | 283,471 |
| *Housing* | *312,154* | *245,068* |
| *Other* | *38,010* | *38,403* |
| Buildings and other constructions under construction | 581,647 | 638,685 |
| *Housing* | *581,261* | *638,577* |
| *Other* | *386* | *108* |
| Land | 87,349 | 80,509 |
| *Consolidated urban land* | *66,895* | *71,917* |
| *Other land* | *20,454* | *8,592* |
| **Total** | **1,041,081** | **1,029,181** |

Below a detail of the collateral received and financial guarantees granted in relation to the financing for property construction and development is shown (including undeveloped land) on 31 December 2021 and 2020.

Collateral received:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Value of collateral | 1,027,909 | 1,028,265 |
| *Of which: guarantees default/non-performing risks* | *42,091* | *57,041* |
| Value of other collateral | 352,738 | 408,851 |
| *Of which: guarantees default/non-performing risks* | *20,136* | *18,533* |
| **Total value of the collateral received** | **1,380,647** | **1,437,116** |

Financial guarantees granted:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Financial guarantees granted related to real estate construction and development** | **5,347** | **5,973** |
| Amount recognised under liabilities on the balance sheet | 2,306 | 2,804 |

On 31 December 2021 and 2020, the breakdown of loans to households for housing acquisition, is the following:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Gross amount | | of which: default/non-performing | |
| | 2021 | 2020 | 2021 | 2020 |
| **Housing acquisition loans** | **18,062,695** | **18,692,949** | **272,530** | **416,727** |
| Without mortgage loan | 238,729 | 224,210 | 8,198 | 9,824 |
| With mortgage loan | 17,823,966 | 18,468,739 | 264,332 | 406,903 |

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) on 31 December 2021 and 2020 is the following:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | | | |
| | Gross carrying amount based on latest appraisal amount (loan to value) | | | | | |
| | Less than or equal to 40% | Greater than 40% and less than or equal to 60% | Greater than 60% and less than or equal to 80% | Greater than 80% and less than or equal to 100% | Greater than 100% | Total |
| Gross carrying amount | 5,391,568 | 6,924,348 | 4,902,202 | 377,912 | 227,936 | **17,823,966** |
| of which: default/non-performing | 38,095 | 69,579 | 83,629 | 30,327 | 42,702 | **264,332** |

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Gross carrying amount based on latest appraisal amount (loan to value) | | | | | |
| | Less than or equal to 40% | Greater than 40% and less than or equal to 60% | Greater than 60% and less than or equal to 80% | Greater than 80% and less than or equal to 100% | Greater than 100% | Total |
| Gross carrying amount | 5,394,865 | 7,227,198 | 4,993,412 | 534,422 | 318,842 | **18,468,739** |
| of which: default/non-performing | 49,009 | 96,534 | 133,142 | 57,881 | 70,337 | **406,903** |

On 31 December 2021 96,6% of the housing acquisition loan with real estate collateral has an LTV lower than 80% (95% on 31 December 2020).

3.5.6.2 Foreclosed or received assets in payment for debts.

As at 31 December 2021 and 2020, the following information relates to assets repossessed or accepted as payment for debts:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | | | |
| | Gross carrying amount (*) | Total allowances for impairment losses | Of which: Allowances for impairment losses from the time of the foreclosure | Carrying amount |
| **Real estate assets acquired from loans for real estate construction and development** | **368,001** | **(246,009)** | **(150,440)** | **121,992** |
| Buildings and other completed constructions | 33,230 | (16,741) | (8,117) | 16,489 |
| *Housing* | *17,322* | *(8,434)* | *(3,469)* | *8,888* |
| *Other* | *15,908* | *(8,307)* | *(4,648)* | *7,601* |
| Buildings and other constructions under construction | 3,579 | (2,641) | (816) | 938 |
| *Housing* | *3,219* | *(2,356)* | *(666)* | *863* |
| *Other* | *360* | *(285)* | *(150)* | *75* |
| Land | 331,192 | (226,627) | (141,507) | 104,565 |
| *Consolidated urban land* | *81,579* | *(52,716)* | *(24,077)* | *28,863* |
| *Other land* | *249,613* | *(173,911)* | *(117,430)* | *75,702* |
| **Real estate assets acquired in mortgage loans to households for housing acquisition** | **109,185** | **(47,747)** | **(22,145)** | **61,438** |
| **Other foreclosed or received real estate assets in payment of debt** | **65,055** | **(32,441)** | **(12,679)** | **32,614** |
| | **542,241** | **(326,197)** | **(185,264)** | **216,044** |

(*) Amount before deducting the allowances for impairment loss

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2020 | | | |
| | Gross carrying amount (*) | Total allowances for impairment losses | Of which: Allowances for impairment losses from the time of the foreclosure | Carrying amount |
| **Real estate assets acquired from loans for real estate construction and development** | **444,900** | **(286,929)** | **(175,151)** | **157,971** |
| Buildings and other completed constructions | 36,522 | (18,012) | (9,201) | 18,510 |
| *Housing* | *14,540* | *(7,902)* | *(4,076)* | *6,638* |
| *Other* | *21,982* | *(10,110)* | *(5,125)* | *11,872* |
| Buildings and other constructions under construction | 3,578 | (2,711) | (886) | 867 |
| *Housing* | *3,218* | *(2,433)* | *(743)* | *785* |
| *Other* | *360* | *(278)* | *(143)* | *82* |
| Land | 404,800 | (266,206) | (165,064) | 138,594 |
| *Consolidated urban land* | *104,560* | *(64,873)* | *(32,475)* | *39,687* |
| *Other land* | *300,240* | *(201,333)* | *(132,589)* | *98,907* |
| **Real estate assets acquired in mortgage loans to households for housing acquisition** | **107,931** | **(47,816)** | **(23,797)** | **60,115** |
| **Other foreclosed or received real estate assets in payment of debt** | **66,696** | **(32,668)** | **(12,390)** | **34,028** |
| | **619,527** | **(367,413)** | **(211,338)** | **252,114** |

(*) Amount before deducting the allowances for impairment loss

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item as at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 31/12/2021 | | | | |
| | Gross carrying amount | Allowances for impairment losses from lending | Accumulated depreciation | Allowances for impairment losses from the time of the foreclosure | Carrying amount |
| Tangible assets - Investment property | 15,789 | (2,330) | (262) | (4,441) | 8,756 |
| Other assets - Inventories | 142,193 | (25,422) | - | (87,756) | 29,015 |
| Non-current assets and disposal groups classified as held for sale | 384,259 | (112,821) | (98) | (93,067) | 178,273 |
| | **542,241** | **(140,573)** | **(360)** | **(185,264)** | **216,044** |

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 31/12/2020 | | | | |
| | Gross carrying amount | Allowances for impairment losses from lending | Accumulated depreciation | Allowances for impairment losses from the time of the foreclosure | Carrying amount |
| Tangible assets - Investment property | 16,251 | (2,204) | (565) | (4,049) | 9,433 |
| Other assets - Inventories | 169,990 | (34,789) | - | (92,831) | 42,370 |
| Non-current assets and disposal groups classified as held for sale | 433,286 | (118,384) | (133) | (114,458) | 200,311 |
| | **619,527** | **(155,377)** | **(698)** | **(211,338)** | **252,114** |

### 3.6 Exposure to operational risk

This is defined as the risk of loss resulting from a lack of adequacy or failure of internal processes, personnel and systems, or a loss arising from external events, and therefore encompasses sub-categories such as conduct risk, technological risk or model risk, among others.

#### *3.6.1 Strategies and policies for the operational risk management*

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Framework of operational risk management".

The Group currently has a management an assessment model for this risk, which basically contemplates the following points:

- General aspects: definition of operational risk, categorisation and assessment of risks.
- Methodologies applied for the identification, assessment and measuring of operational risks.
- Scope of application of the methodologies and personnel that participate in the management of this risk.
- Indicators, limits and tolerance ranges.
- Generation of stress scenarios.
- Models of support to the management (management, control and mitigation of the operational risk): information derived from the previous methodologies and implementation of measures directed at the mitigation of this risk.

The scope of application of the model of management and assessment model of the operational risk is extended both to business units and support of Ibercaja Banco, and the Group companies.

Its application and effective use in each of the units and subsidiary companies are developed in a decentralised manner. For its part, the Market, Operational and Reputational Risk Control Unit, together with other units and subsidiaries, coordinates risk measurement and carries out risk monitoring, analysis and communication.

Finally, it should be noted that the Market, Operational and Reputational Risk Control Unit is incorporating into its activity those aspects linked to Environmental Risk that affect the Operational Risk area.

#### *3.6.2 Procedures for measurement, management and control*

The Group, in applying the adopted model for the operational risk management, use the following methodologies combined, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and the existing controls in the processes and activities, together with the breakdown and analysis of risk indicators. During 2020 they reviewed and self-assessed 585 operational risks, concluding in this process, a low risk profile.
- Quantitative methodology, supported in the identification and analysis of the real losses fluctuations in the Group, which are recorded in the database established for that purpose (BDP).

The quantification of real losses recorded in the data base of losses in 2021 shows the total annual net losses (net of direct recoveries and insurance) for operational risk events came to 39,584 thousand euros, corresponding to 15,457 events, of which 667 events for 22,182 thousand euros derive from write-downs linked to floor clauses (return of interest totalling 20,631 thousand euros and legal costs of 1,551 thousand euros). If the provisions linked to these losses from interest rate floor clauses and other provisions associated with different losses, which were also extraordinary, are discounted, the total annual net loss is 13,121 thousand euros.

Stripping out the exceptional impact certain losses such as interest rate floor clauses, real operational losses were small in relation to capital requirements, consistently with the overall result of the qualitative assessment mentioned above.

Streamlining in processes of operational risk management and control resulting from the established policies and methodologies, allow the Entity to calculate from December 2010 the capital consumption for Operational Risk by standard method, in accordance with that established in Regulation (EU) No. 575/2013.

### 3.7 Exposure to the interest rate risk

This is defined as the current or future risk to the Company's capital or earnings as a result of adverse fluctuations in interest rates affecting the positions of its investment portfolio.

The sources of the interest rate risk are the gap, base or optionality risks. In particular, gap risk arises from the different timing of interest rate-sensitive balance sheet instruments, as a result of differences in the timing of their repricing or maturities. Basis risk derives from the different benchmark indices used for repricing, interest rate-sensitive asset and liability instruments. Optionality risk arises from embedded or explicit options that arise when either the Entity or the customer have the option of altering future cash flows if it benefits them.

### *3.7.1 Strategies and policies for the interest rate risk management*

The aim of risk management is to contribute to the maintenance of the current and future profitability in the adequate levels, preserving the economic value of the Company.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management and control of interest rate risk”.

### *3.7.2 Procedures for measurement and control*

The Group manages the exposure to the risk that derives from the transactions of their portfolio, both at the time of its agreement and in its subsequent monitoring, and incorporate to its analysis horizon the assessment established for the business and the expectations respect to the interest rates, as well as the proposals of management and hedging, simulating different behaviour scenarios.

The Company’s tools measure the effects of interest rate movements on the intermediation margin and the economic value, simulate scenarios depending on the assumptions used for interest rate behaviour and business performance, and help estimate the potential impact on capital and on results of abnormal fluctuations of the market, so that the results can be considered in the establishment and review of risk policies and limits and in the planning and decision-making process.

As to optionality risk, behavioural models are available that provide the key assumptions on the sensitivity and duration of demand savings transactions, as their maturity date is not contractually specified, and on early repayments on loans, early redemption of time deposits, and duration of non-performing assets, always based on historical experience for different scenarios.

In the same way, the effect that the variations in interest rates have on the financial margin and economic value is controlled by the establishment of limits to the exposure. The limits allow for maintaining the exposure to the interest rate risk within the levels compatible with the approved policies.

Below, the sensitivity profile is shown of the balance of the Group to the interest rate risk on 31 December 2021 and on 31 December 2020, indicating the carrying amount of those financial assets and liabilities affected by this risk, which appear classified depending on the estimated term until the review date of the interest rate or maturity.

On 31 December 2021:

| | Millions of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Terms until the review of the effective interest rate or maturity | | | | | | |
| | **Up to 1 month** | **1 to 3 months** | **Between 3 months and 1 year** | **Sensitive Balance** | **Insensitive Balance** | **1 to 5 years** | **Over 5 years** |
| **Assets** | **12,337** | **7,081** | **13,883** | **33,302** | **18,404** | **6,523** | **11,881** |
| Financial assets with fixed interest rates and other assets without determined maturity | 8,833 | 1,284 | 3,853 | 13,970 | 15,364 | 5,195 | 10,169 |
| Financial assets at fixed rate hedged with derivatives | 21 | (444) | (360) | (783) | 2,181 | 800 | 1,381 |
| Financial assets at variable interest rate | 3,483 | 6,241 | 10,390 | 20,114 | 858 | 528 | 331 |
| **Liabilities** | **13,283** | **2,159** | **9,176** | **24,618** | **27,088** | **21,698** | **5,390** |
| Financial liabilities with fixed interest rates and other liabilities without determined maturity | 7,294 | 1,262 | 8,148 | 16,704 | 26,574 | 21,122 | 5,452 |
| Financial liabilities at fixed rate hedged with derivatives | 517 | 124 | 1,027 | 1,668 | 510 | 575 | (65) |
| Financial liabilities at variable interest rate | 5,472 | 773 | 1 | 6,246 | 4 | 1 | 3 |
| **Difference or Gap in the period** | **(946)** | **4,924** | **4,707** | **8,684** | **(8,684)** | **(15,175)** | **6,491** |
| **Difference or accumulated Gap** | **(946)** | **3,977** | **8,684** | **8,684** | **(8,684)** | **(6,491)** | |
| Average gap | (946) | 2,746 | 3,592 | 5,108 | | | |
| % of total assets | (1.83) | 5.31 | 6.95 | 9.88 | | | |

On 31 December 2020:

| | Millions of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | Terms until the review of the effective interest rate or maturity | | | | | | |
| | **Up to 1 month** | **1 to 3 months** | **Between 3 months and 1 year** | **Sensitive Balance** | **Insensitive Balance** | **1 to 5 years** | **Over 5 years** |
| **Assets** | **13,326** | **7,740** | **15,641** | **36,707** | **14,523** | **4,643** | **9,880** |
| Financial assets with fixed interest rates and other assets without determined maturity | 9,126 | 1,091 | 3,095 | 13,312 | 12,453 | 4,202 | 8,251 |
| Financial assets at fixed rate hedged with derivatives | 21 | (151) | 1,256 | 1,126 | 1,133 | - | 1,133 |
| Financial assets at variable interest rate | 4,179 | 6,800 | 11,290 | 22,269 | 937 | 441 | 496 |
| **Liabilities** | **8,207** | **8,348** | **10,601** | **27,156** | **24,074** | **18,380** | **5,693** |
| Financial liabilities with fixed interest rates and other liabilities without determined maturity | 7,602 | 1,364 | 8,564 | 17,530 | 25,212 | 19,456 | 5,756 |
| Financial liabilities at fixed rate hedged with derivatives | 518 | 1,300 | 2,036 | 3,854 | (1,144) | (1,076) | (68) |
| Financial liabilities at variable interest rate | 87 | 5,684 | 1 | 5,772 | 6 | - | 6 |
| **Difference or Gap in the period** | **5,119** | **(608)** | **5,040** | **9,551** | **(9,551)** | **(13,737)** | **4,186** |
| **Difference or accumulated Gap** | **5,119** | **4,511** | **9,551** | **9,551** | **(9,551)** | **(4,186)** | |
| Average gap | 5,119 | 4,664 | 1,118 | 5,934 | | | |
| % of total assets | 9.99 | 9.1 | 2.18 | 11.58 | | | |

Sensitive balances will be considered those whose maturity or repricing occurs in the next twelve months. This period is established as a reference to quantify the effect of the variation of the interest rates on the annual intermediation margin of the Group.

The Gap that appears in the box represents the difference between the sensitive assets and liabilities in each period, i.e., the net balance exposed to changes in prices. The average gap of the period is 5,107.6 million euros, 9.88% of the asset (5,933.7 million euros, 11.58% of the asset on 31 December 2020).

With data on 31 December 2021, the impact on the interest margin of the company before a raise of 200 basis points in the interest rates is 79.03 million euros, 19.07% on the interest margin of the next 12 months and before a decrease of 200 basis points is -70.58 million euros, -17.03% on the interest margin of the next 12 months (in December of 2020, 160.03 million euros and 40.45% before increases and -69.98 million euros and -17.69% before decreases) under the assumption of maintenance of size and structure of the balance and that the activity of the interest rates occurs instantly and are equal on all points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

Meanwhile, the impact on the economic value of the Company in the event of a 200 basis points rise in interest rates is -245.65 million euros, -4.18% on the equity economic value and in the event of a 200 basis points decrease it is 82.99 million euros, 1.41% on the equity economic value (in December of 2020, 141.58 million euros and 2.27% in the event of increases and -47.73 million euros and -0.77% in the event of decreases) under the assumption that the activity of the interest rates occur instantly and are equal on all the points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

### 3.8 Exposure to liquidity risk

It is defined as the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

*3.8.1 Strategies and policies for the liquidity risk management*

The management and control of the liquidity risk are governed by the principles of financial autonomy and balance equilibrium, guaranteeing the continuity of the business and the availability of sufficient liquid resources to fulfil the payment commitments associated with the cancellation of the liabilities on their respective maturity dates without compromising the capacity of answering before strategic opportunities of market.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management of liquidity risk”.

The strategies for attracting resources in the retail segments and the use of alternative sources of short-, medium- and long-term liquidity, allow the Group to have the necessary resources to attend the solvent credit demand derived from the commercial activity and maintain the positions of treasury within the parameters of management established in the Framework of risk appetite and in the Liquidity manual.

*3.8.2 Procedures for measurement and control*

The measurement of the liquidity risk considers the estimated treasury flows of the assets and liabilities, as well as the guarantees or additional instruments that it has to ensure alternative sources of liquidity that could be required.

Likewise, the evolution established for the business and the expectations respect to the interest rates are incorporated, as well as the proposals of management and hedging, simulating different behaviour scenarios. These procedures and analysis techniques are reviewed with the necessary frequency to ensure their correct operation.

Progress is made in the short-, medium- and long-term to know the needs of financing and the compliance of the limits, that have in mind the most recent macroeconomic tendencies, for its incidence in the evolution of the different assets and liabilities of the balance sheet, as well as in the contingent liabilities and derived products. In the same way, the liquidity risk is controlled via the establishment of tolerance ranges compatible with the approved policies.

In addition, the Company is prepared to affront possible crisis, both internal and of the markets in which they operate, with action plans that guarantee sufficient liquidity at the lowest cost possible.

At 31 December 2021, the Company's available liquidity amounted to 15,250 million euros (14,959 million euros at 31 December 2020), coupled with an issuance capacity of 8,776 million euros (8,380 million euros at 31 December 2020). Total availability stood at 24,027 million euros (23,339 million euros at 31 December 2020), 687 million euros up on the close of last year. During 2021, wholesale maturities were outstanding for a nominal amount of 605 million euros: covered bonds (525 million euros), securitisation bonds owned by third parties (80 million euros). In addition, they have carried out repurchases of issuances for 14 thousand euros, instrumented in Securitisation bonds.

The collateral policy with the B1E includes pledged assets with a discounted value of 6,938 million euros as at 31 December 2021 (31 December 2020: 6,278 million euros), of which it has drawn down 5,959 million euros, leaving it with 1.051 million euros (31 December 2020: 892 million euros) available to meet its liquidity needs.

In addition to the policy mentioned, the Company has very different sources of financing. There is a large base of retail deposits of 33,298 million euros (32,256 million euros at 31 December 2020), of which 85% had stable balances. The Bank also has financing collateralised by securities in the amount of 6,560 million euros (6,056 million euros at 31 December 2020), 512 million euros of which is transacted with central counterparties. In addition, wholesale issues of a total 2,786 million euros (3,327 million euros at 31 December 2020), characterised by diversification of maturities, and deposits from the Group's financial institutions amounting to 309 million euros (796 million euros at 31 December 2020), and deposits from other customers of 3,400 million euros (3,242 million euros at 31 December 2020), among others.

The Company's balance sheet does not have major exposures of liquidity risk in their assets or in their financing sources.

In relation to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that cause the reimbursement depending on reversals in the credit qualification of Ibercaja Banco. At the end of 2021, there was no amount affected by the reversal of a qualification scale.

- Liability derivatives for 250 million euros, that have required the contribution of additional guarantees for 253 million as well as asset derivatives for 4 million euros, for those that have received additional guarantees for 4 million euros. In addition, those transacted through the clearing house contributed additional collateral of 21 million euros.

- Financing collateralised by securities of 601 million euros, which required the provision of additional collateral of 142 million euros in cash (collateral includes both repurchase agreements and reverse repurchase agreements).

- International card transactions with CECA cards require collateral of 11 million euros in fixed income.

Ibercaja Banco has signed framework agreements of compensation or “netting”, and their appendices of guarantee exchange, with all the entities that operate in OTC (over the counter, for its letters in English) derivatives and in simultaneous transactions. Their signature is a prerequisite for those entities with which this type of transaction will be started. Ibercaja Banco participates as a direct member in the central chambers of compensation of simultaneous transactions LCH Clearnet and MEFFClear, and in Eurex for the operation with some classes of derivatives of interest rates, being a normal market practice extended among the participants after regulation EMIR goes into effect.

Below a breakdown is offered of the available liquidity:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Cash and central banks | 6,183,416 | 7,319,717 |
| Available in policy | 1,050,679 | 891,981 |
| Eligible assets not included in the policy | 7,590,280 | 6,421,078 |
| Other marketable assets not eligible by the Central Bank | 425,796 | 326,665 |
| **Accumulated available balance** | **15,250,171** | **14,959,441** |

On 31 December 2021, the capacity to issue covered bonds was 8,776 million euros (8,380 million euros on 31 December 2020).

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group as at 31 December 2021 amounts to 452% (468% as at 31 December 2020). The breakdown of liquid assets at 31 December 2021 under the criteria established for calculating the LCR ratio is as follows:

| | **Thousands of euros** | | | | | |
|---|---|---|---|---|---|---|
| | **31/12/2021** | | | **31/12/2020** | | |
| | **Balance sheet figure** | **Weighting (%)** | **Weighted balance** | **Balance sheet figure** | **Weighting (%)** | **Weighted balance** |
| Cash and central banks | 5,811,647 | 100 | 5,811,647 | 6,958,365 | 100 | 6,958,365 |
| Tier 1 fixed-income | 8,602,572 | 100 | 8,602,572 | 7,053,254 | 100 | 7,053,254 |
| *Central government sovereign debt* | *6,530,311* | *100* | *6,530,311* | *5,175,852* | *100* | *5,175,852* |
| *Regional government sovereign debt* | - | *100* | - | *494,132* | *100* | *494,132* |
| *Foreign government debt* | *1,111,407* | *100* | *1,111,407* | *225,300* | *100* | *225,300* |
| *SAREB/ICO* | - | *100* | - | *8,698* | *100* | *8,698* |
| *FADE/FROB/State-backed bonds* | *58,650* | *100* | *58,650* | *190,332* | *100* | *190,332* |
| *Reverse repurchase agreement for Tier 1 fixed-income assets* | *1,500,007* | *100* | *1,500,007* | *1,612,849* | *100* | *1,612,849* |
| *Fixed-income repos* | *(597,803)* | *100* | *(597,803)* | *(653,909)* | *100* | *(653,909)* |
| NCC1 covered bonds | - | 93 | - | - | 93 | - |
| **TIER 1 ASSETS** | **14,414,219** | | **14,414,219** | **14,011,619** | | **14,011,619** |
| Non-financial entity NCC1 bonds | 1,244 | 85 | 1,057 | - | 85 | - |
| NCC2 covered bonds | - | 85 | - | 128,265 | 85 | 109,025 |
| **TIER 2A ASSETS** | **1,244** | | **1,057** | **128,265** | | **109,025** |
| NCC1 securitisations | - | 75 | - | - | 75 | - |
| Non-financial entity NCC 2/3 bonds | 13,790 | 50 | 6,895 | 17,502 | 50 | 8,751 |
| NCC3 covered bonds | - | 70 | - | - | 70 | - |
| Disposable equities | 117,709 | 50 | 58,854 | 118,640 | 50 | 59,320 |
| **TIER 2B ASSETS** | 131,499 | | 65,749 | 136,142 | | 68,071 |
| **LIQUID ASSETS** | **14,546,962** | | **14,841,026** | **14,276,026** | | **14,188,715** |

The LCR ratio data for the Ibercaja Group are:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 31/12/2021 | | | 31/12/2020 | | |
| | **Balance sheet figure** | **Weighting (%)** | **Weighted balance** | **Balance sheet figure** | **Weighting (%)** | **Weighted balance** |
| TIER 1 ASSETS (70% limit) | 14,414,219 | 100 | 14,414,219 | 14,011,619 | 100 | 14,011,619 |
| TIER 2 ASSETS | 1,244 | 85 | 1,057 | 128,265 | 85 | 109,025 |
| TIER 2B ASSETS | 131,499 | 50 | 65,749 | 136,142 | 50 | 68,071 |
| **LIQUID ASSETS** | **14,546,962** | | **14,481,026** | **14,276,026** | | **14,188,715** |
| *Stable deposits* | *28,351,257* | *5* | *1,417,563* | *27,468,797* | *5* | *1,373,440* |
| *Non-stable deposits* | *4,368,514* | *10* | *463,851* | *4,428,694* | *10* | *442,869* |
| RETAIL CUSTOMER DEPOSITS | 32,989,771 | 6 | 1,881,414 | 31,897,491 | 6 | 1,816,309 |
| Unsecured wholesale financing | 3,984,643 | 36 | 1,428,899 | 4,148,392 | 35 | 1,436,388 |
| Additional requirements | 3,094,083 | 11 | 331,706 | 3,837,971 | 7 | 261,672 |
| **GROSS OUTFLOWS** | | | **3,642,019** | | | **3,514,369** |
| INFLOWS - Maximum allowed inflows (75% outflows) | 867,121 | 51 | 438,476 | 880,402 | 55 | 483,274 |
| **NET OUTFLOWS** | | | **3,203,543** | | | **3,031,095** |
| **LIQUIDITY COVERAGE RATIO (LCR)** | | | **452.03%** | | | **468.11%** |

Below the breakdown by terms of the contractual maturities of assets and liabilities is presented (liquidity gap) on 31 December 2021 and 31 December 2020:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | **On demand** | **Up to 1 month** | **Between one and three months** | **Between three months and one year** | **Between one and five years** | **After 5 years** | **Total** |
| **ASSETS** | | | | | | | |
| Deposits in credit institutions | 35,825 | 3,343 | 42,935 | - | - | 123,716 | 205,820 |
| Loans to other financial institutions | - | 6 | 1,482 | 310 | 1,552 | 34934 | 38,255 |
| Temporary acquisitions of securities and securities lending | - | 1,615,394 | - | - | - | - | 1,615,394 |
| Loans (including matured, non-performing, written-off and foreclosed) | - | 745,825 | 1,111,982 | 2,472,290 | 8,453,918 | 17,959,748 | 30,743,764 |
| Securities portfolio settlement | - | 211,000 | 232,741 | 223,151 | 3,690,115 | 5,094,077 | 9,451,084 |
| Hedging derivatives | - | 49 | 4,381 | 33,821 | 16,586 | 1,291 | 56,128 |
| Trading derivatives | - | - | - | - | - | - | - |
| Net interest income | - | 48,120 | 61,074 | 313,670 | - | - | 422,864 |
| **Total on 31 December 2021** | **35,825** | **2,623,735** | **1,454,596** | **3,049,243** | **12,162,141** | **23,213,766** | **42,533,307** |
| **Total on 31 December 2020** | **71,500** | **2,150,026** | **1,488,861** | **2,948,161** | **11,452,035** | **23,046,654** | **41,157,236** |
| **LIABILITIES** | | | | | | | |
| Wholesale issues | - | 3,343 | 6,664 | 48,996 | 2,447,215 | 279,792 | 2,786,010 |
| Deposits from credit entities | 17,256 | 10,928 | 2,000 | - | 290 | 2371 | 32,845 |
| Deposits from other financial institutions and bodies | 381,698 | 303 | 435 | 8,655 | 39,695 | - | 430,726 |
| Deposits from large non-financial companies | 169,579 | 1 | - | 2,200 | - | - | 171,779 |
| Financing from the rest of the customers | 33,968,149 | 321,502 | 484,036 | 1,518,114 | 403,988 | 2,694 | 36,698,483 |
| Funds for brokered loans | - | 2,928 | 2,881 | 19,954 | 59,508 | 26,246 | 111,517 |
| Financing with secured securities | - | 511,906 | 89,066 | - | 5,959,000 | - | 6,559,972 |
| Other net outflows | - | 35,670 | 61,094 | 278,008 | 43,364 | 51,284 | 469,421 |
| Hedging derivatives | - | 6,249 | 4,746 | (7,807) | 16,680 | 4,121 | 23,989 |
| Formalised loans pending settlement | - | 487,454 | - | - | - | - | 487,454 |
| Commitments available for third parties | 3,220,412 | - | - | - | - | - | 3,220,412 |
| Financial guarantees issued | 9,015 | 3,041 | 278 | 1,468 | 1,782 | 1,122 | 16,707 |
| **Total on 31 December 2021** | **37,766,108** | **1,383,325** | **651,200** | **1,869,589** | **8,971,462** | **367,631** | **51,009,315** |
| **Total on 31 December 2020** | **36,193,873** | **1,636,669** | **926,745** | **2,685,645** | **8,793,922** | **472,884** | **50,709,739** |
| **2021 gap period** | **(37,730,283)** | **1,240,411** | **803,396** | **1,173,654** | **3,190,679** | **22,846,135** | |
| **2020 gap period** | **(36,122,373)** | **513,356** | **562,115** | **262,515** | **2,658,113** | **22,573,770** | |
| **Accumulated gap (without demand savings) 2021** | **-** | **1,240,411** | **2,043,807** | **3,217,461** | **6,408,140** | **29,254,275** | |
| **Accumulated gap (without demand savings) 2020** | **-** | **513,356** | **1,075,471** | **1,337,987** | **3,996,100** | **26,569,870** | |

Includes maturities of principal and interests and does not take assumptions of a new business.

The amounts shown in the table above correspond to the undiscounted contractual amounts.

The maturity of the demand deposits is not determined contractually. It has been entered in the first time slot (demand) even though for the most part, these deposits are stable.

The financing of the rest of the customers include the implicit derivative in the structured deposits.

Loan commitments amounted to 3.220 million euros (3.288 million euros at 31 December 2020). While these commitments are available immediately for the customers, and therefore would have "demand" nature in accordance with IFRS 7, in the practice of cash flow outputs they are distributed in all the time slots.

In relation with the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily have to represent an actual obligation of settlement or of liquidity needs, which will depend on if they meet the conditions so that the amount of the committed guarantee should be settled.

The Group only hopes to produce a cash outflow in relation with financial guarantee contracts that have qualified as non-performing and special watch. The amount that is expected to be settled of these contracts is recorded under “Provisions for contingent risks and commitments”, in the heading Provisions (Note 21), for an amount of 16,707 thousand euros (19,477 thousand euros on 31 December 2020).

Long-term wholesale financing maturities are shown in the following boxes.

On 31 December 2021:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | **On demand** | **Up to 1 month** | **1 to 3 months** | **Between 3 months and 1 year** | **1 to 5 years** | **Over 5 years** | **Total** |
| Senior debt | - | - | - | - | 50,000 | - | 50,000 |
| Government-backed debt | - | - | - | - | - | - | - |
| Subordinated and preferential | - | - | - | - | 850,000 | - | 850,000 |
| Bonds and mortgage- and sector-covered bonds | - | - | - | 19,444 | 1,416,026 | 165,000 | 1,600,470 |
| Securitisations | - | 3,343 | 6,664 | 29,551 | 131,190 | 114,792 | 285,540 |
| Promissory notes and certificates of deposit | - | - | - | - | - | - | - |
| **Wholesale issues** | **-** | **3,343** | **6,664** | **48,996** | **2,447,215** | **279,792** | **2,786,010** |
| **Financing with long-term secured securities** | **-** | **-** | **-** | **-** | **5,959,000** | **-** | **5,959,000** |
| **Maturities in the period** | **-** | **3,343** | **6,664** | **48,996** | **8,406,215** | **279,792** | **8,745,010** |
| **Accumulated maturities** | **-** | **3,343** | **10,007** | **59,002** | **8,465,217** | **8,745,010** | |

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

On 31 December 2020:

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | **On demand** | **Up to 1 month** | **1 to 3 months** | **Between 3 months and 1 year** | **1 to 5 years** | **Over 5 years** | **Total** |
| Senior debt | - | - | - | - | - | - | - |
| Government-backed debt | - | - | - | - | - | - | - |
| Subordinated and preferential | - | - | - | - | 850,000 | - | 850,000 |
| Bonds and mortgage- and sector-covered bonds | - | - | 225,000 | 300,000 | 1,435,470 | 165,000 | 2,125,470 |
| Securitisations | - | 3,052 | 6,097 | 31,895 | 155,724 | 155,189 | 351,956 |
| Promissory notes and certificates of deposit | - | - | - | - | - | - | - |
| **Wholesale issues** | **-** | **3,052** | **231,097** | **331,895** | **2,441,194** | **320,189** | **3,327,426** |
| **Financing with long-term secured securities** | **-** | **-** | **-** | **-** | **5,400,000** | **-** | **5,400,000** |
| **Maturities in the period** | **-** | **3,052** | **231,097** | **331,895** | **7,841,194** | **320,189** | **8,727,426** |
| **Accumulated maturities** | **-** | **3,052** | **234,148** | **566,043** | **8,407,237** | **8,727,426** | |

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

The diversification policy at the time of the maturities of the wholesale issues, will permit the Company to cover the maturities of the next financial years, maintaining ample liquidity.

Thus, keeping in mind the available liquidity (15,250 billion euros), the Company could cover the total of the maturities of the long-term wholesale financing (2,786 billion euros). Additionally, it is able to issue 8,776 billion euros (total availability of 24,027 billion euros).

## 3.9 Exposure to other risks

### *3.9.1 Exposure to market and counterparty risk*

#### *3.9.1.1 Strategies and policies for the market and counterparty risk management*

a) Market risk

This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Bank manages the market risk, trying to obtain an adequate financial profitability in relation to the assumed risk level, keeping in mind certain levels of overall exposure, exposure due to segmentation rates (portfolios, instruments, ratings), structure of the portfolio and portfolio/risk objectives. In their management and control they apply analysis of sensitivity and simulation of stress scenarios for the estimation of their impact in the profits and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, as documented in the “Capital Markets Department Policy Manual”.

For the market risk management, they have policies on identification, measuring, monitoring, control and mitigation as well as policies on transactions in that relative to their trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approving of new products, relationships with intermediaries and delegation of duties.

b) Counterparty risk

The possibility of default by counterparties in financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the “Manual for Lines of Risk” of Ibercaja Banco.

For the management of the counterparty risk, the Company has policies for identification, measuring, monitoring, control and mitigation. Additionally the “Manual of Lines of Risk of Ibercaja Banco” establishes the criteria, methods and procedures for the granting of lines of risks, the proposal of limits, the process for formalisation and documentation of transactions, as well as the procedures for monitoring and controlling the risks for financial institutions, public administrations with rating and listed and/or qualified companies with rating, with the exception of promoting entities.

The lines of risk are established essentially depending on the ratings assigned by the credit qualification agencies, of the reports that these agencies issue and of the expert analysis of their financial statements.

For the granting of transactions related with the counterparty risk to the entities previously mentioned, it will be the Capital and Balance Sheet Management Unit and the Governing Bodies in charge of managing the assumption of risk, attending to the fixed limits for the lines of credit.

The Company uses specialised tools for the management, control and measuring of the counterparty risk, with the aim of considering the risk consumption of each product and gather the risk consumption at the Group level under one application.

#### *3.9.1.2 Procedures for measurement and control*

a) Market Risk

The portfolios exposed to Market Risk are characterised for their high liquidity and for the absence of materiality in the trading activity, which implies that the Market Risk assumed by the trading activity is insignificant as a whole.

The Company monitors the progression of the expected loss of the management portfolio given a trust level of 99% and a time horizon (1 day or 10 days) as a result of the variations of the risk factors that determine the price of the financial assets via the VaR indicator (Value at risk).

The VaR calculation is carried out with different methodologies:

- The parametric VaR assumes normalcy of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a trust level of 99% and a time horizon (1 day or 10 days).

- The diversified parametric VaR keeps in mind the diversification offered by the correlations of the risk factors (interest rates, exchange rates, shares listing, etc.). It is the standard measure.

- The non-diversified parametric VaR assumes the lack of diversification among those factors (correlations equal to 1 or -1 according to the case), and is useful in stress or change periods of the risk factors correlations.

- The Historic Simulation VaR uses the relative variations made in the last year of the risk factors to generate the scenarios in which the loss potential of the portfolio is evaluated given a trust level of 99% and a time horizon.

- The Shortfall VaR measures, given a calculated VaR at 99% and with a time horizon of 1 day, the expected loss in 1% of the worst results beyond the VaR. It provides an average of the losses in case of breakage of the VaR.

- In any case, the impact in absolute terms of the VaR is relativised regarding capital.

Thus, at 31 December 2021, the measurement of VaR presents the following values:

| **Thousands of euros**<br>**Confidence level: 99%** | **Parametric diversified VaR** | **Parametric VaR vs *PR.*** | **Parametric non-diversified VaR** | **Parametric non-diversified VaR vs *PR.*** | **Historical Simulation VaR** | **Historical Simulation VaR vs PR.** | **Shortfall VaR** | **Shortfall VaR vs PR.** |
|---|---|---|---|---|---|---|---|---|
| Time horizon: 1 day | (4,769) | 0.15% | (12,966) | 0.40% | (6,587) | 0.20% | (6,587) | 0.20% |
| Time horizon: 10 days | (15,080) | 0.46% | (41,003) | 1.25% | | | | |

The calculation on 31 December 2020 of the VaR, presented the following values:

| **Thousands of euros**<br>**Confidence level: 99%** | **Parametric diversified VaR** | **Parametric VaR vs *PR.*** | **Parametric non-diversified VaR** | **Parametric non-diversified VaR vs *PR.*** | **Historical Simulation VaR** | **Historical Simulation VaR vs PR.** | **Shortfall VaR** | **Shortfall VaR vs PR.** |
|---|---|---|---|---|---|---|---|---|
| Time horizon: 1 day | (5,422) | 0.16% | (9,831) | 0.29% | (4,411) | 0.13% | (5,430) | 0.16% |
| Time horizon: 10 days | (17,147) | 0.51% | (31,089) | 0.93% | | | | |

Likewise, and supplementing the VaR analysis, stress tests have been performed that analyse the impact of different scenarios of the risk factors on the value of the portfolio being measured.

b) Counterparty risk

The limits authorised by the Board of Directors are established by investment volume weighted by the borrower's credit rating, the term of the investment and the instrument type.

Additionally, the legal limits are respected for the concentration and grand exposures in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the consumed risks are kept within the established limits at all times. They incorporate controls regarding the variations produced in the ratings, and in general of the borrower's solvency.

Among the techniques for counterparty risk mitigation appear the compensation or netting master agreements, the guarantee agreements, the reduction of portfolios in the case of adverse credit events, the reduction of the lines of risk in the case of decreases in the rating or negative news of some company and the timely monitoring of the companies' financial information.

With those entities with whom they have agreed on a compensation of risks and an agreement on guarantee contribution, in accordance with the requirements demanded by the Bank of Spain, the risk may be computed by the net resulting position.

*3.9.2 Exchange rate risk management*

It is defined as the possibility of incurring in losses derived from the negative fluctuations in the exchange rates of the currencies in which the assets, liabilities and transactions are denominated off the Company's balance sheet.

The Company does not maintain significant positions in foreign currency in a speculative nature. They do not hold open positions in foreign money that is not speculative of a significant amount either.

The Company's policy is to limit this type of risk, mitigating it generally speaking, at the time it presents itself via the agreement on symmetrical active or passive transactions or via financial derivatives that allow their coverage.

*3.9.3 Exposure to sovereign debt*

Below, the following information is detailed regarding the exposure to sovereign debt, which includes all the positions with public entities, on 31 December 2021 and 2020:

- Breakdown of the carrying amount of the exposure per country:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Spain | 13,421,612 | 11,149,836 |
| Italy | 1,382,405 | 1,025,440 |
| Portugal | 67,788 | 89,445 |
| France | 240,733 | 23,494 |
| United States | 100,972 | - |
| Other | 6,311 | 10,694 |
| **Total gross amount** | **15,219,821** | **12,298,909** |
| *(Impairment losses)* | *(180)* | *(821)* |
| **Total net amount** | **15,219,641** | **12,298,088** |
| *of which: from the insurance company* | *4,196,302* | *4,893,693* |

- Breakdown of the carrying amount of the exposure per portfolio in which the assets are recorded:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Financial assets at fair value through profit or loss | 6,278 | 7,416 |
| Financial assets at fair value through other comprehensive income | 4,641,651 | 4,838,244 |
| Financial assets at amortised cost | 10,571,892 | 7,453,249 |
| **Total** | **15,219,821** | **12,298,909** |
| *of which: from the insurance company* | *4,196,302* | *4,893,693* |

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

- Breakdown of the term to residual maturity of the exposure per portfolio in which the assets are recorded:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | | | |
| | **Up to 3 months** | **From 3 months to 1 year** | **1 to 3 years** | **3 to 5 years** | **Over 5 years** | **Total** |
| Financial assets at fair value through profit or loss | - | - | 4,596 | 1,682 | - | 6,278 |
| Financial assets at fair value through other comprehensive income | 159,382 | 246,561 | 786,869 | 528,504 | 2,920,335 | 4,641,651 |
| Financial assets at amortised cost | 733,675 | 242,951 | 2,233,291 | 2,168,689 | 5,193,286 | 10,571,892 |
| **Total** | **893,057** | **489,512** | **3,024,756** | **2,698,875** | **8,113,621** | **15,219,821** |
| *of which: from the insurance company* | *159,382* | *244,535* | *800,249* | *538,458* | *2,453,678* | *4,196,302* |

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | **Up to 3 months** | **From 3 months to 1 year** | **1 to 3 years** | **3 to 5 years** | **Over 5 years** | **Total** |
| Financial assets at fair value through profit or loss | - | - | 1,347 | 6,069 | - | 7,416 |
| Financial assets at fair value through other comprehensive income | 51,287 | 458,161 | 835,536 | 717,024 | 2,776,236 | 4,838,244 |
| Financial assets at amortised cost | 9,330 | 251,571 | 264,504 | 1,885,920 | 5,041,924 | 7,453,249 |
| **Total** | **60,617** | **709,732** | **1,101,387** | **2,609,013** | **7,818,160** | **12,298,909** |
| *of which: from the insurance company* | *57,254* | *458,161* | *807,711* | *724,223* | *2,846,344* | *4,893,693* |

- Other information

  – Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets designated at fair value through profit or loss and the portfolio of financial assets at fair value through other comprehensive income matches the carrying amount indicated above.

    Note 26 specifies the valuation methodology of the portfolio of financial assets at amortised cost, in which it is observed that the fair value detailed does not differ significantly from the carrying amount. The fair value associated to the sovereign risk is obtained via valuation techniques from level 1 (the description of them is given in Note 26).

  – The effect of a rise of 100 basis points in the interest rate would have an effect on the fair value of -5.13% (-5.85% in 2020).

*3.9.4 Reputational risk management*

Reputational risk is defined as the unfavourable impact that an event may cause in the corporate reputation of the entities that form part of the Group. It is associated to a negative perception on behalf of the stakeholders (customers, employees, company in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that affects the capacity of the Group to maintain the existing business relationships or establish new ones.

The management of this risk aims at protecting one of the main intangible assets, corporate reputation, by preventing events that may have an adverse effect.

Reputational risk has a wide relationship with the rest of the risks due to the amplifying effect that it can have on them. In the majority of the occasions, reputational risk appears due to the materialisation of other risks that could affect any of the entities of the Group, especially with the regulatory risk or regulatory incompliance (imposing sanctions, especially in the case that they were presented to the public). To do so, the policies and procedures directed at ensuring the compliance of the applicable regulations, whether internal or external, are added.

Additionally, and as a key function of control, to mitigate the risk of suffering possible negative impacts derived from regulatory incompliance, the Company and different financial institutions of the Group have a verification function for regulatory compliance, with supervisory powers in areas especially relevant such as the prevention of money laundering and terrorism financing, the protection of the investor in the sale of financial instruments and lending of investment services (MIFID), the behaviour regulations in the area of Stock Market, the regulations on communication of transactions suspected of abusing the market, etc.

The Group grants, therefore, the maximum relevancy to the management of the corporate reputation as a method to prevent, avoid and/or manage possible reputational risks, and for its positive impact on the creation of value. Reputation metrics are constructed and regularly measured so as to monitor the perception of the Company by the general public, customers and employees and the Group's evolving footprint in social media. The results are the basis for identifying strong points, improvement areas, possible focuses for reputational risk and to elaborate the action plans to improve the reputation.

In 2021, the Group continued to measure its reputational risk, identifying strengths and areas for improvement and continuing action plans to enhance its reputation involving the Group's main areas.

### 3.10 Climate risk management

Ibercaja is working on the inclusion of the ESG factors in the admission and monitoring of credit risk, in line with the EBA Guidelines on the Arrangement and Monitoring of Loans, which defines the internal governance mechanisms and procedures of financial institutions in relation to loan transactions and concessions. In this regard, it included in its admission policies an analysis of the potential impact of ESG factors, both in aspects that may mark an inherent risk (activity sector, the geographical area of the operations, etc), as well as in other idiosyncratic aspects of the counterparties (internal policies, mitigation measures, penalties and/or disputes, sustainable investment plans, etc.). In aspects relating to the monitoring of the production activity portfolio, monitoring will commence of the changes in the exposure of the Ibercaja Group to those sectors that may have a greater ESG risk, in particular, to climate change risks.

In this vein, Ibercaja has worked on the development of an Exclusions Policy that limits the impact of the ESG factors on the Entity's credit risk.

This work will continue in 2022 to completely integrate the ESG risks in the area of management activity and control thereover.

In this same vein, the asset managers of the Financial Group (Ibercaja Pensión and Ibercaja Gestión), committed to the development of society and the care and protection of the environment through socially responsible investment, are developing an internal and progressive model of investment selection and the management of non-financial risks that is being incorporated into the traditional essential analysis. Likewise, in 2021, the following policies were approved:

- Sustainability Policy, to evidence and formalise the commitment of the Financial Group with sustainable development and value creation through its activity and to establish the global action framework for the Group in matters of sustainability, containing the commitments voluntarily assumed to promote long-term sustainable, inclusive and environmentally-friendly growth, with a long-term vision (Regulation (EU) 2019/2088).

- The Sustainability Risk Integration Policy, which establishes the principles, processes and governance framework, governing ESG risk integration in the investment decisions.

- Exclusions Policy, to ensure that the investment policies are not exposed to unethical, irresponsible or unsustainable activities, and to contribute to the attainment of the UN Sustainable Development Goals (ODS) in the framework of the ESG Risk Integration Policy.

- Adverse Incident Policy for the identification, analysis and management of the impacts of the investment decisions that may have negative effects on sustainability factors (EU Regulation 2019/2088).

- Implication Policy, including the general principles, criteria and procedures to foster the long-term involvement of shareholders in listed companies (RDL 4/2015)".

With regard to liquidity management risk, the decline in value of additional liquid assets for ESG assets was included as a novelty (including climate and environmental risks) within the main types of risk.

In the area of market risk management, work was carried out in the sphere of portfolio management, through the monitoring of indicators that define ESG criteria (which include aspects related with climate and environmental risks) and certain asset selection criteria that enable private fixed income and equity portfolios to be characterised.

Lastly, in the area of operational risk, the Entity has adapted the Operational Risk Management Framework, allowing consideration of the ESG factors by including climate and environment risk among the operational risks. Likewise, the Entity updated the operational risk map by including an identification of physical risks in the area of climate and environmental risks, also including them in the assessment tools.

## 4. Appropriation of profit and earnings per share

### 4.1 Appropriation of profit

The proposed appropriation of the profit of Ibercaja Banco, S.A. from the 2021 financial year, which the Board of Directors will propose for its approval to the General Shareholders' Meeting, and that which was approved from the 2020 financial year are the following:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Distribution | | |
| To dividends: | 98,140 | 3,849 |
| To retained earnings: | 26,175 | 4,122 |
| *Legal reserve* | - | - |
| *Capitalisation reserves (*)* | *1,825* | - |
| *Voluntary reserve* | *24,350* | *4,122* |
| **Profit/(loss) for the year** | **124,315** | **7,971** |

(*) This reserve will be unavailable for the period, with the conditions and exceptions envisaged in article 25 of Corporation Tax Law 27/2014, of 27 November,

As a consequence of the economic impacts generated by COVID-19, and with the aim of preserving the regulatory capital of credit institutions, the European Central Bank issued a recommendation on 27 March 2020 urging European banks under its supervision, including Ibercaja Banco, to refrain, at least until 1 October 2020, from distributing dividends or entering into irrevocable commitments to distribute dividends for 2019 and 2020, as well as from buy back shares to remunerate shareholders. This recommendation was updated on 27 July 2020, extending the limitation until 1 January 2021.

Subsequently, on 15 December 2020, the European Central Bank again amended its recommendation, urging banks to be very prudent in deciding on dividend amounts or buy back shares to remunerate shareholders until 30 September 2021. It also urges credit institutions that intend to implement dividend or share buy-back measures to remunerate shareholders to contact their joint supervisory teams, in the framework of the supervisory dialogue, to discuss the prudence of such measures.

It should be noted that during the second semester of 2021, the European Central Bank has decided, in view of the improvement in the Eurosystem's macroeconomic expectations for the period 2021-2023, not to extend this recommendation on dividend payouts, urging, however, banks to maintain prudence in deciding whether to distribute dividends or to buy back shares to remunerate shareholders and to consider the impact of variable remuneration payments on their ability to maintain a strong capital base.

The General Shareholders' Meeting of Ibercaja Banco held on 15 April 2021 approved the distribution of a dividend against 2020 results in the amount of 3,849 thousand euros, in full compliance with the aforementioned recommendations of the European Central Bank. The dividend was paid on 16 April 2021.

On 5 October 2021, the Board of Directors of Ibercaja Banco, taking into the account the aforementioned recommendations agreed, in accordance with the provisions of article 277 of the Corporate Enterprises Act, to distribute to the shareholders an interim dividend of 47,000 thousand euros in proportion to their respective holdings in the share capital of the Bank. This interim dividend was paid in full on 7 October 2021.

Below, is the accounting statement prepared in accordance with the legal requirements and which demonstrated the existence of sufficient liquidity to distribute the interim dividend approved:

| | Thousands of euros |
|---|---|
| **Profit before tax from 1 January 2021 to 31 August 2021** | **91,178** |
| Estimate of corporation tax. | (38,916) |
| Legal reserve | - |
| Attributed profit/(loss) | - |
| **Maximum amount of possible distribution** | **52,262** |
| **Amount to be distributed** | **47,000** |

| | Thousands of euros |
|---|---|
| **Balance in cash and cash equivalents at 1 January 2021** | **7,377,476** |
| Cash flows from operating activities | (1,660,791) |
| Cash flows from investing activities | (20,103) |
| Cash flows from financing activities | (16,099) |
| Effect of exchange rate fluctuations | - |
| **Balance in cash and cash equivalents at 31 August 2021** | **5,680,483** |
| Interim dividend distributed | (47,000) |
| **Balance in cash and cash equivalents at 31 August 2021 following the dividend distribution** | **5,633,483** |

Additionally, the Board of Directors will propose to the General Shareholders' Meeting that they agree to distribute a dividend out of 2021 profits for 98,140 thousand euros, taking into account that the shareholders have already been paid an interim dividend of 47,000 thousand euros, and 51,140 thousand euros were pending distribution.

### 4.2 Earnings per share

Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year by the weighted average number of outstanding shares, excluding the average number of treasury shares held, during that period.

Diluted earnings per share: for its calculation, both the amount of profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all dilutive effects inherent in potential ordinary shares (share options, warrants and convertible debt).

Basic and diluted earnings per share at 31 December 2021 and 2020 are detailed below:

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Earnings per share numerator** | | |
| Profit/(loss) attributed to the parent (thousands of euros) | 150,985 | 23,602 |
| Adjustment: Remuneration of other equity instruments AT1 (thousands of euros) | (17,150) | (17,150) |
| Adjusted profit (thousands of euros) | 133,835 | 6,452 |
| **Earnings per share denominator** | | |
| Average weighted number of shares | 214,427,597 | 214,427,597 |
| **Basic and diluted earnings per share (euros)** | **0.62** | **0.03** |

As at 31 December 2021 and 2020 there are no dilutive effects on the earnings per share calculation.

## 5. Information on the Board of Directors and Senior Management of the Parent

Under the provisions of the Bank of Spain Circular 4/2017, the “key management personnel and executives” of the Parent, are deemed to be those persons having authority and responsibility for planning, directing and controlling the activities of the Parent, directly or indirectly, including any member of the Board of Directors and Senior Management. By virtue of their positions, this group of persons is considered a “related party” and, as such, subject to the disclosure requirements described in this Note.

Persons who have certain kinship or personal relationships with “key management personnel and executives” are also considered related parties, along with controlling companies, with significant influence or significant voting rights from key personnel or any of the persons in their family environment. The transactions carried out by the Ibercaja Banco Group with related parties are disclosed in Note 43.

### 5.1 Remuneration to the Board of Directors of the Parent

The remunerations and other benefits received in 2021 by the members of the Board of Directors of the Parent, in their status as Directors or Secretary of the Board of Directors of the Parent is detailed below by item individually:

| | | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Members of the Board of Directors | Position | Remuneration | | Attendance fees | Life insurance premiums | Remuneration for membership on board committees | Other items | Total |
| | | Fixed | Variable | | | | | |
| José Luis Aguirre Loaso | Chairman | 361.0 | - | 33.6 | 15.3 | - | 6.9 | 416.8 |
| Jesús Bueno Arrese | First Deputy Chairman | - | - | 46.2 | 34.8 | - | 4.3 | 85.3 |
| Victor Iglesias Ruiz | Chief Executive Officer | 394.2 | 87.0 | 33.6 | 2.0 | - | 5.6 | 522.4 |
| Jesús Solchaga Loitegui | Member | - | - | 42.7 | - | 30.4 | 4.4 | 77.5 |
| Gabriela González-Bueno Lillo | Member | - | - | 25.2 | - | - | 1.9 | 27.1 |
| Vicente Cóndor López | Member | - | - | 49.7 | 5.3 | 45.6 | 3.5 | 104.1 |
| Jesús Tejel Giménez | Member | - | - | 49.7 | 3.7 | 45.6 | 5.6 | 104.6 |
| Félix Longás Lafuente | Member | - | - | 39.9 | 4.0 | - | 4.9 | 48.8 |
| José Miguel Echarri Porta (1) | Member | - | - | 4.9 | - | - | 0.1 | 5.0 |
| Enrique Arrufat Guerra | Member | - | - | 23.8 | 5.3 | - | 6.9 | 36.0 |
| María Pilar Segura Bas | Member | - | - | 35.7 | 2.8 | - | 5.6 | 44.1 |
| Jesús Barreiro Sanz | Non-Director Secretary | - | - | 66.5 | 5.7 | - | 6.9 | 79.1 |
| Emilio Jiménez Labrador (2) | Member | - | - | 38.5 | - | - | 0.5 | 39.0 |

(1) Director of the Parent appointed on 28 October 2021.
(2) Director of the Parent who resigned from his/her position on 28 October 2021.

The remunerations and other benefits received in 2020 by the members of the Board of Directors of the Parent, in their status as Directors or Secretary of the Board of Directors of the Parent is detailed below by item individually:

| | | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Members of the Board of Directors | Position | Remuneration | | Attendance fees | Life insurance premiums | Remuneration for membership on board committees | Other items | Total |
| | | Fixed | Variable | | | | | |
| José Luis Aguirre Loaso | Chairman | 360.9 | - | 28.0 | 13.8 | - | 6.7 | 409.4 |
| Jesús Bueno Arrese | First Deputy Chairman | - | - | 42.0 | 31 | - | 4.3 | 77.3 |
| Victor Iglesias Ruiz | Chief Executive Officer | 395.2 | 139.2 | 28.0 | 1.6 | - | 5.5 | 569.5 |
| Jesús Solchaga Loitegui | Member | - | - | 28.7 | - | 30.4 | 4.2 | 63.3 |
| Gabriela González-Bueno Lillo | Member | - | - | 17.5 | 6.5 | 19.0 | 1.8 | 44.8 |
| Vicente Cóndor López | Member | - | - | 44.8 | 4.8 | 45.6 | 3.0 | 98.2 |
| Jesús Tejel Giménez | Member | - | - | 41.3 | 3.4 | 26.6 | 5.5 | 76.8 |
| Félix Longás Lafuente | Member | - | - | 27.3 | 3.7 | - | 6.7 | 37.7 |
| Emilio Jiménez Labrador | Member | - | - | 42.7 | - | - | 0.6 | 43.3 |
| Enrique Arrufat Guerra | Member | - | - | 18.2 | 4.9 | - | 6.7 | 29.8 |
| María Pilar Segura Bas | Member | - | - | 23.1 | 2.3 | - | 5.5 | 30.9 |
| Jesús Barreiro Sanz | Non-Director Secretary | - | - | 52.5 | 5.1 | - | 6.7 | 64.3 |

In relation to the attendance fees to be received by the proprietary director appointed by the shareholder foundations Fundación Ordinaria Caja Badajoz and Fundación Caja de Ahorros de la Inmaculada de Aragón, it is hereby stated that:

- Generally, the attendance allowances are allocated, for the purposes of the above information, to the proprietary director appointed at the request of the mentioned shareholder foundation, although in the application of the sectoral legislation applicable to him, and inasmuch as the director is part of their governance and management bodies, they have been directly paid to the shareholder foundation.

In the section “Remuneration for membership on board committees”, the gross amounts accrued by the Chairmen of the internal committees of the Board of Directors are calculated.

In the section “Other concepts” the insurance premiums other than life insurance (health and accident) are included.

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

### 5.2 Remuneration of senior management of the Parent

For the purposes of preparing the consolidated financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee).

As at 31 December 2021, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management.

The remunerations accrued by Senior Management are shown in the following table, as was previously defined, for 2021 and 2020:

| | **Short-term remuneration** | | **Post-employment benefits** | | **Total** | |
|---|---|---|---|---|---|---|
| **Thousands of euros** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Senior Management | 2,555 | 2,626 | 223 | 184 | **2,778** | **2,810** |

In 2021 and 2020, remuneration for pensions or life insurance premiums were not registered in the year for former members of Senior Management.

Also, in relation to the Long-term Incentive Plan described in Note 2.5, 1,017 thousand euros accrued relating to senior management.

### 5.3 Duties of loyalty of the Directors

As at 31 December 2021, with respect to the requirements of articles 229 and 230 of the Corporate Enterprises Act, the members of the Ibercaja Banco Board of Directors, as well as the persons related thereto referenced in article 231 of the aforementioned Law, have confirmed that they do not carry out, on their own account or the account of others, activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company’s interests.

### 5.4 Transactions with significant shareholders

During 2021 and 2020, there have been no transactions outside the ordinary course of business or other than at arm’s length with significant shareholders, except:

- Service level agreement (legal, fiscal, technological, marketing, communication, etc. council) formalised with Fundación Bancaria Ibercaja for the amount of 142,194 euros (142,867 euros as at 31 December 2020).

- Rental of Ibercaja Banco property used by Fundación Bancaria Ibercaja to carry out its activities for the amount of 99,294 euros (149,559 euros as at 31 December 2020).

- Service level agreement (use and management of installations, artistic assets, etc.) by Fundación Bancaria Ibercaja to Ibercaja Banco for the amount of 1,006,829 euros (1,028,627 euros as at 31 December 2020).

All the operations to be formalised with the shareholder foundations are previously reported by the Audit and Compliance Committee and are subject to the approval of the Board of Directors of the Parent.

## 6. Cash and cash balances at central banks and other demand deposits

The balances in this consolidated balance sheet heading as at 31 December 2021 and 2020 were as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Cash | 221,486 | 239,019 |
| Cash balances at central banks | 5,961,332 | 7,079,491 |
| Other demand deposits | 205,806 | 254,099 |
| | **6,388,624** | **7,572,609** |

The average effective interest rate on debt instruments classified in this portfolio during 2021 was -0.39% (-0.32% during 2020).

## 7. Financial assets and liabilities held for trading

### 7.1 Breakdown of the balance and maximum credit risk - debit balances

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **By geographical areas** | | |
| Spain | 2,467 | 4,869 |
| Rest of the countries in the European Monetary Union | 358 | 518 |
| Rest of Europe | 39 | - |
| Rest of the world | - | 116 |
| | **2,864** | **5,503** |
| **By counterparty classes** | | |
| Credit institutions | 1,035 | 2,138 |
| Other resident sectors | 1,829 | 3,365 |
| | **2,864** | **5,503** |
| **By type of instrument** | | |
| Debt securities | - | - |
| Derivatives not traded in organised markets | 2,864 | 5,503 |
| | **2,864** | **5,503** |

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

### 7.2 Breakdown of the balance - credit balances

The financial liabilities included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **By geographical areas** | | |
| Spain | 7,828 | 4,001 |
| Rest of the countries in the European Monetary Union | 408 | 436 |
| Rest of the world | 539 | 1,193 |
| | **8,775** | **5,630** |
| **By counterparty classes** | | |
| Credit institutions | 8,735 | 5,553 |
| Other resident sectors | 40 | 77 |
| | **8,775** | **5,630** |
| **By type of instrument** | | |
| Derivatives not traded in organised markets | 8,775 | 5,630 |
| *Of which: segregated embedded derivatives of hybrid financial instruments* | - | - |
| | **8,775** | **5,630** |

### 7.3 Financial derivatives held for trading

The details, by product type, of the fair and notional value of the financial derivatives held for trading as at 31 December 2021 and 2020 are shown below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Fair value | | | |
| | Tax receivables | | Tax payables | |
| | 2021 | 2020 | 2021 | 2020 |
| **Not matured foreign currency purchases and sales** | **245** | **400** | **-** | **-** |
| **Security/index options** | **-** | **-** | **377** | **377** |
| **Interest rate options** | **13** | **5** | **414** | **494** |
| **Other interest rate transactions** | **2,606** | **5,098** | **7,984** | **4,759** |
| Interest rate swaps (IRSs) | 2,606 | 5,098 | 7,984 | 4,759 |
| | **2,864** | **5,503** | **8,775** | **5,630** |

| | Thousands of euros | |
|---|---|---|
| | Notional | |
| | 2021 | 2020 |
| **Not matured foreign currency purchases and sales** | **142,104** | **26,148** |
| **Security/index options** | **7,550** | **7,550** |
| **Interest rate options** | **-** | **-** |
| **Security/index embedded derivatives** | **-** | **-** |
| **Other interest rate transactions** | **131,765** | **152,396** |
| Interest rate swap embedded derivatives | - | - |
| Retail market derivatives | 79,773 | 84,845 |
| Distribution of derivatives | 51,992 | 67,551 |
| | **281,419** | **186,094** |

In addition to the balances detailed in the previous table, the notional value of the securities options (credit balances) derived from the return guarantee granted by the Group to Investment Funds commercialised by it amounts to 639,778 thousand euros as at 31 December 2021 (811,107 thousand euros as at 31 December 2020).

## 8. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instruments:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **By geographical areas** | | |
| Spain | 1,669,715 | 827,953 |
| Rest of the countries in the European Monetary Union | - | - |
| Rest of Europe | - | 28,009 |
| **Total gross amount** | 1,669,715 | **855,962** |
| Accumulated negative changes in fair value due to credit risk from non-performing exposures | (1,278) | (2,241) |
| **Total net amount** | 1,668,437 | **853,721** |
| *of which: equity instruments related to the insurance activity* | *1,666,941* | *824,170* |
| *of which: debt securities related to the insurance activity* | - | *28,009* |
| | | |
| **By counterparty classes** | | |
| Credit institutions | - | 28,009 |
| Other resident sectors | 1,669,715 | 827,953 |
| | **1,669,715** | **855,962** |
| **By instrument type** | | |
| Debt securities | - | 28,009 |
| Credits and loans | 2,774 | 3,783 |
| Shares | - | - |
| Ownership interests in Investment Funds | 1,666,941 | 824,170 |
| | **1,669,715** | **855,962** |

The Group classifies financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities (“Unit linked”) measured at fair value, which make up almost the entire balance. The changes in “Holdings in the equity of Investment Funds” are due mainly to the acquisition of units (“Unit Linked”) in 2021, in accordance with the Group’s strategy of increasing the weight of these products with respect to traditional savings insurance, which gave rise to a net decrease in the liability heading of the consolidated balance sheet “Liabilities under insurance or reinsurance contracts”.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2020, under the “Debt securities” heading, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), decreased the value of the subordinated debt that it held in this entity, amounting to 10,350 thousand euros, reducing the carrying amount of this asset to zero. This decrease in fair value is recognised with a charge to “Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net” in the consolidated income statement.

In 2021, this subordinated debt was converted into registered shares of SAREB. The debt issue was fully redeemed and the new shares of the Company were classified under “Financial assets at fair value through other comprehensive income” on the consolidated balance sheet, without generating any impairment loss or effect on equity on the consolidated balance sheet or consolidated income statement, since both the issue and the Company’s shares had been fully impaired by then.

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 0.60% (0.24% during 2020).

## 9. Financial assets at fair value through profit or loss

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **By geographical areas** | | |
| Spain | 4,596 | 5,473 |
| Rest of the countries in the European Monetary Union | 2,855 | 3,129 |
| | **7,451** | **8,602** |
| **By counterparty classes** | | |
| Credit institutions | 1,173 | 1,186 |
| Resident public administrations | 4,596 | 5,473 |
| Non-resident public administrations | 1,682 | 1,943 |
| | **7,451** | **8,602** |
| **By instrument type** | | |
| Debt securities | 7,451 | 8,602 |
| | **7,451** | **8,602** |

The Group classifies to this portfolio the fixed-income assets that are managed jointly with insurance contract liabilities (“Unit linked”) measured at fair value.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

## 10. Financial assets at fair value through other comprehensive income

### 10.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **By geographical areas** | | |
| Spain | 4,668,272 | 5,205,938 |
| Rest of the countries in the European Monetary Union | 1,326,964 | 1,306,002 |
| Rest of Europe | 118,956 | 165,522 |
| Rest of the world | 354,593 | 352,478 |
| **Total gross amount** | **6,468,785** | **7,029,940** |
| (Impairment losses) | (4,751) | (6,612) |
| **Total net amount** | **6,464,034** | **7,023,328** |
| *of which: equity instruments related to the insurance activity* | *43,591* | *30,417* |
| *of which: debt securities related to the insurance activity* | *5,450,027* | *6,504,697* |
| **By counterparty classes** | | |
| Credit institutions | 465,202 | 616,258 |
| Resident public administrations | 4,071,726 | 4,418,272 |
| Non-resident public administrations | 663,709 | 419,972 |
| Other resident sectors | 358,671 | 497,111 |
| Other non-resident sectors | 909,477 | 1,078,327 |
| **Total gross amount** | **6,468,785** | **7,029,940** |
| **By type of instruments** | | |
| Debt securities: | 6,123,109 | 6,676,068 |
| *Public sector debt* | *3,925,799* | *4,264,454* |
| *Other public administrations* | *144,913* | *153,817* |
| *Foreign government debt securities* | *663,709* | *419,972* |
| *Issued by financial institutions* | *453,350* | *603,447* |
| *Other fixed-income securities* | *935,338* | *1,234,378* |
| Other equity instruments: | 345,676 | 353,872 |
| *Shares in listed Spanish companies* | *66,487* | *74,373* |
| *Shares in non-listed Spanish companies* | *134,389* | *136,796* |
| *Shares in listed foreign companies* | *85,049* | *84,606* |
| *Shares in non-listed foreign companies* | *45* | *45* |
| *Ownership interests in Investment Funds* | *46,031* | *48,583* |
| *Ownership interests in Venture Capital Funds* | *13,675* | *9,469* |
| **Total gross amount** | **6,468,785** | **7,029,940** |

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

At 31 December 2021 and 2020, “Other equity instruments” included the investment that the Bank holds in SAREB, which was fully impaired.

The entirety of losses from impairment related to the hedge against credit risk of debt securities, which are reversible, are detailed in the table above.

This heading includes a balance of 113,717 thousand euros (113,717 thousand euros at 31 December 2020) relating to the shareholding in Caser. In this respect, on 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (“Caser”), which represents 4.45% of the share capital and voting rights of this company. On 25 June 2020, Ibercaja obtained the pertinent regulatory authorisations to formalise the aforementioned sale, which materialised with an end price of 53 million euros. The recognition of this transaction led to a reclassification among Equity masses, from the “Other cumulative comprehensive income” to “Other reserves” amounting to 32 million euros. Ibercaja maintains a shareholding in Caser of 9.5%

The positive impact of this transaction on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio was 24 basis points.

Additionally, Ibercaja formalised an agreement for a modifying novation of its non-life insurance distribution contract on the same date with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.)

This novation has meant for Ibercaja, in addition to the full maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities as well as the collection of the variable payment for the total fulfilment of the Business Plan of the previous agency contract, which is settled with the signing of this new agreement.

Accordingly, at 31 December 2020, the Group recognised 15 million euros under "Other operating income" in the consolidated income statement (see Note 36), following the interpretation of the Spanish National Securities Market Commission regarding the application of IFRS 15 which, in this specific case, has a certain technical complexity, admitting different interpretations. The remaining amount of the initial fixed fee already paid, i.e. 55 million euros, is being accrued in the consolidated profit and loss account in accordance with the provisions of the aforementioned standard.

Finally, the signing of this contract will result in additional profit-sharing payments of up to 50 million euros over the next 10 years. Such receipts shall be recorded as revenue on an accruals basis.

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 1.65% (2.01% during 2020), which includes the effect of the revenue reversals from risk hedging for interest rate risk.

### 10.2 Impaired debt securities

At 31 December 2021 and 2020 there were no impaired debt securities.

### 10.3 Credit risk hedges and others

The changes in the impairment losses recognised to cover the credit risk of the debt instruments included in this portfolio in 2021 and 2020 are presented below:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Opening balance** | **6,612** | **7,999** |
| Transfer charged to profit for the year | 1,083 | 10,903 |
| Reversal of provisions taken to income statement | (2,970) | (9,603) |
| Amounts used | - | (3,257) |
| Exchange differences and other movements | 26 | 570 |
| **Closing balance** | **4,751** | **6,612** |
| Of which: | | |
| *- Individually determined* | - | - |
| *- Collectively determined* | *4,751* | *6,612* |

The impairment losses indicated in this Note are recognised in the consolidated income statement under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income)".

## 11. Financial assets at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2021 and 2020 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Debt securities (Note 11.2)** | 9,974,513 | 8,474,312 |
| **Loans and advances** | 31,014,887 | 31,252,513 |
| Credit institutions (Note 11.3) | 361,357 | 311,651 |
| Customers (Note 11.4) | 30,653,530 | 30,940,862 |
| | **40,989,400** | **39,726,825** |

## 11.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **By geographical areas** | | |
| Spain | 39,955,871 | 39,304,955 |
| Rest of the countries in the European Monetary Union | 1,172,761 | 70,310 |
| Rest of the world | 399,957 | 996,660 |
| **Total gross amount** | **41,528,589** | **40,371,925** |
| (Impairment losses) | (539,189) | (645,100) |
| **Total net amount** | **40,989,400** | **39,726,825** |
| *of which: debt securities related to the insurance activity* | *145,677* | *160,465* |
| *of which: loans and advances related to the insurance activity* | *3,555* | *28,428* |
| **By counterparty classes** | | |
| Credit institutions | 378,870 | 377,111 |
| Resident public administrations | 9,482,201 | 6,726,092 |
| Non-resident public administrations | 1,139,270 | 727,157 |
| Other resident sectors | 30,352,302 | 32,387,036 |
| Other non-resident sectors | 175,946 | 154,529 |
| **Total gross amount** | **41,528,589** | **40,371,925** |
| **By type of instruments** | | |
| Debt securities | 9,974,555 | 8,474,475 |
| Credits and loans | 29,235,037 | 29,633,919 |
| Reverse repurchase agreements | 1,615,394 | 1,727,248 |
| Other | 703,603 | 536,283 |
| **Total gross amount** | **41,528,589** | **40,371,925** |

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument, except for:

- The asset corresponding to the current value of the fees outstanding on financial guarantees, registered under "Other" (in the breakdown by instrument type), amounts to 1,558 thousand euros as at 31 December 2021 (1,456 thousand euros as at 31 December 2020). In Note 27.1, the nominal value of the financial guarantees is broken down, which implies the maximum level of exposure to the credit risk.

This item also includes the balances of "Other financial assets" detailed in notes 11.3 and 11.4.

- The assets transferred to securitisation funds that were not derecognised from the balance, in accordance with that stipulated in Note 2.8, shall be registered under heading "Credits and loans" (in the breakdown by instrument type) and as at 31 December 2021 they amounted to 2,115,334 thousand euros (2,441,430 thousand euros as at 31 December 2020), with their breakdown detailed in Note 27.5. The maximum level of exposure to credit risk is collected by the value of all the positions of the Group in the mentioned securitisation funds, which amounts to 2,010,108 thousand euros as at 31 December 2021 (2,249,870 thousand euros as at 31 December 2020). The amount of the bonds issued by the securitisation funds that were subscribed by third parties outside to the Group amounts to 258,354 thousand euros as at 31 December 2021 (326,522 thousand euros as at 31 December 2020), with their breakdown detailed in Note 19.4.

### 11.2 Debt securities

The breakdown by financial assets included in the debt securities category as at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Debt securities** | **9,974,555** | **8,474,475** |
| Impaired assets | - | - |
| **Total gross amount** | **9,974,555** | **8,474,475** |
| (Impairment losses) | (42) | (163) |
| **Total net amount** | **9,974,513** | **8,474,312** |

This heading includes, among others, SAREB bonds, with an irrevocable guarantee from the Spanish central government, whose nominal value at 31 December 2021 was 1,628,700 thousand euros (1,653,300 thousand euros at 31 December 2020).

In 2021, the Group sold a national public debt securities portfolio, for a nominal value of 320,000 thousand euros. The result of this transaction amounts to 18,686 thousand euros, which has been recognised under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost" in the condensed consolidated interim income statement (Note 34). This transaction is not considered to be significant, hence the business model under which the assets concerned are managed is not questioned, in accordance with IFRS 9 and the Group's policies and methodological manuals.

In 2020, the Group carried out a sales transaction of the national public debt securities portfolio for a nominal value of 1,381,770 thousand euros, of which 300,000 thousand euros were executed through a forward sale in the first quarter of 2021. This sales operation was performed as a response to the extraordinary circumstances of the COVID-19 pandemic and the unusual scale of the challenges posed. This extraordinary sale transaction is consistent with the business model under which the assets concerned are managed (Maintenance of financial assets to receive their contractual cash flows, Note 2.2.4), in accordance with IFRS 9 and the Entity's policies and methodological manuals. The result of this transaction amounted to 147,721 thousand euros, of which 114,619 thousand euros were recognised in 2020 and 33,102 thousand euros were recognised in 2021 under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost" in the consolidated income statement (Note 34).

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 0.63% (0.66% during 2020).

### 11.3 Credit institutions

The breakdown of the financial assets included in the "credit institutions" category at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Time or at notice:** | **3,227** | **106,391** |
| Reverse repurchase agreements | - | 106,391 |
| Other accounts | 3,227 | - |
| **Other financial assets:** | **358,041** | **205,394** |
| Cheques payable by credit institutions | 831 | 1,218 |
| Cash guarantees | 350,343 | 167,513 |
| Other items | 6,867 | 36,663 |
| **Impaired assets** | **-** | **-** |
| **Valuation adjustments** | **89** | **(134)** |
| **Total gross amount** | **361,357** | **311,651** |
| (Impairment losses) | **-** | **-** |
| **Total net amount** | **361,357** | **311,651** |

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 0.05% (0.06% during 2020).

### 11.4 Customers

The breakdown by financial assets included in the Loans and advances to customers category as at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Credits and loans** | **29,235,037** | **29,633,919** |
| Commercial loans | 562,519 | 450,769 |
| Loans secured with collateral | 20,085,277 | 20,754,757 |
| Other term loans | 6,521,467 | 6,240,819 |
| Finance leases | 452,226 | 463,997 |
| Receivables on demand and other | 803,795 | 633,133 |
| Impaired assets | 716,343 | 1,010,697 |
| Valuation adjustments | 93,410 | 79,747 |
| **Reverse repurchase agreements** | **1,615,394** | **1,620,857** |
| **Other financial assets** | **342,246** | **331,023** |
| Financial transactions pending settlement | - | 165 |
| Cash guarantees | 105,366 | 170,244 |
| Financial guarantee fees | 1,558 | 1,456 |
| Other items | 235,322 | 159,158 |
| **Total gross amount** | **31,192,677** | **31,585,799** |
| (Impairment losses) | (539,147) | (644,937) |
| **Total net amount** | **30,653,530** | **30,940,862** |

Finance leases in which the Group is the lessor are described below:

- The interest rate is variable.
- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise this purchase option, its value is recorded as a debt claim together with the rest of the minimum payments to be made by the lessee.

Details of finance leases for the year are as follows:

- At 31 December 2021, the gross investment totals 452,226 thousand euros (452,226 thousand euros at 31 December 2020).
- The present value of future minimum lease payments receivable during the non-cancellable part of the lease period (assuming that any existing rights to extend the lease or purchase options are not exercised) at 31 December 2021 is 163,682 thousand euros within one year (162,993 thousand euros in 2020), 246,104 thousand euros between one and five years (264,216 thousand euros in 2020) and 32,825 thousand euros at over five years (35,547 thousand euros in 2020).
- Unaccrued interest income totals 20,008 thousand euros in 2021 (22,373 thousand euros in 2020).
- The residual value of these leases amounts to 32,629 thousand euros at 31 December 2021 (36,732 thousand euros at 31 December 2020).
- Impairment adjustments to finance leases amount to 13,634 thousand euros at 31 December 2021 (18,190 thousand euros at 31 December 2020).

“Valuation adjustments” at 31 December 2021 included an amount of 22,317 thousand euros corresponding to the adjustment to the amortised cost of the covered assets pending accrual after the interruption of the macro-hedges described in Note 12.2 (31,262 million euros at 31 December 2020).

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 1.09% (1.24% during 2020).

### 11.4.1. Overdue, impaired and unimpaired assets

There follows a breakdown of credit to customers considered to be impaired because of credit risk at 31 December 2021 and 2020, classified according to the period elapsed since the maturity of the oldest unpaid amount of each transaction at those dates:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Not yet due | Up to 6 months | 6 to 9 months | 9 to 12 months | Over 12 months | Total |
| Balances as at 31 December 2021 | 118,042 | 51,965 | 29,675 | 29,100 | 487,561 | 716,343 |
| Balances as at 31 December 2020 | 142,193 | 48,278 | 45,422 | 50,962 | 723,842 | 1,010,697 |

The detail of the impaired assets by counterparty classes is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Resident public administrations | 178 | 1,246 |
| Other resident sectors | 712,870 | 1,005,184 |
| Other non-resident sectors | 3,295 | 4,267 |
| | **716,343** | **1,010,697** |

In general, the matured assets are not considered impaired until the length of service of the non-payment surpasses 90 days. The detail of the unimpaired matured assets by counterparty classes and length of service as at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Less than one month | 1 to 2 months | Between 2 months and 90 days | Total |
| Credit institutions | - | - | - | - |
| Resident public administrations | 8 | - | - | 8 |
| Other resident sectors | 18,425 | 5,830 | 2,781 | 27,036 |
| Other non-resident sectors | 47 | 3 | 14 | 64 |
| | **18,480** | **5,833** | **2,795** | **27,108** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Less than one month | 1 to 2 months | Between 2 months and 90 days | Total |
| Credit institutions | - | - | - | - |
| Resident public administrations | 68 | 73 | - | 141 |
| Other resident sectors | 23,903 | 4,923 | 3,768 | 32,594 |
| Other non-resident sectors | 49 | 13 | 11 | 73 |
| | **24,020** | **5,009** | **3,779** | **32,808** |

### 11.5 Credit risk hedges and others

The changes in the gross balance of financial assets included in this category in 2021 and 2020 are presented below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Gross balance at 1 January** | **37,683,374** | **1,677,854** | **1,010,697** | **40,371,925** |
| Transfers: | (153,385) | 105,720 | 47,665 | - |
| *from stage 1 to stage 2:* | *(749,085)* | *749,085* | - | - |
| *from stage 1 to stage 3* | *(46,816)* | - | *46,816* | - |
| *from stage 2 to stage 3* | - | *(66,624)* | *66,624* | - |
| *from stage 3 to stage 2* | - | *64,821* | *(64,821)* | - |
| *from stage 2 to stage 1* | *641,562* | *(641,562)* | - | - |
| *from stage 3 to stage 1* | *954* | - | *(954)* | - |
| Increases | 11,221,820 | 138,665 | 30,181 | 11,390,666 |
| Decreases | (9,499,405) | (362,397) | (221,257) | (10,083,059) |
| Transfers to write-offs | - | - | (150,943) | (150,943) |
| Other movements | - | - | - | - |
| **Gross balance at 31 December** | **39,252,404** | **1,559,842** | **716,343** | **41,528,589** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Gross balance at 1 January** | **37,717,017** | **1,403,209** | **1,290,930** | **40,411,156** |
| Transfers: | (337,589) | 283,275 | 54,314 | - |
| *from stage 1 to stage 2:* | *(765,894)* | *765,894* | - | - |
| *from stage 1 to stage 3* | *(51,474)* | - | *51,474* | - |
| *from stage 2 to stage 3* | - | *(94,279)* | *94,279* | - |
| *from stage 3 to stage 2* | - | *89,769* | *(89,769)* | - |
| *from stage 2 to stage 1* | *478,109* | *(478,109)* | - | - |
| *from stage 3 to stage 1* | *1,670* | - | *(1,670)* | - |
| Increases | 10,529,728 | 327,290 | 39,446 | 10,896,464 |
| Decreases | (10,225,782) | (335,920) | (182,082) | (10,743,784) |
| Transfers to write-offs | - | - | (191,911) | (191,911) |
| Other movements | - | - | - | - |
| **Gross balance at 31 December** | **37,683,374** | **1,677,854** | **1,010,697** | **40,371,925** |

The changes in impairment losses recognised to cover the credit risk of financial assets included in this category in 2021 and 2020 are presented below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Balance at 1 January** | **52,154** | **132,330** | **460,616** | **645,100** |
| *Of which:* | | | | |
| *- Individually determined* | - | *12,270* | *97,105* | *109,375* |
| *- Collectively determined* | *52,154* | *120,060* | *363,511* | *535,725* |
| **Changes through profit or loss**: | **(75,682)** | **42,497** | **121,455** | **88,270** |
| Increases in origination | 37,576 | - | - | 37,576 |
| Changes due to changes in credit risk | (77,933) | 50,866 | 153,419 | 126,352 |
| Changes in calculation method | - | - | - | - |
| Other | (35,325) | (8,369) | (31,964) | (75,658) |
| **Changes other than through profit or loss**: | **69,577** | **(63,547)** | **(200,211)** | **(194,181)** |
| Transfers: | 69,577 | (63,547) | (6,030) | - |
| *from stage 1 to stage 2:* | *(17,275)* | *17,275* | - | - |
| *from stage 1 to stage 3:* | *(220)* | - | *220* | - |
| *from stage 2 to stage 3:* | - | *(11,735)* | *11,735* | - |
| *from stage 3 to stage 2* | - | *17,649* | *(17,649)* | - |
| *from stage 2 to stage 1* | *86,736* | *(86,736)* | - | - |
| *from stage 3 to stage 1* | *336* | - | *(336)* | - |
| Existing provisions utilised | - | - | (172,134) | (172,134) |
| Other movements | - | - | (22,047) | (22,047) |
| **Balance at 31 December** | **46,049** | **111,280** | **381,860** | **539,189** |
| *Of which:* | | | | |
| *- Individually determined* | - | *14,376* | *94,994* | *109,370* |
| *- Collectively determined* | *46,049* | *96,904* | *286,866* | *429,819* |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| **Balance at 1 January** | **60,248** | **65,200** | **516,940** | **642,388** |
| *Of which:* | | | | |
| *- Individually determined* | - | *10,109* | *124,634* | *134,743* |
| *- Collectively determined* | *60,248* | *55,091* | *392,306* | *507,645* |
| **Changes through profit or loss**: | **(67,638)** | **122,431** | **169,384** | **224,177** |
| Increases in origination | 31,715 | - | - | 31,715 |
| Changes due to changes in credit risk | (64,041) | 129,221 | 199,225 | 264,405 |
| Changes in calculation method | - | - | - | - |
| Other | (35,312) | (6,790) | (29,841) | (71,943) |
| **Changes other than through profit or loss**: | **59,544** | **(55,301)** | **(225,708)** | **(221,465)** |
| Transfers: | 59,544 | (55,301) | (4,243) | - |
| *from stage 1 to stage 2:* | *(19,448)* | *19,448* | - | - |
| *from stage 1 to stage 3:* | *(354)* | - | *354* | - |
| *from stage 2 to stage 3:* | - | *(16,947)* | *16,947* | - |
| *from stage 3 to stage 2* | - | *21,253* | *(21,253)* | - |
| *from stage 2 to stage 1* | *79,055* | *(79,055)* | - | - |
| *from stage 3 to stage 1* | *291* | - | *(291)* | - |
| Existing provisions utilised | - | - | (198,823) | (198,823) |
| Other movements | - | - | (22,642) | (22,642) |
| **Balance at 31 December** | **52,154** | **132,330** | **460,616** | **645,100** |
| *Of which:* | | | | |
| *- Individually determined* | - | *12,270* | *97,105* | *109,375* |
| *- Collectively determined* | *52,154* | *120,060* | *363,511* | *535,725* |

On 23 December 2021, Ibercaja Banco, S.A, formalised a sale contract for a doubtful loan book, with a nominal value of 51,260 thousand euros, in favour of LM IV B S,V and Axactor España S.L. The negative impact of the transaction, 9,623 thousand euros, is recognised under "Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss" in the consolidated income statement (Note 34).

The balance of provision utilisation in 2021 relates mainly to provisions covering transactions derecognised from the consolidated balance sheet amounting to 150,943 thousand euros (191,911 thousand euros in 2020). The balance of provision utilisation in 2021 also included provisions derecognised from the balance sheet covering the loan book referred to in the previous paragraph for 17,117 thousand euros.

"Other" includes releases generated by the write-downs of provisions for operations cancelled due to collections during the period.

The concept of "Other movements" includes the transfer of the non-performing loan allowance that the credit transaction had which were paid through the awarding or granting in payment for the overall or partial satisfaction of the debt, in accordance with the criteria described in Note 2.18.

The detail of the impaired losses by counterparty classes is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Resident public administrations | 178 | 821 |
| Other resident sectors | 535,716 | 641,948 |
| Other non-resident sectors | 3,295 | 2,331 |
| | **539,189** | **645,100** |

The various items recognised in 2021 and 2020 under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost" in the consolidated income statements for those years are presented below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Impairment losses credited to allowances for assets | 88,270 | 224,177 |
| Recovery of written-off assets | (8,375) | (5,831) |
| | **79,895** | **218,346** |

The movement of the consolidated Loans and receivables derecognised in 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Balances at the start of the year** | **631,126** | **818,454** |
| Use of the Accumulated impairment balance | 134,702 | 132,495 |
| Contractually required interests | 17,480 | 24,506 |
| Direct write-down to the profit and loss account | 7,698 | - |
| Main cash payment to the counterparties | (8,126) | (5,618) |
| Interest cash payment to the counterparties | (248) | (213) |
| Forgiveness | (30,456) | (66,975) |
| Limitation period | (777) | (384) |
| Foreclosure of tangible assets | - | (2,524) |
| Debt refinancing or restructuring | - | - |
| Sales | (3,624) | (268,615) |
| Other items | - | - |
| **Balance at the close of the year** | **747,775** | **631,126** |

"Sales" in 2020 mainly includes the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. The transaction resulted in a positive result of 3 million euros.

The accrued interest pending payment, registered in memorandum accounts, associated with impaired financial assets, amounts to 41,507 thousand euros as at 31 December 2021 (51,073 thousand euros as at 31 December 2020).

### 11.6 Impact of COVID-19 on classification and impairment of financial instruments (IFRS 9)

#### 11.6.1. Measures implemented to mitigate the impacts of COVID-19

Since the beginning of the pandemic, the Group has offered COVID-19 support measures to its customers, which consisted of both moratoriums of existing loans and new financing with public backing, protected in the following legislative packages and sector agreements, to thereby reach a higher number of parties affected by this health crisis.

On 18 March 2020, Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published. On 1 April, Royal Decree-Law 11/2020 of 31 March was published, adopting urgent additional measures in the social and economic sphere to deal with COVID-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it.

One of the measures developed by these Royal Decrees is aimed at ensuring the protection of mortgage debtors in a situation of economic vulnerability, establishing a moratorium on the payment of their mortgage on their principal residence, loans secured by real estate used for economic activity, those secured by housing that was intended to rent and in which the debtor has ceased to receive rent due to the COVID-19 situation, as well as loan and credit contracts without mortgage collateral, including consumer loans. Banks could enter into such transactions until 29 September 2020.

It should be noted that, after the close of the 2020 financial year and prior to preparing these consolidated annual accounts, Royal Decree-Law 3/2021 of 2 February was published, adopting measures to reduce the gender gap and other matters in the Social Security and economic fields, which includes the measure to extend the application period for moratoriums, in line with the extension of the effects of the pandemic. In this way, the beneficiaries of any moratoriums, whether legal or under a sector understanding, are allowed to take advantage of them for a maximum cumulative duration of nine months, including those who had initially requested a moratorium for a shorter period. The deadline to apply for these moratoriums was extended to 31 March 2021.

Another of the measures adopted in Royal Decree-Law 8/2020 addressed the difficult economic situation that companies and the self-employed would have to face as a result of the health crisis by creating a 100 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their liquidity needs. This line has been managed by the Official Credit Institute (ICO) and its objective was to facilitate granting sufficient liquidity to maintain employment and alleviate the economic effects of COVID-19. Institutions could enter into such transactions until 1 June 2021, provided that they did not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

Similarly, on 3 July 2020, Royal Decree-Law 25/2020 was published, approving the creation of a 40 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their needs for new investments. Institutions could enter into such transactions until 1 June 2021, provided that they did not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

In addition, the publication of Royal Decree-Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in the area of taxation, in addition to extending the application period for these publicly-guaranteed financing transactions until 1 June 2021, lays down an extension of the maturity and grace periods of these transactions for all debtors who so request. Specifically, the maturity of these transactions was be extended by a maximum of three years, provided that the total maturity of the guaranteed transaction does not exceed eight years from the date of the initial formalisation of the transaction, and the grace period for the repayment of the principal of the guaranteed transaction was increased by a maximum of twelve additional months, if the total grace period, taking into account the initial grace period, does not exceed twenty-four months.

Lastly, the Group adhered to the Sector Understanding on the deferral of financing operations for customers affected by the coronavirus crisis, approved by the Board of the Spanish Confederation of Savings Banks (CECA) and published on 16 April 2020. The purpose of this agreement was to establish the framework and general criteria for certain debtors affected by this health crisis to defer payment of mortgage loans or credits and personal loans or credits. Entities could enter into such transactions until 30 September 2020.

On 15 December 2020, CECA issued an addendum to the abovementioned Sector Understanding, adapting the term of the Sector Understanding until 30 March 2021, the latest date for submission of applications under this Sector Understanding, in line with the new provisions contained in the EBA/GL/2020/15 Guidelines.

Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in response to the Covid-19 pandemic extended until 31 December 2021 the application period for ICO Avales COVID-19 lines developed under Royal Decree-Law 8/2020 and Royal Decree-Law 25/2020, and approved three levels of possible action regarding financing guaranteed by the ICO to strengthen business solvency. The Resolution of the Council of Ministers of 11 May 2021 approved the Code of Good Practices, to which the Bank adheres, and on the basis of which the three possible levels of action regulated by this Royal Decree-Law are structured:

- Extension of the maturity of guarantees.
- Conversion of guaranteed financing into participating loans.
- Transfers for reduction of outstanding principal of guaranteed loans.

Lastly, the Agreement of the Council of Ministers of 30 November 2021 approved the extension of the request for guarantees granted to companies and self-employed workers until 1 June 2022.

The detail of these transactions at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2021 | | | | | | | | |
| | Total data | | | | | | Breakdown of outstanding amounts by risk stage | | |
| | Number of transactions granted | Balance granted | of which: legal moratoriums | of which: extended moratoriums | of which: expired moratoriums | Outstanding balance | Stage 1 | Stage 2 | Stage 3 |
| **Loans and advances subject to statutory and sectoral moratoria** | | | | | | | | | |
| Mortgage operations | 7,642 | 693,308 | 598,939 | 240,998 | 669,395 | 23,913 | 19,429 | 4,114 | 370 |
| Consumer finance | 363 | 3,615 | 3,385 | 1,400 | 3,407 | 208 | 139 | 26 | 43 |
| Other operations | 922 | 43,760 | 36,597 | 15,006 | 42,348 | 1,412 | 915 | 497 | - |
| **Total** | **8,927** | **740,683** | **638,921** | **257,404** | **715,150** | **25,533** | **20,483** | **4,637** | **413** |

| | Thousands of euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2020 | | | | | | | | |
| | Total data | | | | | | Breakdown of outstanding amounts by risk stage | | |
| | Number of transactions granted | Balance granted | of which: legal moratoriums | of which: extended moratoriums | of which: expired moratoriums | Outstanding balance | Stage 1 | Stage 2 | Stage 3 |
| **Loans and advances subject to statutory and sectoral moratoria** | | | | | | | | | |
| Mortgage operations | 7,353 | 688,112 | 607,058 | 232,826 | 348,039 | 340,073 | 241,165 | 89,479 | 9,429 |
| Consumer finance | 372 | 4,179 | 3,987 | 1,649 | 3,059 | 1,120 | 1,034 | 72 | 14 |
| Other operations | 939 | 49,130 | 41,414 | 14,813 | 24,194 | 24,936 | 20,783 | 3,651 | 502 |
| **Total** | **8,664** | **741,421** | **652,459** | **249,288** | **375,292** | **366,129** | **262,982** | **93,202** | **9,945** |

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31/12/2021 | | | | | | |
| | Total data | | | | Breakdown of outstanding amounts by risk stage | | |
| | Number of transactions granted | Amount granted | Amount guaranteed | Outstanding balance | Stage 1 | Stage 2 | Stage 3 |
| **COVID-19 ICO Guarantees** | **19,643** | **2,137,350** | **1,286,160** | **1,667,880** | **1,365,390** | **270,266** | **32,224** |
| Self-employed | 3,754 | 85,507 | 57,087 | 71,371 | 59,720 | 10,263 | 1,388 |
| SMEs | 14,694 | 1,628,893 | 999,735 | 1,267,287 | 1,043,435 | 197,946 | 25,906 |
| Other corporations | 1,195 | 422,950 | 229,338 | 329,222 | 262,235 | 62,057 | 4,930 |

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| | 31/12/2020 | | | | | | |
| | Total data | | | | Breakdown of outstanding amounts by risk stage | | |
| | Number of transactions granted | Amount granted | Amount guaranteed | Outstanding balance | Stage 1 | Stage 2 | Stage 3 |
| **COVID-19 ICO Guarantees** | **17,082** | **1,829,587** | **1,089,024** | **1,454,067** | **1,272,178** | **179,493** | **2,396** |
| Self-employed | 3,619 | 80,685 | 57,417 | 73,451 | 72,766 | 607 | 78 |
| SMEs | 12,804 | 1,417,729 | 856,006 | 1,111,003 | 953,368 | 155,398 | 2,237 |
| Other corporations | 659 | 331,173 | 175,601 | 269,613 | 246,044 | 23,488 | 81 |

In addition to these support operations established in legal and sector-wide frameworks, the Group, in its desire to help its customers overcome this crisis, has renegotiated certain financial lease operations whose holders had accredited correct compliance with their financial obligations and who, as a result of COVID-19, are experiencing temporary financial difficulties. Until 31 December 2021, the Group had granted 290 transactions of this type (285 transactions at 31 December 2020), whose outstanding balance amounted to 271 thousand euros (2,170 thousand euros at 31 December 2020),

All the operations described above have been carried out in accordance with the provisions of the regulations of the Royal Decrees, as well as the guidelines and sector understandings.

The characteristics of the financial instruments under which these mitigation measures have been implemented are as follows:

- **Legal moratorium:** entails the suspension of the mortgage debt for a period of three months and the consequent non-application, during the period of validity of the same, of the early maturity clause that, where applicable, was included in the mortgage loan contract. During the period of validity, the Entity may not demand payment of the mortgage instalment, nor of any of the items comprising it (amortisation of the capital or payment of interest), either in full or as a percentage. Until 31 December 2021, legal moratorium measures have been formalised affecting 7,760 transactions, whose outstanding risk exposure amounts to 17,173 thousand euros (7,695 transactions with an outstanding risk of 39,743 thousand euros as at 31 December 2020). In accordance with IFRS 9, these measures have resulted in a non-substantial modification of the contract and therefore the affected assets have not been derecognised, although the Group has recognised the adjustment to the carrying amount of these assets as a result of the change in cash flows under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement in 2021 and 2020 was not significant.

- **Sectoral moratorium:** In this moratorium, the repayment of the principal of the loan is deferred for the term of the loan, although the customer will pay interest on the outstanding principal during this period. The term of the moratorium is a maximum of 12 months for mortgage loans or credits, and a maximum of 6 months for personal loans or credits. In the case of customers who are granted this moratorium after having exhausted the legal moratorium granted, the maximum term of the sectoral moratorium shall be reduced by the term of the legal moratorium. At 31 December 2021, the Group had formalised sectoral moratorium measures affecting 3,808 transactions, of which 2,641 transactions have been formalised after the customer has exhausted the legal moratorium granted, with the outstanding risk of transactions with this type of moratorium in force amounting to 8,360 thousand euros (3,645 transactions, of which 2,676 transactions have been entered into after the customer has exhausted the legal moratorium granted, bringing the outstanding risk of transactions with this type of moratorium in force to 326,386 thousand euros as at 31 December 2020).

- **COVID-19 ICO Lines:** Royal Decree-Law 8/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 100 billion euros in guarantees for financing granted by credit institutions to meet their needs arising from invoice management, working capital requirements, financial or tax obligations, payment of employee salaries or other liquidity needs that allow them to maintain economic activity. Companies and the self-employed have access to these guarantees, through the formalisation of new financing operations or the renewal of existing ones. As at 31 December 2020, the lines of guarantees activated by the Government now total the 100 billion euros set out in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers on 24 March, 10 April, 5 May, 19 May 2020 and 16 June. Of these total amounts, 67.5 billion euros have been earmarked for SMEs and the self-employed, 25 billion euros to other companies, 4 billion euros for issuing promissory notes, 2.5 billion euros for SMEs and the self-employed in the tourism sector and related activities, 500 million euros for the self-employed and companies for the acquisition or financial or operational leasing of road transport motor vehicles for professional use and 500 million euros for CERSA (Compañía Española de Reafianzamiento, S.A.)

  Additionally, Royal Decree-Law 25/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 40 billion euros in guarantees for financing granted by credit institutions to mainly meet their financial needs arising from new investments. Companies and the self-employed have access to these guarantees, through formalising new financing operations. Until 31 December 2021, the Government activated six tranches of this line of guarantees, some of which will be managed by the ICO, for a total of 26.8 billion euros, approved by the Council of Ministers on 28 July, 24 November, 22 December 2020 and 28 May 2021, the total amounts of which are earmarked for 15 billion euros for SMEs and the self employed, 8 billion euros for other companies, 2.5 billion to guarantee financing operations for companies and the self-employed that are in the process of executing an insolvency agreement within an insolvency proceeding (but are up to date with their obligations under the agreement and can prove this by means of a court or administrator's report), 250 million euros to guarantee promissory notes issued on the MARF (Mercado Alternativo de Renta Fija) by companies that could not benefit from the tranche available under the first line as they were in the process of renewing their promissory note programme, 500 million euros to meet the investment and liquidity needs of SMEs and the self-employed in the tourism, hospitality and related activities sector, and 500 million euros to strengthen CERSA's guarantees and increase the capacity of the MGSs.

  As at 31 December 2021, the number of transactions formalised by the Group for the self-employed, SMEs and other companies came to 19,643, with an outstanding balance of 1,667,880 thousand euros and an ICO guarantee amount of 1,286,160 thousand euros (17,082 transactions with an outstanding balance of 1,454,067 thousand euros and an ICO guarantee amount of 1,089,024 thousand euros at 31 December 2020).

The ICO Covid-19 guarantees do not affect the assessment of the significant increase in risk as this is assessed through the credit quality of the instrument. The Group considers that the COVID-19 ICO guarantees form a substantial part of the secured financing (full guarantee), as they are in any case new operations or renewals of existing credit lines with substantial modifications to the original terms and conditions. Therefore, the accounting treatment applied to them is based on the following assumptions in line with the specifications of IFRS 9: (i) the fee paid by the Group to the ICO is incorporated as an incremental cost in the calculation of the effective interest rate of the operation, and (ii) the flows expected to be obtained as a result of the execution of the guarantee are taken into account in the calculation of the expected loss on the transaction.

The Group has strengthened procedures both when granting moratoriums and for monitoring credit risk during the lifetime of the moratoriums and upon maturity. Transactions are analysed on the basis of the credit quality of the customer, without the granting of the moratorium in itself implying an automatic trigger for a significant increase in risk.

In addition, as evidence of payment no longer exists or has been reduced, the Group has introduced additional indicators to identify the significant increase in credit or impairment that may have occurred in certain transactions or groups of transactions and, where appropriate, they have been classified as Stage 2 or, where applicable, Stage 3.

In addition, account has been taken of the indications from the European Banking Authority (EBA) to not classify as refinancing moratoriums if they meet certain requirements. This is without prejudice to maintaining their status as refinancing if they were previously so classified or putting the exposure in the appropriate risk category as set out above.

Moreover, the accounting treatment of singular transactions, i.e. those not covered by the general frameworks described above, as well as of overdue arrears that have required additional support, is in line with the updated assessment of the customer's credit quality and the characteristics of the solution to be granted.

#### 11.6.2. Effect on rating by credit risk stages

In the current economic context arising from the COVID-19 health crisis, banking regulators and supervisors around the world have recommended making appropriate use of the flexibility implicit in the regulatory framework, without undermining the adequate identification and hedging of credit risk. In line with these guidelines and recommendations, the Group has adapted its criteria for classifying financial instruments by stage according to their credit risk. The aim is to avoid automatisms and to allow greater flexibility in the application of expert judgement for the credit risk classification of operations, including those affected by legal and sectoral moratoriums, those that have been subject to a guarantee from the COVID-19 ICO line, and the treatment of refinancing. Following on from this, the existence of liquidity difficulties of borrowers with a good payment behaviour would not automatically lead to the amendments of the operations motivated by the COVID-19 crisis being identified as refinancing or restructuring at the time they are granted. These transactions may remain classified as normal as long as there are no reasonable doubts about their repayment and there has been no significant increase in their credit risk.

The Group has considered these guidelines and recommendations in its criteria for determining whether there is a significant increase in risk in its lending exposures. Furthermore, based on the recommendations of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), and in order to distinguish between exposures affected by temporary liquidity constraints (according to ESMA) and those that are actually affected by a situation of significantly increased risk, the Group refutes the presumption that there is a significant increase in risk in the case of operations affected by legal and sectoral moratoria, for the entire duration of the moratorium. However, those operations affected by sectoral moratoriums more than three months old and for which a low capacity to overcome this crisis is determined, based on the credit risk monitoring carried out by the Group, will be considered to have produced a significant increase in risk, with their consequent classification at Stage 2.

In addition, based on the results of the credit risk monitoring analyses of its loan portfolio described in Note 11.6.3, the Group has considered the classification at Stage 2 of those exposures in companies (not individually significant, since these are analysed by means of an individualised expert analysis) belonging to economic sectors especially affected by the health crisis or which, within the credit risk monitoring carried out by the Group, have been determined to have a low capacity to overcome this crisis.

#### 11.6.3. Impact on credit risk impairment hedges

The current coronavirus pandemic (COVID-19) has continued to affect economic activity in 2021 due to the prolongation of containment measures. However, progress in the fight against the pandemic and the advance of the vaccination campaign, the improved capacity of economic agents to adapt to the pandemic, important additional fiscal policy measures, national and supranational policies, as well as the current recovery in demand are containing the impact on activity.

In this context, the Group, in its process of recalibrating the credit risk models in 2021, has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment coverage models. Hence, the probability of the occurrence of each scenario used was re-weighted (Note 2.3).

While in 2020, given the exceptional nature of the macroeconomic situation caused by COVID-19, in which unprecedented rates of falls and rebounds in the historical series of many variables have been observed and are estimated, the Group has considered, on the basis of the communications made by supervisors and supranational bodies to mitigate the treatment of short-term procyclicality in institutions' credit risk models, that, for those variables in which very distant peaks and troughs are reached, it is more prudent to draw up scenarios using the net effect of the variables, and it was thus decided to raise the probability of occurrence of the central scenario. Otherwise, in 2021, despite having reduced the level of uncertainty regarding the future economic forecasts, the Group has increased the weight of the pessimistic scenario, given the risks that have arisen especially during the last part of 2021, related with inflation, the supply chain and others of a geopolitical, which could delay the economic recovery and growth prospects of the projections issued by the European Central Bank or the Bank of Spain.

The main projected variables considered as at 31 December 2021 and 2020 are as follows:

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| **GDP growth** | | | |
| Base Scenario | 6.5% | 6.9% | 2.7% |
| Best-case scenario | 6.8% | 7.6% | 3.0% |
| Pessimistic scenario | 2.7% | 6.3% | 2.0% |
| **Unemployment rate** | | | |
| Base Scenario | 16.3% | 16.0% | 14.7% |
| Best-case scenario | 16.0% | 15.2% | 13.6% |
| Pessimistic scenario | 19.4% | 18.9% | 17.4% |
| **Interest rate** | | | |
| Base Scenario | (0.5%) | (0.4%) | (0.4%) |
| Best-case scenario | (0.5%) | (0.4%) | (0.4%) |
| Pessimistic scenario | (0.5%) | (0.5%) | (0.5%) |
| **House price growth** | | | |
| Base Scenario | 1.5% | 4.6% | 4.0% |
| Best-case scenario | 2.1% | 6.0% | 4.7% |
| Pessimistic scenario | (6.5) | 3.3% | 2.7% |

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| **GDP growth** | | | |
| Base Scenario | (11.4%) | 6.2% | 6.3% |
| Best-case scenario | (11.4%) | 8.6% | 5.6% |
| Pessimistic scenario | (11.5%) | 1.7% | 5.8% |
| **Unemployment rate** | | | |
| Base Scenario | 16.8% | 18.4% | 16.3% |
| Best-case scenario | 16.8% | 17.5% | 15.1% |
| Pessimistic scenario | 16.9% | 19.3% | 18.5% |
| **Interest rate** | | | |
| Base Scenario | (0.4%) | (0.4%) | (0.4%) |
| Best-case scenario | (0.4%) | (0.4%) | (0.4%) |
| Pessimistic scenario | (0.4%) | (0.6%) | (0.7%) |
| **House price growth** | | | |
| Base Scenario | (2.3%) | (1.8%) | (2.4%) |
| Best-case scenario | (2.3%) | (0.8%) | (2.7%) |
| Pessimistic scenario | (2.3%) | (9.7%) | (2.9%) |

The weighting of the scenarios for 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Best-case scenario | 10% | 10% |
| Base Scenario | 60% | 70% |
| Pessimistic scenario | 30% | 20% |

In addition, the Group analysed its loan portfolio taking into account the different types and segmentation of customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), their characteristics (companies, individuals, self-employed, etc.) as well as the sector to which each borrower belongs (CNAE). Following this analysis, it was concluded that there are economic sectors particularly impacted by the COVID-19 crisis, such as air transport, hotels, restaurants and tourism, for which the Group has to be particularly prudent in determining credit risk coverage.

In 2020, the Group recognised a non-recurring provision of 90 million euros, which was recorded for accounting purposes under the heading “Impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification - Financial assets at amortised cost”, 52 million of which has been recorded as a post model adjustment, in line with the multiple communications and recommendations of national and international regulators and supervisors regarding the treatment that credit entities must make to manage the credit risk of its financial assets faced with the high uncertainty existing at that moment of the pandemic, to cover the increase in credit risk of customers which are not in default at year-end 2021, but which, due to the persistent deterioration of the current macroeconomic situation, are expected to transition to Stage 2 in 2021, as the potential effect of the transitions between stages is not captured by the internal models.

Due to the extensions of the aforementioned governmental aid programmes and the recovery of economic activity, in 2021, there continued to be an absence of the default and stage transitions expected at 2020 year-end. This fact was evidenced in the analysis performed by the Entity regarding the operations of this type that have modified their Stage 1 accounting classification in December 2020 to Stage 2 in December 2021, observing that the impact on the impairment of these transactions amounted to approximately 6 million euros. This fact was ratified with the result of the recalibration of the models in 2021, especially in the company portfolio.

Therefore, at 2021 year-end, the Group maintained, due to prudence and faced with the validity and extension of the governmental support measures, an adjustment to the model of 52 million euros. The allocation of this subsequent adjustment to the stage and purpose model is explained on the basis of the progress of the transitions between stages of the moratorium and COVID-19 ICO operations observed in the Group during 2021 and in line with the loan portfolio change projections used in the Group’s Business Plan.

The breakdown by stage and by purpose of the subsequent adjustment to the model arranged by the Group for 31 December 2021 and 2020, due to the health crisis is presented below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Companies and self-employed | - | 28,933 | 19,614 | 48,547 |
| Mortgages to individuals | - | 3,453 | - | 3,453 |
| Other segments | - | - | - | - |
| **Total** | **-** | **32,386** | **19,614** | **52,000** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2020 | | | |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Companies and self-employed | - | 31,720 | - | 31,720 |
| Mortgages to individuals | - | 19,240 | - | 19,240 |
| Other segments | - | 1,040 | - | 1,040 |
| **Total** | **-** | **52,000** | **-** | **52,000** |

This post-model adjustment has a temporary nature, until the reasons for the post-model adjustment disappear or materialise,

The Group closely monitors the trend of both the sectors and the most relevant individual borrowers that could be affected by this crisis, in order to adapt its credit risk coverage to the different scenarios that may arise.

## 12. Derivatives - hedge accounting (assets and liabilities) and fair value changes of the hedged items in a portfolio with interest rate risk hedging

### 12.1 Derivatives - Hedge accounting

The breakdown, by product type, of the fair value of the financial derivatives designated as hedging instruments in fair value hedge and cash flow transactions at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Fair value | | | |
| | Tax receivables | | Tax payables | |
| | 2021 | 2020 | 2021 | 2020 |
| Interest rate swaps (IRSs) | 71,866 | 142,020 | 275,690 | 216,202 |
| | **71,866** | **142,020** | **275,690** | **216,202** |

The carrying amount shown in the previous table represents the maximum level of exposure to credit risk with respect to the financial instruments included therein, except for the derivative assets contracted in which there are netting or compensation agreements, and that also have a collateral agreement consisting of the formalisation of deposits for an amount equivalent to the net fair value of the derivative transactions, so that in the event of default of the derivative operations by one of the parties, the other party is not required to satisfy the obligations associated with the deposit.

The main variations of the “Derivatives – hedge accounting” heading relate to the arrangement of the financial swaps to cover the risks of bonds indexed to inflation.

The Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The breakdown of the carrying amount of the financial instruments associated with these agreements and asset and liability deposits that are generated with the counterparties (for both the hedging and trading derivatives that are detailed in Note 7.3), is as follows:

| | Thousands of euros | |
|---|---|---|
| | Instruments subject to offset arrangements. | |
| | 2021 | 2020 |
| Derivative assets | 250,311 | 25,283 |
| Derivative liabilities | 4,227 | 46,378 |

| | Thousands of euros | |
|---|---|---|
| | Deposits subject to derivative offset arrangements | |
| | 2021 | 2020 |
| Deposits recognised under assets | 4,150 | 70,217 |
| Deposits recognised under liabilities | 252,752 | 23,010 |

The purpose of all fair value hedges carried out by the Company is to hedge the risk of changes in the fair value of debt instruments, assets or liabilities issued at a fixed rate, due to changes in the reference interest rate. This risk is established in the increase of the fair value of the financial liabilities against reference interest rate decreases and decreases in the fair value of the financial assets in the event of their increases. To mitigate this risk, the Group arranges interest rate swaps, the value of which varies similarly and symmetrically to the changes in value of the hedged items.

The purpose of the cash flow hedges is to stabilise the impact on net interest income of interest associated with inflation-indexed public debt, eliminating the underlying risk of the benchmark index. To hedge this risk, interest rate swaps were arranged on the market that convert the issue’s inflation-indexed floating rate into a fixed rate.

In the event of ineffectiveness in fair value or cash flow hedges, the Bank mainly considers the following causes:

– Possible economic events affecting the Bank (e.g: default).

– Due to changes and possible differences with respect to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items, respectively.

– Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging instrument.

Note 3 analyses the nature of the Group’s main risks covered by these financial instruments.

A breakdown of the maturities of the notional amounts of the hedging instruments used by the Group at 31 December 2021 and 2020 is shown below:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | | | |
| | Up to 1 month | 1 to 3 months | Between 3 months and 1 year | 1 to 5 years | Over 5 years | Total |
| **Fair value hedges** | **21,000** | **950,000** | **705,128** | **1,372,650** | **365,000** | **3,413,778** |
| Interest rate swaps (IRSs) | **21,000** | **950,000** | **705,128** | **1,372,650** | **365,000** | **3,413,778** |
| Average interest rate | 1.25% | - | - | - | 0.03% | 0.04% |
| **Cash flow hedges** | **-** | **-** | **-** | **300,000** | **503,500** | **803,500** |
| Interest rate swaps (IRSs) | - | - | - | 300,000 | 503,500 | 803,500 |
| Average interest rate | - | - | - | - | - | - |

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Up to 1 month | 1 to 3 months | Between 3 months and 1 year | 1 to 5 years | Over 5 years | Total |
| **Fair value hedges** | **-** | **227,948** | **6,000** | **3,058,900** | **1,485,000** | **4,777,848** |
| Interest rate swaps (IRSs) | - | 227,948 | 6,000 | 3,058,900 | 1,485,000 | 4,777,848 |
| Average interest rate | - | 0.08% | 4.00% | 0.85% | 1.52% | 0.49% |
| **Cash flow hedges** | **-** | **-** | **200,000** | **-** | **423,500** | **623,500** |
| Interest rate swaps (IRSs) | - | - | 200,000 | - | 423,500 | 623,500 |
| Average interest rate | - | - | - | - | - | - |

A breakdown of the hedging instruments used by the Group at 31 December 2021 and 2020 is shown below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Notional | Assets | Liabilities | Change in the FV used to calculate hedging ineffectiveness |
| **Fair value hedges** | **3,413,778** | **67,361** | **(7,296)** | **(34,427)** |
| Interest rate swaps (IRSs) | 3,413,778 | 67,361 | (7,296) | (34,427) |
| **Cash flow hedges** | **803,500** | **4,504** | **(268,395)** | **(24,973)** |
| Interest rate swaps (IRSs) | 803,500 | 4,504 | (268,395) | (24,973) |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Notional | Assets | Liabilities | Change in the FV used to calculate hedging ineffectiveness |
| **Fair value hedges** | **4,777,848** | **122,347** | **(135,747)** | **(49,019)** |
| Interest rate swaps (IRSs) | 4,777,848 | 122,347 | (135,747) | (49,019) |
| **Cash flow hedges** | **623,500** | **19,673** | **(80,455)** | **8,551** |
| Interest rate swaps (IRSs) | 623,500 | 19,673 | (80,455) | 8,551 |

A breakdown of the items hedged the Group at 31 December 2021 and 2020 is shown below:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | | | |
| | Carrying amount of the hedged item | | Adjustment of cumulative FV in the hedged instrument | | Change in the FV used to calculate hedging ineffectiveness | Cash flow hedges reserve |
| | Assets | Liabilities | Assets | Liabilities | | |
| **Fair value hedges** | **220,699** | **3,167,360** | **(4,370)** | **(32,387)** | **34,233** | **-** |
| Transactions with clients | - | 163,462 | - | (1,709) | 2,132 | - |
| Loans | - | 2,053,898 | - | (29,557) | 44,503 | - |
| Fixed Income | 220,699 | - | (4,370) | - | (20,188) | - |
| Deposits taken (Money Market) | - | - | - | - | - | - |
| Equities | - | - | - | - | - | - |
| Savings demand deposit hedge | - | 950,000 | - | (1,122) | 7,786 | - |
| **Cash flow hedges** | **1,081,884** | **-** | **-** | **-** | **-** | **(24,973)** |
| Fixed Income | 1,081,884 | - | - | - | - | (24,973) |

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Carrying amount of the hedged item | | Adjustment of cumulative FV in the hedged instrument | | Change in the FV used to calculate hedging ineffectiveness | Cash flow hedges reserve |
| | Assets | Liabilities | Assets | Liabilities | | |
| **Fair value hedges** | **1,142,031** | **3,441,265** | **112,988** | **(86,809)** | **48,655** | **-** |
| Transactions with clients | - | 175,716 | - | (3,842) | (599) | - |
| Loans | - | 2,315,549 | - | (74,059) | 11,291 | - |
| Fixed Income | 1,142,031 | - | 112,988 | - | 26,408 | - |
| Deposits taken (Money Market) | - | - | - | - | 2,475 | - |
| Equities | - | - | - | - | 5,619 | - |
| Savings demand deposit hedge | - | 950,000 | - | (8,908) | 3,461 | - |
| **Cash flow hedges** | **701,929** | **-** | **-** | **-** | **-** | **8,551** |
| Fixed Income | 701,929 | - | - | - | - | 8,551 |

The following table shows the impact on the consolidated income statement and consolidated statement of other comprehensive income of the hedging relationships designated by the Group at 31 December 2021 and 2020:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Change in value of hedging instrument recognised in other comprehensive income | Ineffectiveness recognised in profit or loss | Amount reclassified from equity to profit or loss | |
| | | | *Hedging interruption* | *Recognition in profit or loss of the hedged transaction* |
| **Fair value hedges** | **-** | **(194)** | **-** | **-** |
| Transactions with clients | - | 72 | - | - |
| Loans | - | (76) | - | - |
| Fixed Income | - | (190) | - | - |
| Deposits taken (Money Market) | - | - | - | - |
| Equities | - | - | - | - |
| **Cash flow hedges** | **(29,572)** | **-** | **-** | **(25,465)** |
| Fixed Income | (29,572) | - | - | (25,465) |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Change in value of hedging instrument recognised in other comprehensive income | Ineffectiveness recognised in profit or loss | Amount reclassified from equity to profit or loss | |
| | | | *Hedging interruption* | *Recognition in profit or loss of the hedged transaction* |
| **Fair value hedges** | **-** | **(364)** | **-** | **-** |
| Transactions with clients | - | 205 | - | - |
| Loans | - | (20) | - | - |
| Fixed Income | - | (212) | - | - |
| Deposits taken (Money Market) | - | 162 | - | - |
| Equities | - | (499) | - | - |
| **Cash flow hedges** | **27** | **-** | **-** | **11,802** |
| Fixed Income | 27 | - | - | 11,802 |

At 31 December 2021 and 2020, there were no accounting hedges that failed the effectiveness test.

### 12.2 Fair value changes of the hedged items in a portfolio with interest rate risk hedging

As explained in Note 2.4, these gains or losses arising from changes in the fair value of the interest rate risk of the financial instruments effectively hedged in fair value macro-hedging transactions are charged or credited under these headings of the consolidated balance.

The breakdown of adjustments to financial assets and liabilities via macro-hedges at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Fair value | | | |
| | Tax receivables | | Tax payables | |
| | 2021 | 2020 | 2021 | 2020 |
| Mortgage loans | - | - | - | - |
| Financial liabilities | - | - | 17,758 | 37,593 |
| | **-** | **-** | **17,758** | **37,593** |

With respect to the assets affecting the micro-hedges, Banco Grupo Cajatres, S.A.U. signed an option contract on interest rates in 2012, for which it would pay the positive difference between the floor rate and Euribor rate at 12 months (or zero if this difference is negative) on the current notional in each period in 2013-2026. The starting and maximum notional value of the option amounted to 2.672 billion euros, covering the cost of the floor value included in the mortgage loans in the portfolio on interest rate variations. In 2015 the Group decided to interrupt the micro-hedge. The change to the amortised cost of the hedged assets on the hedge interruption date, for an amount of 140.9 million euros, is accrued over the initially designated hedging period. At 31 December 2021, the adjustment pending accrual amounts to 22.3 million euros (31.2 million euros at 31 December 2020) and has been recorded since the interruption of the hedge under the heading "Financial assets at amortised cost - Customers" on the asset side of the balance sheet (Note 11.4). The cancellation of the derivative with the counterparty was made on the same day.

The nominal amount of financial liabilities corresponding to own issues, covered bonds, deposits and transactions with customers, covered by interest rate swaps (IRSs), amounted to 375,897 thousand euros at 31 December 2021 (450,897 thousand euros at 31 December 2020).

At 31 December 2021 and 2020, there were no accounting hedges that failed the effectiveness test.

## 13. Investments in joint ventures and associates

### 13.1 Investments in associates

This heading of investments in associates in the consolidated balance sheets as at 31 December 2021 and 2020 is broken down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Equity instruments | 75,976 | 76,820 |
| (Impairment losses) | (128) | - |
| **Total net amount** | **75,848** | **76,820** |

The balance of "Investments in subsidiaries, joint ventures and associates – Associates" of the consolidated balance sheets as at 31 December 2021 and 2020 included goodwill associated with these investments. The breakdown of this goodwill, based on the entity in which they originated, is shown below:

| | Thousands of euros | |
|---|---|---|
| **Company** | **2021** | **2020** |
| Henneo | 11,149 | 11,149 |
| **Total net amount** | **11,149** | **11,149** |

The movement of the impairment losses of the associated entities in 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Opening balance** | **-** | **129** |
| **Net transfers** | **128** | **-** |
| Transfer charged to profit for the year | 128 | - |
| Recovered amount credited to profit for the year | - | - |
| **Recovered amount credited to profit for the previous years** | **-** | **-** |
| **Amounts used** | **-** | **(129)** |
| **Other movements** | **-** | **-** |
| **Closing balance** | **128** | **-** |

### 13.2 Investments in joint ventures

Appendices I and II show a breakdown of the investments in joint ventures held by the Group at 31 December 2021 and 2020, with related details.

There are no impairment losses or goodwill associated with these investments.

## 14. Assets under insurance or reinsurance contracts

As at 31 December 2021 and 2020, the entirety of the budget under this heading of consolidated balances corresponds to the profit-sharing of the reinsured policies.

The reconciliation between the opening and closing balances under this heading in 2021 and 2020 is as follows:

| | Thousands of euros |
|---|---|
| **Balances as at 31 December 2019** | **539** |
| Net transfers | (110) |
| **Balances as at 31 December 2020** | **429** |
| Net transfers | (39) |
| **Balances as at 31 December 2021** | **390** |

## 15. Tangible assets

Movements in this consolidated balance sheet heading in 2021 and 2020 are as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | For own use | Investment property | Assigned under operating lease | Total |
| **Cost** | | | | |
| **Balances at 1 January 2020** | **1,349,339** | **410,979** | **87,716** | **1,848,034** |
| Additions | 44,679 | 14,257 | 39,364 | 98,300 |
| Disposals due to sales or through other means | (56,013) | (39,314) | (33,973) | (129,300) |
| Other transfers and other movements | (6,894) | 1,466 | (3,554) | (8,982) |
| **Balances as at 31 December 2020** | **1,331,111** | **387,388** | **89,553** | **1,808,052** |
| Additions | 72,764 | 8,844 | 46,039 | 127,647 |
| Disposals due to sales or through other means | (54,508) | (26,346) | (34,717) | (115,571) |
| Other transfers and other movements | 13,953 | 9,045 | 6,610 | 29,608 |
| **Balances as at 31 December 2021** | **1,363,320** | **378,931** | **107,485** | **1,849,736** |
| | | | | |
| **Accumulated depreciation** | | | | |
| **Balances at 1 January 2020** | **(704,075)** | **(97,093)** | **(13,735)** | **(814,903)** |
| Disposals due to sales or through other means | 49,862 | 12,312 | 8,651 | 70,825 |
| Allowances recognised in profit or loss | (39,069) | (6,658) | (9,124) | (54,851) |
| Other transfers and other movements | 716 | (856) | 280 | 140 |
| **Balances as at 31 December 2020** | **(692,566)** | **(92,295)** | **(13,928)** | (798,789) |
| Disposals due to sales or through other means | 51,605 | 3,640 | 7,286 | 62,531 |
| Allowances recognised in profit or loss | (40,485) | (6,420) | (9,386) | (56,291) |
| Other transfers and other movements | (10,397) | 3,426 | - | (6,971) |
| **Balances as at 31 December 2021** | **(691,843)** | (91,649) | **(16,028)** | **(799,520)** |
| | | | | |
| **Impairment losses** | | | | |
| **Balances at 1 January 2020** | **(200)** | **(49,221)** | **-** | **(49,421)** |
| Transfer charged to profit for the year (Note 40) | (386) | (2,488) | - | (2,874) |
| Recovered amount credited to profits (Note 40) | - | 1,403 | - | 1,403 |
| Applications and other movements | 484 | 2,112 | - | 2,596 |
| **Balances as at 31 December 2020** | **(102)** | **(48,194)** | **-** | **(48,296)** |
| Transfer charged to profit for the year (Note 40) | (1,765) | (2,649) | - | (4,414) |
| Recovered amount credited to profits (Note 40) | - | - | - | - |
| Applications and other movements | (12,929) | 19,514 | - | 6,585 |
| **Balances as at 31 December 2021** | **(14,796)** | **(31,329)** | **-** | **(46,125)** |
| | | | | |
| **Net tangible assets** | | | | |
| **Balances as at 31 December 2020** | **638,443** | **246,899** | **75,625** | **960,967** |
| **Balances as at 31 December 2021** | **656,681** | **255,953** | **91,457** | **1,004,091** |

as at 31 December 2021, fully-amortised assets still in use amounted to 495,380 million euros (441,570 million at 31 December 2020).

In 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. availed themselves of the possibility offered by Article 9 of Law 16/2012 to update the tax value of property, plant and equipment, and certain buildings for own use and property investments were accordingly updated.

The amount of the tax update in Ibercaja Banco, S.A. amounted to 17,888 thousand euros, generating a share of 5% to be paid for this update, for an amount of 894 thousand euros. Given the revaluation of assets as a consequence of a tax law not permitted in the IFRS-EU, the carrying amount of the assets did not incur any variation in consolidated terms.

At Banco Grupo Cajatres, S.A.U., the amount of the tax update amounted to 36,094 thousand euros, generating a share of 5% to be paid for this update, for an amount of 1,805 thousand euros. However, given that the fiscally revaluated assets had already been revaluated for accounting purposes in 2010 when the Institutional Protection Scheme founded the Company, there was no increase in their carrying amount since the new tax value did not surpass the carrying amount before the update in any case.

In the Ibercaja Banco, S.A. individual financial statements of 2016, the information required by section 12 of article 9 of Law 16/2012 is set forth on the updated elements that were found in the Company equity.

### 15.1 Property, plant and equipment for own use

The breakdown, according to its nature, of the parties that include the balance under this heading of the consolidated balance as at 31 December 2021 and 2020 is the following:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation** | **Impairment losses** | **Net balance** |
| Computer equipment and installations | 238,430 | (196,531) | - | 41,899 |
| Furniture, vehicles and other installations | 388,009 | (335,069) | - | 52,940 |
| Buildings | 607,998 | (129,673) | (102) | 478,223 |
| Construction in progress | 8,230 | - | - | 8,230 |
| Use rights under lease | 88,444 | (31,293) | - | 57,151 |
| *of which: Branch offices* | *61,878* | *(25,908)* | - | *35,970* |
| *of which: Sale & lease-back* | *26,096* | *(5,241)* | - | *20,855* |
| *of which: Other* | *470* | *(144)* | - | *326* |
| **Balances as at 31 December 2020** | **1,331,111** | **(692,566)** | **(102)** | **638,443** |
| Computer equipment and installations | 216,220 | (165,913) | - | 50,307 |
| Furniture, vehicles and other installations | 369,204 | (313,859) | - | 55,345 |
| Buildings | 642,914 | (165,325) | (14,796) | 462,793 |
| Construction in progress | 4,689 | - | - | 4,689 |
| Use rights under lease | 130,293 | (46,746) | - | 83,547 |
| *of which: Branch offices* | *99,425* | *(37,266)* | - | *62,159* |
| *of which: Sale & lease-back* | *26,612* | *(8,016)* | - | *18,596* |
| *of which: Other* | *4,256* | *(1,464)* | - | *2,792* |
| **Balances as at 31 December 2021** | **1,363,320** | **(691,843)** | **(14,796)** | **656,681** |

No third party termination benefits were received in 2021 for asset impairment, and there were no pending termination benefits to be received as at 31 December 2020.

There are no significant material asset acquisition commitments for its own use or restrictions on its ownership as at 31 December 2021 and 2020.

### 15.2 Investment property

The rental income coming from the Group’s investment properties amounted to 3,905 thousand euros in 2021 (4,141 thousand euros in 2020) (Note 36), other related expenses amounted to 1,079 thousand euros (1,591 thousand euros in 2020) (Note 37) and operating expenses were incurred due to depreciation and amortisation in an amount of 6,420 thousand euros (6,658 thousand euros in 2020) (Note 15).

88% of the net carrying amount of the investment properties (84% in 2020) is based on appraisals made by experts with recognised professional capacity and recent experience in the location and category of the investment properties subject to assessment. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, Gesvalt, Gevasa, Instituto de Valoraciones and Eurovaloraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The following table displays a classification by type of asset of the investment properties. The carrying amount (excluding impairment losses) of these assets, which was valued by an independent surveyor, is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | carrying amount (without impairment losses) | | Of which: appraised by an independent appraiser | |
| | 2021 | 2020 | 2021 | 2020 |
| **Investment property** | **287,465** | **295,093** | **254,985** | **270,098** |
| Residential | 110,741 | 83,884 | 107,992 | 82,739 |
| Commercial and industrial | 175,043 | 206,325 | 145,312 | 182,475 |
| Agricultural | 1,681 | 4,884 | 1,681 | 4,884 |

The fair value calculated by independent appraisals for the assets amounts to 261,565 thousand euros at 31 December 2021 (288,222 thousand euros at 31 December 2020).

Appraisals of rental assets have a level 2 in the fair value hierarchy (Note 18).

There are no significant commitments for the acquisition or maintenance of investment properties, nor restrictions on their ownership as at 31 December 2021 and 2020.

### 15.3 Property, plant and equipment assigned under operating lease

The Group includes the assets associated with renting contracts under this heading, which amount to 91,457 thousand euros as at 31 December 2021 (75,625 thousand euros as at 31 December 2020). In 2021, the rental income coming from these assets amounted to 16,475 thousand euros (15,350 thousand euros in 2020) (Note 36) and operating expenses due to depreciation amounted to 9,386 thousand euros (9,124 thousand euros in 2020) (Note 15).

### 15.4 Impairment losses

In 2021, 1,765 thousand euros of impairment losses on property, plant and equipment for own use and 2,649 thousand euros of impairment losses on investment property were recognised (impairment losses of 386 thousand euros and 1,085 thousand euros in 2020, respectively) (Note 40).

## 16. Intangible assets

### 16.1 Goodwill

The breakdown of the parties that include the balance of this heading of the consolidated balance as at 31 December 2021 and 2020 is the following:

| | Thousands of euros | |
|---|---|---|
| **Company** | **2021** | **2020** |
| Banco Grupo Cajatrés, S.A.U. | 128,065 | 128,065 |
| Caja Badajoz Vida y Pensiones, S.A. de Seguros | 16,869 | 16,869 |
| | **144,934** | **144,934** |

On 23 May 2013, the market was notified that Ibercaja Banco, S.A.U., Banco Grupo Cajatres, S.A. and its respective shareholder savings banks had agreed the inclusion of the banks through a share exchange process and subsequent merger by absorption of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U.

On 25 July 2013, after satisfaction of the conditions precedent and the required administrative exemptions and authorisations having been secured, Ibercaja Banco became the owner of 100% of the share capital of Banco Grupo Cajatres, S.A. To this end, Ibercaja Banco carried out a 325.5 million euro capital increase subscribed for by the shareholders of Banco Grupo Cajatres, S.A. in exchange for all that bank's share capital. The new shareholders thereby obtained a joint holding of 12.20% in the share capital of Ibercaja Banco.

As a result of the difference between the consideration for the business acquired and the total at the acquisition date of the fair value of the assets and liabilities and the amount of the non-controlling interests, goodwill in the amount of 128,065 thousand euros was recognised in the consolidated financial statements. This goodwill takes into consideration, among other factors, the future results, the expected synergies of the combination of the acquirer and the acquiree and other intangible assets that do not qualify for separate recognition.

The goodwill associated with the company Caja Badajoz Vida y Pensiones, S.A. de Seguros was established as a consequence of the acquisition of 50% of this entity on 3 September 2014 that was not owned by the Group at the close of 2013.

This acquisition took place as part of the reorganisation of the Group's insurance business as a result of the takeover of Banco Grupo Cajatres, S.A.U. in 2013. In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (absorbed company) was merged by absorption into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Absorbing Company).

For the purposes of distributing the goodwill of that referred to in Note 2.16.1, in accordance with IAS 36 Impairment of Assets, the Group considered that there was only one cash-generating unit coinciding with the entirety of its balance, since the goodwill is controlled at the highest level for the purposes of internal management and there are no differentiated operational segments, in accordance with that indicated in Note 27.8. Ibercaja Banco has therefore been considered to be the cash-generating unit to which the goodwill is allocated.

The Group determines the recoverability of goodwill at the end of each reporting period in accordance with paragraph 96 of that IAS by comparing the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

The Group calculated the value in use by the cash-generating unit which constitutes Ibercaja Banco at the close of the year based on the valuation made by an independent expert (Deloitte Financial Advisory, S.L.U.) It was concluded that there was no need to record any impairment of the same.

In accordance with IAS 36, value in use has been calculated using discounted cash flows. The projected flows are the potentially distributable dividends based on the expected profit in an explicit 5-year projected scenario, net of compliance with the minimum solvency requirements defined by the supervisor. These flows have been discounted using market rates adjusted to the estimated cost of capital in accordance with the capital asset pricing model (CAPM) (Note 2.16).

The main criteria used to calculate value in use are as follows:

- Cash flows estimated from the Company's business plan
  - The net interest margin recovered as a result of a slight steepening of the yield curve.
  - Increase in asset management fees (unit trusts and pension plans) due to the rise in balances, which is explained by the strategy of transferring customers' savings from demand accounts.
  - Increase in bank fees, mainly those related to means of payment.
  - Reduction of the personnel and general expenses, as a consequence of the different rationalisation plans set in place by the Bank.
  - Normalisation of the allowance for asset impairments from 2023 after leaving behind the impact of COVID-19.

It should be noted that the projections for previous years have been reasonably met with the results obtained in those years. However, on occasions, the downward deviations from the projections for previous years arose mainly from differences between the actual rates and the rate curve used or from some extraordinary event that could not have been known at the time the projection was made (e.g. the sale of a loan portfolio or foreclosure, since they are made when there is a perceived appetite in the market and the market is not always able to anticipate it). With the exception of these cases, the Entity's projections do not usually show other significant downward deviations. However, in some cases, these downward deviations have been offset by upward deviations in other income statement headings, either due to improved income statement performance or to the use of levers to offset negative impacts. Nevertheless, the preparation of the projections has taken into account the strategic line set by the Entity, so that it follows a continuous and clearly defined path.

Additionally, the economic consequences of COVID-19, together with the measures adopted by the government to contain its spread, add further uncertainty to the projections of distributable flows, due to doubts about future changes in the main macroeconomic variables, and the Group has therefore been extremely prudent in its estimates.

Based on the foregoing, the impact of the COVID-19 contingency was absorbed in 2020. This negative impact was the result of the expected losses due to the impairment of loan portfolios until 2022, until reaching the highest increase in bad debts and due to the expected development of the pandemic and its macroeconomic effects, which the Group expects to leave behind in 2023.

In any event, the Group expects these provisions to revert, depending on how the situation evolves, to pre-pandemic levels, which has justified the accounting and prudential relaxation measures approved by the supervisors, as the true and fair view of a large part of the banking assets in the long term is not being called into question.

These effects should be contrasted with an interest margin generation capacity similar to that projected in the previous business plan, a context of low interest rates and the new conditions of the European Central Bank's TLTRO III programme, which, together with the increase in concessions guaranteed by the ICO, offset the lower accrual of interest income from doubtful investments.

- Discount rate

  The discount rate has been calculated on the basis of the capital asset pricing model (CAPM). In this formula, the following has been taken into consideration: a risk-free rate of 3.24% (3.1% in 2020), which, given the current sovereign debt rate environment, has been estimated from the normalisation of the Spanish 10-year bond; a beta adjusted by the Blume methodology of comparable listed companies taking the average monthly data of the last 5 years of 1.27 (1.16 in 2020), and a market risk premium of 4.9% (5.4% in 2020). Taking these factors into consideration, the discount rate calculated on the basis of profit after tax is 9.5% (9.8% in 2020), while the discount rate calculated on the basis of profit before tax is 13% (14% in 2020).

- Rate of growth in perpetuity of the cash flow starting in 2025.

  The rate has been set at 1.8% (1.7% in 2020), a level similar to Spain's long-term growth estimates.

A sensitivity analysis of the valuation to reasonably possible changes in the key valuation variables (perpetual growth rate of cash flows, discount rate, credit cost adjustments due to the effect of changes in government measures to combat COVID-19 and the time window of the cash flow projection) has been performed, noting that in no case would the calculated value in use be lower than the carrying amount of the cash-generating unit, which would imply impairment of the goodwill. The discount rate should vary at 418 bp (119 bp in 2020) so that, after incorporating the effects at the recoverable amount that are a consequence of this change to other variables, the value in use of the cash generating unit is equal to its value carrying amount.

### 16.2 Other intangible assets

The detail of this heading is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Cost | Accumulated depreciation | Impairment losses | Net balance |
| Computer software | 195,140 | (109,978) | (673) | 84,489 |
| Trademark | 7,500 | (7,500) | - | - |
| Customer relationships (Core deposits) of Banco Grupo Cajatrés, S.A.U. | 45,031 | (37,228) | - | 7,803 |
| Other | - | - | - | - |
| **Balances as at 31 December 2020** | **247,671** | **(154,706)** | **(673)** | **92,292** |
| Computer software | 237,763 | (117,539) | (673) | 119,551 |
| Trade mark | 7,500 | (7,500) | - | - |
| Customer relationships (Core deposits) of Banco Grupo Cajatrés, S.A.U. | 45,031 | (40,349) | - | 4,682 |
| Other | - | - | - | - |
| **Balances as at 31 December 2021** | **290,294** | **(165,388)** | **(673)** | **124,233** |

The "Trademark" includes the estimated value of the brands of the now extinct savings banks that gave rise to Banco Grupo Cajatrés, S.A. (CAI, Caja Círculo and Caja Badajoz).

The cost of the asset "Customer relationships with Banco Grupo Cajatrés, S.A.U." includes the net present value that, at the time of the acquisition of this entity, implies the saving of costs that the demand deposits and term of the this entity represent with respect to other alternative financing sources.

Movements in this consolidated balance sheet heading throughout 2021 and 2020 are as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | Computer software | Trade mark | Customer relationships of Banco Grupo Cajatres | Other | Total |
| **Cost** | | | | | |
| **Balances at 1 January 2020** | **162,637** | **7,500** | **45,031** | **-** | **215,168** |
| Additions | 32,821 | - | - | - | 32,821 |
| Disposals due to sales or through other means | (318) | - | - | - | (318) |
| Other transfers and other movements | - | - | - | - | - |
| **Balances as at 31 December 2020** | **195,140** | **7,500** | **45,031** | **-** | **247,671** |
| Additions | 42,623 | - | - | - | 42,623 |
| Disposals due to sales or through other means | - | - | - | - | - |
| Other transfers and other movements | - | - | - | - | - |
| **Balances as at 31 December 2021** | **237,763** | **7,500** | **45,031** | **-** | **290,294** |
| **Accumulated depreciation** | | | | | |
| **Balances at 1 January 2020** | **(105,148)** | **(7,500)** | **(34,108)** | **-** | **(146,756)** |
| Disposals due to sales or through other means | 117 | - | - | - | 117 |
| Allowances recognised in profit or loss | (4,947) | - | (3,120) | - | (8,067) |
| Other transfers and other movements | - | - | - | - | - |
| **Balances as at 31 December 2020** | **(109,978)** | **(7,500)** | **(37,228)** | **-** | **(154,706)** |
| Disposals due to sales or through other means | - | - | - | - | - |
| Allowances recognised in profit or loss | (7,561) | - | (3,121) | - | (10,682) |
| Other transfers and other movements | - | - | - | - | - |
| **Balances as at 31 December 2021** | **(117,539)** | **(7,500)** | **(40,349)** | **-** | **(165,388)** |
| **Impairment losses** | | | | | |
| **Balances at 1 January 2020** | **(673)** | **-** | **-** | **-** | **(673)** |
| Transfer charged to profit for the year | - | - | - | - | - |
| Recovered amount credited to profit for the year | - | - | - | - | - |
| Applications and other movements | - | - | - | - | - |
| **Balances as at 31 December 2020** | **(673)** | **-** | **-** | **-** | **(673)** |
| Transfer charged to profit for the year | - | - | - | - | - |
| Recovered amount credited to profit for the year | - | - | - | - | - |
| Applications and other movements | - | - | - | - | - |
| **Balances as at 31 December 2021** | **(673)** | **-** | **-** | **-** | **(673)** |
| **Net intangible assets** | | | | | |
| **Balances as at 31 December 2020** | **84,489** | **-** | **7,803** | **-** | **92,292** |
| **Balances as at 31 December 2021** | **119,551** | **-** | **4,682** | **-** | **124,233** |

At 31 December 2021, fully-amortised intangible assets still in use amounted to 113,642 thousand euros (113,642 thousand euros at 31 December 2020).

## 17. Other assets

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Accruals and deferred income | 49,341 | 35,938 |
| Inventories | 197,903 | 221,025 |
| Transactions in transit | 2,292 | 2,052 |
| Other | 7,011 | 9,434 |
| **Total gross amount** | **256,547** | **268,449** |
| (Impairment losses) | (108,250) | (112,923) |
| **Total net amount** | **148,297** | **155,526** |

Impairment analysed in the above table relates entirely to Inventories.

Movements in Inventories during 2021 and 2020 are as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | **Foreclosed assets** | **Other assets** | **Total** |
| **Cost** | | | |
| **Balances at 1 January 2020** | **152,006** | **88,892** | **240,898** |
| Additions | 562 | - | 562 |
| Disposals due to sales or through other means | (17,367) | (3,068) | (20,435) |
| Other transfers and other movements | - | - | - |
| **Balances as at 31 December 2020** | **135,201** | **85,824** | **221,025** |
| Additions | 143 | 219 | 362 |
| Disposals due to sales or through other means | (18,573) | (5,324) | (23,897) |
| Other transfers and other movements | 0 | 413 | 413 |
| **Balances as at 31 December 2021** | **116,771** | **81,132** | **197,903** |
| **Impairment losses** | | | |
| **Balances at 1 January 2020** | **(86,713)** | **(18,901)** | **(105,614)** |
| Transfer charged to profit for the year (Note 40) | - | (840) | (840) |
| Recovered amount credited to profits (Note 40) | 752 | - | 752 |
| Applications and other movements | (6,870) | (351) | (7,221) |
| **Balances as at 31 December 2020** | **(92,831)** | **(20,092)** | **(112,923)** |
| Transfer charged to profit for the year (Note 40) | (6,964) | (549) | (7,513) |
| Recovered amount credited to profits (Note 40) | - | - | - |
| Applications and other movements | 12,039 | 147 | 12,186 |
| **Balances as at 31 December 2021** | **(87,756)** | **(20,494)** | **(108,250)** |
| **Net inventories** | | | |
| **Balances as at 31 December 2020** | **42,370** | **65,732** | **108,102** |
| **Balances as at 31 December 2021** | **29,015** | **60,638** | **89,653** |

In inventories, all foreclosed assets consist of real estate.

The valuations of the above assets have been restated principally in the last year. The valuations have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets valued. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, Gesvalt, Gevasa, Instituto de Valoraciones and Eurovaloraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.
The breakdown of the inventory-related expenses for 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Costs to sell inventories sold during the year | 6,961 | 12,745 |
| Impairment losses on inventories (Note 40) | 7,513 | 88 |
| Impairment write-downs | 7,513 | 840 |
| Reversals of impairment write-downs | - | (752) |
| **Total net amount** | **14,474** | **12,833** |

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

At 31 December 2021 and 2020, this consolidated balance sheet item breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Foreclosed assets** | 271,339 | **314,769** |
| Residential | 230,889 | 273,984 |
| Industrial | 28,997 | 29,751 |
| Agricultural | 11,453 | 11,034 |
| **Other assets** | 38,898 | **64,806** |
| Residential | 30,728 | 39,983 |
| Industrial | 1,821 | 21,692 |
| Agricultural | 6,349 | 3,131 |
| **Total gross amount** | **310,237** | **379,575** |
| (Impairment losses) | (98,809) | (117,202) |
| **Total net amount** | **211,428** | **262,373** |

Movements in this consolidated balance sheet heading in 2021 and 2020 are as follows:

| | Thousands of euros | | |
|---|---|---|---|
| | Foreclosed assets | Other assets | Total |
| **Cost** | | | |
| **Balances at 1 January 2020** | **310,949** | **63,798** | **374,747** |
| Additions | 82,664 | 2,410 | 85,074 |
| Disposals due to sales or through other means | (78,844) | (1,402) | (80,246) |
| Other transfers and other movements | - | - | - |
| **Balances as at 31 December 2020** | **314,769** | **64,806** | **379,575** |
| Additions | 62,237 | 287 | 62,524 |
| Disposals due to sales or through other means | (105,667) | (6,341) | (112,008) |
| Other transfers and other movements | - | (19,854) | (19,854) |
| **Balances as at 31 December 2021** | **271,339** | **38,898** | **310,237** |
| | | | |
| **Impairment losses** | | | |
| **Balances at 1 January 2020** | **(104,598)** | **(2,940)** | **(107,538)** |
| Net transfer charged to profit for the year (Note 42) | (18,862) | 1 | (18,861) |
| Applications and other movements | 9,002 | 195 | 9,197 |
| **Balances as at 31 December 2020** | **(114,458)** | **(2,744)** | **(117,202)** |
| Net transfer charged to profit for the year (Note 42) | (28,452) | (2,714) | (31,166) |
| Applications and other movements | 49,844 | (285) | 49,559 |
| **Balances as at 31 December 2021** | **(93,066)** | **(5,743)** | **(98,809)** |
| | | | |
| **Net non-current assets held for sale** | | | |
| **Balances as at 31 December 2020** | **200,311** | **62,062** | **262,373** |
| **Balances as at 31 December 2021** | **178,273** | **33,155** | **211,428** |

The Group has a Realisation Plan for non-current assets held for sale, which includes the Sales financing policy. The Plan entails the collaboration of the estate agent network, the disclosure of specific information on the Company’s web page and the existence of a unit dedicated to the disposal of assets foreclosed as payment for debts.

According to the Group’s historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since the majority relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group’s historical experience would indicate in view of the market situation.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group’s interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset’s current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser’s present and future payment capacity is sufficient to repay the loan, and
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

In 2021, the Group financed 19.70% of sales (15.39% in 2020).

Loans granted during the year to finance sales of this type of assets amount to 14,097 thousand euros (7,676 thousand euros at 31 December 2020) and the accumulated amount of loans granted is 581,210 thousand euros (567,113 thousand euros at 31 December 2020).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance appraised by an independent appraiser is indicated.

| | Thousands of euros | | | |
|---|---|---|---|---|
| | carrying amount (without impairment losses) | | Of which: appraised by an independent appraiser | |
| | 2021 | 2020 | 2021 | 2020 |
| **Non-current assets held for sale** | **310,237** | **379,575** | **301,255** | **354,173** |
| Residential | 261,617 | 313,967 | 255,566 | 297,666 |
| Industrial | 30,818 | 51,443 | 28,748 | 43,203 |
| Agricultural | 17,802 | 14,165 | 16,941 | 13,304 |

The fair value calculated by independent appraisals for the assets amounts to 365,117 thousand euros at 31 December 2021 (400,420 thousand euros at 31 December 2020).

The Group has a corporate policy that ensures the professional competence, independence and objectivity of external appraisal companies, in accordance with the provisions of the regulations, which require appraisal companies to meet the requirements of neutrality and credibility so that the use of their estimates does not undermine the reliability of their appraisals. This policy establishes that all the appraisal companies with which the Group works must be registered with the Official Register of the Bank of Spain and their appraisals must be carried out in accordance with the methodology established in Order ECO/805/2003 of 27 March.

The appraisal techniques are used generally by all appraisal companies depending on the type of real estate asset. By regulatory requirement, these companies generally employ observable market data and other factors that market participants would consider in setting the price, limiting as much as possible the use of subjective considerations and unobservable or unverifiable data.

In order to determine the appraisal value, the necessary verifications are carried out to ascertain the characteristics and real situation of the object of the appraisal, which, in accordance with the provisions of the aforementioned Order, are as follows:

- The physical identification of the property, by means of its location and ocular inspection by a competent technician, verifying whether its surface area and other characteristics match the description in the documentation used to carry out the valuation, as well as the existence of visible easements and its apparent state of construction or conservation.

- The state of occupation of the property and the use or exploitation for which it is intended.

- In the case of housing, the public protection regime.

- The architectural heritage protection regime.

- The suitability of the property for the urban planning in force, and, if applicable, the existence of the right to the urban development that is being valued.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. Generally speaking, the residual method has been used to value land and the construction work underway, the discounted cash flow method for assets for rent and the comparison method for finished buildings and elements thereof. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer's industrial margin, to arrive at the price of the land. In those cases where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate (dynamic residual method).

The following steps are used to calculate the residual value using the dynamic calculation procedure: the cash flows are estimated, the discount rate is chosen and the calculation formula is applied. The following shall be taken as cash flows: the collections and, where applicable, the credit deliveries expected to be obtained from the sale of the property to be developed; and the payments expected to be made for the various costs and expenses during construction or refurbishment, including payments for the credits granted. These charges and payments will be applied on the dates foreseen for the marketing and construction of the property.

The following requirements must be met for the use of the residual method:

– The existence of adequate information to determine the most likely property development to be carried out under the applicable planning regime or, in the case of land with completed buildings, to check whether it complies with the planning regime.

– The existence of sufficient information on construction costs, necessary development costs, financial costs, if any, and marketing costs to enable an estimate to be made of the normal costs and expenses for an average developer and for a development of similar characteristics to the one to be developed.

– The existence of market information allowing for the calculation of the most likely selling prices of the elements included in the development or in the building at the dates foreseen for their commercialisation.

– The existence of sufficient information on the performance of similar developments.

In order to be able to apply the residual method using the dynamic calculation procedure, it will also be necessary to have information on the construction or renovation periods, the marketing of the property and, where appropriate, the urban development management and the execution of the development.

- Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and/or present rent, taking into account the return required on each type of asset.

  The calculation of the present value requires the valuer to estimate the cash flows, estimate the reversion value, choose the discount rate and apply the calculation formula.

  For the use of the updating method, at least one of the following requirements must be met:

  – There must be a rental market that is representative of comparable properties. In order to presume such an existence, there will be a need to have at least six pieces of rental income data on comparable properties that adequately reflect the current situation of this market and to have sufficient data on rental transactions or offers to identify suitable parameters to perform the homogenisation of rents on comparable properties.

  – The existence of a lease on the property under valuation.

  – The valued real estate is producing or is likely to produce income as real estate linked to an economic activity and there is also sufficient accounting data from the operation or adequate information on average structural ratios of the relevant branch of activity.

- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties, the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

  The following general rules are used to calculate the value by comparison:

  – The qualities and characteristics of the appraised property that influence its value are established. In the case of buildings of an historic or artistic nature, in order to establish these qualities and characteristics, the particular value of the elements of the building that give it that nature is also considered.

- The real estate market segment of comparable properties is analysed and, on the basis of concrete information on actual transactions and firm offers, corrected where necessary, current cash purchase prices for these properties are obtained.

- A representative sample of the prices obtained after the previous analysis is selected from among the prices corresponding to the comparable properties, to which the necessary homogenisation procedure is applied. In the selection process, those prices that are abnormal must first be compared in order to identify and eliminate both those from transactions and offers that do not meet the conditions required in the definition of the market value of the goods concerned and, in the case of a valuation for the purpose foreseen in the aforementioned Order, those that may include speculative elements.

- The comparable properties are homogenised using the criteria, coefficients and/or weightings that are appropriate for the property in question.

- The value of the property, net of marketing costs, is assigned on the basis of the homogenised prices, after deduction of the easements and limitations of ownership that apply to it and that have not been taken into account in the application of the preceding rules.

In order to use the comparison method, the following requirements must be met:

- There must be a representative market for comparable properties.

- Sufficient data on transactions or bids to be able, in the area concerned, to identify appropriate parameters to perform the homogenisation of comparable properties.

- Sufficient information on at least six transactions or offers of comparable properties that adequately reflect the current state of that market.

Hence, real estate assets awarded have a level 3 in the fair value hierarchy,

## 19. Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2021 and 2020 are as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Deposits** | **44,884,582** | **44,460,275** |
| Central banks (Note 19.1) | 5,871,128 | 5,371,202 |
| Credit institutions (Note 19.2) | 745,174 | 1,207,820 |
| Customers (Note 19.3) | 38,268,280 | 37,881,253 |
| **Debt securities issued (Note 19.4)** | **1,316,321** | **1,340,670** |
| **Other financial liabilities (Note 19.5)** | **1,084,210** | **826,435** |
| | **47,285,113** | **46,627,380** |

### 19.1 Deposits - Central Banks

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2021 and 2020 is shown below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| European Central Bank | 5,959,000 | 5,400,000 |
| Valuation adjustments | (87,872) | (28,798) |
| | **5,871,128** | **5,371,202** |

On 30 April 2020, the Governing Council of the European Central Bank made a number of amendments to the terms and conditions of these financing operations in order to further support the provision of credit to households and businesses to mitigate the economic effects of the health crisis. With the maturity of the TLTRO II programme (1,650,000 thousand euros), the Group participated in the fourth auction of the TLTRO III programme for an amount of 5,400,000 thousand euros maturing in 2023, which has been recorded under “Financial liabilities at amortised cost - Deposits at central banks” in the consolidated balance sheet. In addition, on 24 June 2021, the Group participated in the seventh auction of the TLTRO III programme for an amount of 559,000 thousand euros.

For institutions that meet a certain volume of eligible loans between 1 March 2020 and 31 March 2021, the ECB discounted the interest rate by 0.5% with respect to the average rate of the deposit facilities, reaching a total of -1% for the period from June 2020 to June 2021. Furthermore, these conditions were extended on 10 December 2020, establishing, in addition to the above, that, if a certain volume of eligible loans is met between 1 October 2020 and 31 December 2021, the -1% interest rate may be applied for the period between June 2021 and June 2022.

Institutions shall have the option to repay the financing early one year after the settlement of each transaction, on a quarterly basis.

In accordance with point B5.4.4 of IFRS 9 on the application of the effective interest rate method to financial assets and liabilities at amortised cost, the Group has opted to accrue interest in accordance with the specific periods of adjustment to market rates, so that interest for the period from June 2020 to June 2022 (i.e. -1%) will be recognised in "Interest income and similar – Liability interest in the consolidated interim income statement, assuming that the threshold of eligible loans giving rise to the extra-rate is met. This approach is subject to the assumption that the probability of meeting the funding target set by the ECB, i.e., that there will be growth in the eligible portfolio of more than 0%, is highly probable. For this purpose, the Group has relied on the growth and development estimates used in the Business Plan and on the performance of the portfolio's actual origination after several months of monitoring.

The amount of this positive remuneration amounts to 68,352 thousand euros and 37,815 thousand euros at 31 December 2021 and 2020, respectively (Note 28).

In addition, the Group monthly monitors the origination performed to ensure compliance with the assumptions. To date, there is a comfortable margin over the limits established by the ECB, which endorses the Bank's assumptions for the recognition of the accrual of interest generated by these liquidity auctions.

The average effective interest rate on debt instruments classified in this caption during 2021 was -1.01% (-0.93% at 31 December 2020).

### 19.2 Deposits - Credit institutions

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2021 and 2020 is shown below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **On demand** | **21,365** | **9,975** |
| Other accounts | 21,365 | 9,975 |
| **Time or at notice** | **723,969** | **1,198,312** |
| Fixed-term deposits | 113,807 | 526,295 |
| Assets sold under repurchase agreements | 600,972 | 632,633 |
| Other accounts | 9,190 | 39,384 |
| **Valuation adjustments** | **(160)** | **(467)** |
| | **745,174** | **1,207,820** |

The average effective interest rate on debt instruments classified in this caption during 2021 was 0.19% (0% during 2020).

### 19.3 Deposits - Customer

The breakdown of the balance under this heading in the consolidated balance sheets at 31 December 2021 and 2020, based on the geographical location, nature and counterparties of the transaction concerned, is indicated below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Geographic location** | | |
| Spain | 38,141,024 | 37,751,833 |
| Rest of the world | 127,256 | 129,420 |
| | **38,268,280** | **37,881,253** |
| **By nature** | | |
| Demand deposits | 34,673,081 | 33,014,125 |
| *Current accounts* | *26,879,849* | *25,291,671* |
| *Savings accounts* | *7,748,700* | *7,634,909* |
| *Rest of demand deposits* | *44,532* | *87,545* |
| Term deposits | 3,485,694 | 4,688,146 |
| *Fixed-term deposits* | *2,349,119* | *3,017,862* |
| *Non-marketable mortgage covered bonds and bonds issued (Note 44.1)* | *1,100,470* | *1,625,470* |
| *Hybrid deposits* | - | - |
| *Other term deposits* | *36,105* | *44,814* |
| Assets sold under repurchase agreements | - | 13,001 |
| Valuation adjustments | 109,505 | 165,981 |
| | **38,268,280** | **37,881,253** |
| **By counterparties** | | |
| Resident public administrations | 1,606,262 | 1,430,828 |
| Other resident sectors | 36,534,762 | 36,321,005 |
| Non-resident public administrations | 13 | 13 |
| Other non-resident sectors | 127,243 | 129,407 |
| | **38,268,280** | **37,881,253** |

The average effective interest rate on debt instruments classified in this caption during 2021 was 0.04% (0.08% during 2020).

The item “Non-marketable mortgage covered bonds and bonds issued” (in the breakdown by nature) includes unique mortgage covered bonds issued under Law 2/1981 (25 March) governing the Mortgage Market in the amount of 1,100,470 thousand euros (1,625,470 thousand euros at 31 December 2020). The mortgage covered bonds were issued at variable or fixed rates of interest. The fixed-interest issues are hedged for interest-rate risk by means of interest rate swaps.

### 19.4 Debt securities issued

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Nominal value of mortgage covered bonds (Note 44.1) | 3,000,000 | 3,000,000 |
| Treasury shares | (2,500,000) | (2,507,121) |
| Nominal value of other securities linked to transferred financial assets | 258,354 | 326,522 |
| Nominal value of preferred ordinary bonds | 50,000 | - |
| Nominal value of subordinated bonds | 500,030 | 500,030 |
| Valuation adjustments | 7,937 | 21,239 |
| | **1,316,321** | **1,340,670** |

During 2020, mortgage covered bonds matured in the nominal amount of 900 million euros, (Note 44.1).

Details regarding each issue of preferred ordinary bonds are as follows:

| | | | Thousands of euros | |
|---|---|---|---|---|
| | | | Nominal amount | |
| **Issue** | **Nominal interest** | **Maturity** | **2021** | **2020** |
| 2 December 2021 | Mixed | 2 December 2027 | 50,000 | - |
| | | | **50,000** | **-** |

On 2 December 2021, Ibercaja Banco, S.A. issued preferred ordinary bonds of 50 million euros, maturing on 2 December 2027. The issue price was 99,754% and will accrue a fixed annual coupon of 1.25% until 2 December 2022. From that date, they will accrue fixed interest at the swap rate of 1 year plus a margin of 1.25%.

A breakdown of the security issues associated with financial assets transferred is as follows:

| | | | | | Thousands of euros | |
|---|---|---|---|---|---|---|
| | | | | | Amount subscribed | |
| **Type** | **Nominal interest** | **Issuance date** | **Maturity date** | **Nominal value of issue** | **2021** | **2020** |
| TDA2 securitisation bonds | Variable | 13.10.2005 | (*) | 904,500 | 48,162 | 63,926 |
| TDA3 securitisation bonds | Variable | 12.05.2006 | (*) | 1,007,000 | 51,359 | 62,069 |
| TDA4 securitisation bonds | Variable | 18.10.2006 | (*) | 1,410,500 | 60,415 | 78,928 |
| TDA5 securitisation bonds | Variable | 11.05.2007 | (*) | 1,207,000 | 34,647 | 42,413 |
| TDA6 securitisation bonds | Variable | 25.06.2008 | (*) | 1,521,000 | 12,388 | 13,766 |
| TDA ICO-FTVPO securitisation bonds | Variable | 15.07.2009 | (*) | 447.200 | 51,383 | 65,420 |
| TDA7 securitisation bonds | Variable | 18.12.2009 | (*) | 2,070,000 | - | - |
| | | | | | **258,354** | **326,522** |

(*) These bonds are redeemed as the mortgage loans that have been assigned to the relevant securitisation fund are repaid.

The average effective interest rate on debt instruments classified in this caption during 2021 was -0.14% (0.14% during 2020).

Details regarding each issue of subordinated bonds are as follows:

| | | | Thousands of euros | |
|---|---|---|---|---|
| | | | Nominal amount | |
| **Issue** | **Nominal interest** | **Maturity** | **2021** | **2020** |
| 15 June 2007 | Mixed | 15 June 2022 | 30 | 30 |
| 23 January 2020 | Fixed | 23 July 2030 (*) | 500,000 | 500,000 |
| | | | **500,030** | **500,030** |

(*) The Group reserves the right to redeem these issues once five years have elapsed as from the issue date. Early redemption by the issuer is also possible within five years as from the issue date for causes deriving from a change in the tax treatment of the product and/or its treatment as an equity instrument. Such redemption must be authorised by the competent regulator from time to time.

On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback offer in cash to all holders of the subordinated obligations issue called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". Once this offer was concluded, Ibercaja accepted the purchase of Obligations for a nominal amount of 281,900 thousand euros, the settlement of which took place on 23 January 2020. Subsequently, Ibercaja met the selling interest of other investors who had not participated in the public offering, repurchasing an additional 77,700 thousand euros during the first half of that financial year.

Finally, on 28 July 2020, as anticipated in its "Other Relevant Information" communication to the CNMV on 3 June 2020, having obtained the necessary authorisations, the Group proceeded to carry out the early redemption of the remaining amount (140,400 thousand euros) of its issue of subordinated obligations called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". The nominal amount of 100 thousand euros has been paid for each outstanding security plus accrued and unpaid interest up to the aforementioned date (excluded), in accordance with the terms and conditions of the issuance prospectus.

On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an issue of subordinated obligations with a par value of 500 million euros and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2.882%. The disbursement and closure of this issue took place on 23 January 2020.

The bonds qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

These issues are subordinated and come behind all common creditors with respect to debt seniority.

Issues of subordinated bonds have been authorised by the competent Regulator to be classified as eligible own funds.

Interest accrued on the subordinated liabilities amounts to 14,391 thousand euros at 31 December 2021 (19,387 thousand euros at 31 December 2020).

The average effective interest rate on debt instruments classified in this caption during 2021 was 2.85% (3.36% during 2020).

Below follows a reconciliation of the carrying value of the liabilities originating from financing activities according to changes that generate cash flows and those that do not:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Opening balance** | **510,326** | **508,997** |
| Cash flows | 50,000 | - |
| *Issue of preferred ordinary bonds* | *50,000* | - |
| *Subordinated bond issuance by Ibercaja Banco, S.A.* | - | *500,000* |
| *Redemption of subordinate bonds issued by Ibercaja Banco, S.A.* | - | *(500,000)* |
| No impact on cash flows | (7,574) | 1,329 |
| *Valuation adjustments* | *(7,574)* | *1,329* |
| **Closing balance** | **552,752** | **510,326** |

### 19.5 Other financial liabilities

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Bonds payable | 55,288 | 37,836 |
| Guarantees received | 50,458 | 29,076 |
| Collection accounts | 711,450 | 539,751 |
| Special accounts | 41,167 | 37,714 |
| Financial guarantees | 2,136 | 2,234 |
| Other items | 223,711 | 179,824 |
| | **1,084,210** | **826,435** |

"Other items" include deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repos or reverse repos. The balance also includes lease liabilities amounting to 86,308 thousand euros (58,496 thousand euros during 2020, Note 2.10).

The Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The carrying value of financial instruments covered by these agreements and deposits payable and receivable generated with the counterparties are as follows:

| | **Thousands of euros** | |
|---|---|---|
| | **Instruments subject to offset arrangements.** | |
| | **2021** | **2020** |
| Assets under repos | - | - |
| Liabilities under repos | 812 | 182 |

| | **Thousands of euros** | |
|---|---|---|
| | **Deposits subject to repo offset arrangements.** | |
| | **2021** | **2020** |
| Deposits recognised under assets | 310 | 1,060 |
| Deposits recognised under liabilities | - | 1,000 |

### 19.6 Information on average payment period for suppliers. Additional Provision Three. “Disclosure requirement” of Law 15/2010 of 5 July

Pursuant to Final Provision Two of Law 31/2014, of 3 December, amending Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on measures to combat late payment in commercial transactions, and in connection with the information to be included in the notes to the financial statements on the deferral of payments to suppliers in commercial transactions, calculated in accordance with the Spanish Institute of Accounting and Auditing’s Ruling of 29 January 2016, the information for 2021 and 2020 is as follows:

| | **2021** | **2020** |
|---|---|---|
| | **Days** | |
| Average supplier payment period | 16 | 25 |
| Ratio of settled transactions | 14 | 23 |
| Ratio of transactions pending payment | 151 | 102 |
| | **Thousands of euros** | |
| Total payments made | 747,710 | 566,606 |
| Total payments outstanding | 8,130 | 15,859 |

## 20. Liabilities under insurance or reinsurance contracts

At 31 December 2021 and 2020, the balances in this consolidated balance sheet heading were as follows:

| | **Thousands of euros** | |
|---|---|---|
| | **2021** | **2020** |
| **Technical reserves for:** | | |
| Unearned premium reserves (non-life) | - | - |
| Life insurance: | 5,326,263 | 6,573,738 |
| *Unearned premium reserve and current risks* | *23,260* | *22,475* |
| *Mathematical reserves* | *5,303,003* | *6,551,263* |
| Benefits pending payment | 96,055 | 92,728 |
| Profit sharing and returned premiums | 5,470 | 4,396 |
| Life insurance in which the investment risk is borne by the policyholders | 1,693,706 | 851,005 |
| | **7,121,494** | **7,521,867** |

There is no accepted reinsurance at 31 December 2021 or 31 December 2020.

The reconciliation between the opening and closing balances under this heading in 2019 and 2020 is as follows:

| | Thousands of euros |
|---|---|
| **Balances as at 31 December 2019** | **7,784,537** |
| *Transfers* | *7,521,167* |
| *Reversals* | *(7,784,537)* |
| **Balances as at 31 December 2020** | **7,521,167** |
| *Transfers* | *7,121,494* |
| *Reversals* | *(7,521,167)* |
| **Balances as at 31 December 2021** | **7,121,494** |

On 17 December 2020, the Directorate General of Insurance and Pension Funds published by means of a Resolution the new biometric tables to be applied by insurance companies, as well as the technical guide on supervisory criteria related to them.

The main objective of this Resolution was to declare the admissibility of these new tables and the inadmissibility of certain previous tables, establishing their application in calculating new premiums, accounting provisions and the valuation of liabilities under Solvency II, distinguishing between the various types of insurance (mortality, individual and group survival insurance).

In addition, and with regard to survival insurance, this resolution provides that institutions may choose between full adaptation to the tables in 2021 or progressive adaptation over time, complying with a timetable set by the supervisor. This timetable requires at least 25% of the difference in tables to be collected by the end of 2021 and each year thereafter additional quarters are to be computed, so that by the end of 2024 the institutions are fully adapted to the new tables.

Ibercaja Vida has estimated the total impact of the change of tables at 9,153 thousand euros, coming entirely from the survival insurance of its portfolio. At the end of 2021 an accumulated provision for this item amounting to 6,079 thousand euros had been recorded. Therefore, at the end of 2021, 66.42% of the impact of the change of tables has been included in its accounts, which is much higher than the minimum percentage laid down in the Resolution of the Directorate General of Insurance and Pension Funds for 2021, taking advantage of the adaptation period.

In the aforementioned Resolution, the Directorate General for Insurance and Pension Funds published two tables with different applications:

- Tables second-order or realistic: these are biometric tables based on actually observed historical mortality. They shall be applied in the calculation of the best estimate in the area of solvency.
- First order tables: these incorporate prudential surcharges determined by the supervisor on the second-order tables and are the tables to be applied for the quantification of accounting provisions.

Furthermore, at 31 December 2021 and 2020, Ibercaja Vida has analysed the adequacy of the new tables by comparing its actual experience with those that would be obtained in application of the new realistic, i.e. second-order, tables. The results obtained are shown in the following table:

**2021**

| | Products | Actual Claims | Realistic Mortality Table | Estimated Claims | % |
|---|---|---|---|---|---|
| **Death Risk Insurance** | Life-savings insurance<br>Risk insurance | 1,074 | PASS M/F 2020 2nd Order | 1,412 | 76.07% |
| **Insurance with Survival Risk** | Rent insurance<br>(Individual and Group) | 1,802 | PER M/F 2020 Ind 2nd Order<br>PER M/F 2020 Gr 2nd Order | 1,903 | 94.70% |

**2020**

| | Products | Actual Claims | Realistic Mortality Table | Estimated Claims | % |
|---|---|---|---|---|---|
| **Death Risk Insurance** | Life-savings insurance<br>Risk insurance | 1,216 | PASS M/F 2020 2nd Order | 1,653 | 73.56% |
| **Insurance with Survival Risk** | Rent insurance<br>(Individual and Group) | 1,969 | PER M/F 2020 Ind 2nd Order<br>PER M/F 2020 Gr 2nd Order | 1,939 | 101.55% |

As can be seen, in Death Risk Insurance there is a high sufficiency in the biometric hypotheses used in the calculation of the best estimate, since the real behaviour of the insured group (real deaths) is 76.07% (73.56% in 2020) of the behaviour obtained with the realistic mortality tables (second order). In other words, the company's mortality rate is lower than that determined by the realistic second-order table published by the supervisor.

In addition, sufficiency in Insurance with Survival Risk is verified because the real mortality of the insured group is 94.70% of the realistic longevity tables (second order), slightly above that indicated in the PER2020 second order table.

However, as explained above, the provision booked at year-end 2021 and 2020 has been calculated using the first-order tables, which represent a significant surcharge compared to the second-order tables. Therefore, once the adequacy of the second order tables has been verified with the company's experience, there is a very high probability that the provisions booked will cover future commitments, even if they are subject to some uncertainty.

### 20.1 Risk management under insurance contracts

The Group is exposed to market (interest rate, concentration, spread and variable income), liquidity, counterparty, operational and underwriting (life) risks under insurance contracts arranged and related transactions.

Ibercaja Vida has policies describing the management and control strategies applied to each of the abovementioned risks. These policies meet the Solvency II requirements that came into force on 1 January 2016 and have been approved by the Board of Directors.

Additionally, the Three Lines of Defence Model has been deployed in the Entity to assure effective risk management and supervision.

In addition, and with a risk-based approach, Ibercaja Vida has defined its Risk Appetite Framework (RAF), the main objective of which is to identify the risks to which the company is exposed and to determine tolerance limits for each of these risks, by establishing metrics with established compliance thresholds. This system makes it possible to monitor that the company is at all times within the threshold or risk appetite set by its Board of Directors.

In addition, and at least once a year, Ibercaja Vida carries out a Self-Assessment of its Risks and Solvency to obtain a prospective vision of the company's risks and solvency in different scenarios.

Market, liquidity, counterparty and operational risks affecting this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 on Risk Management.

Insurance business risk relates to life underwriting, which is the risk of incurring losses due to an increase in the value of liabilities as a result of a departure from the assumptions (mortality, longevity, policy lapse, expenses, etc.) on the basis of which they were contracted. This risk spans a number of sub-risks, the most significant being:

- Mortality Risk: the risk of incurring losses due to an increase in mortality rates in relation to forecasts.
- Survival/Longevity Risk: risk of incurring losses due to an increase in the survival of insured parties in relation to forecasts.
- Surrender/Portfolio Downside Risk: the risk of incurring losses due to variance in surrender rates in relation to forecasts.

Among others, the Company applies the following procedures to manage these life insurance underwriting risks to which it is exposed:

- Application of prudent mortality and survival tables to manage the risk associated with each product and generally accepted in the industry.
- Limits on taking out the insurance.
- Medical selection when taking out the insurance.
- Updating pricing and withholding platform.
- Ongoing monitoring of matching flows in portfolios subject to matching adjustment.
- In addition, risk diversification is an essential technique to reduce Ibercaja Group's overall exposure. To this end, Ibercaja Vida spreads its business strategy among various products, thus increasing the diversification of underwriting risks.

The main actuarial assumptions used in measuring the mathematical provisions of the various forms of insurance in the portfolio for 2021 and 2020 are detailed below:

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Coverage type | Tables used | Profit sharing | | Form of distribution | Form of payment | Guaranteed average rate |
| | | | With or without profit sharing | Amount to be distributed | | | |
| Systematic savings | Mixed | GK80/GK95/PASEM2010/ PASEM2019R1º | No profit sharing | - | Individual | Regular premiums | 0.32% |
| Savings-investment | Mixed | GK80/GK95/PASEM2010/ PASEM2019R1º | No profit sharing | - | Individual | Single premium | 0.32% |
| Life annuities | Mixed | GR95/PER2000P/ PER2020I1º | No profit sharing | - | Individual | Single premium | 2.13% |
| Systematic insured benefit plans | Mixed | GK80/GK95/PASEM2010/ PASEM2019R1º | No profit sharing | - | Individual | Regular premiums | 0.60% |
| Investment insured benefit plans | Mixed | GK80/GK95/PASEM2010/ PASEM2019R1º | No profit sharing | - | Individual | Single premium | 1.25% |
| Unit linked | Policyholder risk | GK80/GK95/PASEM2010/ PASEM2019R1º | No profit sharing | - | Individual | Regular/single premium | - |
| Pension plans of inactive employees | Income | GR95/PER2000P/ PER2020C1º | With/without profit sharing | 26.11 | Group | Single premium | 4.14% |
| Other groups | Mixed | GK80/GK95 | With profit sharing | 44.50 | Group | Regular/single premium | 0.81% |
| Individual life-risk | Performing | GK80/GK95/PASEM2010/ PASEM2019R1º/ PASEM2019NR1º PASEM2019R1º/ | No profit sharing | - | Individual | Regular/single premium | - |
| Group life-risk | Performing | GK80/GK95/PASEM2010/ PASEM2019R1º | With profit sharing | 1,366 | Group | Regular premiums | - |
| Accidents | Accidents | Market | With profit sharing | 28.17 | Group | Regular premiums | - |

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Coverage type | Tables used | Profit sharing | | Form of distribution | Form of payment | Guaranteed average rate |
| | | | With or without profit sharing | Amount to be distributed | | | |
| Systematic savings | Mixed | GK80/GK95/PASEM2010 | No profit sharing | - | Individual | Regular premiums | 0.28% |
| Savings-investment | Mixed | GK80/GK95/PASEM2010 | No profit sharing | - | Individual | Single premium | 0.32% |
| Life annuities | Mixed | GR95/PER2000P/ PER2020I1º | No profit sharing | - | Individual | Single premium | 2.17% |
| Systematic insured benefit plans | Mixed | GK80/GK95/PASEM2010 | No profit sharing | - | Individual | Regular premiums | 0.62% |
| Investment insured benefit plans | Mixed | GK80/GK95/PASEM2010 | No profit sharing | - | Individual | Single premium | 1.77% |
| Unit linked | Policyholder risk | GK80/GK95/PASEM2010 | No profit sharing | - | Individual | Regular/single premium | - |
| Pension plans of inactive employees | Income | GK95/PER2000P/PER2020C1º | With/without profit sharing | 8 | Group | Single premium | 4.30% |
| Other groups | Mixed | GK80/GK95 | With profit sharing | 33 | Group | Regular/single premium | 1.28% |
| Individual life-risk | Performing | GK80/GK95/PASEM2010 | No profit sharing | - | Individual | Regular/single premium | - |
| Group life-risk | Performing | GK80/GK95/PASEM2010 | With profit sharing | 1,500 | Group | Regular premiums | - |
| Accidents | Accidents | Market | With profit sharing | 34 | Group | Regular premiums | - |

## 20.2 Classification of insurance risk

The Group has a policy of diversifying insurance risks and there are mechanisms in place to detect any type of risk concentration. It is common practice to use treaty reinsurance to mitigate the risk of concentration or accumulation of guarantees above the maximum acceptance levels.

Set out below are the premiums issued classified based on their characteristics:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Life-risk insurance premiums | 75,549 | 73,606 |
| Savings insurance premiums | 825,974 | 883,695 |
| | **901,523** | **957,301** |
| Premiums under individual policies | 894,543 | 952,777 |
| Premiums under group policies | 6,980 | 4,524 |
| | **901,523** | **957,301** |
| Regular premiums | 356,739 | 372,128 |
| Single premiums | 544,784 | 585,173 |
| | **901,523** | **957,301** |
| Premiums for policies with no profit-sharing | 289,735 | 402,703 |
| Premiums for policies with profit-sharing | 6,561 | 4,460 |
| Premiums for policies where the investment risk is assumed by the policyholder | 605,227 | 550,138 |
| | **901,523** | **957,301** |

The premiums under the insurance contracts detailed in the table above are presented in the income statement item “Income from assets under insurance or reinsurance contracts”, which amounted to 904,463 thousand euros at 31 December 2021 (960,230 thousand euros at 31 December 2020). This heading also reflects income from reinsurance amounting to 2,940 thousand euros at 31 December 2021 (2,929 thousand euros at 31 December 2020).

According to the Directorate General of Insurance, individual insurance policies are those in which, despite a group policy being formalised, the premium payment obligations and inherent rights pertain to the insured. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2021 amounting to 904,756 thousand euros (960,461 thousand euros in 2020) relate to the technical reserves associated with such contracts.

## 20.3 Sensitivity to insurance risk

Ibercaja Vida monitors its risk exposure by applying the standard formula determined in the Solvency II regulations, obtaining a solvency ratio of 265% at 31 December 2021 (220% at 31 December 2020), with the regulatory minimum being 100%.

In addition, as explained above, Ibercaja Vida has established a Risk Appetite Framework (RAF) which defines the risk accepted in the company and establishes a series of first level metrics to monitor compliance with this appetite. In addition, in each of the risk management policies approved by the company, a series of second-level metrics or early warnings are determined that enable deviations to be anticipated and measures to be taken.

Among other sensitivity analyses, these metrics measure impacts on economic value and margin in the light of variations in the risk-free curve. The results achieved as at 31 December 2021 are as follows:

- A progressive decrease of -50 basis points in the discount curve would generate a 1% increase in the economic value and a 0.4% increase in the one-year result.

- A progressive increase of +50 basis points in the discount curve would mean a reduction in economic value of 1% and a reduction in one-year earnings of 0.8%.

As most of the insurer’s portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the economic value and income statement.

## 21. Provisions

The breakdown of movements in 2021 and 2020 indicating the purpose of the provisions recognised in the consolidated balance sheet at 31 December 2021 and 2020, is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | **Pensions and other post-employment defined benefit obligations** | **Other long term employee remuneration** | **Lawsuits and litigation for outstanding taxes** | **Commitments and guarantees given** | **Other provisions** |
| **Balances at 1 January 2020** | **123,610** | **466** | **7,930** | **22,515** | **161,174** |
| Allowances charged to income statement | | | | | |
| Interest expense | 2 | - | - | - | - |
| Allowances to provisions and other | - | 432 | 434 | 17,307 | 23,450 |
| Staff expenses (Note 38) | 2,359 | - | - | - | 151,041 |
| Reversal of provisions taken to income statement | - | - | - | (20,435) | (35,424) |
| Provisions utilised | (311) | (776) | (584) | - | (13,539) |
| Other movements | (6,535) | - | - | 90 | (40,106) |
| **Balances as at 31 December 2020** | **119,125** | **122** | **7,780** | **19,477** | **246,596** |
| Allowances charged to income statement | | | | | |
| Interest expense | 3 | - | - | - | - |
| Allowances to provisions and other | - | 562 | 1,019 | 7,887 | 8,611 |
| Staff expenses (Note 38) | 2,254 | 1,544 | - | - | 16,333 |
| Reversal of provisions taken to income statement | - | - | - | (10,636) | (1,721) |
| Provisions utilised | (308) | (684) | (1,636) | - | (115,554) |
| Other movements | (31,835) | - | - | (21) | 25 |
| **Balances as at 31 December 2021** | **89,239** | **1,544** | **7,163** | **16,707** | **154,290** |

The composition of the provisions items "Pensions and other post-employment defined benefit commitments" and "Other long-term employee remuneration" is broken down in Note 38 "Staff expenses". Other movements discloses the variation of exterior commitments implemented through pension plans and insurance policies without breaking down the financial and actuarial components and the benefits paid, with the information provided in the aforementioned Note.

The caption "Provision – Commitments and guarantees given" reflects impairment losses associated with financial guarantees (Note 27.1) and other off-balance-sheet exposures (Note 27.3) granted by the Group.

Post-employment benefits and other long-term commitments

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term remuneration commitments, carried as provisions in the balance sheet at 31 December 2021 and 2020, are analysed below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Liabilities | | |
| Externalised post-employment benefits | 82,720 | 112,168 |
| Non-externalised post-employment benefits | 6,519 | 6,957 |
| Fund for labour-related costs of the restructuring plan | - | 122 |
| Long-term incentive plan (Note 2.13.5) | 1,544 | - |
| | **90,783** | **119,247** |

The net balance in the consolidated balance sheet for defined benefit plans breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Commitments relating to: | | |
| Post-employment benefits (Note 38.2) | (4,361) | (29,314) |
| Other long-term remuneration - pre-retirement (Note 38.3) | (1,544) | (122) |
| **(Shortfall)/Surplus** | **(5,905)** | **(29,436)** |
| Impact of limit on assets | (473) | (638) |
| Net asset (liability) on balance sheet: | **(6,378)** | **(30,074)** |
| Assets linked to pensions (*) | 78,998 | 84,845 |
| Net pension assets (**) | 5,407 | 4,328 |
| Net pension (provision) | (90,783) | (119,247) |

(*) Financial assets at the subsidiary Ibercaja Vida, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The costs recognised in the consolidated income statement for employee benefits are as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Defined benefit plans | (2,254) | (2,359) |
| Contributions to defined contribution plans | (15,413) | (15,339) |
| interest expense and similar charges (net) | - | 36 |
| Transfers to provisions (*) | (561) | (412) |
| Actuarial gains (-) losses on long-term employee benefits | (1) | (20) |
| | **(18,229)** | **(18,094)** |

(*) Includes annual provision for training, educational assistance for children, etc.

The amounts recognised in the consolidated statement of changes in equity are as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Actuarial gains/(losses) on post-employment benefits | 14,635 | 849 |
| Limitation on assets | (165) | (70) |
| | **14,470** | **779** |

The main financial and actuarial assumptions used in measuring the commitments are as follows:

| | **2021** | **2020** |
|---|---|---|
| Technical interest rate | 0.68% - 1.12% | 0.00% - 0.66% |
| Expected return on assets | 0.68% - 1.12% | 0.22% - 0.66% |
| Annual pension revision rate | 0.00% - 2.00% | 0.00% - 2.00% |
| Annual salary increase rate | 2.00% | 2.00% |
| Growth in Social Security contribution bases | 1.00% | 1.00% |
| Retirement age | 63 - 67 years old | 63 - 67 years old |
| Mortality tables | PER 2020 Col.1st order | PERM/F 2000P |
| Life expectancy | | |
| Employees retiring in FY 2021/2020 | | |
| Men | 24.18 | 22.66 |
| Women | 27.91 | 27.15 |
| Employees retiring in FY 2041/2040 | | |
| Men | 26.75 | 24.95 |
| Women | 30.30 | 29.21 |

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality (AA) corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the financial statements. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the post-employment obligations is 11.33 years and the weighted average discount rate was 0.78%.

<u>Other provisions</u>

Below is the detail and movement during the nine months of 2021 in “Provisions - Other provisions” in the consolidated balance sheet:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | **Balance at 31/12/2020** | **Transfers** | **Reversals** | **Amounts used** | **Other movements** | **Balance at 31/12/2021** |
| Interest rate floor clauses | 20,659 | 5,516 | - | (16,006) | - | 10,169 |
| Provisions ERE (temporary redundancy plan) | 207,379 | 16,333 | - | (89,894) | - | 133,818 |
| Mortgage expenses | 5,367 | 2,555 | - | (5,456) | - | 2,466 |
| Delivery demands on account of home purchases (purchasers with or without guarantee) | 10,330 | 278 | (1,558) | (3,619) | - | 5,431 |
| Other provisions | 2,861 | 262 | (163) | (579) | 25 | 2,406 |
| **Total** | **246,596** | **24,944** | **(1,721)** | **(115,554)** | **25** | **154,290** |

**Costs of the workforce downsizing plan**

At 31 December 2021, the “Provisions -remaining provisions” heading related to the labour cost of the redundancy plans in 2014, 2015, 2017 and 2020, pending payment in the amount of 133,818 thousand euros (207,379 thousand euros at 31 December 2020). In 2021, payments were made in the amount of 89,894 thousand euros. In 2021, an additional cost was estimated for the labour force reduction provision in 2020 amounting to 12,842 thousand euros (Note 38). During 2020, the funds associated with this item were released for 19,011 thousand euros, due to the expiry of a contingency linked to these labour costs from Cajatrés.

**Interest rate floor clauses**

In relation to the possible impact of the return of the amounts received as a result of the application of the so-called interest rate floor clauses, either as a result of the hypothetical annulment by the courts of the interest rate floor clauses, or by application of Royal Decree-Law 1/2018, of 20 January, on consumer protection measures in relation to interest rate floor clauses, the Company has provisions set up to cover a hypothetical legal risk arising from the potential elimination of interest rate floor clauses in mortgage loans.

On 11 April 2018, in a judgment handed down by the full court, when analysing one of these resolutions, the Supreme Court considered it to be valid, as it was a genuine transaction, where both parties, reducing their original claims, resolved in a free and informed manner to reach an agreement to avoid litigation on the possible unfairness of the interest rate floor clause. Both parties renounced claiming the consequences of the possible abuse of the floor clause due to lack of transparency, and therefore, given that all the resolutions are in keeping with the same pattern and were adapted with equal or greater transparency than the one analysed by the S.C., the Group considers that all the agreements it entered into with its customers are valid.

On 26 June 2018, when analysing an Ibercaja Banco resolution, similar to the one examined by the Supreme Court in its judgment of 11 April 2018, the court of first instance and preliminary investigations 3 of Teruel called on the Court of Justice of the European Union (“CJEU”) to provide a preliminary ruling (Case C-452/18), calling into question the doctrine established by the Supreme Court in its Plenary Judgment of 11 April 2018.

On 9 July 2020, the CJEU delivered its judgment in case C-452/18. The CJEU affirms, contrary to the opinion of Court 3 of Teruel and in line with that stated by the Advocate General in his conclusions issued on 30 January 2020, that it is possible for a bank and a customer to sign a novation or settlement agreement on a potentially abusive interest rate floor clause, by virtue of which the customer sees the rate of the floor clause reduced and for its part waives the right to claim against the bank for the alleged unfairness of the initial floor clause, provided that the customer gives his free and informed consent.

Subsequently, on 5 November 2020, when ruling on an appeal in cassation lodged by Ibercaja, the Spanish Supreme Court, applying the CJEU ruling of 11 July, considered that, given that the novation agreement signed by the customer with Ibercaja was a pre-established contract and its clauses were general conditions, there was a need to examine the transparency of its clauses. In doing so, it considered that the clause modifying the interest rate was transparent and therefore valid, but the clause containing the reciprocal waiver of the exercise of actions was not, as it was a generic waiver not limited exclusively to the floor clause. This changed the criterion laid down by the Spanish Supreme Court in its judgment of 11 April 2018 in relation to the novation agreements signed by the Company, and ordered Ibercaja to return to the plaintiff the interest charged in excess due to the application of the interest rate floor clause from the time it began to operate in the contract until the date of the novation, and from that date onwards, the Entity could continue to charge the customer the floor clause.

Also, it should be highlighted that the new statute-of-limitations period is applicable for the shares that have not indicated a special term, which fell from 15 years to 5 years (Art. 1964 of the Civil Code), except in Catalonia, which maintains the 10-year period due to its regional regulation, which means that those who have not claimed the floor clause of their novated loan will have their claim action barred if more than five years have elapsed since the novation contract. This assertion is supported by the case law of the CJEU, and in its judgment of 16 July 2020, the European Court ruled on the length of the limitation period for actions to enforce the restitutionary effects of the declaration of invalidity of an unfair term, stating that “a period of five years ‘does not appear’ to make it impossible in practice or excessively difficult to exercise the rights conferred by Directive 93/13” (CJEU of 16 July 2020, sec. 87), especially when the CJEU, in other cases, has considered three-year limitation periods to be in line with the principle of effectiveness (CJEU of 15 April 2010, Barth, C-542/08, para. 28) and two years (CJEU of 15 December 2011, Banca Antoniana Popolare Veneta, Case C-42772010, para. 25).

Despite the foregoing, the SC submitted to the CJEU, a prejudicial matter relating to the beginning of the calculation period to apply the statute of limitations, relating to the mortgage loan expense clause, which will serve as a base to determine the commencement date of the calculation of the statute of limitations period, for all the actions that complain about the abusive nature of a general condition arranged in the signing of a mortgage loan.

**The IRPH clause in mortgage loans.**

On 14 December 2017, the Spanish Supreme Court, in the face of disparate criteria from the various provincial courts, declared in a unification of doctrine, that the Mortgage Loan Reference Index (IRPH) was valid and not abusive, given that it is an official index and as such cannot be subject to a transparency analysis.

On 16 February 2018, the 38th Court of First Instance of Barcelona made a reference to the CJEU for a preliminary ruling (Case C125/18), calling into question the criterion laid down by the Court of Justice in its judgment of 14 December 2017.

On 3 March 2020, the CJEU ruled in Case C-125/18, in which it clarified that a clause that fixes the interest rate on the basis of an official reference rate is subject to the Consumer Directive 93/13, and therefore, a national judge can examine whether the reference rate has been informed to the consumer in a transparent manner, unless this official rate is applied to the loan contract by application of a mandatory rule, as is the case, for example, in the Spanish case, with agreed loans (VPO).

Following this ruling, the different Spanish provincial courts maintained different criteria. Some considered the interest rate clauses that include the IRPH to be transparent and, therefore, not abusive, and others, conversely, considered them to be non-transparent and declared the interest rate clause abusive; however, the latter agree that the loan contract cannot survive without this clause and, hence inclusion in the contract is possible, but with very different criteria, since some courts replaced it with the Euribor, others with the IRPH credit institutions.

In November 2020, the Spanish Supreme Court issued five rulings related to the IRPH, four of them referring to free loans, and one of them related to an agreed loan. In the first four cases, the Court concluded that, despite the fact that the IRPH clause is not transparent, since the customer was not informed of the past performance of the index, it is not considered to be abusive, since, from the point of view of contractual good faith, the clause does not create an imbalance in the obligations of the contract for the consumer, and, therefore, since it was agreed by the Entity with the customer in good faith, it cannot be declared abusive. In relation to the fifth ruling, concerning a VPO loan, the SC stated that this clause, whose interest rate is imposed by the application of a regulation, cannot be considered abusive, since the Entity acted in good faith, limiting itself to applying the interest rate to the loan that is imposed for these loans by law.

Through the order of 17 November 2021, the CJEU confirmed what it expressed in its ruling of 3 March 2020, clarifying that, for transparency to exist, it is not necessary to deliver a prospectus to the consumer before signing the contract that included the previous change in the index, or that the contract should include a specific definition thereof, since the information related to the IRPH “is subject to official communication”, and hence, an attentive shrewd consumer would easily have knowledge of this information when taking out their loan.

In the case of the Group, the largest loan book referenced to IRPH comes from agreed or VPO loans, in which the interest rate is mandatorily imposed by the government and, therefore, the clause of these loans is outside the scope of application of the Consumer Directive, as has been affirmed by the CJEU ruling.

The rest of the IRPH-linked loan book is scant and many of these loans have already been repaid. As a result, the number of claims received for this legal contingency has been very low.

At 31 December 2021, the Group had 26 outstanding claims pending resolution. In the remaining proceedings in which we have been sued (that is, a total of 21 procedures), all the final decisions are favourable for the Group.

Based on this background and given that current case law on this matter is in favour of considering the IRPH clause as a non-abusive clause, the Group has considered it appropriate not to provision any amount for this legal risk, as it considers the probability that the Group will have to part with resources that include economic benefits to settle this obligation to be remote.

**Mortgage expenses**

In its ruling of 23 December 2015, the Spanish Supreme Court declared the nullity of the expense clause of the mortgage clauses due to its abusive nature, since it attributed the payment of all expenses to the consumer. According to its criteria, there was a serious imbalance in the contract's features in favour of the lending banks and against the consumers. The nullity led to the expulsion of the loan contract clause, which means, in line with the Supreme Court doctrine set in its ruling of 23 January 2019 that the Spanish laws must apply to determine how pays each of the loan expenses.

The CJEU Ruling of 16 July 2020 recognises that, once the costs clause has been declared unfair, national law can be applied to regulate the distribution of the costs of mortgage creation and cancellation in the absence of an agreement between the parties. In these paragraphs, in particular, the Court expressly mentions the possibility of not refunding to the consumer amounts imposed on him by national law (such as Stamp Duty).

In short, the CJEU confirms the validity of the interpretation made by the Supreme Court in such a way that it will be up to the national judge to determine, in the absence of an agreement as the expense clause has been eliminated, which of the costs borne by the consumer were imposed on him by the provisions of national law. And these national provisions are the ones that have been applied by the Supreme Court in its case law.

In this regard, the Supreme Court established on the basis of its Ruling 49/2019, of 23 January 2019, the distribution rules that must be applied and these national provisions state that:

- Stamp duty: As stated in the prevailing legislation at the arrangement date of the loan, the borrower was the payer of the tax, which was confirmed by Supreme Court case law. Hence, this expense must be paid by the borrower until the entry into force of Royal Decree Law 17/2018, of 8 November, which established that the taxpayer in the mortgage loans was the bank and not the borrower.

- Notary expenses: In the absence of the contract clause regulating this detail, rule Six of Appendix II of Royal Decree 1426/1989, of 17 November, approving notary fees, indicated that "The payment obligation on the rights will correspond to those that requested the provision of functions or services of the Notary and, where appropriate, to the interested parties in line with the substantial and fiscal regulations, and if several payers exist, the obligation will be joint and several". Given that the two parties are interested in arranging the loan in a public deed (the borrower must obtain a long-duration mortgage loan and reduced interest rate to acquire a property, and the bank to have an enforceable title registrable in the Property Register), both parties must bear this cost 50-50%.

- Registration expenses: In the absence of the contract clause regulating this detail, rule Eight of Appendix II of Royal Decree 1427/1989, of 17 November, approving property registrar fees, indicated that the registrars' fees will be paid by those in whose favour said right is immediately registered or noted, and it must also be paid by the person that has presented the document. Hence, as stated in the customs duty regulations, since the party interested in registering the mortgage is the bank, the bank must support such expense.

- Appraisal expenses: It must be indicated that in relation to this expense, in its Ruling 61/2021, of 27 January 2021, the TS set the criteria that this expense must be met by the bank, since the property is appraised to mortgage it and since the mortgage is set up in favour of the bank, the bank must bear said cost, unless the loan was formalised after the entry into force of Law 5/2019 of 15 March, regulating real estate credit contracts, which imperatively establishes that this cost must be borne by the borrower.

Agency expenses: In principle, the SC understood that under national law this cost must be borne by the Bank and the borrower equally, since the agency provides a double service, one in favour of the borrower: to settle the taxes that must be paid, and another in favour of the bank: file the deed in the Property Register. However, in a ruling in November 2020, the SC changed its criteria and established that the payment of agency expenses corresponds to the bank, since the main activity of the agent is to file the mortgage loan in the property register.

Despite the foregoing, we must take into account various milestones of great importance which have occurred or will definitely occur in the future which, in our opinion, may affect the quantification of this legal risk:

- In 2017, Ibercaja, amended the loan agreement expense distribution clause, agreeing with the debtor to fairly distribute these expenses (register expenses: from bank account expenses; notary expenses: first copy without enforceable purposes on the account of the customer and first copy with enforceable purposes on the account of the bank; taxes as per the Law, appraisal expenses on the account of the customer, although with promotional campaigns assumed by Ibercaja).

- In June 2019, Law 5/2019, of 15 March entered into force, on the law on real estate loans, which mandatorily set the distribution of the expenses on mortgage loans arranged with consumers, hence, based on this law, no new loan can be the subject of a claim with respect to the expense clause.

- The number of new claims that we believe are going to be filed vis-à-vis IBERCAJA are going to be reduced to a large extent as a result of the prescription. On 28 December 2020 (once 82 days had elapsed since the state of alarm in which the statute-of limitations periods were suspended), the new five-year period entered into force for the prescription of the amount claim actions, instead of fifteen years. This will allow, in our opinion, the whole loan book arranged before 28 December 2015 to be saved, which had not claimed before 28 December 2020 the refund of the amounts unduly paid for expense clauses. However, in light of the differing criteria of the various provincial courts, the Spanish Supreme Court submitted a prejudicial matter to the CJEU, so it could pronounce on the commencement date of the calculation of the statute-of-limitations period. According to its outcome, the Bank must re-estimate the provisions it has recognised to cover this legal risk.

**Amounts paid on account to the Bank in connection with home purchases**

According to the Supreme Court judgment of 21 December 2015, in the sale and purchase of homes under Law 57/1968, credit institutions that accept deposits from buyers into an account held by the developer without requiring the opening of a special account and the related security are liable to the buyers for the total amounts advanced by the buyers and deposited in the account(s) that the developer holds with such institution in the event of insolvency of the developer. At 31 December 2021, the Bank had recognised a provision in the amount of 5,431 thousand euros to cover amounts received on account for home purchases (10,330 thousand euros at 31 December 2020), regardless of whether they had been claimed judicially.

**Other provisions**

The remainder of the balance relates to the coverage of other ordinary business risks.

## 22. Other liabilities

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Personnel expense apportionment | 13,964 | 9,882 |
| Transactions in transit | 1,417 | 4,320 |
| Contribution to Deposit Guarantee Fund (Note 1.8.2) | 44,786 | 46,229 |
| Other | 162,847 | 152,841 |
| | **223,014** | **213,272** |

At 31 December 2021 and 2020, “Other” mainly includes supplier expenses that have been accrued by the Group.

## 23. Shareholders’ funds and non-controlling interests

### 23.1 Shareholders’ equity

The breakdown of shareholders’ equity at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Capital | 214,428 | 214,428 |
| Equity instruments issued other than capital | 350,000 | 350,000 |
| Retained earnings | 621,589 | 602,663 |
| *Legal reserve* | *59,215* | *59,215* |
| *Goodwill reserve* | *12,807* | *12,807* |
| *Voluntary reserves* | *527,083* | *511,313* |
| *Capitalisation reserves* | *22,484* | *19,328* |
| Revaluation reserves | 3,288 | 3,297 |
| Other reserves | 1,960,567 | 1,966,640 |
| *Legal reserve* | *13,671* | *13,671* |
| *Accumulated reserves or losses on investments in jointly-controlled entities and associates* | *(35,848)* | *(33,603)* |
| *Other reserves* | *1,982,744* | *1,986,572* |
| *Of which: from the application of IFRS 9* | *(115,872)* | *(115,872)* |
| *Of which: from the issue of equity instruments other than capital* | *(67,020)* | *(49,870)* |
| Profit/(loss) for the year | 150,985 | 23,602 |
| Interim dividends | (47,000) | - |
| **Total** | **3,253,857** | **3,160,630** |

Equity instruments issued other than capital relate to an issue of preferential holdings, issued on 27 March 2018, in the amount of 350 million euros, known as “€350,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securites”. The price of the emission was 100% and accrues a fixed annual coupon of 7%, which will be paid quarterly until 6 April 2023. From that date, fixed interest equal to the five-year swap rate plus a margin of 6.809% will accrue. In any event, payment of the remuneration is subject to certain conditions, and is discretionary for the issuer.

Preference shares are perpetual, without prejudice to their eligibility for redemption under certain conditions, at the discretion of the Bank. In addition, the nominal value of each of them may decrease to 0.01 euros if the Common Equity Tier 1 of Ibercaja Group falls below 5.125%. The payout and closing of this issue was carried out on 6 April 2018, and it was admitted for listing and trading in the AIAF fixed income market.

These shares were issued with the authorisation of the competent supervisor for classification as eligible tier-1 capital (Note 1.7.2).

Accrual and payment of the coupon of these instruments is recognised in “Other reserves” of equity. At 31 December 2021, this payment amounted to 24,500 thousand euros, 17,150 thousand euros net of the tax effect (24,500 thousand euros, 17,150 thousand euros, net of the tax effect at 31 December 2020).

In 2021, there have been movements in the Group’s equity to comply with the requirements of article 25 of the Corporate Income Tax Law regarding the creation of a separate and appropriately titled restricted reserve for the amount of the reduction due to the capitalisation reserve.

As a result, the capitalisation reserve that was on the Group’s consolidated balance sheet at 31 December 2020 was released with a credit to voluntary reserves in the amount of 7,528 thousand euros, leaving a capitalisation reserve for 2017 amounting to 11,799 thousand euros.

In addition, the Group has set up, with a charge to voluntary reserves, another capitalisation reserve for 2019, in accordance with the provisions of the aforementioned article of the Corporate Income Tax Law, amounting to 10,684 thousand euros, so that the carrying amount of the capitalisation reserves in the consolidated balance sheet totals 22,484 thousand euros (31 December 2020: 19,328 thousand euros).

In accordance with the definition of distributable items in the CRR regulations, in article 4, section 1, paragraph; the balance thereof, at 31 December 2021, amounted to 380,146 thousand euros (323,785 thousand euros at 31 December 2020).

“Interm dividends” includes the interim dividend out of 2021 profit, distributed among the shareholders in the last quarter of 2021 (Note 4.1).

*23.1.1 Capital*

Share capital at 31 December 2021 consisted of 214,427,597 shares (214,427,597 shares at 31 December 2020), with a par value of 1 euro each, fully subscribed and paid out, of the same class and series. The Bank’s shares are represented by bearer certificates.

The shareholders of Ibercaja Banco, S.A. are as follows:

| | **Thousands of euros** | |
|---|---|---|
| | **31/12/2021** | **31/12/2020** |
| Fundación Bancaria Ibercaja | 88.04% | 88.04% |
| Fundación Caja de Ahorros de la Inmaculada de Aragón | 4.73% | 4.73% |
| Cajacírculo Fundación Bancaria | 3.33% | 3.33% |
| Fundación Ordinaria Caja de Badajoz | 3.90% | 3.90% |

In 2020, 513,958 Ibercaja Banco shares were transferred from Fundación Caja de Ahorros de la Inmaculada de Aragón and Cajacírculo Fundación Bancaria to Fundación Bancaria Ibercaja, in accordance with the terms of the settlement agreement reached between the aforementioned shareholder foundations in relation to the payment of the price adjustment made by SAREB as payment of the compensation arising from the Integration Agreement between Ibercaja Banco and Banco Grupo Cajatrés.

23.1.2 Reserves

Appendix II includes a breakdown by company of the balance in “Accumulated reserves or losses on investments in jointly-controlled entities and associates” and the other accumulated reserves.

23.1.2.1 Legal reserve

In accordance with the consolidated text of the Corporate Enterprises Act, companies that record profits for the financial year must transfer 10% of the profits to the legal reserve until the balance in the reserve reaches at least 20% of share capital. The legal reserve may not be used to offset losses unless it exceeds the aforementioned limit and no other sufficient reserves are available for such purpose.

The legal reserve may be used to increase the share capital provided that the remaining reserve balance does not fall below 10% of the balance of share capital after the increase.

23.1.2.2 Goodwill reserve

The goodwill reserve is recognised pursuant to the previous Article 273.4 of the Corporate Enterprises Act, (eliminated in financial statements for periods commencing on or after 1 January 2016) and is not available for distribution. Law 22/2015 of 20 July on the Auditing of Accounts stipulates that in periods commencing on or after 1 January 2016, the goodwill reserve will be reclassified to voluntary reserves and will be unrestricted as from that date in an amount that exceeds the goodwill recognised on the assets side of the balance sheet.

23.1.2.3 Revaluation reserves

The revaluation reserves are the result of the accounting restatement carried out on the first-time adoption of IFRS-EU and may not be distributed, directly or indirectly, unless the capital gain has been realised, this being understood as when:

a) The part of the restated assets corresponding to the reserve has been written down.

b) The restated assets have been transferred or written off the balance sheet.

### 23.2 Non-controlling interests

The Group had no non-controlling interests in 2021 or 2020.

## 24. Accumulated other comprehensive income

### 24.1 Actuarial gains/(losses) on defined benefit pension plans

At 31 December 2021, cumulative actuarial losses on defined benefit pension plans amount to 13,612 thousand euros (23,741 thousand euros at 31 December 2020).

### 24.2 Hedging derivatives. Cash flow hedge reserve (effective portion)

At 31 December 2021, the amount of losses taken to equity for cash flow hedges amounted to 24,973 thousand euros (31 December 2020: gains of 8,551 thousand euros).

### 24.3 Financial assets at fair value through other comprehensive income

This heading on the consolidated balance sheets reflects the net amount of changes in fair value of assets which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4).

A breakdown of valuation adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26) is as follows:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | |
| | Valuation adjustments | Fair value | Fair value hierarchy | | |
| | | | Level 1 | Level 2 | Level 3 |
| Listed equity instruments | (5,749) | 203,543 | 193,076 | 10,467 | - |
| Unlisted equity instruments | 44,643 | 142,133 | - | 113,717 | 28,416 |
| Listed fixed income | 16,388 | 6,118,358 | 5,987,798 | 130,560 | - |
| **Total** | **55,282** | **6,464,034** | **6,180,874** | **254,744** | **28,416** |

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | Valuation adjustments | Fair value | Fair value hierarchy | | |
| | | | Level 1 | Level 2 | Level 3 |
| Listed equity instruments | (10,432) | 210,904 | 201,601 | 9,303 | - |
| Unlisted equity instruments | 44,305 | 142,967 | - | 113,717 | 29,250 |
| Listed fixed income | 39,091 | 6,669,457 | 6,350,334 | 319,123 | - |
| **Total** | **72,964** | **7,023,328** | **6,551,935** | **442,143** | **29,250** |

## 25. Tax position

### 25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporation Tax Consolidated Group (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore corporation tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatrés, as from the tax period starting 1 January 2014, Banco Grupo Cajatrés and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

### 25.2 Years open to inspection

The Group and its companies are subject to inspection by the tax authorities for Corporation Tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2017 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the corporation tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Furthermore, in relation to the Corporation Tax of the tax consolidation group of Banco Grupo Cajatrés, a company absorbed by Ibercaja Banco in 2013, and of several of its companies, in July 2020 notification was received that inspection proceedings were commencing regarding supplementary tax returns and requests for rectification filed for 2011 to 2013. These proceedings are currently underway.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

### 25.3 Reconciliation of book and tax income

The reconciliation of consolidated profit before taxes for 2021 and 2020 and Corporation Tax expense is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Consolidated profit(loss) before tax** | **214,773** | **53,470** |
| | | |
| Corporation tax at the 30% tax rate | 64,432 | 16,041 |
| Effect of permanent differences | 6,165 | (1,958) |
| Other adjustments on consolidation | (1,677) | (174) |
| Tax deductions and tax credits | (2,143) | (1,163) |
| Write-off of deferred tax assets | - | 19,210 |
| **Corporation tax expense for the year** | **66,777** | **31,956** |
| Adjustments to prior-year tax expense | (2,989) | (2,088) |
| **Total corporation tax expense** | **63,788** | **29,868** |
| *of which: current tax expense* | *15,955* | *41,977* |
| *of which: deferred tax expense* | *47,833* | *(12,109)* |

The item "Effect of permanent differences" includes 5,494 thousand euros at 31 December 2020, relating to the straight-line reversal over five years of impairment losses on shareholdings that were tax deductible in periods prior to 2013, under Royal Decree-Law 3/2016 of 2 December,

In 2020, the Group derecognised tax credits associated with tax loss carryforwards generated by a subsidiary of the Group prior to its entry into the tax group for the amount of 19,210 thousand euros,

In 2020, pursuant to the provisions of Transitional Provision 16 of the Corporation Tax Law, in line with the wording used in Royal Law Decree 3/2016 of 2 December, which adopts tax measures that pursue the consolidation of public finances and other urgent social matters, the Bank has included 22,867 thousand euros in its taxable basis to reverse impairment losses on debt securities in the equity of entities that were tax deductible from the Corporation Tax base during the tax periods prior to 1 January 2013. Furthermore, as a result of the sale and settlement of Companies during the year, it will no longer be necessary to include income of 2,130 thousand euros. As at 31 December, no amount remained to be included in the taxable basis in this respect,

Corporation Tax expense increased by 25,737 thousand euros in 2021 due to the deferred taxes related to the origination and reversal of temporary differences (decrease of 31,007 thousand euros in 2020), Years prior to 2015, income was generated that qualified for the then-applicable tax credit for reinvestment of extraordinary profits, the relevant reinvestment commitment having been fulfilled. The following table shows the extraordinary gains that resulted in the tax credit:

| | Thousands of euros | |
|---|---|---|
| **Year income obtained** | **Income** | **Year of reinvestment** |
| 1998 | 3,498 | 2001 |
| 1999 | 190 | 2001 |
| 2001 | 6,001 | 2002 |
| 2002 | 6,017 | 2002 |
| 2003 | 4,181 | 2003 |
| 2004 | 6,707 | 2004 |
| 2005 | 4,486 | 2007 |
| 2006 | 14,633 | 2005-2007 |
| 2007 | 3,380 | 2007 |
| 2008 | 101,953 | 2007-2011 |
| 2009 | 1,598 | 2008-2012 |
| 2010 | 4,403 | 2009-2010 |
| 2011 | 17,729 | 2010-2011 |
| 2012 | 1,406 | 2012 |
| 2013 | 1,165 | 2012-2013 |
| 2014 | 9,229 | 2013-2014 |

Note: data for 2010 and prior years relate to operations of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja).

### 25.4 Deferred tax assets and liabilities

Based on tax legislation in force in Spain, there are certain timing differences and tax credits that should be taken into account when calculating consolidated corporation tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2021 and 2020 are as follows:

| | Thousands of euros | |
|---|---|---|
| | **Deferred tax liabilities** | **Deferred tax assets** |
| **Balance at 1 January 2019** | **1,326,708** | **176,613** |
| Prior-year restatement and other | (16,142) | (1,364) |
| Generated during the year | 82,890 | 339 |
| Applied during the year | (59,875) | (4,211) |
| Change in deferred tax assets and liabilities applied to equity | 2,044 | (4,216) |
| **Balance at 31 December 2020** | **1,335,625** | **167,161** |
| Prior-year restatement and other | (7,724) | 458 |
| Generated during the year | 18,902 | 388 |
| Applied during the year | (60,247) | (2,082) |
| Change in deferred tax assets and liabilities applied to equity | 5,596 | (6,476) |
| **Balance at 31 December 2021** | **1,292,152** | **159,449** |

In accordance with the provisions of transitional provision thirty-nine of the Corporation Tax Law, as amended by Royal Decree-Law 27/2019, of 28 December, the income or expense recorded directly in reserves as a result of the first application of Circular 4/2017 that have tax effects will be included in equal parts in the taxable basis of each of the first three years starting on or after 1 January 2018. The amount included in the taxable basis for 2020 for this item was 10,733 thousand euros. At 31 December 2020, no amount remained to be included in this regard, hence, in 2021, no amount was included for this item.

Below follows a breakdown of the Group's deferred tax assets and liabilities by type of temporary difference and tax credit:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Deferred tax assets | | Deferred tax liabilities | |
| | 2021 | 2020 | 2021 | 2020 |
| Impairment of financial assets | 694,726 | 691,219 | 631 | 631 |
| Pension commitments and other provisions | 89,180 | 81,926 | - | - |
| Fixed assets | 15,770 | 13,322 | 109,468 | 110,900 |
| Foreclosed assets | 38 | 1,468 | - | - |
| Other adjustments | 53,903 | 92,655 | 33,444 | 33,248 |
| **Total temporary differences with a balancing item in income statement** | **853,617** | **880,590** | **143,543** | **144,779** |
| **Temporary differences with a balancing item in equity** | **27,532** | **21,936** | **15,906** | **22,382** |
| Tax credit for tax-loss carryforwards | 407,274 | 417,124 | - | - |
| Tax credit for deductions pending application | 3,729 | 15,975 | - | - |
| **Total tax credits** | **411,003** | **433,099** | **-** | **-** |
| | **1,292,152** | **1,335,625** | **159,449** | **167,161** |

Below follows a breakdown of income tax relating to each item included in the statement of recognised income and expense:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Actuarial losses and gains on defined benefit pension plans | (4,341) | (234) |
| Changes in the fair value of equity instruments measured at fair value through other comprehensive income | (7,684) | 3,755 |
| **Items that will not be reclassified to profit or loss** | **(12,025)** | **3,521** |
| Debt instruments at fair value through other comprehensive income | 9,730 | 2,751 |
| *Valuation gains/(losses) taken to equity* | *7,478* | *(1,106)* |
| *Transferred to the income statement* | *2,252* | *3,857* |
| Cash flow hedges | 14,367 | (12) |
| Other recognised income and expenses | - | - |
| **Items that may be reclassified to profit or loss** | **24,097** | **2,739** |
| | **12,072** | **6,260** |

No significant temporary differences associated with investments in subsidiaries, branches and associates or interests in joint arrangements have arisen which could give rise to deferred tax liabilities not recognised on the balance sheet.

Under current tax and accounting regulations, certain temporary differences must be taken into account when quantifying the relevant corporation tax expense on continuing operations.

In 2013, Royal Decree-Law 14/2013 classed as assets guaranteed by Spain's Central Government those tax assets generated by impairment losses on loans or other assets as a result of the possible insolvency of debtors unrelated to the taxpayer; this status was subsequently extended to impairment losses on public corporations and on provisions for or contributions to pension plans and, if applicable, pre-retirement plans ("monetisable tax assets").

Monetisable tax assets may be converted into debt claims against the tax administration in the event that the taxpayer records book losses or the entity is liquidated or declared to be insolvent by a court. They may also be exchange for government securities once 18 years have elapsed as from the last day of the tax period in which the assets were recognised in the accounts. In order to maintain the Central Government's guarantee, the assets are subject to an annual charge of 1.5% of their amount as from 2016 (Note 37).

In 2021, the net amount of deferred tax assets and liabilities related to temporary differences amounted to 721,700 thousand euros (735,365 thousand euros at 31 December 2020).

As noted above, a portion of deferred tax assets arising from temporary differences are enforceable against the public authorities in the above circumstances (monetisable assets), meaning that recoverability is not dependent on the existence of future taxable profits, so the recognition of the relevant amounts is justified. as at 31 December 2021, deferred tax assets amounted to 634 million euros (629 million euros at 31 December 2020).

In addition, at 31 December 2021 there are deferred tax assets for tax-loss carryforwards and for unused tax credits amounting to 411,003 thousand euros (433,099 thousand euros at 31 December 2020). The vast majority of these tax assets result from the prior-year losses, which were extraordinary and non-recurring, due basically to the write-down of real estate assets in 2012 and of renegotiated assets in 2013, as disclosed in the financial statements for those years.

The tax credits described in the preceding paragraph were recorded for accounting purposes on the premise that future tax benefits might be obtained that will allow the tax-loss carryforwards to be offset in a reasonable time. According to applicable regulations, there is no time limit for offsetting these deferred tax assets.

According to Ibercaja Banco's business plan, which has provided the basis for the valuation of the Bank at 31 December 2021, sufficient future taxable profits will be generated to enable the recovery of these deferred tax assets and therefore the Company considers that there is convincing objective evidence for the recognition of the deferred tax assets. Note 16.1 describes the justification of the basic assumptions used in determining the business plan considered by the Company, as well as the justification of the significant deviations therefrom in previous years that could jeopardise its fulfilment.

According to the business plan estimates referred to above, in 2021 the estimated period for recovering these deferred tax assets is no more than 15 years.

## 26. <u>Fair value of financial assets and liabilities</u>

### 26.1 Breakdown

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2021 and 2020 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the appraisal system (levels 1, 2 and 3):

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2021 | | | | |
| | Total balance sheet | Fair value | Fair value hierarchy | | |
| | | | Level 1 | Level 2 | Level 3 |
| Cash and cash balances at central banks and other demand deposits | 6,388,624 | 6,388,624 | - | 6,388,624 | - |
| Financial assets held for trading | 2,864 | 2,864 | - | 2,864 | - |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | 1,668,437 | 1,668,437 | 1,666,941 | - | 1,496 |
| Financial assets at fair value through profit or loss | 7,451 | 7,451 | 7,451 | - | - |
| Financial assets at fair value through other comprehensive income | 6,464,034 | 6,464,034 | 6,180,874 | 254,744 | 28,416 |
| Financial assets at amortised cost | 40,989,400 | 43,759,819 | 8,027,646 | 3,640,451 | 32,091,723 |
| Derivatives - Hedge accounting | 71,866 | 71,866 | - | 71,866 | - |
| **Total financial assets** | **55,592,676** | **58,363,095** | **15,882,912** | **10,358,549** | **32,121,635** |
| Financial liabilities held for trading | 8,775 | 8,775 | - | 8,398 | 377 |
| Financial liabilities at amortised cost | 47,285,113 | 47,365,053 | - | 47,365,053 | - |
| Derivatives - Hedge accounting | 275,690 | 275,690 | - | 275,690 | - |
| **Total financial liabilities** | **47,569,578** | **47,649,518** | **-** | **47,649,141** | **377** |

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| | 2020 | | | | |
| | Total balance sheet | Fair value | Fair value hierarchy | | |
| | | | Level 1 | Level 2 | Level 3 |
| Cash and cash balances at central banks and other demand deposits | 7,572,609 | 7,572,609 | - | 7,572,609 | - |
| Financial assets held for trading | 5,503 | 5,503 | - | 5,503 | - |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | 853,721 | 853,721 | 824,170 | - | 29,551 |
| Financial assets at fair value through profit or loss | 8,602 | 8,602 | 8,602 | - | - |
| Financial assets at fair value through other comprehensive income | 7,023,328 | 7,023,328 | 6,551,935 | 442,143 | 29,250 |
| Financial assets at amortised cost | 39,726,825 | 43,033,735 | 6,548,679 | 3,636,832 | 32,848,224 |
| Derivatives - Hedge accounting | 142,020 | 142,020 | - | 142,020 | - |
| **Total financial assets** | **55,332,608** | **58,639,518** | **13,933,386** | **11,799,107** | **32,907,025** |
| Financial liabilities held for trading | 5,630 | 5,630 | - | 5,253 | 377 |
| Financial liabilities at amortised cost | 46,627,380 | 47,206,444 | - | 47,206,444 | - |
| Derivatives - Hedge accounting | 216,202 | 216,202 | - | 216,202 | - |
| **Total financial liabilities** | **46,849,212** | **47,428,276** | **-** | **47,427,899** | **377** |

The criteria used to determine fair value have been as follows:

- Level 1: using prices quoted on active markets for financial instruments.
- Level 2: using prices quoted on active markets for similar instruments or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: using valuation techniques in which some significant inputs are not based on observable market data.

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.
- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.
- Equity instruments measured at fair value: In general, provided that directly or indirectly observable market data is available, their fair value is obtained from listed prices or transactions in active markets for similar instruments. If sufficient market information is not available, fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.
- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve, without considering a “spread” for credit risk. Additionally, the early amortisation of 1.38% of the total has been taken into account. This percentage is based on the Group’s historical data and is used in internal management.

The impact of a 100 basis point rise in the interbank interest rate curve would bring about a -2.18% reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the expected losses and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.

- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on the development of market interest rates. The longer the residual life of the instrument, the greater the variation.

- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins remain constant, the fair value coincides with the carrying value only on repricing dates. On all other dates, there is an interest rate risk for the flows that have already been calculated.

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. During 2021 and 2020 there were no financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

| | **Thousands of euros** | |
|---|---|---|
| | **2021** | **2020** |
| Level 1 | 7,114 | (776) |
| Level 2 | (40,897) | 915 |
| Level 3 | 103 | (10,587) |
| | **(33,680)** | **(10,448)** |

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, separately revealing changes during the year attributable to the following:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Financial assets held for trading | Financial assets not held for trading mandatorily measured at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial liabilities held for trading |
| **Balance at 1 January 2021** | **-** | **29,551** | **29,250** | **377** |
| Profit/(loss) recognised in the income statement and/or statement of recognised income and expense | - | 108 | (239) | - |
| Purchases | - | - | 159 | - |
| Sales | - | - | (754) | - |
| Issues | - | - | | - |
| Settlements and maturities | - | (28,162) | - | - |
| Transfers from or to Level 3 in or outside the portfolios described | - | - | - | - |
| **Balance at 31 December 2021** | **-** | **1,497** | **28,416** | **377** |

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Financial assets held for trading | Financial assets not held for trading mandatorily measured at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial liabilities held for trading |
| **Balance at 1 January 2020** | **-** | **90,980** | **30,494** | **387** |
| Profit/(loss) recognised in the income statement and/or statement of recognised income and expense | - | (10,475) | 91 | - |
| Purchases | - | - | 150 | - |
| Sales | - | (40,313) | (1,485) | - |
| Issues | - | - | - | - |
| Settlements and maturities | - | (10,641) | - | (10) |
| Transfers from or to Level 3 in or outside the portfolios described | - | - | - | - |
| **Balance at 31 December 2020** | **-** | **29,551** | **29,250** | **377** |

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Private Equity Venture Capital Association).

Considering the amount of these investments, the Group believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine the value would not have a significant impact on the results, total assets or equity of the Group.

### 26.2 Impact of COVID-19 on fair value hierarchy levels

The events outlined above related to COVID-19 have had a significant impact on the financial markets at certain times during the 2020 financial year, and especially in the first half of the financial year, in the weeks following COVID-19 being declared a global pandemic. With the announcement of tightening measures affecting most of the world's economies, there was a decline in liquidity, a widening of bid-ask spreads in some financial instruments and some loss of convergence among the various price contributors.

Subsequently, market conditions have been normalising. Certain assets have recovered some of their accumulated losses, liquidity has recovered and volatility has declined in most markets from the highs reached in the weeks following COVID-19 being declared a global pandemic. At the end of 2021 and 2020, no significant reduction in the price sources used to value financial instruments has been observed.

As a result, in 2021 and 2020, the Group has not identified any significant changes in the fair value hierarchy levels of the financial assets in its portfolio.

## 27. Other significant information

### 27.1 Contingent risks

The following table breaks down financial guarantees granted at 31 December 2021 and 2020 in accordance with the maximum risk assumed by the Group:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Guarantees and other sureties** | **768,105** | **737,212** |
| Financial guarantees | 97,630 | 93,631 |
| Guarantees and other sureties | 670,475 | 643,581 |
| **Irrevocable letters of credit** | **41,725** | **23,018** |
| Irrevocable documents issued | 41,725 | 23,018 |
| Irrevocable documents confirmed | - | - |
| **Assets associated with third-party obligations** | 234 | **234** |
| | **810,064** | **760,464** |

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties.

The income obtained from collateral instruments is recorded under the headings "Fee and commission income" and "Interest income" (in the amount relating to the restatement of the commission values) in the consolidated income statement and are calculated by applying the rate established contractually based on the nominal amount of the guarantee.

Provisions recorded to cover these guarantees, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the heading "Provisions - Commitments and guarantees given" in the balance sheet (Note 21).

At 31 December 2021 and 2020, the Group had not identified any contingent liability.

### 27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Assets under repos | 598,062 | 617,298 |
| Assets associated with Bank of Spain policy (*) | 3,215,603 | 2,570,266 |
| Other | - | - |
| | **3,813,665** | **3,187,564** |

(*) There is an additional 3,580,615 thousand euros (3,707,465 thousand euros in 2020) relating to own securitisation bonds and mortgage covered bonds that are also associated with the Bank of Spain policy obtained to secure monetary policy operations in the Eurosystem.

The fair value of the assets provided or used as security do not differ from their carrying amount.

### 27.3 Contingent commitments

At 31 December 2021 and 2020, the limits on financing contracts granted and the undrawn balances were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Limit granted | Undrawn balance | Limit granted | Undrawn balance |
| **Drawable by third parties** | **6,423,437** | **3,220,412** | **6,408,498** | **3,288,448** |
| Available immediately | 3,761,680 | 2,178,988 | 3,677,218 | 2,296,459 |
| Available subject to conditions | 2,661,757 | 1,041,424 | 2,731,280 | 991,989 |
| **Securities subscribed pending disbursement** | **-** | **1,268** | **-** | **1,268** |
| **Documents in clearing houses** | **-** | **106,917** | **-** | **126,905** |
| | **6,423,437** | **3,328,597** | **6,408,498** | **3,416,621** |

The amounts available relate to variable interest operations.

Provisions recorded to cover these exposures, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the caption "Provisions - Commitments and guarantees given" in the balance sheet (Note 21).

### 27.4 Third-party funds managed and marketed by the Group and securities depository

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2021 and 2020 are indicated in the following table:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Collective Investment Institutions | 19,600,522 | 16,234,844 |
| Pension funds | 6,562,703 | 5,907,074 |
| Insurance products | 91,988 | 101,968 |
| Discretionary portfolio management (*) | 4,922,073 | 4,602,628 |
| | **31,177,286** | **26,846,514** |
| *Of which: managed by the Group* | *31,053,343* | *25,814,364* |

(*) Mainly includes discretionary managed Collective Investment Institutions.

Set out below is a breakdown of the securities deposited by third parties with the Group at 31 December 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Fixed Income | 1,147,598 | 1,113,273 |
| Equities | 2,793,202 | 2,588,749 |
| | **3,940,800** | **3,702,022** |

### 27.5 Securitisation of assets

The Group has securitised assets by assigning loans from its portfolio to a securitisation fund in which, due to the agreed transfer terms, the Company has continued to bear the substantial risks and rewards of the securitised assets and therefore these assets have been retained in full in the balance sheet. Details of the balances recorded in relation to these operations are set out below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Assets transferred to TDA Ibercaja 2, FTA in 2005 | 112,351 | 137,840 |
| Assets transferred to TDA Ibercaja 3, FTA in 2006 | 167,066 | 197,836 |
| Assets transferred to TDA Ibercaja 4, FTA in 2006 | 259,640 | 305,692 |
| Assets transferred to TDA Ibercaja 5, FTA in 2007 | 268,203 | 313,746 |
| Assets transferred to TDA Ibercaja 6, FTA in 2008 | 432,015 | 491,065 |
| Assets transferred to TDA Ibercaja ICO-FTVPO, FTH in 2009 | 72,088 | 93,950 |
| Assets transferred to TDA Ibercaja 7, FTA in 2009 | 803,971 | 901,301 |
| | **2,115,334** | **2,441,430** |

Note 11.1 provides details concerning the Company's exposure in securitisation funds and the amount of securitisation fund liabilities that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitised assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2021 and 2020, which are backed by the transferred assets mentioned above, is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Liabilities issued by TDA Ibercaja 2, FTA in 2005 | 112,407 | 136,906 |
| Liabilities issued by TDA Ibercaja 3, FTA in 2006 | 165,529 | 192,725 |
| Liabilities issued by TDA Ibercaja 4, FTA in 2006 | 258,198 | 298,965 |
| Liabilities issued by TDA Ibercaja 5, FTA in 2007 | 268,835 | 259,101 |
| Liabilities issued by TDA Ibercaja 6, FTA in 2008 | 420,383 | 466,713 |
| Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009 | 70,965 | 91,057 |
| Liabilities issued by TDA Ibercaja 7, FTA in 2009 | 749,904 | 813,562 |
| | **2,046,221** | **2,259,029** |

### 27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2021 amount to 5,384 thousand euros (6,709 thousand euros at 31 December 2020). The fair value of the assets received as security do not differ from their carrying amount.

### 27.7 Environment

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimise possible environmental impacts, and complies with current environmental legislation. During 2021 and 2020, no significant environment-related investments were made and no significant environment-related contingencies are considered to exist.

### 27.8 Segmentation

The ultimate decision-making body responsible for defining the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments, as the results of its activities are not examined on an independent basis by Management, for the following reasons:

- The types of products marketed by the Group's insurance companies are, in part, substitutes for bank savings products and are subject to similar risks.
- The use of the commercial network of Ibercaja Banco, S.A. as the majority distribution channel for the products of the Group's insurance companies affects the relationship of dependence between the two sectors.
- The existence of a common customer base and the linkage of the two brands from the consumer's point of view mean that operational risk is interrelated between the two sectors of banking and insurance.
- All strategic, commercial and regulatory analysis is carried out at the Group level.

Nevertheless, in accordance with applicable regulations, information on the distribution of the Group's revenues by geographical area and product type have been included in this Note.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

The breakdown of the Group's ordinary revenue (which includes interest income, dividend income, fees and commissions received, gains on financial assets and liabilities and other operating income) by type of product or service is as follows.

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Ordinary revenue from third-party customers | | Gross margin excl. gains on financial assets and liabilities | |
| | 2021 | 2020 | 2021 | 2020 |
| Banking | 994,570 | 1,056,949 | 799,046 | 774,872 |
| Insurance | 1,012,016 | 1,099,097 | 105,995 | 106,933 |
| | **2,006,586** | **2,156,046** | **905,041** | **881,805** |

The reconciliation between total ordinary income and gross income excluding gains and losses on financial transactions is shown below:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Ordinary revenue from third-party customers** | **2,006,586** | **2,156,046** |
| (Interest expenses) | 57,097 | 99,125 |
| Share of profit of entities accounted for using the equity method | 5,589 | 579 |
| (Fee and commission expenses) | 19,509 | 16,636 |
| (Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss) | 46,108 | 128,856 |
| (Net gains or (-) losses on financial assets and liabilities held for trading) | 645 | 1,149 |
| (Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss) | 103 | (10,476) |
| (Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss) | - | - |
| (Net gains or (-) losses from hedge accounting) | (194) | (364) |
| (Net exchange differences) | 557 | 852 |
| (Other operating expenses) | 78,553 | 78,581 |
| (Liability expenses covered by insurance or reinsurance contracts) | 904,756 | 960,461 |
| **Gross margin excl. gains on financial assets and liabilities** | **905,041** | **881,805** |

## 28. Interest income

The breakdown of the balance under this consolidated income statement heading in 2021 and 2020, based on the financial instrument portfolios from which the income originates, is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Financial assets held for trading | - | - |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | 85 | 181 |
| Financial assets at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | 95,251 | 111,533 |
| Financial assets at amortised cost | 423,097 | 493,287 |
| Interest rate hedging derivatives | (37,378) | (11,026) |
| Other assets | 516 | 1,008 |
| Interest income from liabilities | 68,352 | 37,815 |
| | **549,923** | **632,798** |

"Interest income from liabilities" includes interest income from the application of negative interest rates on liquidity auctions under the European Central Bank's TLTRO programme amounting to 59,074 thousand euros (31 December 2020: 33,173 thousand euros; Note 19.1).

## 29. Interest expense

The breakdown of the balance under this consolidated income statement heading in 2021 and 2020, based on the financial instrument portfolios from which the income originates, is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Financial liabilities at amortised cost | 81,055 | 119,568 |
| Interest rate hedging derivatives | (50,108) | (59,367) |
| Insurance contracts | 1,704 | 15,227 |
| Other liabilities | 1,572 | 9,285 |
| Interest expense from assets | 22,874 | 14,412 |
| | **57,097** | **99,125** |

"Other liabilities" includes interest expenses arising from the contribution made to the Deposit Guarantee Fund amounting to 275 thousand euros (505 thousand euros at 31 December 2020) (Note 1.8). In addition, at 31 December 2021, it also includes 1,207 thousand euros in interest expenses on lease liabilities (Note 2.10) (1,369 thousand euros at 31 December 2020).

## 30. Income from dividends

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of Financial assets at fair value through other comprehensive income, amounting to 9,542 thousand euros at 31 December 2021 (5,208 thousand euros at 31 December 2020).

## 31. Share of profit of entities accounted for using the equity method

Appendix II provides a breakdown by company of the balance under this consolidated income statement heading in 2021 and 2020.

## 32. Fee and commission income

Fee and commission income accrued in 2021 and 2020, classified in accordance with the item generating the fees and commissions, is reflected in the following table:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Contingent risk fees | 8,643 | 8,581 |
| Contingent commitment fees | 2,723 | 3,421 |
| Foreign currency exchange fees | 107 | 90 |
| Collection and payment services fees | 123,161 | 113,084 |
| Securities services fees | 49,581 | 38,992 |
| Non-bank financial product marketing fees | 254,860 | 206,590 |
| Other fees | 18,420 | 20,013 |
| | **457,495** | **390,771** |

## 33. Fee and commission expenses

Expenses for fees and commissions accrued in 2021 and 2020, classified in accordance with the item generating the fees and commissions, are reflected in the following table:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Fees and commissions assigned to other entities | 6,809 | 5,792 |
| Fees for securities transactions | 2,442 | 2,605 |
| Other fees | 10,258 | 8,239 |
| | **19,509** | **16,636** |

## 34. Gains/(losses) on financial transactions

The breakdown of the balance under this consolidated income statement heading in 2021 and 2020, based on the financial instrument portfolios from which the balances originate, is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.** | **46,108** | **128,856** |
| Financial assets at fair value through other comprehensive income | 7,508 | 12,856 |
| Financial assets at amortised cost | 40,779 | 125,366 |
| Financial liabilities at amortised cost | (2,179) | (9,366) |
| **Net gains/(losses) on financial assets and liabilities held for trading** | **645** | **1,149** |
| **Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net** | **103** | **(10,476)** |
| **Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss** | **-** | **-** |
| **Net gain/(loss) from hedge accounting** | **(194)** | **(364)** |
| Adjustments to hedged instruments (fair value hedge) | 34,233 | 48,655 |
| Hedge derivative (fair value hedge) | (34,427) | (49,019) |
| | **46,662** | **119,165** |

At 31 December 2020, the heading “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost” includes, among others, the impact of the sale of the national public debt securities portfolio explained in Note 11.2, which gave rise to a positive result of 114,619 thousand euros. As indicated in this Note, part of the nominal value of the portfolio was sold at term, generating a result of 33,102 thousand euros in 2021. Also, at 31 December 2020, it included the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. The transaction resulted in a positive result of 3 million euros.

Also, at 31 December 2021, this heading included both the impact of the sale of the national public debt securities portfolio performed in 2021 (Note 11.2), which led to a gain of 18,686 thousand euros, and the impact of the sale of a non-performing loan portfolio arranged at the end of 2021 (Note 11.5), which led to a negative impact of 9,623 thousand euros.

At 31 December 2020, “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss - Financial liabilities at amortised cost” mainly reflected the impact of the subordinated obligations repurchase transaction performed in 2020, described in Note 19.4. The Group had to pay an average premium of 2.14%, which led to a negative result of 9,363 thousand euros.

Lastly, at 31 December 2020, “Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss” mainly reflected the impact of the 10,350 thousand euros reduction in the value of SAREB’s subordinated debt (Note 8).

## 35. Exchange differences

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Translation into euro of monetary items denominated in foreign currency | 389 | 1,376 |
| Foreign currency trading | 168 | (524) |
| | **557** | **852** |

No gain or loss was obtained on the cancellation of exchange differences recorded in consolidated equity, in accordance with the provisions of Note 2.5.3.

## 36. Other operating income

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Income from investment property (Note 15.2) | 3,905 | 4,141 |
| Income from other operating leases (Note 15.3) | 16,475 | 15,350 |
| Sales and income from provision of services | 4,187 | 4,416 |
| Other items | 13,377 | 23,115 |
| | **37,944** | **47,022** |

At 31 December 2020, the heading "Other items" mainly includes the initial recognition of 15 million euros, as part of the 70 million euros already received by Ibercaja Mediación, for the signing of the novation agreement modifying Caser's non-life insurance distribution contract (see Note 10).

## 37. Other operating expenses

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Operating expenses on investment properties (Note 15.2) | 1,079 | 1,591 |
| Contribution to National Resolution Fund (Note 1.8.1) | 13,794 | 11,094 |
| Contribution to Deposit Guarantee Fund (Note 1.8.2) | 51,819 | 53,269 |
| Other items | 11,861 | 12,627 |
| | **78,553** | **78,581** |

At 31 December 2021, "Other items" includes the charge of 2,744 thousand euros (3,361 thousand euros at 31 December 2020) for converting deferred tax assets into debt claims against the Spanish tax administration (Note 25.4).

## 38. Staff expenses

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Wages and salaries | 270,847 | 263,920 |
| Social security contributions | 68,638 | 68,660 |
| Defined benefit plans | 2,254 | 2,359 |
| Contributions to defined contribution plans | 15,413 | 15,339 |
| Severance payments | 16,333 | 151,072 |
| Other staff expenses | 1,698 | 1,218 |
| | **375,183** | **502,568** |

At 31 December 2021, the Entity recognised 1,544 thousand euros under "Wages and salaries" relating to the accrual of the management incentive multi-year plan (Note 2.13.5).

In December 2020, the management of Ibercaja Banco and employee representatives, as part of a redundancy programme, reached an agreement that envisaged a redundancy programme that would affect a maximum of 750 employees, establishing voluntary redundancy as a preferential selection criterion, either for reasons of age or due to the closure of the work centre. The departures of the participating employees will be staggered and will take place until June 2022. In accordance with point 165 of IAS 19 "Employee benefits" and the conditions established in IAS 37 "Provisions" for the recognition of restructuring costs, this plan has led to staff expenses amounting to 151,041 thousand euros being recognised under "Termination benefits" in the income statement for 2020. Note 21 includes the outstanding liabilities associated with this agreement. In 2021, an additional expense of 12,842 thousand euros was recognised, relating to changes in the departure dates of some employees, with respect to the remaining charges to a contingency tied to employment costs arising from prior years' restructuring processes due to changes in social security legislation in 2021.

### 38.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2021 and 2020 is as follows:

| | 31/12/2021 | | | 31/12/2020 | | |
|---|---|---|---|---|---|---|
| | **Men** | **Women** | **Total** | **Men** | **Women** | **Total** |
| GR. 1 senior management | 9 | 3 | 12 | 9 | 3 | 12 |
| GR. 1 Levels I to V | 1,227 | 716 | 1,943 | 1,403 | 754 | 2,157 |
| GR. 1 Levels VI to X | 1,030 | 1,494 | 2,524 | 1,180 | 1,610 | 2,790 |
| GR. 1 Levels XI to XIII | 176 | 209 | 385 | 145 | 177 | 322 |
| GR. 2 and Cleaning service | 14 | 2 | 16 | 23 | 3 | 26 |
| | **2,456** | **2,424** | **4,880** | **2,760** | **2,547** | **5,307** |

At 31 December 2021 and 2020, the entire workforce is based in Spain.

The average number of Group employees in 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| GR. 1 senior management | 12 | 12 |
| GR. 1 Levels I to V | 2,082 | 2,143 |
| GR. 1 Levels VI to X | 2,688 | 2,804 |
| GR. 1 Levels XI to XIII | 394 | 386 |
| GR. 2 and Cleaning service | 23 | 26 |
| | **5,199** | **5,371** |

At 31 December 2021, the average number of Group employees with a disability of 33% or more is 50 (57 employees at 31 December 2020).

### 38.2 Staff expenses - post-employment benefits

Net figures recognised in the balance sheet for defined benefit post-employment plans at December 2021 and 2020 are as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Present value of obligations financed | (229,644) | (254,922) |
| Fair value of plan assets | 225,283 | 225,608 |
| (**Shortfall)/Surplus** | **(4,361)** | **(29,314)** |
| Impact of limit on assets | (473) | (638) |
| **Net asset (liability) on balance sheet:** | **(4,834)** | **(29,952)** |
| Assets linked to pensions (Note 21) (*) | 78,998 | 84,845 |
| Net pension assets (Note 21) (**) | 5,407 | 4,328 |
| Net pension (provision) (Note 21) | (89,239) | (119,125) |

(*) Financial assets at the subsidiary Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan obligations during 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Initial value of obligations financed** | **(254,922)** | **(265,205)** |
| Cost of services for the current year | (2,254) | (2,359) |
| Interest expense | (157) | (282) |
| Past service cost | - | - |
| Gains/(losses) on plan settlements and reductions | - | - |
| Recalculation of values: | | |
| Gains/(losses) on changes in demographic assumptions | (6,594) | - |
| Gains/(losses) on changes in financial assumptions | 12,433 | (4,522) |
| Gains/(losses) due to experience | 4,425 | (1,526) |
| Benefits paid | 17,425 | 18,972 |
| Transfers and other | - | - |
| **Final present value of obligations** | **(229,644)** | **(254,922)** |

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan assets during 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Initial fair value of plan assets** | **224,970** | **234,496** |
| Interest income | 157 | 318 |
| Gains/(losses) on plan settlements and reductions | - | - |
| Recalculation of values: | | |
| Yield on plan assets excluding interest (expense)/income | - | - |
| Gains/(losses) on changes in financial assumptions | (3,443) | 877 |
| Gains/(losses) due to experience | 7,483 | 6,018 |
| Change in asset limit, excluding interest expense | 166 | (68) |
| Employer contributions | 12,594 | 1,991 |
| Member contributions | - | - |
| Benefits paid | (17,117) | (18,662) |
| Transfers and other | - | - |
| **Final fair value of plan assets** | **224,810** | **224,970** |

The breakdown of the main types of plan assets at 31 December 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Shares | 15.90% | 13.74% |
| Debt instruments | 79.19% | 82.51% |
| Constructions | - | - |
| Demand deposits | 4.91% | 3.75% |
| Other assets | - | - |
| **Total** | **100.00%** | **100.00%** |

The analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2025** | **2026** | **2027-2030** |
| Probable post-employment benefits | 15,435 | 14,914 | 14,367 | 13,800 | 13,209 | 56,928 |

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of post-employment plan obligations to changes in the main assumptions is detailed below:

| | Change in bps | Increase in assumptions | Decrease in assumptions |
|---|---|---|---|
| Discount rate | 50 bp | (5.46%) | 6.06% |
| Pension increase rate | 50 bp | 5.64% | (5.18%) |
| Salary increase rate | 50 bp | 0.18% | (0.17%) |

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

The value of the obligation and the fair value of the assets for the purposes of the post-employment defined benefit plan for the current year and the previous four are as follows:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Present value of obligations financed | (229,644) | (254,922) | (265,205) | (256,700) | (264,016) |
| Fair value of plan assets | 225,283 | 225,608 | 235,064 | 230,652 | 253,395 |
| **Surplus/(Shortfall)** | **(4,361)** | **(29,314)** | **(30,141)** | **(26,048)** | **(10,621)** |
| Impact of limit on assets (Note 21) | (473) | (638) | (568) | (388) | (386) |
| **Net asset (liability) on balance sheet:** | **(4,834)** | **(29,952)** | **(30,709)** | **(26,436)** | **(11,007)** |
| Insurance contracts related to pensions (Note 21) | 78,998 | 84,845 | 89,215 | 93,264 | 105,483 |
| Net pension assets (Note 21) | 5,407 | 4,328 | 3,686 | 4,565 | 4,261 |
| Net pension assets (Provision) (Note 21) | (89,239) | (119,125) | (123,610) | (124,265) | (120,751) |

### 38.3 Staff expenses - long-term remuneration for early retirees

The net figures recognised in the balance sheet for long-term remuneration payable to early retirees under defined benefit plans at December 2021 and 2020 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Present value of obligations financed** | **(1,544)** | **(122)** |
| Fair value of plan assets | - | - |
| **Net liability on balance sheet:** | **(1,544)** | **(122)** |
| Assets linked to pensions | - | - |
| Net pension assets | - | - |
| Net pension (provision) (Note 21) | (1,544) | (122) |

The reconciliation of opening and closing balances reflecting the present value of obligations under defined benefit plans for early retirees during 2021 and 2020 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Initial value of obligations financed** | **(122)** | **(466)** |
| Cost of services for the current year | (1,544) | - |
| Interest expense | - | - |
| Past service cost | (561) | - |
| Gains/(losses) on plan settlements and reductions | - | - |
| Recalculation of values: | - | - |
| Gains/(losses) on changes in demographic assumptions | - | - |
| Gains/(losses) on changes in financial assumptions | - | - |
| Gains/(losses) due to experience | (1) | (20) |
| Benefits paid | 684 | 364 |
| **Final present value of obligations** | **(1,544)** | **(122)** |

The analysis of the expected termination of other non-discounted long-term employee remuneration in the coming 10 years is as follows:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027-2030 |
| Probable long-term staff obligations | - | - | 386 | 386 | 386 | 386 |

Changes in the main assumptions will not give rise to changes in the calculation of the obligations.

## 39. Other administration expenses

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| Buildings, installations and office equipment | 27,668 | 26,484 |
| Equipment maintenance, licences, works and computer software | 21,879 | 22,239 |
| Communications | 12,154 | 10,864 |
| Advertising and publicity | 5,771 | 5,003 |
| Charges and taxes | 18,170 | 20,221 |
| Other management and administration expenses | 83,424 | 68,209 |
| | **169,066** | **153,020** |

The item “Charges and taxes” includes the Tax on Deposits in Credit Institutions amounting to 10,685 thousand euros at 31 December 2021 (11,242 thousand euros in 2020).

- Other information

On 19 December 2019, the Bank’s General Shareholders’ Meeting appointed Ernst & Young, S.L. as auditor of Ibercaja Banco, S.A. for 2021, 2022 and 2023 to substitute PricewaterhouseCoopers Auditores, S.L.

The fees relating to the services provided by the audit company Ernst & Young, S.L. regarding the financial statements of Ibercaja Banco and the Group companies in the year ended 31 December 2021 are as follows:

| | Thousands of euros |
|---|---|
| | 2021 |
| From audit services to the Group | 862 |
| From other assurance services | 703 |
| From other services | 83 |
| | **1,648** |

The amount indicated in the previous table for audit services includes the total fees for these audit services, regardless of their billing date.

The other assurance services of the audit company relate mainly to limited reviews of the Group’s interim consolidated financial statements and other services requested of the auditor.

In 2021, no services have been provided by other companies that use the Ernst & Young brand.

The detail of the fees relating to 2020 agreed by the Bank with the audit firm PricewaterhouseCoopers Auditores, S.L. (auditor of Ibercaja Banco, S.A. until 2020) are provided below:

| | Thousands of euros |
|---|---|
| | 2020 |
| From audit services to the Group | 1,067 |
| From other assurance services | 503 |
| From other services | 561 |
| | **2,131** |

The fees accrued for non-audit services provided by the audit firm in 2020 relate mainly to limited reviews of the Group’s interim consolidated financial statements and other services requested of the auditor.

In 2020, no services have been provided by other companies that use the PricewaterhouseCoopers brand.

## 40. Impairment or reversal of impairment on non-financial assets

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| **Tangible assets (Note 15)** | **4,414** | **1,471** |
| Property, plant and equipment | 1,765 | 386 |
| Investment property | 2,649 | 1,085 |
| **Intangible assets (Note 16)** | **-** | **-** |
| Goodwill | - | - |
| Other intangible assets | - | - |
| **Other (Note 17)** | **7,513** | **88** |
| | **11,927** | **1,559** |

The increase in the provisions recognised under "Others" relates mainly to the recalibration effects of the 2021 internal model of the assets awarded.

## 41. Net gains/(losses) on derecognition of non-financial assets

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Gains (losses) on disposal of assets not classified as non-current assets held for sale | (5,594) | (3,066) |
| Gains/(losses) on disposal of shareholdings | 395 | 19 |
| | **(5,199)** | **(3,047)** |

Gains/losses from the disposal of other non-current assets not classified as held for sale includes mainly the sale of land of a real estate subsidiary of the Group, which generated a loss of 4.4 million euros, with the remaining transactions being insignificant.

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

This consolidated income statement heading is analysed below for 2021 and 2020:

| | Thousands of euros | |
|---|---|---|
| | **2021** | **2020** |
| Impairment gains/(losses) on other non-current assets for sale (Note 18) | (31,166) | (18,861) |
| Gains/(losses) on disposal of other non-current assets for sale | 5,885 | (969) |
| | **(25,281)** | **(19,830)** |

The increase in the provisons recognised under "Impairment gains/(losses) on other non-current assets for sale" relates mainly to the recalibration effects of the 2021 internal model of the assets awarded.

## 43. Related parties

The balances recorded on the consolidated balance sheets at 31 December 2021 and 2020 and in the consolidated income statements for 2021 and 2020 are as follows:

| | Thousands of euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | | | | 2020 | | | | |
| | Shareholder | Associates | Multi. entities | Other related parties (*) | Related individuals (**) | Shareholder | Associates | Multi. entities | Other related parties (*) | Related individuals (**) |
| **ASSETS** | | | | | | | | | | |
| Loans and receivables | 155,773 | 2,058 | - | - | 9,160 | 80,002 | 2,462 | - | - | 8,936 |
| Counterparties under insurance contracts | - | - | - | - | - | - | - | - | - | - |
| **LIABILITIES** | | | | | | | | | | |
| Deposits | 195,014 | 10,750 | 1,319 | 123,096 | 20,393 | 103,790 | 12,305 | 1,004 | 478,163 | 22,484 |
| Liabilities under insurance contracts linked to pensions | | - | - | - | - | - | - | - | - | - |
| Provisions | - | 1 | - | - | - | - | 3 | - | - | - |
| **PROFIT / (LOSS)** | | | | | | | | | | |
| **Expenses** | | | | | | | | | | |
| Interest expense | 81 | - | - | - | 4 | 79 | 345 | - | - | 4 |
| Fees, commissions and other expenses | 1,063 | - | - | - | 2 | 1,086 | - | - | - | 2 |
| **Income** | | | | | | | | | | |
| Interest income | - | - | 80 | 53 | 60 | - | - | 29 | 68 | 63 |
| Fees, commissions and other income | 241 | - | - | - | 4 | 292 | - | - | - | 4 |
| **Dividends** | 50,849 | - | - | - | - | 17,500 | - | - | - | - |
| **OTHER** | | | | | | | | | | |
| Contingent liabilities | - | 1,242 | - | - | - | - | 3,288 | 14 | - | 4 |
| Commitments | - | - | 6,007 | - | 800 | - | 6 | 6,000 | - | 719 |

(*) Investment funds and companies and pension funds.
(**) Senior management, Board of Directors, relatives to the second degree and their related entities.

The financial operations included have been carried out in accordance with the usual operating processes of the Group's parent entity and at arm's length. Arm's length terms are also applied in other related party transactions. For these purposes, the preferred valuation method taken into account is the comparable uncontrolled price method.

## 44. Other disclosure requirements

### 44.1 Information on the mortgage market

In accordance with Royal Decree 716/2009, of 24 April, whereby certain aspects of Law 2/1981, of 25 March, governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2010, of 29 June, the Board of Directors approved the "Loan and discount risk management policy and procedure manual" drawn up by the Company to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation companies authorised by the Bank of Spain.

- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by the borrower and the borrower's solvency, and the existence of other additional guarantees.

- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

The General Shareholders' Meeting of Ibercaja Banco, S.A. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 31 December 2021, the figure was 26.37% (29.54% at 31 December 2020).

Mortgage covered bonds are securities especially guaranteed by the issuer where the entire mortgage loan book arranged in its favour guarantees compliance with its payment commitments.

The level of over collateralisation or backing of mortgage covered bonds by the total mortgage portfolio is 446.78% at 31 December 2021 (409.76% at 31 December 2020).

At that date 99.56% of transactions in the mortgage portfolio have been formalised through loans (99.48% at 31 December 2020). Of these, instalments are collected on a monthly basis for 97.94% (97.69% at 31 December 2020). The operations formalised at variable interest rates are 99.38% of the total (99.45% at 31 December 2020) and of these, 78.32% are tied to Euribor (80.34% at 31 December 2020).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage covered bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitisations written off the balance sheet):

| | Thousands of euros | |
|---|---|---|
| | Nominal value | |
| | 2021 | 2020 |
| **Total loans** | **20,950,696** | **21,956,512** |
| **Mortgage participations issued** | **851,069** | **995,475** |
| of which: loans recognised on asset side of balance sheet | 851,069 | 995,475 |
| **Mortgage transfer certificates issued** | **1,288,009** | **1,445,955** |
| of which: loans recognised on asset side of balance sheet | 1,288,009 | 1,445,955 |
| **Mortgage loans pledged in guarantee for financing received** | **-** | **-** |
| **Loans backing mortgage bonds issues and covered bond issues** | **18,811,618** | **19,515,082** |
| Non-eligible loans | 3,253,653 | 3,842,758 |
| They meet the requirements to be eligible, except for the limit under art. 5.1 of RD 716/2009 | 2,997,474 | 3,477,412 |
| Other non-eligible loans | 256,179 | 365,346 |
| Eligible loans | 15,557,965 | 15,672,324 |
| Loans backing mortgage bond issues | - | - |
| Loans suitable for backing mortgage bond issues | 15,557,965 | 15,672,324 |
| Non-computable amounts | 10,963 | 13,247 |
| Computable amounts | 15,547,002 | 15,659,077 |
| **Memorandum items** | **Updated value** | |
| Loans backing mortgage bond issues | - | - |

Note 3.5.4 sets out the carrying amount of mortgage backed loans and its reconciliation with mortgage market information.

- Information on eligible loans and mortgages:

<table>
<tr><td></td><td colspan="5">Thousands of euros</td></tr>
<tr><td></td><td colspan="5">2021</td></tr>
<tr><td></td><td colspan="5">Loan to value based on latest available appraisal</td></tr>
<tr><td></td><td>Less than or equal to 40%</td><td>Greater than 40% and less than or equal to 60%</td><td>Greater than 60% and less than or equal to 80%</td><td>Greater than 80%</td><td>Total</td></tr>
<tr><td>Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds</td><td></td><td></td><td></td><td></td><td>15,557,965</td></tr>
<tr><td>Residential</td><td>4,351,484</td><td>6,027,579</td><td>4,349,849</td><td>-</td><td>14,728,912</td></tr>
<tr><td>Other properties</td><td>455,589</td><td>346,286</td><td colspan="2">27,178</td><td>829,053</td></tr>
</table>

<table>
<tr><td></td><td colspan="5">Thousands of euros</td></tr>
<tr><td></td><td colspan="5">2020</td></tr>
<tr><td></td><td colspan="5">Loan to value based on latest available appraisal</td></tr>
<tr><td></td><td>Less than or equal to 40%</td><td>Greater than 40% and less than or equal to 60%</td><td>Greater than 60% and less than or equal to 80%</td><td>Greater than 80%</td><td>Total</td></tr>
<tr><td>Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds</td><td></td><td></td><td></td><td></td><td>15,672,324</td></tr>
<tr><td>Residential</td><td>4,275,966</td><td>6,195,817</td><td>4,262,679</td><td>-</td><td>14,734,462</td></tr>
<tr><td>Other properties</td><td>524,909</td><td>364,098</td><td colspan="2">48,855</td><td>937,862</td></tr>
</table>

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Loans backing mortgage bonds issues and covered bond issues | Of which: Eligible loans | Loans backing mortgage bonds issues and covered bond issues | Of which: Eligible loans |
| **Total** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| **Origin of operations** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Originated by the Entity | 13,055,673 | 10,392,629 | 13,339,039 | 10,252,575 |
| Subrogated from other entities | 308,761 | 298,974 | 349,447 | 334,967 |
| Other | 5,447,184 | 4,866,362 | 5,826,596 | 5,084,782 |
| **Currency** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Euro | 18,810,650 | 15,557,965 | 19,513,236 | 15,672,324 |
| Other currencies | 968 | - | 1,846 | - |
| **Payment status** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Payment normality | 18,352,058 | 15,473,797 | 18,824,638 | 15,558,535 |
| Other situations | 459,560 | 84,168 | 690,444 | 113,789 |
| **Average residual period to maturity** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Up to 10 years | 2,347,150 | 1,769,443 | 2,547,022 | 1,826,748 |
| More than 10 years and up to 20 years | 7,207,578 | 6,226,128 | 7,362,897 | 6,270,273 |
| More than 20 years and up to 30 years | 8,833,180 | 7,352,301 | 8,949,357 | 7,221,455 |
| More than 30 years | 423,710 | 210,093 | 655,806 | 353,848 |
| **Interest rate** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Fixed interest rate | 214,865 | 112,431 | 156,439 | 75,462 |
| Variable interest rate | 16,413,490 | 13,877,263 | 17,431,077 | 14,052,888 |
| Mixed interest rate | 2,183,263 | 1,568,271 | 1,927,566 | 1,543,974 |
| **Holders** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Legal entities and individual entrepreneurs (business activities) | 2,486,212 | 1,209,015 | 2,717,982 | 1,254,242 |
| *of which: real estate construction and development (including land)* | *1,107,242* | *299,529* | *1,132,046* | *266,928* |
| Other household | 16,325,406 | 14,348,950 | 16,797,100 | 14,418,082 |
| **Type of collateral** | **18,811,618** | **15,557,965** | **19,515,082** | **15,672,324** |
| Finished assets/buildings | 18,168,111 | 15,243,624 | 18,777,153 | 15,347,661 |
| Homes | 17,588,933 | 14,851,272 | 18,091,717 | 14,896,076 |
| *of which: state-subsidised housing* | *1,065,425* | *994,586* | *1,223,772* | *1,145,526* |
| Offices and commercial premises | 281,042 | 206,706 | 336,552 | 240,021 |
| Other buildings and constructions | 298,136 | 185,646 | 348,884 | 211,564 |
| Assets/buildings under construction | 337,723 | 201,196 | 352,045 | 187,679 |
| Homes | 62,480 | 18,162 | 67,461 | 2,063 |
| *of which: state-subsidised housing* | *1,750* | *902* | *2,029* | *1,046* |
| Offices and commercial premises | 671 | 488 | - | - |
| Other buildings and constructions | 274,572 | 182,546 | 284,584 | 185,616 |
| Land | 305,784 | 113,145 | 385,884 | 136,984 |
| Consolidated urban land | 127,838 | 3,971 | 150,640 | 2,117 |
| Other land | 177,946 | 109,174 | 235,244 | 134,867 |

- Nominal value of mortgage covered bonds issued by the Company:

| | Thousands of euros | |
|---|---|---|
| | Nominal value | |
| | 2021 | 2020 |
| **Mortgage covered bonds (Note 19.4)** | **3,000,000** | **3,000,000** |
| Ibercaja October 2016 | 500,000 | 500,000 |
| Ibercaja September 2018 I | 750,000 | 750,000 |
| Ibercaja September 2018 II | 750,000 | 750,000 |
| Ibercaja December 2018 | 1,000,000 | 1,000,000 |
| **AYT mortgage covered bonds (Note 19.3)** | **600,470** | **825,470** |
| AYT 10 Single Covered Bond (20 years) | 341,026 | 341,026 |
| AYT Global 2021 Single Covered Bond | - | 225,000 |
| AYT Global 2022 Single Covered Bond Series III | 19,444 | 19,444 |
| AYT Cajas Global 2023 Covered Bond Series X | 75,000 | 75,000 |
| AYT Cajas Global 2027 Covered Bond Series XIII | 165,000 | 165,000 |
| **TDA mortgage covered bonds (Note 19.3)** | **500,000** | **800,000** |
| TDA 6 Single Covered Bond | 250,000 | 250,000 |
| TDA 6 Single Covered Bond (Extension) | 250,000 | 250,000 |
| TDA Single Covered Bond Series A4 | - | 300,000 |

- Information on the residual maturity of mortgage market securities:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Nominal value | Average res. mat. (months) | Nominal value | Average res. mat. (months) |
| **Mortgage bonds issued** | - | - | - | - |
| *of which: recognised under liabilities* | - | - | - | - |
| **Mortgage covered bonds issued** | **4,100,470** | - | **4,625,470** | - |
| *of which: recognised under liabilities* | *1,600,470* | - | *2,125,470* | - |
| Debt securities. Issued through public offering | - | - | - | - |
| Debt securities. Other issues (Note 19.4) | 3,000,000 | - | 3,000,000 | - |
| Residual maturity up to one year | 750,000 | - | - | - |
| Residual maturity greater than one year and up to two years | - | - | 750,000 | - |
| Residual maturity greater than two years and up to three years | 1,250,000 | - | 500,000 | - |
| Residual maturity greater than three years and up to five years | - | - | 750,000 | - |
| Residual maturity greater than five years and up to ten years | 1,000,000 | - | 1,000,000 | - |
| Residual maturity greater than ten years | - | - | - | - |
| Deposits | 1,100,470 | - | 1,625,470 | - |
| Residual maturity up to one year | 19,444 | - | 525,000 | - |
| Residual maturity greater than one year and up to two years | 75,000 | - | 19,444 | - |
| Residual maturity greater than two years and up to three years | - | - | 75,000 | - |
| Residual maturity greater than three years and up to five years | 841,026 | - | 841,026 | - |
| Residual maturity greater than five years and up to ten years | 165,000 | - | 165,000 | - |
| Residual maturity greater than ten years | - | - | - | - |
| **Mortgage participations issued** | **851,069** | **86** | **995,475** | **88** |
| Issued through public offering | - | - | - | - |
| Other issues | 851,069 | 86 | 995,475 | 88 |
| **Mortgage transfer certificates issued** | **1,288,009** | **99** | **1,445,955** | **102** |
| Issued through public offering | - | - | - | - |
| Other issues | 1,288,009 | 99 | 1,445,955 | 102 |

None of the issues has been made through a public offering and all are denominated in euros. The Company does not issue mortgage bonds and nor does it have replacement assets assigned to them.

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias) (eligible and non-eligible):

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Eligible loans | Non-eligible loans | Eligible loans | Non-eligible loans |
| **Opening balance** | **15,672,324** | **3,842,758** | **15,744,874** | **4,420,677** |
| **Write-offs in the year** | **1,366,079** | **1,029,627** | **1,411,541** | **848,548** |
| Due principal received in cash | 771,624 | 743,198 | 926,654 | 546,507 |
| Repaid early | 526,846 | 230,068 | 399,653 | 230,607 |
| Subrogated by other entities | 10,649 | 1,242 | 9,236 | 129 |
| Other write-offs | 56,960 | 55,119 | 75,998 | 71,305 |
| **Additions in the year** | **1,251,720** | **440,522** | **1,338,991** | **270,629** |
| Originated by the Entity | 966,893 | 400,366 | 992,397 | 237,174 |
| Subrogated from other entities | 6,943 | - | 451 | - |
| Other additions | 277,884 | 40,156 | 346,143 | 33,455 |
| **Closing balance** | **15,557,965** | **3,253,653** | **15,672,324** | **3,842,758** |

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias). Available balances:

| | Thousands of euros | |
|---|---|---|
| | 2021 | 2020 |
| **Total** | **562,383** | **506,587** |
| Potentially eligible | 548,712 | 487,222 |
| Non-eligible | 13,671 | 19,365 |

At 31 December 2021 and 2020, the Company had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

### 44.2 Customer service

As it does every year, the Ibercaja Group's Customer Service Department prepares a report in compliance with the requirement of article 17.1 of Order ECO/734/2004 of 11 March on Customer Service Departments and Services and the Customer Ombudsman of Financial Institutions and the requirement of art. 25 of the Regulations for the Defence of the Ibercaja Group's Customers. This annual report is presented and submitted for the consideration of the Board of Directors of the Group companies and contains the summary of its activity over the year, a statistical analysis of the complaints, claims and suggestions dealt with and the decisions adopted, together with a summary of the main criteria with which a response has been given to the most significant claims, a series of recommendations and suggestions raised in their study. All of this due to its work within the group, which situates it as one of the units charged with guaranteeing adequate risk control, compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures, together with a unit favouring the prudent business conduct of the Ibercaja Group.

For these purposes, the Ibercaja Group comprises the following entities: Ibercaja Banco, S.A.; Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Gestión, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A; Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U.; Ibercaja Pensión, Sociedad Gestora de Fondos de Pensiones, S.A.; and Ibercaja Mediación de Seguros, S.A.U.

In accordance with the regulations and law just discussed, the Customer Service at the Ibercaja Group will present a statistical report to the Board of Directors of Ibercaja Banco S.A. regarding complaints and claims handled, the decisions taken, the general criteria followed when reaching these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a. Claims processed

In 2021, the Customer Care Service (CCS) of the Ibercaja Group managed a total of 23,995 cases, which can be classified into two groups:

- Claims and grievances regarding mortgage arrangement costs and other clauses included in mortgage loan clauses: 11,561.

- Other claims, grievances and suggestions: 11,490, divided into 6,768 claims, 4,667 complaints and 55 suggestions.

b. Special out-of-court procedure for resolving claims relating to interest rate floor clauses under the terms of Royal Legislative Decree 1 of 20 January 2018

Since February 2017, the Ibercaja Group's Customer Care Service has also been responsible for resolving claims regarding interest rate floor clauses within the framework of Royal Decree Law 1 of 20 January 2017, through the Interest Rate Floor Clauses Claims Service (SERS). This service is voluntary for consumers and compulsory for Ibercaja, and consumer customers who do not use this procedure and go to court are not entitled to legal costs if Ibercaja agrees to their claims before the response to the lawsuit. In 2021, a total of 944 complaints were handled, about 20% of which were favourable. This year claims are also being resolved favourably for customers whose claims for the refund of novated loans in which only the surplus amounts collected for the floor clause are requested, from their activation to the date on which the novation was signed, in line with the Supreme Court case law, which has granted validity to these agreements.

The average time taken to resolve complaints and claims in 2021 was around 27 days for both procedures, which is within the current regulations. The service's efforts to resolve all complaints and claims within the set deadlines are evident.

General criteria contained in the decisions

The decisions have been issued with the utmost regard for good corporate governance and banking practices, transparency and consumer protection, taking into account the views formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. Moreover, all decisions were reached on the basis of the contractual documents signed with the customers.

## 45. Financial statements of Ibercaja Banco, S.A. for the years ended 31 December 2021 and 2020

Set out below are the balance sheets at 31 December 2021 and 2020, together with the income statements, statements of recognised income and expense, total statements of changes in equity and statements of cash flow of the parent entity for the years ended 31 December 2021 and 2020, all such statements drawn up in accordance with Bank of Spain Circular 4/2017, as discussed in Note 1.2 to the individual annual accounts of Ibercaja Banco at 31 December 2021.

## IBERCAJA BANCO, S.A.

## BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

| ASSETS | 2021 | 2020 |
|---|---|---|
| **Cash and cash balances at central banks and other demand deposits** | **6,218,527** | **7,387,451** |
| | | |
| **Financial assets held for trading** | **2,589** | **4,953** |
| Derivatives | 2,589 | 4,953 |
| Debt securities | - | - |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | - | - |
| | | |
| **Financial assets not held for trading mandatorily measured at fair value through profit or loss** | **1,496** | **1,542** |
| Equity instruments | - | - |
| Debt securities | - | - |
| Loans and advances | 1,496 | 1,542 |
| *Customers* | *1,496* | *1,542* |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | - | - |
| | | |
| **Financial assets at fair value through profit or loss** | **-** | **-** |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | - | - |
| | | |
| **Financial assets at fair value through other comprehensive income** | **932,907** | **437,288** |
| Equity instruments | 299,508 | 311,733 |
| Debt securities | 633,399 | 125,555 |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | *190,604* | *71,059* |
| | | |
| **Financial assets at amortised cost** | **41,087,817** | **39,858,274** |
| Debt securities | 9,891,699 | 8,386,550 |
| Loans and advances | 31,196,118 | 31,471,724 |
| *Credit institutions* | 357,311 | *282,362* |
| *Customers* | *30,838,807* | *31,189,362* |
| *Memorandum items: loaned or delivered as collateral with the right to sell or pledge* | *3,623,061* | *3,126,292* |
| | | |
| **Derivatives - Hedge accounting** | **71,866** | **142,020** |
| | | |
| **Fair value changes of the hedged items in a portfolio with interest rate risk hedging** | **-** | **-** |
| | | |
| **Investments in subsidiaries, joint ventures and associates** | **835,206** | **899,019** |
| Subsidiaries | 744,120 | 807,964 |
| Joint ventures | 38,226 | 38,226 |
| Associates | 52,860 | 52,829 |
| | | |
| **Tangible assets** | **790,782** | **758,550** |
| Property, plant and equipment | 581,067 | 561,217 |
| *For own use* | *581,067* | *561,217* |
| *Assigned under operating lease* | - | - |
| Investment property | 209,715 | 197,333 |
| *of which: assigned under operating lease* | *39,065* | *40,616* |
| *Memorandum items: acquired under finance lease* | - | - |
| | | |
| **Intangible assets** | **146,988** | **130,224** |
| Goodwill | 25,613 | 38,420 |
| Other intangible assets | 121,375 | 91,804 |
| | | |
| **Tax assets** | **1,284,460** | **1,301,762** |
| Current tax assets | 6,481 | 6,046 |
| Deferred tax assets | 1,277,979 | 1,295,716 |
| | | |
| **Other assets** | **195,323** | **192,998** |
| Insurance contracts linked to pensions | 82,720 | 92,310 |
| Inventories | 247 | 338 |
| Remainder of other assets | 112,356 | 100,350 |
| | | |
| **Non-current assets and disposal groups classified as held for sale** | **37,001** | **62,245** |
| | | |
| **TOTAL ASSETS** | **51,604,962** | **51,176,326** |

**IBERCAJA BANCO, S.A.**

**BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| LIABILITIES | 2021 | 2020 |
|---|---|---|
| **Financial liabilities held for trading** | **2,210** | **3,729** |
| Derivatives | 2,210 | 3,729 |
| | | |
| **Financial liabilities at fair value through profit or loss** | **-** | **-** |
| *Memorandum items: subordinated liabilities* | - | - |
| | | |
| **Financial liabilities at amortised cost** | **47,542,061** | **47,061,417** |
| Deposits | 45,413,788 | 45,213,080 |
| *Central banks* | *5,871,128* | *5,371,202* |
| *Credit institutions* | *745,173* | *1,207,848* |
| *Customers* | *38,797,487* | *38,634,030* |
| Debt securities issued | 1,057,849 | 1,021,094 |
| Other financial liabilities | 1,070,424 | 827,243 |
| *Memorandum items: subordinated liabilities* | *502,752* | *510,326* |
| | | |
| **Derivatives - Hedge accounting** | **275,690** | **216,202** |
| | | |
| **Fair value changes of the hedged items in a portfolio with interest rate risk hedging** | **17,758** | **37,593** |
| | | |
| **Provisions** | **265,573** | **369,532** |
| Pensions and other post-employment defined benefit obligations | 89,239 | 99,268 |
| Other long term employee remuneration | 1,544 | 122 |
| Lawsuits and litigation for outstanding taxes | 5,617 | 6,235 |
| Commitments and guarantees given | 16,789 | 19,523 |
| Other provisions | 152,384 | 244,384 |
| | | |
| **Tax liabilities** | **142,266** | **143,546** |
| Current tax liabilities | | - |
| Deferred tax liabilities | 142,266 | 143,546 |
| | | |
| **Other liabilities** | **173,200** | **183,383** |
| | | |
| **Liabilities within disposal groups classified as held for sale** | **-** | **-** |
| | | |
| **TOTAL LIABILITIES** | **48,418,758** | **48,015,402** |

**IBERCAJA BANCO, S.A.**

**BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| EQUITY | 2021 | 2020 |
|---|---|---|
| **Shareholders' equity** | **3,187,507** | **3,126,166** |
| Capital | 214,428 | 214,428 |
| *Paid-in capital* | *214,428* | *214,428* |
| *Called-up capital* | - | - |
| *Memorandum items: uncalled capital* | - | - |
| Share premium | - | - |
| Equity instruments issued other than capital | 350,000 | 350,000 |
| *Equity component of compound financial instruments* | - | - |
| *Other equity instruments issued* | *350,000* | *350,000* |
| Other equity items | - | - |
| Retained earnings | 566,640 | 562,518 |
| Revaluation reserves | 2,327 | 2,327 |
| Other reserves | 1,976,797 | 1,988,922 |
| (Treasury shares) | - | - |
| Profit/(loss) for the year | 124,315 | 7,971 |
| (Interim dividends) | *(47,000)* | - |
| **Other accumulated comprehensive income** | **(1,303)** | **34,758** |
| Items that will not be reclassified to profit or loss | 25,970 | 24,571 |
| *Actuarial gains/(losses) on defined benefit pension plans* | *(7,558)* | *(5,802)* |
| *Non-current assets and disposal groups classified as held for sale* | - | - |
| *Changes in the fair value of equity instruments measured at fair value through other comprehensive income* | *33,528* | *30,373* |
| *Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income* | - | - |
| *Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)* | - | - |
| *Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)* | - | - |
| *Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk* | - | - |
| Items that may be reclassified to profit or loss | (27,273) | 10,187 |
| *Hedges of net investment in foreign operations (effective portion)* | - | - |
| *Foreign currency translation* | - | - |
| *Hedging derivatives. Cash flow hedge reserve (effective portion)* | *(24,973)* | *8,551* |
| *Changes in the fair value of debt instruments measured at fair value through other comprehensive income* | *(2,300)* | *1,636* |
| *Hedging instruments (undesignated items)* | - | - |
| *Non-current assets and disposal groups classified as held for sale* | - | - |
| **TOTAL EQUITY** | **3,186,204** | **3,160,924** |
| **TOTAL EQUITY AND LIABILITIES** | **51,604,962** | **51,176,326** |
| **Memorandum items: off-balance sheet exposures** | | |
| **Loan commitments given** | **3,443,229** | **3,780,315** |
| **Financial guarantees granted** | **98,283** | **94,627** |
| **Other commitments given** | **822,121** | **798,930** |

## IBERCAJA BANCO, S.A.

## INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euros)

| | 2021 | 2020 |
|---|---|---|
| **Interest income** | **448,109** | **499,320** |
| Financial assets at fair value through other comprehensive income | 2,592 | 2,501 |
| Financial assets at amortised cost | 406,918 | 460,154 |
| Other | 38,599 | 36,665 |
| **(Interest expenses)** | **69,766** | **84,632** |
| **(Expenses on share capital repayable on demand)** | **-** | **-** |
| **INTEREST MARGIN** | **378,343** | **414,688** |
| **Dividend income** | **171,881** | **144,539** |
| **Fee and commission income** | **306,376** | **274,203** |
| **(Fee and commission expenses)** | **10,759** | **10,137** |
| **Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.** | **43,986** | **127,534** |
| (Financial assets at amortised cost) | 40,779 | 125,366 |
| (Other financial assets and liabilities) | 3,207 | 2,168 |
| **Net gains or (-) losses on financial assets and liabilities held for trading** | **644** | **1,148** |
| (Reclassification of financial assets from fair value through other comprehensive income) | - | - |
| (Reclassification of financial assets from amortised cost) | - | - |
| (Other gains or (-) losses) | 644 | 1,148 |
| **Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss** | **103** | **(10,364)** |
| (Reclassification of financial assets from fair value through other comprehensive income) | - | - |
| (Reclassification of financial assets from amortised cost) | - | - |
| (Other gains or (-) losses) | 103 | (10,364) |
| **Net gains or losses on financial assets and liabilities designated at fair value through profit or loss** | **-** | **-** |
| **Net gains or (-) losses) from hedge accounting** | **(193)** | **(364)** |
| **Net exchange differences** | **557** | **852** |
| **Other operating income** | **49,310** | **45,379** |
| **(Other operating expenses)** | **71,886** | **71,902** |
| **GROSS INCOME** | **868,362** | **915,576** |
| **(Administration expenses)** | **517,298** | **627,778** |
| (Staff expenses) | 361,547 | 490,353 |
| (Other administration expenses) | 155,751 | 137,425 |
| **(Amortisation and depreciation)** | **71,908** | **68,410** |
| **(Provisions or (-) reversal of provisions)** | **5,748** | **(15,399)** |
| **(Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on modification)** | **78,240** | **209,387** |
| (Financial assets at fair value through other comprehensive income) | 1 | (164) |
| (Financial assets at amortised cost) | 78,239 | 209,551 |
| **(Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures and associates)** | **31,930** | **32,600** |
| **(Impairment or (-) reversal of impairment on non-financial assets)** | **2,946** | **506** |
| (Tangible assets) | 2,957 | 388 |
| (Intangible assets) | - | - |
| (Other) | (11) | 118 |
| **Net gains/(losses) on derecognition of non-financial assets** | **(282)** | **(3,735)** |
| **Negative goodwill recognised in profit or loss** | **-** | **-** |
| **Profit/(loss) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations** | **(3,390)** | **(2,158)** |
| **PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **156,620** | **(13,599)** |
| **Expense or (-) income from taxes on income from continuing operations** | **32,305** | **(21,570)** |
| **PROFIT AFTER TAX FROM CONTINUING OPERATIONS** | **124,315** | **7,971** |
| **Profit/(loss) after tax from discontinued activities** | **-** | **-** |
| **PROFIT/(LOSS) FOR THE YEAR** | **124,315** | **7,971** |

**IBERCAJA BANCO, S.A.**

**STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| | 2021 | 2020 |
|---|---|---|
| **PROFIT/(LOSS) FOR THE YEAR** | **124,315** | **7,971** |
| **OTHER COMPREHENSIVE INCOME** | **(31,036)** | **142** |
| **Items that will not be reclassified to profit or loss** | **6,424** | **(3,790)** |
| Actuarial gains/(losses) on defined benefit pension plans | (2,509) | 1,525 |
| Non-current assets and disposal groups of items held for sale | - | - |
| Changes in the fair value of equity instruments measured at fair value through other comprehensive income | 11,642 | (8,854) |
| Net gains or (-) losses from hedge accounting of equity instruments measured at fair value through other comprehensive income | - | - |
| *Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)* | - | - |
| *Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)* | - | - |
| Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk | - | - |
| Corporation tax relating to items not to be reclassified | (2,709) | 3,539 |
| **Items that may be reclassified to profit or loss** | **(37,460)** | **3,932** |
| Hedges of net investment in foreign operations (effective portion) | - | - |
| *Valuation gains/(losses) taken to equity* | - | - |
| *Transferred to the income statement* | - | - |
| *Other reclassifications* | - | - |
| Currency translation | - | - |
| *Valuation gains/(losses) taken to equity* | - | - |
| *Transferred to the income statement* | - | - |
| *Other reclassifications* | - | - |
| Cash flow hedges (effective portion) | (47,891) | 39 |
| *Valuation gains/(losses) taken to equity* | *(42,246)* | *39* |
| *Transferred to the income statement* | *(5,645)* | - |
| *Transferred to initial carrying amount of hedge items* | | |
| *Other reclassifications* | - | - |
| | - | - |
| Hedging instruments (undesignated items) | - | - |
| *Valuation gains/(losses) taken to equity* | - | - |
| *Transferred to the income statement* | - | - |
| *Other reclassifications* | | |
| Debt instruments at fair value through other comprehensive income | (5,623) | 5,578 |
| *Valuation gains/(losses) taken to equity* | *(237)* | *17,111* |
| *Transferred to the income statement* | *(5,386)* | *(11,533)* |
| *Other reclassifications* | - | - |
| Non-current assets and disposal groups of items held for sale | - | - |
| *Valuation gains/(losses) taken to equity* | - | - |
| *Transferred to the income statement* | - | - |
| *Other reclassifications* | - | - |
| Corporation tax relating to items that may be reclassified to profit or loss | 16,054 | (1,685) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **93,279** | **8,113** |

**IBERCAJA BANCO, S.A.**

**STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021**
(Thousands of euros)

| | Thousands of euros | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Capital** | **Share premium** | **Equity instruments issued other than capital** | **Other equity items** | **Retained earnings** | **Revaluation reserves** | **Other reserves** | **(Treasury shares)** | **Profit/(loss) for the year** | **(Interim dividends)** | **Other accumulated comprehensive income** | **Total** |
| **I. Closing balance at 31/12/2020** | **214,428** | **-** | **350,000** | **-** | **562,518** | **2,327** | **1,988,922** | **-** | **7,971** | **-** | **34,758** | **3,160,924** |
| Effects of error correction | - | - | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - |
| **II. Adjusted opening balance** | **214,428** | **-** | **350,000** | **-** | **562,518** | **2,327** | **1,988,922** | **-** | **7,971** | **-** | **34,758** | **3,160,924** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **124,315** | **-** | **(31,036)** | **93,279** |
| **Other changes in equity** | **-** | **-** | **-** | **-** | **4,122** | **-** | **(12,124)** | **-** | **(7,971)** | **(47,000)** | **(5,025)** | **(67,998)** |
| Issuance of ordinary shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of preference shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of other equity instruments (Note 20) | - | - | - | - | - | - | - | - | - | - | - | - |
| Exercise or maturity of other equity instruments issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of debt into equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital reduction (Note 20) | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends (or other shareholder remuneration) (Note 4) | - | - | - | - | (3,849) | - | - | - | - | (47,000) | - | (50,849) |
| Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Sale or redemption of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial instruments from equity to liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial instruments from liabilities to equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers between equity components | - | - | - | - | 7,971 | - | 5,025 | - | (7,971) | - | (5,025) | - |
| Increase/(decrease) in equity due to business combinations | - | - | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increases/(decreases) in equity | - | - | - | - | - | - | (17,150) | - | - | - | - | (17,150) |
| **III. Closing balance at 31/12/2021** | **214,428** | **-** | **350,000** | **-** | **566,640** | **2,327** | **1,976,797** | **-** | **124,315** | **(47,000)** | **(1,303)** | **3,186,204** |

**IBERCAJA BANCO, S.A.**

**STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**
(Thousands of euros)

| | Thousands of euros | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Share premium | Equity instruments issued other than capital | Other equity items | Retained earnings | Revaluation reserves | Other reserves | (Treasury shares) | Profit/(loss) for the year | (Interim dividends) | Other accumulated comprehensive income | Total |
| **I. Closing balance at 31/12/2019** | **214,428** | **-** | **350,000** | **-** | **507,825** | **2,327** | **1,968,925** | **-** | **72,193** | **-** | **69,906** | **3,185,604** |
| Effects of error correction | - | - | - | - | - | - | - | - | - | - | - | - |
| Effects of changes in accounting policies | - | - | - | - | - | - | - | - | - | - | - | - |
| **II. Adjusted opening balance** | **214,428** | **-** | **350,000** | **-** | **507,825** | **2,327** | **1,968,925** | **-** | **72,193** | **-** | **69,906** | **3,185,604** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **7,971** | **-** | **142** | **8,113** |
| **Other changes in equity** | **-** | **-** | **-** | **-** | **54,693** | **-** | **19,997** | **-** | **(72,193)** | **-** | **(35,290)** | **(32,793)** |
| Issuance of ordinary shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of preference shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Issuance of other equity instruments (Note 20) | - | - | - | - | - | - | - | - | - | - | - | - |
| Exercise or maturity of other equity instruments issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Conversion of debt into equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital reduction (Note 20) | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends (or other shareholder remuneration) (Note 4) | - | - | - | - | (17,500) | - | - | - | - | - | - | (17,500) |
| Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Sale or redemption of treasury shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial instruments from equity to liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Reclassification of financial instruments from liabilities to equity | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers between equity components | - | - | - | - | 72,193 | - | 35,290 | - | (72,193) | - | (35,290) | - |
| Increase/(decrease) in equity due to business combinations | - | - | - | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - | - | - | - | - |
| Other increases/(decreases) in equity | - | - | - | - | - | - | (15,293) | - | - | - | - | (15,293) |
| **III. Closing balance at 31/12/2020** | **214,428** | **-** | **350,000** | **-** | **562,518** | **2,327** | **1,988,922** | **-** | **7,971** | **-** | **34,758** | **3,160,924** |

**IBERCAJA BANCO, S.A.**
**CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**
(Thousands of euros)

| | 2021 | 2020 |
|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES** | **(1,085,325)** | **3,726,127** |
| **Profit/(loss) for the year** | **124,315** | **7,971** |
| **Adjustments to obtain cash flows from operating activities** | **357,371** | **368,547** |
| Amortisation/Depreciation | 71,908 | 68,410 |
| Other adjustments | 285,463 | 300,137 |
| **Net increase/decrease in operating assets** | (1,862,416) | **326,277** |
| Financial assets held for trading | 2,364 | 1,144 |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | 46 | 10,655 |
| Financial assets at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | (498,679) | 529,297 |
| Financial assets at amortised cost | (1,393,035) | (174,352) |
| Other operating assets | 26,888 | (40,467) |
| **Net increase/(decrease) in operating liabilities** | 314,999 | **2,966,270** |
| Financial liabilities held for trading | (1,519) | (1,159) |
| Financial liabilities at fair value through profit or loss | - | - |
| Financial liabilities at amortised cost | 410,063 | 2,840,293 |
| Other operating liabilities | (93,545) | 127,136 |
| **Corporation tax credit/(payments)** | **(19,594)** | **57,062** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES** | **(69,639)** | **(7,228)** |
| **Payments** | **(84,525)** | **(84,680)** |
| Tangible assets | (43,691) | (50,895) |
| Intangible assets | (40,082) | (32,456) |
| Investments in subsidiaries, joint ventures and associates | (597) | - |
| Other business units | - | - |
| Non-current assets and liabilities classified as held for sale | (155) | (1,329) |
| Other payments related to investing activities | - | - |
| **Receipts** | **14,886** | **77,452** |
| Tangible assets | 10,489 | 22,446 |
| Intangible assets | - | - |
| Investments in subsidiaries, joint ventures and associates | 834 | 1,671 |
| Other business units | - | - |
| Non-current assets and liabilities classified as held for sale | 3,563 | 53 |
| Other receipts related to investing activities | - | 53,282 |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES** | **(25,349)** | **(42,000)** |
| **Payments** | **(75,349)** | **(542,000)** |
| Dividends | (50,849) | (17,500) |
| Subordinated liabilities | - | (500,000) |
| Write down of own equity instruments | - | - |
| Acquisition of own equity instruments | - | - |
| Other payments related to financing activities | (24,500) | (24,500) |
| **Receipts** | 50,000 | 500,000 |
| Subordinated liabilities | - | 500,000 |
| Issuance of own equity instruments | - | - |
| Disposal of own equity instruments | - | - |
| Other receipts related to financing activities | 50,000 | - |
| **D) EFFECT OF EXCHANGE RATE FLUCTUATIONS** | **-** | **-** |
| **E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | **(1,180,313)** | **3,676,899** |
| **F) CASH AND CASH EQUIVALENTS AT START OF PERIOD** | **7,377,476** | **3,700,577** |
| **G) CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **6,197,163** | **7,377,476** |
| **MEMORANDUM ITEMS** | | |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | |
| Cash | 221,484 | 239,018 |
| Cash equivalents at central banks | 5,961,332 | 7,079,491 |
| Other financial assets | 14,347 | 58,967 |
| Less: bank overdrafts repayable on demand | - | - |

## APPENDIX I

## INFORMATION ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

### Group companies:

| Company | Address | Country of residence | Shareholding (%) | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | |
| | | | Direct | Indirect | Direct | Indirect |
| Badajoz Siglo XXI, S.A. | Pº Fluvial, 15, Badajoz | Spain | 100.00% | - | 100.00% | - |
| CAI Inmuebles, S.A. (in liquidation) | Pº Constitución, 4, 5ª planta, Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Cerro Goya, S.L. | Pº Constitución, 4, 5ª planta, Zaragoza | Spain | 98.70% | 1.30% | 98.70% | 1.30% |
| Cerro Murillo, S.A. | Pº Constitución, 4, 5ª planta, Zaragoza | Spain | 99.77% | 0.23% | 99.77% | 0.23% |
| Ibercaja Gestión de Inmuebles, S.A. | Pº Constitución, 10, entlo. izda., Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Ibercaja Gestión, S.G.I.I.C., S.A. | Pº Constitución, 4, 3ª planta, Zaragoza | Spain | 99.80% | 0.20% | 99.80% | 0.20% |
| Ibercaja Leasing y Financiación, S.A. | Pº Constitución, 4, 1ª planta, Zaragoza | Spain | 99.80% | 0.20% | 99.80% | 0.20% |
| Ibercaja Mediación de Seguros, S.A. | Pº Constitución, 4, 1ª planta, Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Ibercaja Pensión, E.G.F.P., S.A. | Pº Constitución, 4, 8ª planta, Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Ibercaja Vida, S.A. | Pº Constitución, 4, 8ª planta, Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Ibercaja Cajaragón, S.A.U. | Pza. Basilio Paraíso, 2, Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Inmobinsa Inversiones Inmobiliarias, S.A. | Pº Constitución, 4, 5ª planta, Zaragoza | Spain | - | 100.00% | - | 100.00% |
| Residencial Murillo, S.A. | Pº Constitución, 4, 5ª planta, Zaragoza | Spain | 100.00% | - | 100.00% | - |
| Ibercaja Connect, S.L. | C/ Bari, 49, Zaragoza | Spain | 95.00% | 5.00% | 95.00% | 5.00% |

### Joint ventures:

| Company | Address | Country of residence | Shareholding (%) | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | |
| | | | Direct | Indirect | Direct | Indirect |
| Aramón Montañas de Aragón, S.A. | Pza. Aragón, 1, Zaragoza | Spain | 50.00% | - | 50.00% | - |
| Corredor del Iregua, S.L. | Avda. Pío XXI, 1, Bajo, Logroño | Spain | - | 50.00% | - | 50.00% |

### Associates:

| Company | Address | Country of residence | Shareholding (%) | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | |
| | | | Direct | Indirect | Direct | Indirect |
| C y E Badajoz Servicios Sociosanitarios, S.A. | Avda. Juan Carlos I, 17, entpta., Badajoz | Spain | - | - | 33.00% | - |
| Centro de Transportes Aduana de Burgos, S.A. | Ctra. Madrid-Irún (Villafría), (KM 245), Burgos | Spain | 25.45% | - | 25.45% | - |
| Cerro de Mahí, S.L. | Pza. Roma, F-1, 1ª planta, of. 5, Zaragoza | Spain | - | 33.33% | - | 33.33% |
| Concessia Cartera y Gestión de Infraest., S.A. | C/ Severo Ochoa, 3, of 4B, Las Rozas Madrid | Spain | 30.15% | - | 30.15% | - |
| Districlima Zaragoza, S.L. | Avda. Ranillas, 107, Zaragoza | Spain | 35.00% | - | 35.00% | - |
| Henneo (formerly Grupo Heraldo) | Pº Independencia, 29, Zaragoza | Spain | 39.94% | - | 39.94% | - |
| Northwind Finco, S.L | C/ Vía de los Poblados, 3, Ed.1, Parque Empresarial Cristalia, Madrid | Spain | - | 20.00% | - | 20.00% |
| Nuevos Materiales de Construcción, S.A. | C/ San Norberto, 26, Madrid | Spain | 21.93% | - | 21.93% | - |
| Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A. | Camino Molinos, 32, Zaragoza | Spain | 31.29% | - | 31.29% | - |
| Rioja Nueva Economía, S.A. | Gran Vía Rey Juan Carlos I, 9, Logroño | Spain | 43.20% | - | 43.20% | - |
| Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A. | Pol. Ind. Los Llanos, s/n, Teruel | Spain | 23.42% | - | 23.42% | - |
| Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A. | C/ Los Enebros, 74, Teruel | Spain | 22.17% | - | 22.17% | - |
| Solavanti, S.L. | Avda. Academia Gral. Militar, 52, Zaragoza | Spain | - | 20.00% | - | 20.00% |
| Viacajas, S.L. | C/ Alcalá, 27, Madrid | Spain | 20.59% | - | 16.13% | - |

## APPENDIX II

## FINANCIAL INFORMATION ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

### Group companies:

| Company | Date of financial statements | Contribution to consolidated earnings | | Contribution to consolidated reserves | | Non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Badajoz Siglo XXI | Dec-21 | (991) | (907) | (18,819) | (17,912) | - | - |
| CAI Inmuebles, S.A. (in liquidation) | Dec-21 | 129 | 3 | (10,630) | (10,633) | - | - |
| Cerro Goya, S.L. | Dec-21 | (1,162) | (937) | (870) | (770) | - | - |
| Cerro Murillo, S.A. | Dec-21 | (61,751) | (59,668) | 183,496 | 183,356 | - | - |
| Ibercaja Cajaragón, S.A.U. | Dec-21 | (18) | (2) | 6,606 | 4,564 | - | - |
| Ibercaja Banco, S.A. | Dec-21 | 78,073 | (47,305) | 2,132,378 | 2,129,848 | - | - |
| Ibercaja Gestión, S.A. | Dec-21 | 45,973 | 27,985 | 10,414 | 10,339 | - | - |
| Ibercaja Gestión de Inmuebles, S.A. | Dec-21 | 95 | 25 | 287 | 262 | - | - |
| Ibercaja Leasing y Financiación, S.A. | Dec-21 | 5,067 | 3,235 | 24,596 | 26,274 | - | - |
| Ibercaja Mediación de Seguros, S.A. | Dec-21 | 27,989 | 35,619 | 2,210 | 2,189 | - | - |
| Ibercaja Pensión, S.A. | Dec-21 | 10,891 | 10,695 | 9,383 | 9,528 | - | - |
| Ibercaja Vida, S.A. | Dec-21 | 63,588 | 61,753 | 207,290 | 201,304 | - | - |
| Inmobinsa Inversiones Inmobiliarias, S.A. | Dec-21 | 314 | 859 | 36,911 | 35,991 | - | - |
| Residencial Murillo, S.A. | Dec-21 | (22,832) | (8,355) | 37,937 | 31,760 | - | - |
| Ibercaja Connect, S.L. | Dec-21 | 31 | 22 | 103 | 103 | - | - |

| Company | Date of financial statements | Financial information | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2021 | | | 2020 | | |
| | | Capital | Reserves and val. adj. | Profit/(loss) | Capital | Reserves and val. adj. | Profit/(loss) |
| Badajoz Siglo XXI | Dec-21 | 40,950 | (5,168) | (991) | 40,950 | (4,261) | (907) |
| CAI Inmuebles, S.A. (in liquidation) | Dec-21 | 64 | (10,628) | 129 | 64 | (10,630) | 2 |
| Cerro Goya, S.L. | Dec-21 | 1,912 | (3) | (835) | 2,748 | (4) | (835) |
| Cerro Murillo, S.A. | Dec-21 | 146,566 | (33,044) | (31,790) | 206,385 | (35,591) | (57,272) |
| Ibercaja Cajaragón, S.A.U. | Dec-21 | 58,041 | 5,946 | 2,018 | 58,041 | 5,247 | 700 |
| Ibercaja Banco, S.A. | Dec-21 | 214,428 | 2,497,461 | 124,315 | 214,428 | 2,588,525 | 7,971 |
| Ibercaja Gestión, S.A. | Dec-21 | 2,705 | (30,243) | 45,976 | 2,705 | (13,575) | 27,902 |
| Ibercaja Gestión de Inmuebles, S.A. | Dec-21 | 120 | 290 | 95 | 120 | 264 | 25 |
| Ibercaja Leasing y Financiación, S.A. | Dec-21 | 5,006 | 21,024 | 5,222 | 3,006 | 26,524 | 2,982 |
| Ibercaja Mediación de Seguros, S.A. | Dec-21 | 60 | (23,216) | 27,992 | 60 | (33,370) | 35,598 |
| Ibercaja Pensión, S.A. | Dec-21 | 11,010 | (197) | 10,894 | 11,010 | 843 | 10,841 |
| Ibercaja Vida, S.A. | Dec-21 | 135,065 | 160,945 | 65,056 | 135,065 | 184,718 | 57,449 |
| Inmobinsa Inversiones Inmobiliarias, S.A. | Dec-21 | 40,051 | 30,125 | 1,118 | 40,051 | 29,478 | 746 |
| Residencial Murillo, S.A. | Dec-21 | 182,817 | (22,400) | (25,536) | 197,306 | (7,756) | (29,133) |
| Ibercaja Connect, S.L. | Dec-21 | 480 | 103 | 31 | 480 | 103 | 22 |

### Joint ventures:

| Company | Contribution to consolidated earnings | | Contribution to consolidated reserves | | Value of shareholding | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Aramón Montañas de Aragón, S.A. (*) | (4,230) | 1,398 | (27,449) | (28,852) | 25,480 | 29,705 |
| Other companies | - | - | - | - | - | - |

The most significant information relating to joint ventures is shown below:

| | Thousands of euros | |
|---|---|---|
| | Financial information | |
| | 2021 | 2020 |
| Company | Aramon, Montañas de Aragón, S.A. (*) | Aramon, Montañas de Aragón, S.A. (*) |
| Current assets | 4,332 | 3,906 |
| Non-current assets | 124,926 | 118,140 |
| Cash and cash equivalents | 385 | 4,300 |
| Current liabilities | 20,509 | 12,340 |
| Non-current liabilities | 45,749 | 31,685 |
| Current financial liabilities | 15,749 | 3,050 |
| Non-current financial liabilities | 42,992 | 28,329 |
| Ordinary income | 1,300 | 46,100 |
| Dividends paid | - | - |
| Total recognised income and expense | (20,987) | 2,143 |
| *Profit/(loss) from ordinary activities* | *(20,987)* | *2,143* |
| *Profit/(loss) after tax from discontinued operations* | - | - |
| *Other recognised income and expense* | - | - |
| Depreciation | - | 1,703 |
| Amortisation/Depreciation | 10,089 | 10,507 |
| Interest income | 1,730 | 2 |
| Interest expense | 2,928 | 1,384 |
| Corporation tax expense/(income) | (2,066) | 4,006 |

(*) Financial information at 30 September of the year under way.

## Associates:

| Company | Contribution to consolidated earnings | | Contribution to consolidated reserves | | Value of shareholding | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Concessia Cartera y Gestión de Infraestructuras, S.A. (*) | (44) | (84) | 61 | 145 | 5,096 | 5,268 |
| Henneo (formerly Grupo Heraldo) (*) | (112) | (2,714) | (3,317) | (522) | 27,991 | 28,181 |
| Rioja Nueva Economía, S.A. | 8,305 | 2,063 | 2,131 | (43) | 7,515 | 6,811 |
| Other companies | 1,670 | (83) | (7,274) | (4,331) | 35,246 | 36,560 |

The most significant information relating to associates is shown below:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | Financial information | | | | | |
| | 2021 | | | 2020 | | |
| Company | Concessia Cartera y Gestión de Infra., S.A. (*) | Henneo (formerly Grupo Heraldo) (*) | Rioja Nueva Economía, S.A. (*) | Concessia Cartera y Gestión de Infra., S.A. (*) | Henneo (formerly Grupo Heraldo) (*) | Rioja Nueva Economía, S.A. (*) |
| Current assets | 12,823 | 65,570 | 18,392 | 4,177 | 56,137 | 14,889 |
| Non-current assets | 5,461 | 50,123 | 29,858 | 14,478 | 44,995 | 37,458 |
| Current liabilities | 16 | 41,509 | 12,709 | 171 | 31,581 | 16,516 |
| Non-current liabilities | 933.0 | 18,524 | 11,981 | 1,027 | 16,043 | 15,100 |
| Ordinary income | 12 | 113,611 | 96,375 | 461 | 92,763 | 93,604 |
| Dividends paid | - | - | - | - | - | - |
| Total recognised income and expense | (312) | (854) | 20,984 | (308) | 4,712 | 5,894 |
| *Profit/(loss) from ordinary activities* | *(312)* | *(854)* | *20,984* | *(308)* | *4,712* | *5,894* |
| *Profit/(loss) after tax from discontinued operations* | *12,823* | *65,570* | - | - | - | - |
| *Other recognised income and expense* | 5,461 | 50,123 | - | - | - | - |

(*) The financial information corresponding to these 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 III**

**INFORMATION ON HOLDINGS IN COMPANIES AND INVESTMENT AND PENSION FUNDS MANAGED BY THE GROUP ITSELF**

| | Shareholding (%) | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Not related to Unit Linked schemes | Related to Unit Linked schemes | Not related to Unit Linked schemes | Related to Unit Linked schemes |
| IBERCAJA ALL STAR FI | - | 10.61% | - | 6.27% |
| IBERCAJA ALPHA FI | - | 0.11% | 0.48% | 0.09% |
| IBERCAJA BEST IDEAS FI | 0.47% | 14.06% | - | 12.14% |
| IBERCAJA BOLSA ESPAÑA FI | - | 10.58% | - | 11.22% |
| IBERCAJA BOLSA EUROPA FI | 1.12% | 2.08% | 1.47% | 2.26% |
| IBERCAJA BOLSA INTERNACIONAL FI | 0.02% | 46.29% | 1.55% | 31.63% |
| IBERCAJA BOLSA USA FI | - | 2.24% | - | 1.54% |
| IBERCAJA BP HIGH YIELD 2023, FI | - | - | 3.33% | - |
| IBERCAJA BP RENTA FIJA FI | - | 28.61% | - | 9.92% |
| IBERCAJA CAPITAL GARANTIZADO FI | - | 1.61% | - | 1.44% |
| IBERCAJA COLECTIVOS FONDO DE PENSIONES | - | 0.74% | - | 0.86% |
| IBERCAJA DEUDA CORPORATIVA 2024 FI | - | - | 0.05% | - |
| IBERCAJA DEUDA CORPORATIVA 2025 FI | 0.10% | 0.89% | - | - |
| IBERCAJA DIVIDENDO FI | - | 0.12% | 0.20% | 1.55% |
| IBERCAJA DOLAR FI | - | - | - | 2.99% |
| IBERCAJA EMERGENTES FI | - | 28.18% | 1.74% | 6.14% |
| IBERCAJA EMERGING BONDS FI | - | - | - | 14.14% |
| IBERCAJA EUROPA STAR FI | 0.02% | - | 0.01% | 21.11% |
| IBERCAJA ESTRATEGIA DINAMICA FI | - | 11.14% | - | 8.22% |
| IBERCAJA FINANCIERO FI | - | 0.59% | - | 0.78% |
| IBERCAJA GESTION EQUILIBRADA FI | - | - | 0.03% | - |
| IBERCAJA GLOBAL BRANDS FI | 0.33% | 15.52% | 0.67% | 8.78% |
| IBERCAJA HIGH YIELD FI | - | 14.79% | - | 8.72% |
| IBERCAJA HORIZONTE FI | - | 1.90% | - | 2.73% |
| IBERCAJA JAPON FI | - | 2.13% | - | 0.18% |
| IBERCAJA MEGATRENDS FI | 0.44% | 11.07% | - | 8.49% |
| IBERCAJA MIXTO FLEXIBLE 15 FI | - | - | 0.14% | 5.49% |
| IBERCAJA NEW ENERGY FI | - | - | - | 0.37% |
| IBERCAJA OBJETIVO 2026 FI | 0.01% | - | - | - |
| IBERCAJA OBJETIVO 2028 FI | 0.04% | - | 0.83% | - |
| IBERCAJA OPORTUNIDAD RENTA FIJA FI | - | 39.80% | - | 16.08% |
| IBERCAJA PLUS FI | - | 0.38% | - | 0.42% |
| IBERCAJA RENTA FIJA 2026 FI | - | 9.07% | 0.13% | - |
| IBERCAJA RENTA FIJA 2027 FI | 0.02% | - | - | - |
| IBERCAJA RENTA FIJA SOSTENIBLE FI | 0.01% | - | - | - |
| IBERCAJA SANIDAD FI | 0.30% | 9.16% | 0.40% | 5.08% |
| IBERCAJA SELECCION RENTA FIJA FI | - | 0.81% | - | 0.88% |
| IBERCAJA SMALL CAPS FI | 0.01% | 16.16% | 0.01% | 7.78% |
| IBERCAJA SOSTENIBLE Y SOLIDARIO FI | - | 0.04% | - | 0.29% |
| IBERCAJA TECNOLOGICO FI | 0.24% | 11.40% | 0.60% | 5.14% |
| SELECCIÓN BANCA PRIVADA 60 FI | 1.38% | - | - | - |

**APPENDIX IV**

**ANNUAL BANKING REPORT**

On 27 June 2014, the Official State Gazette published Act 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of 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 firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with Article 87 and Transitional Provision 12 of Act 10/2014, credit institutions are required to publish, as an appendix to their audited financial statements and for each country in which they operate, the following information on a consolidated basis for the last completed financial year:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of equivalent full-time employees
d) Gross profit/(loss) before tax
e) Corporation tax
f) Grants and public aid received

Accordingly, all this information is set out below.

**a) Name, nature and geographical location of the activity**

Ibercaja Banco is a credit institution. Its registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Companies Registry of Zaragoza at volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also entered on the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.es, where its bylaws and other public information can be viewed.

Ibercaja Banco, S.A. engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

In addition to the operations carried out directly, the Bank is the parent of a group of dependant entities that engage in various activities and that, together with it, make up the Ibercaja Banco Group. The Bank is therefore required to draw up the Group’s consolidated annul accounts, as well as its own individual annual accounts.

The consolidated Group carries out all its activity in Spain.

**b) Business volume**

Information on consolidated business volume is as follows, by country. Business volume for these purposes means gross income, as shown on the Group’s consolidated income statement at the end of 2021.

| | **Thousands of euros** |
|---|---|
| | **31/12/2021** |
| Spain | 952,260 |
| | **952,260** |

**c) Number of equivalent full-time employees**

Equivalent full time employees by country were as follows at year-end 2021:

| | Thousands of euros |
|---|---|
| | **31/12/2021** |
| Spain | 4,880 |
| | **4,880** |

**d) Gross profit/(loss) before tax**

| | Thousands of euros |
|---|---|
| | **31/12/2021** |
| Spain | 214,773 |
| | **214,773** |

**e) Corporation tax**

| | Thousands of euros |
|---|---|
| | **31/12/2021** |
| Spain | 63,788 |
| | **63,788** |

**f) Grants and public aid received**

No grants or public aid were received by Ibercaja Banco, S.A. or any Group company in 2021.

**Other information**

The return on the Group’s assets during the year, calculated as net profit divided by the total balance sheet, was 0.26%.

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EL BANCO DEL Vamos

# Consolidated Directors Report for 2021

Ibercaja Banco, S.A.
and subsidiaries

# Contents

# 1 Letter from the Chairman and Chief Executive Officer

# Letter from the Chairman and Chief Executive Officer

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

The **economic recovery** was widespread in all developed countries in 2021, largely thanks to progress in the vaccination process and despite uncertainties such as the persistence of the pandemic, supply problems and inflationary pressures.

Thus, although the economic improvement has been a verifiable fact, it is also true that the expected levels have not been reached, especially in Spain, which has recorded GDP growth of around 5%; however, the recovery to pre-pandemic production levels has not yet been completed.

Global **consumption** returned faster than expected, to the extent that the supply of some products could not meet the post-pandemic level of demand. This imbalance led to delays in delivery times, supply difficulties and, above all, price increases for raw materials and transport.

Another factor that has conditioned a slower recovery than expected has been the rise in **energy prices**, impacting the purchasing power of households and the margins of companies, which were affected by the increase in their production costs, especially in the case of industrial companies.

In this context, the policies of the main central banks began to be less lax at the end of the year, with various measures already being implemented to redirect the upward trend in the prices of goods and services.

In this context, in line with the sector's significant contribution in 2020 to mitigating the adverse economic effects of the outbreak of the pandemic, in 2021, **banks have been a key player in supporting the recovery of business and economic activity**.

Against this economic backdrop, the balance of activity of banks has been clearly positive, with significant dynamism in volumes, both in lending and, above all, in the management of savings; at the same time, non-performing loans have remained contained, notably reducing the need for provisions.

In addition, the sector has continued restructuring **its commercial network to adapt its structure to the current requirements of the environment, which entail greater digitalisation and the need for operational efficiency to** achieve reasonable levels of profitability.

All this finally crystallised in 2021 in a **general increase in the net profit** of financial institutions and a return to levels of return to shareholders that are already approaching the cost of capital.

Against this backdrop, in April 2021, Ibercaja presented its strategic roadmap for the next three years, the **Desafío 2023 Plan** (Challenge 2023 Plan), to reinforce its own independent project that gives continuity to 145 years of financial, economic, social and territorial function that has consolidated the Bank's distinctive DNA.

In the first year of the strategic three-year period, the Bank achieved profits of 151 million euros and a ROTE of 5.7%. At the same time, it continued to strengthen its financial soundness and solvency, ending the year with a common equity tier 1 ("CET1") fully loaded capital ratio of 12.7% and reducing the NPL ratio to 2.3%, with an NPL coverage ratio of 75.3%.

The **results** reflect the Bank's intense commercial activity to grow **in the corporate and personal banking segments**. A new Corporate Banking area was created at the beginning of the year, which boosted relations with these customers, capturing more than 5,400 new companies in 2021 and achieving growth of close to 7% in regular lending to this segment.

Overall (individuals, companies and institutions), new loans and credits were 5,421 million euros, returning to pre-pandemic levels.

In addition, the excellent performance of **asset management** was once again confirmed, with an increase of 5.78% in the national sector's share by volume of investment funds under management.

At the same time, the Bank intensified its **digital transformation**, responding to the acceleration in the digitalisation of society caused by the pandemic, as reflected in the almost 879,000 digital customers and more than 603,000 users of the mobile banking app at the end of 2021.

This year, in addition to implementing important new features and improvements in the online banking applications for businesses, individuals and the mobile app, the digital managers' project was launched. A team of professionals accompanies the customer, also through non-face-to-face channels, with a more personalised and specialised service. In this way, Ibercaja responds to its commitment to an omnichannel model focused on the customer experience and transfers the customer service model it provides in its physical branches to its non-face-to-face channels.

The Entity has also made steady progress towards being **a benchmark in sustainability**. In addition to accelerating the launch of specific investment and financing products and services to accompany its customers on their journey towards a more sustainable future, the action plan designed to integrate ESG (environmental, social and governance) risks into the Bank's overall risk management is being implemented.

Among other milestones achieved in this area, in 2021, Ibercaja became one of the **founding members of the Net Zero Banking Alliance**; offset all of its direct emissions in 2020, and organised its 1st Planet Week. This initiative is aimed at raising awareness and mobilising the participation of the Bank's employees and customers, as well as society at large, to convey the impetus that Ibercaja, its Financial Group and the Ibercaja Foundation are applying in their respective roadmaps to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

The Bank continues to promote its **corporate purpose** **("to help people build the story of their lives because it will be our story")** in a year in which support for its employees, its customers and society has been essential to contribute to the necessary economic and social recovery underway.

Various measures deployed to mitigate the effects of the pandemic on customers have been maintained, such as the ICO lines for financing companies and the self-employed or the early payment of pensions and unemployment benefits, among others.

The Entity has supported institutions and public and private associations through collaboration agreements, initiatives such as Impulso Solidario (Wave of Solidarity) or Tu dinero con corazón (Your money with heart), thereby contributing to the development of the laudable and praiseworthy actions that favour social cohesion that they carry out.

The **Plan Desafío 2023**, launched this year, will guide the Bank's management in 2022, focusing on strengthening future competitiveness; driving transformation and growth in priority business segments; and consolidating a profitable business model that contributes to sustainable, inclusive and environmentally friendly growth.

To achieve this, the Bank has deep-rooted **strengths and proven competitive advantages**, including the Bank's staff's skills, commitment, and expertise. Their involvement in implementing the strategy, achieving the business goals, and the transformation itinerary constitute the most solid guarantee to ensure the successful future of this collective project, that is, Ibercaja.

**José Luis Aguirre Loaso**

*CHAIRMAN*

**Mr Víctor Iglesias Ruiz**

*CEO*

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# 2 Main figures: economic and sustainable impact

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# Economic Impact

**Key figures for the Bank**

## Capital adequacy & liquidity

12.7% (+12 bp)
cet1 fully loaded

17.4% (+17 bp)
capital total fully loaded

26.0%
available liquidity / total assets

5.2%
distance MDA

## Asset Quality

-29.2%
non-performing assets

2.3% (-91 bp)
Loan NPL ratio

4.0% (-110 bp)
distressed assets ratio

68.8% (+664 bp)
distressed assets coverage

## National size

€58,631 million
total assets

€99,025 million
retail business volume

914
branches

1,172
ATMs

4,880 (4,587 parent)
employees

1,6 million
cards

878,818
digital customers

74.3%
digital transactions

36.4%
digital sales

## Commercial activity

+7.3%
retail funds

+12.9%
asset management and insurance

€5,421 million
loans and credit arranged

+6.9%
performing loans to company

+47%
new insurance origination

## Results

€151 million
net profit

€931 million (+2.5%)
recurrent revenues

€114 million (-51.1%)
write-downs of credit and real estate

65%
pay-out

## Market shares

2.4%
market shares for loans and households

3.5%
market shares for funds

5.1%
share of asset management and insurance

6 POSITION
5.8%
investment funds

7 POSITION
3.5%
life insurance

4 POSITION
6.0%
pension plans

6 POSITION
3.5%
individual pension plans

3 POSITION
12.0%
employment pension plans

## Recognitions

AENOR EXCELENCIA EN EL SERVICIO 3

Asesoramiento Patrimonio Personal AENOR conform

EMPRESA RSA+ 2022

efr certificado en conciliación efr 1000-1

AENOR Gestión Ambiental UNE-EN ISO 14001

EXCELENCIA EUROPEA 500+ EFQM

# Sustainable Impact

Our purpose

*"Helping people build their life story because it will be our story"*

## We contribute to society and to our environment

+€14 million
investment in social action by Fundación Ibercaja

Close to 1 million
beneficiaries of the social action

104
towns served as the only bank present there

€460 thousand
delivered to worthy causes by customers of the Investment Fund and the Sustainable and Solidarity Pension Plan

## We accompany our people

4,880
people work at the Ibercaja Group

31%
management positions held by women

214
young university students carried out internships at Ibercaja Banco centres

+100
work-life balance measures, making us a family-responsible company

## Our commitment to sustainability

€2,105 million
managed in sustainable investment (as per art. 8)

Adherence to TCFD recommendations

Family-friendly business (efr) certification

Celebration of the 1st Ibercaja Planet Week

Signatory to:

UN Global Compact

UN Principles for Responsible Banking

Net Zero Banking Alliance

## We care for the environment

Carbon
neutral (scopes 1 and 2)

100%
green energy

6,721.29 tn
of $CO_2$ avoided by purchasing green energy

56,150
cards with recycled plastic

ISO 14001
Certification in environmental management

## We advance innovation and digitisation

More than 74%
of transactions carried out through digital banking

+95%
of Bank employees with mobility equipment

## We accompany our customers: families and businesses

914
branches across Spain

23%
branches in towns or villages with fewer than 1.000 inhabitants

+348,000
SME and self-employed customers trust in Ibercaja

212
managers specialising in companies, rated by clients with a score of 9.7/10

## Recognitions

We promote the SUSTAINABLE DEVELOPMENT GOALS

# 3 Key points of this document

# Key points of this document

*102-21, 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-54*

> This 2021 Consolidated Management Report contains the most relevant economic and sustainability information on Ibercaja Banco and its subsidiaries.

## Scope

The Consolidated Directors' Report brings together **all the relevant financial and sustainability information of the Ibercaja Group** in a **single document.** The aim is to make the best and most complete information available to all stakeholders transparently. This report provides an overview of the strategic lines, activities, business model, financial results and commitment to sustainability (environmental, social and personnel issues, governance, human rights, anti-corruption and anti-bribery). Its content is published on the corporate website (www.ibercaja.com) so that it is accessible to all interested parties.

> **OBJECTIVE**
>
> *The objective of this report is to provide stakeholders with the* ***best and most complete information*** *in a* ***transparent manner****.*

The **Appendix, "Requirements of Law 11/2018 on non-financial information and diversity"**, includes information pursuant to **Law 11/2018** amending the Spanish Commercial Code, the consolidated Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Law 22/2015, of 20 July, in relation to **non-**

**financial information and diversity**. This statement has been prepared taking into account the EC **Directives** on the presentation of non-financial reports and their supplement on **climate-related information**, as well as the recommendations provided by the ECB to the Bank in the field of climate and environmental risk disclosure. The contents identified in this Appendix form the Consolidated Statement of Non-financial Information.

The **reporting scope coincides** with that of the consolidated financial statements, which is 100% of the consolidation scope of the Ibercaja Banco Group, except for those aspects indicated in the final table of the "Requirements of Law 11/2018 on Non-Financial Information and Diversity" Appendix.

The objective of this report is also to address those aspects necessary for its consideration as a **Sustainability Report**, according to the criteria of the **Global Reporting Initiative (GRI)**, in line with the **"essential"** conformity option, whose directives have oriented Ibercaja's annual reports since 2005 and, in turn, serve as a **"Progress Report"**, in accordance with the reporting requirements of the **Global Compact**, relating to the 10 Principles of the United Nations Global Compact. It also includes the **implementation** report of the **United Nations Responsible Banking Principles**, signed by the Bank in 2019, together with the progress made in the report on **climate-related information**, in line with the recommendations of the **TCFD** (Task Force on Climate-Related Financial Disclosures), of which Ibercaja Banco became a member in August 2019.

This document also responds to the new requirements of the **Regulation (EU) 2020/852 on Taxonomy**, published on 22 June 2020 by the European Parliament and the Council in the framework of the European Green Pact, which aims to help create a fairer economy capable of generating employment equitably, by defining those economic activities that can be considered environmentally sustainable.

# Materiality

Ibercaja periodically performs a **materiality study** to identify the priority financial, economic, social and environmental matters for its stakeholders and its business and thereby determine what information must be reported and its correct dimensioning. Significant aspects are deemed to be those matters that have a high probability of generating a significant impact, both on the business and in the valuations and decisions of the stakeholders.

With this approach, in 2015, the first materiality study was drawn up to identify those aspects that influence the ability to create value for Ibercaja and that are of interest to the people and/or groups with which it is related. This analysis is regularly updated to align it with each strategic cycle.

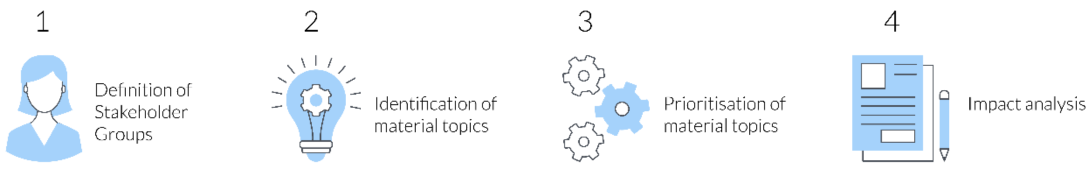
**OBJECTIVE**

***Identify and prioritise relevant issues*** *ensuring alignment with the Bank's* ***new Strategic Plan*** *for 2021-2023.*

**In 2021** Ibercaja performed a **new materiality analysis** applying the **double materiality approach under the European Non-Financial Reporting Directive** to identify and prioritise the material issues for the organisation and its stakeholders and ensure alignment with the **new Strategic Plan in effect at the Bank for 2021-2023**.

# Methodology

Ibercaja has carried out its own methodology structured in **4 phases** of work and aligned with the standards on the subject (Global Reporting Initiative), stakeholders' requirements, and the best practices in the market. These 4 phases are:




## 1. Definition of key stakeholders for the materiality study.

Ibercaja has identified its priority stakeholders based on the materiality study. For each of them, the method of participation has been defined, the channels of communication and dialogue that the Entity has established to identify expectations and interests, and the method through which the relevant issues for these stakeholders will be assessed and prioritised.

According to the company's stakeholder map, those of a **priority** nature have been taken into account in the identification and prioritisation of issues of special relevance:

- **Customers**: various communication channels are used, such as regular surveys, suggestion boxes and customer service, among others.
- **Ownership and Investors**: a specific shareholder questionnaire was developed for materiality analysis and rating surveys, meetings, etc.
- **Employees**: an open survey of the entire workforce has been carried out; there is an internal employee portal, and regular focus groups, and an employee experience survey are conducted.

- **Suppliers**: There is an Ibercaja supplier portal, and a specific survey has been carried out for this analysis.
- **Company**: regular surveys, media and social media monitoring, etc. are conducted.
- **Competitors and benchmarks**: analysing public documentation from competitors in the sector and participating in industry associations to gain insight into trends and priorities.
- **Public Administrations**: legislation and regulatory requirements in ESG matters are analysed.
- **Media and opinion leaders**: media searches were carried out regularly and external experts are consulted.

## 2. Identification and assessment of relevant issues:

An **exhaustive internal and external analysis** has been carried out to **identify** and define the key ESG issues that should potentially guide Ibercaja's strategy and actions, and information reporting.

Internal analysis, where they have been evaluated:

- The **Plan Estratégico Desafío 2023** (Challenge 2023 Strategic Plan) and the Sustainability Roadmap, as essential pillars on which the relevance of Ibercaja's materiality is based.
- Commitments assumed by Ibercaja with respect to its stakeholders: **Code of Ethics**, **Corporate Purpose**, Mission, Vision and Values, manuals, regulations and corporate policies, among others.

- Results of the communication established in the usual channels with stakeholders (surveys, reports, mailboxes, meetings, questionnaires, etc.) and other specific analyses carried out.

External analysis, which has collected:

- **Regulatory requirements** and **recommendations** on ESG and Sustainable Finance.
- **Best practices and trends** in sustainability, focusing on sector-related aspects and the relevant issues gained in the financial industry.
- **External requirements and demands**: Media analysis, rating agencies' requirements, analysts and investors, among others.
- **Initiatives, partnerships and standards**: Global Reporting Initiative, WEF-IBC, Sustainable Development Goals, TCFD, etc.

The internal and external information analysis has been carried out with the aspiration, on the part of Ibercaja, to include a broad time horizon, taking into account the demands of the different stakeholders in the medium and long term, as far as possible. In this way, aspects such as Ibercaja's strategy, the regulatory roadmap for the coming years, trends in sustainability, as well as the future commitments assumed by the Institution have been considered.

From the internal and external analysis, Ibercaja obtained a list of **90 specific topics**, grouped into 15 relevant topics, aligned with industry expectations and responded to the programmes and initiatives included in the Bank's Desafío 2023 Strategic Plan.

## Assessment of relevant issues:

Once the relevant issues had been identified, an internal and external consultation was carried out by means of **personalised questionnaires** for the main stakeholders to determine their priority, from the perspective of "Importance for Ibercaja" and "Importance for stakeholders", which will form the basis of the materiality matrix.

| Importance for Ibercaja | Importance for Stakeholders |
|---|---|
| *Corporate Divisions* | *Customers* |
| *Business Divisions* | *Shareholders and Investors* |
| *Financial Group* | *Employees* |
| *Fundación Ibercaja* | *Suppliers* |
| | *Society at large* |
| | *Opinion leaders* |

## 3. Prioritisation of material issues

The results of the assessments were structured in a materiality matrix reflecting the **priority** of the **15 relevant issues** identified.

**Very high priority**

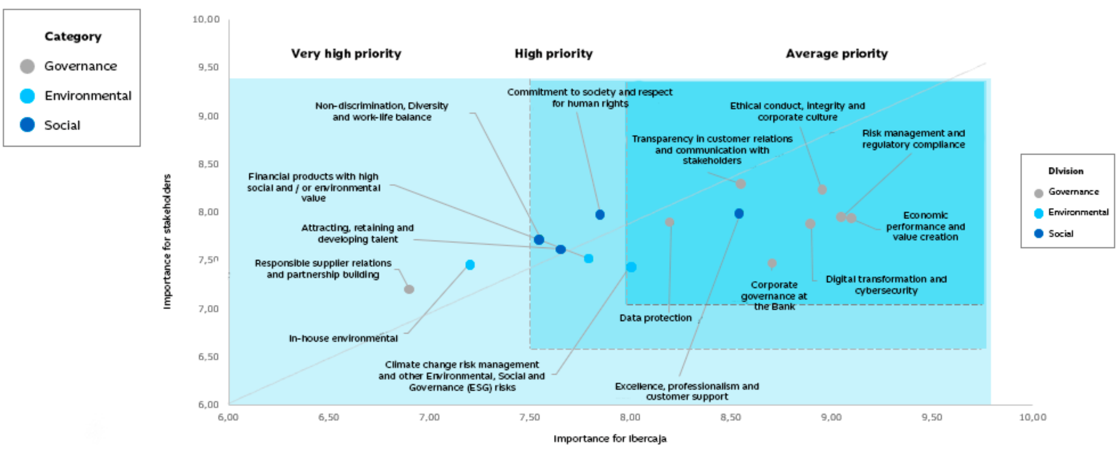
- Strategic aspects related to the generation of value for customers and shareholders and increased transparency towards all stakeholders.
- High standards of regulatory compliance and risk management.
- Highest standards in corporate culture, ethics and integrity.
- Digital transformation and cybersecurity.
- Excellence, professionalism and support in excellent customer service.
- Compliance with Corporate Governance best practices and standards.
- Ensuring absolute data privacy.
- Integration ESG aspects, and specifically those related to Climate Change, into the business and risk management.
- Transparency in customer relations and communication with stakeholders.

**High priority**

- Commitment to society and respect for human rights.
- Attracting and developing the best talent.
- Implementation of diversity, equality and work-life balance policies.
- Creation of products with high social and/or environmental value.

**Average priority**

- In-house environmental management.
- Conveying Ibercaja's commitments along its value chain.



The materiality matrix shows that all of Ibercaja's material issues are highly important **to both the Bank and its stakeholders**. Compared to the last materiality analysis in 2018, the relevant issues have evolved in 2021. These are strongly influenced by the regulatory environment and the current socio-economic context, including the pandemic. As a result of this analysis, the themes classified as "very high" priority in 2021 align with the Bank's strategic objectives. These issues include:

- Strategic aspects related to the **generation of value** for customers and shareholders, as well as increased transparency towards all stakeholders.
- Maintaining the highest standards in **ethics, integrity and corporate culture** of the Bank and high standards of regulatory compliance and risk management.
- The **digital transformation, transparency, communication and excellence in customer service** continue to be priorities for Ibercaja, as well as guaranteeing total data privacy.
- The integration of ESG aspects into business and risk management, particularly those related to climate change, also has the highest priority, reflecting the Bank's **commitment to sustainability** and the **fight against climate change**.

## 4. Impact analysis according to the dual perspective of materiality

The **dual perspective of materiality** is designed to **assess the impacts generated by the Bank on the environment and society**, as well as the **impacts that the environment may have on the business and the company**. It is an "inside-out" and "outside-in" analysis.

## Ibercaja has analysed the qualitative impact of the very high priority themes based on this dual perspective:

| Material issue and definition | Main environmental impacts on Ibercaja | Ibercaja's impact on the environment | SDG related |
|---|---|---|---|
| **Ethical conduct, integrity and corporate culture**<br><br>Compliance with ethical principles and the specific commitments subscribed to voluntarily by the organisation and actions to improve the image and principles on which Ibercaja's Corporate Culture is based. | The correct management of these aspects is reflected in an improvement in Ibercaja's reputation with its stakeholders, ensuring regulatory and ethical compliance. To this end, the Entity must maintain a constant drive for employee training and stringent monitoring practices in these areas. | Having a corporate culture of integrity and ethics enhances trust in stakeholder relations while placing greater demands on all stakeholders. This results in increased investment security and increased job stability as the risk of regulatory non-compliance is reduced.<br><br>This behaviour positively impacts stakeholders, who are favoured in this way. By demanding that they behave in the same way, they transfer these principles to the | 8 DECENT WORK AND ECONOMIC GROWTH<br>10 REDUCED INEQUALITIES<br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS |
| **Risk Management and Regulatory Compliance**<br><br>Risk management model and compliance with applicable legislation and corporate policies and commitments. | Rigorous and continuous compliance is essential to avoid potential non-compliance and sanctions, which in turn boosts business stability and enhances reputation and stakeholder relations. In addition, it promotes the training of its employees on these issues and the supervision of monitoring systems in the three lines of defence. | Proper management of this aspect leads to greater confidence on the part of public administrations and greater security for the Bank's investors, employees, and suppliers due to a lower risk of non-compliance. In addition, the management of this aspect directly contributes to SDG 16. | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS<br>17 PARTNERSHIPS FOR THE GOALS |
| **Economic performance and value creation**<br><br>Maintain adequate economic performance to ensure profitability, solvency and value creation for shareholders and investors. | A good economic performance will improve Ibercaja's positioning and stability, as well as attract new customers and investors attracted by a solvent and stable business. Ibercaja will maintain solvency controls and will continue to invest in training and recruiting the best team to achieve the solvency targets set by the Institution. | Creating value and economic profitability is key to consolidating the long-term stability of relations with stakeholders such as investors, customers, employees and suppliers and fosters their confidence in the Bank's profitability and solvency.<br>Adequate economic performance and the creation of value for its shareholders enable the improvement of shareholders and society in general through the social action of its shareholder foundations. | 8 DECENT WORK AND ECONOMIC GROWTH<br>11 SUSTAINABLE CITIES AND COMMUNITIES<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>17 PARTNERSHIPS FOR THE GOALS |

| | | | |
|---|---|---|---|
| **Transparency in customer relations and communication with stakeholders**<br><br>Mechanisms to ensure adequate, clear and transparent communication with stakeholders to manage expectations and identify and respond to their requirements. | Transparency is a key aspect of the relationship with stakeholders, which translates into better communication with more straightforward and more accessible channels of dialogue, which will allow greater alignment with their expectations of information and an improvement in the perception of investors and rating agencies. In addition, maintaining transparency and quality information requires the need to maintain efficient and secure communication channels, as well as to establish control procedures to ensure confidentiality in data storage and | Generating trust for all stakeholders, including customers, as the management of this aspect improves accessibility to the Entity's information. Likewise, the management of this aspect improves communication with stakeholders and, therefore, identifies their expectations, thus providing a better response to their needs. Furthermore, generating value for the investor can be highlighted, as it improves traceability in Ibercaja's operations and business, as well as more agile participation and more effective decision-making. | 8 DECENT WORK AND ECONOMIC GROWTH<br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS<br>17 PARTNERSHIPS FOR THE GOALS |
| **The Entity's Corporate Governance policy**<br><br>Compliance with best practices in good corporate governance (including those aspects related to ESG governance). | Having a diverse, integral and capable Corporate Governance ensures correct decision making in the Entity, which translates into greater stability, reduced reputational risk and improved process efficiency. These aspects are directly related to attracting customers and investors.<br>The governance structure must meet the objective of oversight, validation and control without impacting the loss of operational efficiency by slowing down decision-making. | Greater trust in Ibercaja and the establishment of more stable and lasting relationships, as a result of greater business stability, lower risk of default and proper management and decision-making (including ESG aspects). Shareholders benefit from good corporate governance as it provides stability, profitability and value creation. Compliance with best practices in corporate governance also benefits society and other stakeholders in general. | 8 DECENT WORK AND ECONOMIC GROWTH<br>16 PEACE, JUSTICE AND STRONG INSTITUTIONS<br>17 PARTNERSHIPS FOR THE GOALS |
| **Digital transformation and cybersecurity**<br><br>Identification and implementation of new digital solutions to streamline internal processes, boost efficiency, open up business opportunities and improve the customer experience while ensuring maximum system security and data protection. | Digitisation has a significant impact on increasing the efficiency and speed of processes. It is also associated with a reduction in costs and impacts on the environment, resulting from a digital service that requires less use of natural resources. In addition, the digitalisation process increases the need for investment in cybersecurity, given the possible risk of cyber-attacks, as well as the need to incorporate specialised human resources and tools (e.g., the use of cyber-attackers): Apps such as Ibercaja Pay). | Customers benefit from a more accessible, immediate and efficient service in their transactions (e.g. My manager), which in turn can be a difficulty for customers less familiar with digital services, who will receive the necessary support.<br>In turn, employees and suppliers will see Ibercaja's demands in these areas increase and will have to train and adapt to an increasingly digital environment.<br>Commonly for all stakeholders, digitalisation and cybersecurity improve relations with Ibercaja, resulting in a more agile, traceable and secure relationship. | 8 DECENT WORK AND ECONOMIC GROWTH<br>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE |
| **Excellence, professionalism and support for the customer**<br><br>Operations implemented by the Entity in order to achieve excellence in the provision of its services and the highest quality perceived by customers, and to continue to promote proximity and tailored solutions. | Ibercaja, with its professional and excellent service, has the potential to attract and retain customers, which translates into greater stability and business growth and, therefore, greater attraction and loyalty of investors.<br>Ibercaja will continue to invest in the training of its team and innovation in order to continue providing the best personalised service. | Customers require quality and personalised services tailored to their needs and expectations. Among others, Ibercaja has improved accessibility with tools such as Ibercaja Próxima and the protection and support of the most vulnerable groups, for example, through the Retail Trade Support Plan. This range of services and the specialisation demanded translates into a higher demand for suppliers and employees. Proper management of this aspect translates into greater confidence, stability and value creation for all stakeholders. | 8 DECENT WORK AND ECONOMIC GROWTH<br>17 PARTNERSHIPS FOR THE GOALS |

| | | |
|---|---|---|
| **Data protection**<br><br>Management model that guarantees maximum protection of stakeholder data. | To the extent that Ibercaja responsibly manages the privacy and confidentiality of its stakeholders' data, damages and losses are avoided, and possible risks of non-compliance are reduced. Ibercaja ensures compliance with the controls implemented to avoid reputational and economic damage due to privacy breaches, sanctions or loss of personal data integrity. | Stakeholders have the right to control the use of their personal data with regard to the right of access, rectification and deletion. The modification of the personal data of customers, employees or other stakeholders (destruction, loss, theft, misuse, etc.) can lead to moral and financial damage and loss of trust. Proper management of them, therefore, generates confidence in all groups. |
| **Climate Change Risk Management and other Environmental, Social and Governance (ESG) Risks**<br><br>Identifying and managing ESG risks (including risks associated with climate change) and integrating them into Ibercaja's risk model. | Ibercaja's management of these risks results in Ibercaja's business being less exposed to them and greater alignment with regulation and stakeholder expectations. The current focus is on climate change risks.<br>Ibercaja will continue to make progress in identifying and managing these ESG risks to meet regulatory and stakeholder expectations. This will enhance the Bank's solvency and reputation. | The management of this aspect allows Ibercaja's customers to have support and backing in the transition processes of their businesses (companies) and their personal contribution (individuals), towards a sustainable, low-carbon economy. While funding requirements may be tightened for activities with higher exposure to climate risks, the future benefit will reward this approach. The correct management of these aspects improves stakeholder confidence in Ibercaja as a result of greater alignment with the 2030 Agenda, the 2015 Paris agreement, the TCFD recommendations, legal requirements and complete climate risk management. |

## Rigour

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

## External audit review

Ernst & Young, S.L. has issued an independent assurance report, with limited assurance scope in accordance with the ISAE 3000 (Revised) Standard, on the non-financial reporting and diversity indicators that respond to Law 11/2018, on the indicators that respond to the GRI Standards under the "Core" compliance option and on the Financial Services Sector Supplement of the GRI G4 Guidelines, in addition to the United Nations Principles for Responsible Banking (UNEP FI), as well as the requirements set out in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the European Council on establishing a framework to facilitate sustainable investments (known as the EU Taxonomy Regulation). This Report is included in the "Independent Verification Report" Appendix of this document.

Finally, Ernst & Young, S.L. has issued an Auditor's Report on Information related to the Internal Control over Financial Reporting (ICFR) System, which is included as an Appendix to the Annual Corporate Governance Report.

# 4 Presentation of the Group and its context

# 4.1. Description, shareholding and organisational structure

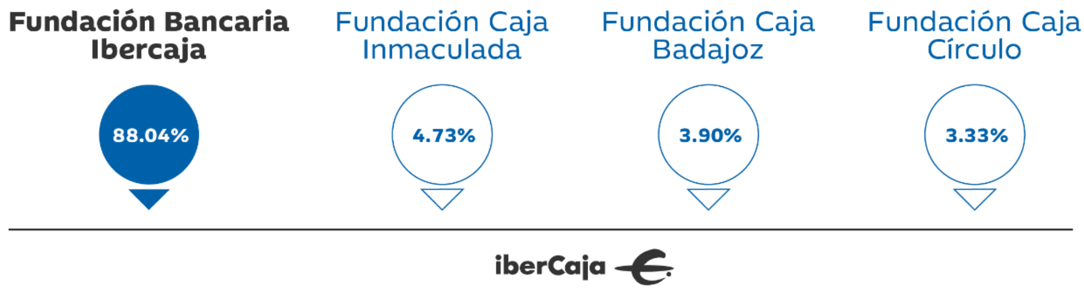
*102-1, 102-2, 102-5, 102-45*

> Ibercaja is a national banking entity specialised in the business of individuals and companies, whose objective is to generate value for its

The **Group primarily engages in retail banking, and carries out practically all of its business in Spain**. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including investment and auxiliary services.

**The Bank was created in 2011** following the spin-off and transfer to Ibercaja Banco of the financial business of the former Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, now transformed into the Ibercaja Banking Foundation, in accordance with the provisions of the Banking Foundations Act. **In 2013, the Bank absorbed Banco Caja3**, an entity formed as a result of the spin-off and subsequent merger of the financial business of three former savings banks: Caja de Ahorros de la Inmaculada (currently Fundación Caja Inmaculada), Caja Badajoz (currently Fundación Caja Badajoz) and Caja de Ahorros Círculo de Burgos (currently Fundación Caja Círculo), which have since been transformed into foundations and are the Bank's current minority shareholders, together with Fundación Bancaria Ibercaja, which is its majority shareholder.

# Shareholder Structure




From an organisational standpoint, **the Bank is the parent of a group of subsidiaries**. Of these, the most notable (due to their wide range of banking products and high levels of profitability) belong to the **Financial Group**, which comprises companies specialising in investment funds, savings and pensions, bancassurance and leasing/renting.

# Organisational Structure

# 4.2 Purpose, mission, vision, values and Code of Ethics

*102-2, 102-16, 102-40, 102-42*

> We are a different kind of bank, driven by a corporate purpose focused on people and the environment. The mission, vision and values define this purpose and define our way of banking and the value proposition for

## Corporate Purpose

Ibercaja's Corporate Purpose is **"To help people build the story of their lives because it will be our story"**. It is the Bank's raison d'être, which gives meaning to its professionals' daily work and is very present in its strategy. Ibercaja works by and for people; it wants to help, accompany and support them in their life decisions, building and walking together with mutual commitment.


For this Purpose to be fully present in all business decisions, to be visible, known and shared by the entire Organisation and to mobilise action, Ibercaja is working on **its activation** within the framework of the new **Desafío 2023 Strategic**

It is carried out through one of the Purpose and Sustainability Initiative Challenges. The aim is for the Corporate Purpose to be reflected in **our way of banking** and to be a lever for competitive differentiation. To this end, it has communicated internally and externally, proactively and systematically, and is developing the **Culture and Purpose project**, defining the Entity's relationship model based on the pillars of the Purpose.

**Purpose is the cornerstone of our corporate culture** and the challenge is for it to be present in the daily behaviour of all Ibercaja's professionals and in decision-making, providing a differential value that is sustained over time. Our aim is for the Purpose to be perceived by customers and for it to be present in all interactions with them and in the Entity's value proposition, so that they feel that we accompany them at the most important moments, in accordance with their needs and expectations. We are also working on the external activation of the Purpose, identifying the main levers in our area of action, which will help us to transform and improve the territories and the lives of their people.

The Purpose is completed by the **mission** and **vision**, based on the Bank's **corporate values**, which have marked the Bank's path since its foundation.

## Mission

Ibercaja's mission reflects how the Institution should act to achieve its Purpose: **to improve the lives of families and businesses**, helping them manage their finances to give the customer efficient service and a personalised and quality advice, which will help the bank achieve its

**MISSION**

Contribute **to improve the life** of families and companies, **helping them to manage** their finances by offering a **personalised global financial service**, so they can attain their own objectives

Since its origins, Ibercaja has been committed to society and works on generating resources that are returned to society through shareholder foundations.

Ibercaja understands that, in the carrying out its activity, its contribution to society and the environment makes the company more robust and more sustainable. Therefore, it accepts the triple challenge of generating business, social and environmental benefits to drive the transition towards a more sustainable economy.

## Vision

The **vision** sets the path for the Entity to follow, towards what we want to be, towards **our goal**: to be an excellent bank. Our commitment to our stakeholders and to caring for the environment focuses on promoting sustainable development, preserving natural resources and promoting a fairer and more inclusive society.

## Values

Ibercaja's corporate values define its business culture and have guided its path since its beginnings. They are the basis of the entity's ethical commitments, reflected in its **Code of Ethics**.

# Ibercaja Code of Ethics

The Entity has an **"Ethics Model"** consisting of:


Ibercaja's **Code of Ethics**, a key element that reinforces the Bank's corporate culture and ethical approach to management. The Code contains the Bank’s ethical commitments and the principles of action that must be present in the day-to-day work of the people who make up Ibercaja, to make its corporate values

## The **key principles** of conduct that define us and shape our ethical culture are:

- We are **rigorous**: we know and follow the rules
- We are **honest and trustworthy**
- For us, **the customer takes centre stage**
- We are **role models**
- **We take care of the** Bank's reputation and look after information
- We **take care in the use of the Entity's media**
- We are **committed to our environment**

The approval and subsequent updates of the Code are the responsibility of the Board of Directors.

To ensure that all employees are aware of and comply with the Code of Ethics, it is available in the Internal Regulations. In addition, reminders are regularly included in the Daily Information published for all staff. In addition, in 2022, we plan to carry out a **training workshop** on **Corporate Culture and Ethics** for all Ibercaja employees, which will serve to strengthen and consolidate these principles, as well as the values and behaviours that define our different way of banking.

The **Ethical Management Handbook**, which establishes the internal functions and processes necessary to ensure the implementation of the Code.

The **whistleblower channel**, which is a specific and independent channel for reporting possible violations of the Code and for queries about its interpretation. The communications received are treated confidentially, guaranteeing the protection of the people who use it and in accordance with data protection regulations. All of them are analysed by the Brand, Reputation and Sustainability Department, with the assistance of the competent departments or units in each case, reporting periodically on them to the Reputation and Sustainability Committee, which, where appropriate, will inform the competent governing bodies.

*Also included on the corporate website is www.ibercaja.com an **e-mail address** (rsc@ibercaja.es) to which anyone can send **queries about the Bank's Code of Ethics**.*

To ensure this channel's correct functioning and use, periodic reviews are carried out by Internal Audit. **Employees have a Whistleblower Channel** to report any violations of the Code of Ethics.

# Corporate Brand

The Bank's **brand**, both internally and externally, is one of Ibercaja's most valuable intangible assets: it represents our identity, our values and our Corporate Purpose, and makes them visible at every point of contact with customers and society.

**"El Banco del vamos" communication concept** responds to our brand DNA, the result of our 145-year history, and helps convey our Corporate Purpose.

**This concept is developed in all** institutional and commercial actions, our positioning and our communication style. It helps us show ourselves as a Bank that is approachable, transparent, honest in the information we offer, proactive, committed and dynamic, where people and their important moments in life are at the centre of our decisions.

In 2021, within the framework of the new Strategic Plan, taking into account the major transformation of the sector and society at large, the positioning (the perceived attributes of the Value Proposition) and notoriety of Ibercaja in the market have been analysed, with the aim of designing the strategy to transfer the positioning (current or evolved) to the process of commercial attraction and loyalty, defining how it declines in commercial management for each of the priority financial needs.

The final objective is to define the key levers that will make Ibercaja a more attractive and differential project for the different stakeholders.

# 4.3 Economic and financial environment

103-1

> Economic recovery consolidates despite the persistence of the pandemic.

## World economic landscape

**The recovery** of the **global economy has been consolidated throughout 2021**, despite the persistence of the pandemic with its different waves and the emergence of new SARS-CoV-2 variants. The IMF estimates that **global GDP growth reached 5.9% after the -3.1% drop in 2020.** This would have exceeded pre-crisis output levels.

According to these estimates, growth would have been higher in emerging countries (6.5%) than in developed countries (5.0%), which, moreover, were coming from a larger decline in 2020 (-4.5% versus -2.0%). The different impact of the pandemic by country and by economic sector has meant that, despite widespread growth in 2021, not all economies and not all industries have fully recovered.

**China's** economy was the first to emerge from the crisis and **grew by 8.1% in 2021, after 2.3% in 2020**. However, beyond the base effect of the statistics, there is a slowdown in growth linked to the lower dynamism of the construction and real estate sectors, which is prompting the authorities to implement expansionary fiscal and monetary policies.

**The US economy** led the recovery among Western countries, and its GDP was already higher than before the pandemic in the second quarter of 2021. **For the year as a whole, it would have grown by 5.6% after falling by -3.4% in 2020**. The labour market has shown a good tone throughout 2021, although employment has not recovered to pre-pandemic levels.

On the negative side, the rapid improvement in demand, in many cases outstripping the pace of supply recovery, has led to sharp price rises. Moreover, the generous fiscal policy to combat the crisis has aggravated the situation of public accounts that were already starting from a significant imbalance.

GDP trend by country (BASE 100=4Q19)

The greater severity of restrictions in the face of the various pandemic waves delayed the recovery of the **Eurozone** compared to other advanced regions. However, **from the second quarter onwards, the economy gained traction and could have ended the year with a GDP growth of 5.2% according to initial estimates,** which, however, would be insufficient to overcome the sharp fall it experienced in 2020 (-6.5%). Country developments have been highly dispersed due to the measures taken to curb the coronavirus and the relative dependence of the sectors most affected by these constraints. Moreover, fiscal policy has been more or less expansionary depending on the state of public finances, something that could change from 2022 thanks to the implementation of the Next Generation EU funds. The labour market recovery has been faster than expected, and the unemployment rate is already lower than before the pandemic. However, it continues to vary sharply across countries, from full employment in the Netherlands and Malta to double-digit rates in Greece and Spain.

# Monetary policy and financial markets

**Monetary conditions remained very loose throughout 2021**. However, the increase in inflationary pressures in the latter part of the year is causing a change in the orientation of the **central banks** after years of fighting the risk of deflation. Price acceleration is more structural in the US, which may lead to intervention rate hikes in the coming months, while in Europe, quantitative easing will continue with debt purchases at least until the end of the third quarter of 2022, and intervention rate hikes are not expected at least until the end of the year.

**2021 was a very positive year for most stock markets.** The US S&P 500 rose by 26.9% and the European Stoxx 600 by 22.2%. The Ibex lagged somewhat behind with a rise of 7.9% and a close below the year's highs. All Stoxx 600 sectors closed 2021 in positive territory. The largest increases were in banking (34.0%), technology (33.7%), media (31.7%) and construction (31.1%). Only two sectors did not show double-digit gains: electricity (5.4%) and travel and leisure (3.7%).

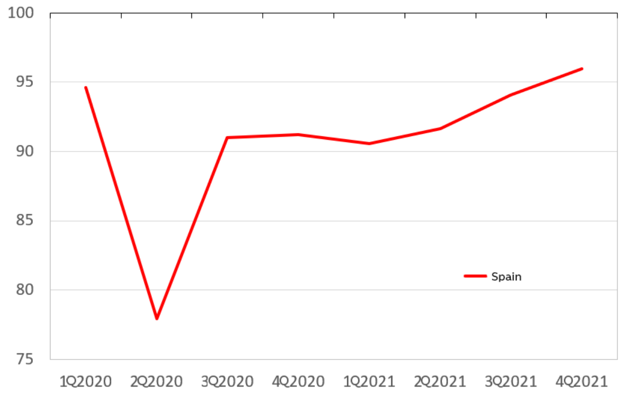
**Interest rates on government debt remained at very low levels** by historical standards in 2021, although there was some recovery from the lows reached in 2020. This rise could continue in 2022 due to rising price pressures and less expansionary central bank policies. **The 12-month Euribor traded around -0.50% for most of 2021; however,** this may change as upward movements in intervention rates begin to be priced in.

# The Spanish economy

The recovery of **Spanish GDP** was somewhat disappointing during the first half of the year before gaining momentum in the second half. **In 2021 as a whole, GDP grew by 5.0%** according to the INE's first estimate, which is meagre if we take into account the -10.8% drop in 2020. Among the European economies that have published data, Spain remains the furthest away from pre-crisis output levels. The insufficient return to normality of the sectors most affected by the pandemic, which have a greater relative weight in the Spanish economy, and of private consumption explain this worse relative performance. The high savings generated during the previous year were channelled not into consumption but into investment, which was reflected in the good real estate figures, but not in GDP.

**Relative to 2019**, **GDP** in 2021 was still **-6.4%** lower despite the aforementioned 5.0% rebound.

GDP in Spain (BASE 100= 4Q19)




The insufficiency of the recovery was evident in the gross value added of professional and administrative services (-12.6% in 2021 compared to 2019), construction (-14.9%), trade, transport and accommodation (-15.5%) and entertainment and other services (-25.0%). In addition, financial services (13.7%), public administration, education and health (3.4%) and real estate activities (2.3%) performed well.

The **labour market** **surprised favourably by recovering much faster than output,** the opposite of the usual post-crisis behaviour. On average over the year, the number of employed was virtually the same in 2021 as in 2019 and exceeded it by 1.1% in the fourth quarter according to LFS data. The unemployment rate fell to 14.8% on the annual average (13.3% in the last quarter) from 15.5% in 2020 and 14.1% in 2019. The number of ERTE workers fell from 925,000 in February to 126,000 in December.

> **GDP GROWTH**
>
> *The recovery has accelerated in recent quarters, and this dynamism may continue in the coming quarters, provided that activity continues to return to the sectors most affected by the pandemic. For future growth, beyond the mere rebound effect, it is essential to recover lost productivity, something to which the European Next Generation funds can contribute.*

The increase in energy prices has conditioned the behaviour of **inflation**. CPI accelerated from -0.5% in December 2020 to 6.6% in December 2021, with an annual average of 3.1% (after -0.3% in 2020).

## Banking and regulatory environment

**The Spanish banking system has played a key role in mitigating the effects of the pandemic** on economic activity and, in collaboration with the authorities, in facilitating financing for households and businesses to meet their financial obligations in the current adverse context. **It is also a key factor in the recovery,** maintaining the flow of credit to finance the investment necessary to modernise the productive fabric and the transition towards a more sustainable economy. However, the sector faces important challenges, including the following: improving profitability that recurrently offsets the cost of capital, progress in digitisation, competition with new, less regulated players such as technology giants and Fintech companies, risks linked to cybersecurity, climate risk management and sustainable finance, and the uncertainties still hanging over the effects of the phasing out of support measures for businesses and households.

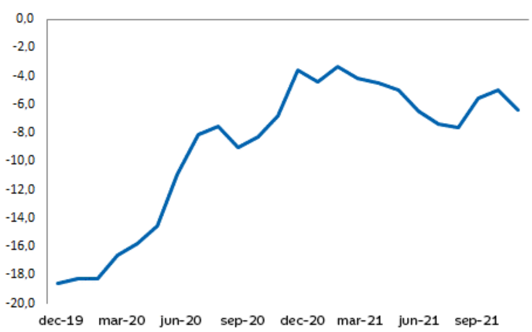
The **system's credit to households and companies is up 0.3% year-on-year**. Financing to non-financial companies rose 0.2% after overcoming the setbacks recorded during most of the year due to the base effect caused by the increase in financing for productive activities in the first months of 2020 under the ICO lines guaranteed by the State. Lending to households increased by 0.3% due to the momentum, observed in the last part of the year, of both lending for house purchases and consumer credit, which rose 1.1% and 1.4%, respectively.

The **retail deposits** in the system **rose 5.6% in the last twelve months.** Although the momentum generated by the health crisis has slowed, the increases are still significant. In companies, the variation reaches 8.9%, compared to 14.7% in December 2020, while in households, it rises by 4.6% vs 7.5% at the end of 2020. **Investment funds** increased their assets by **15.7% year-on-year,** both in terms of net contributions and returns obtained in a very positive scenario for the stock markets.

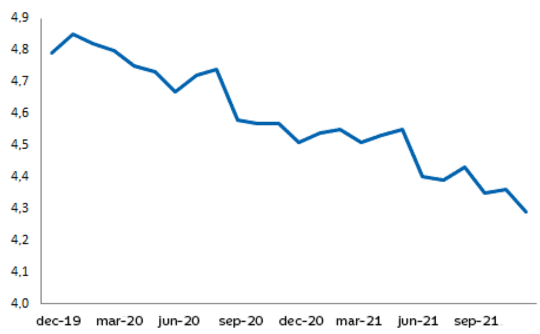
The effect of the pandemic on economic activity has not been reflected, in contrast to what was observed in previous crises, in an increase in non-performing loans contained mainly by public support measures such as ERTE, guarantees for access to credit and moratoriums. With data to November, the balance contracted by 4.7% compared with December 2020. The **NPL ratio** of credit to the resident private sector for credit institutions as a whole stood at **4.29%, 22 basis points lower than at the end of 2020**. However, the risk of credit quality deterioration in the economic sectors hardest hit by the crisis persists. Loans classified under special surveillance have increased, with the latest known data as at September, by 53% year-on-year, while refinanced or restructured loans, after declining in the pre-pandemic quarters, have moved to positive rates of change. After the extraordinary increase in 2020 in anticipation of future risks, asset impairment charges have been reduced to 2019 levels.

## Doubtful assets indicators credit institutions

CHANGE IN NON-PERFORMING LOANS PRIVATE SECTOR
YEAR-ON-YEAR % RATE %




PRIVATE SECTOR NPL RATIO



In the **regulatory sphere,** the Bank of Spain published **Circular 5/2021 on 22 September**, amending Circular 2/2016 of 2 February on the supervision and solvency of credit institutions, to develop certain macroprudential instruments, which make it possible to establish a countercyclical capital buffer requirement in specific sectors, limits on the sectoral concentration of credit in relation to bank capital, and requirements on the criteria for granting credit.

The Bank of Spain, by means of **Circular 6/2021 of 22 December,** has amended Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats, and Circular 4/2019 of 26 November to financial credit institutions on public and confidential financial reporting standards and financial statement formats. The objective of the standard is to preserve the convergence of Spanish accounting regulations with the International Financial Reporting Standards adopted by the European Union (EU-IFRS).

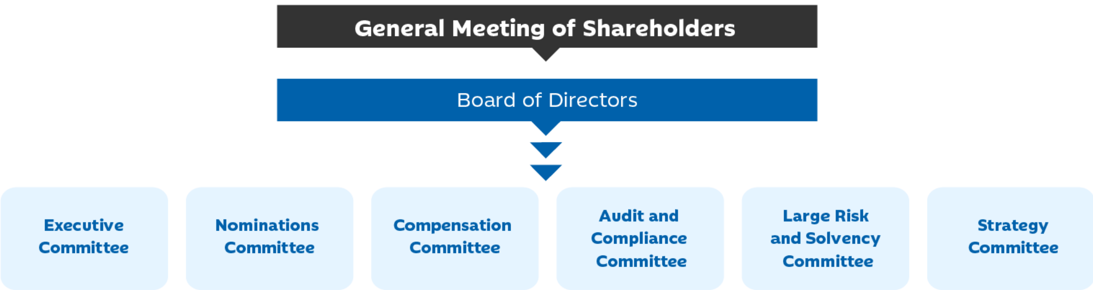
The **European Commission published on 27 October a proposal for a review of the regulation applicable to the banking sector**, which includes **legislative changes to implement the Basel III agreement**, taking into account the particular characteristics of the European banking sector. The proposal aims to strengthen the resilience of EU banks, without leading to significant capital increases, and introduces an extended transitional period, starting for some aspects in 2025. It also introduces rules on the management, monitoring and reporting to third parties of environmental, social and governance (ESG) risks, in line with the objectives set out in the EU Sustainable Finance Strategy.

# 4.4 Corporate governance

*102-15, 102-16, 102-17, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32, 102-35, 102-36, 103-1, 103-2, 103-3, 405-1*

> Ibercaja's governance structure carries out its functions efficiently, guided by the rules and codes of good corporate governance.

The **internal governance model** consists of the **General Meeting of Shareholders and the Board of Directors,** which has an Executive Committee and five advisory committees.




The Ibercaja Group's governing bodies, along with their composition and their internal rules, are governed by the **Articles of Association and the Regulations of the Board of Directors**, the contents of which are compliant, among other regulations, with the law on the organisation, supervision and solvency of credit institutions, the Corporate Enterprises Act, the Audit Act, the guidelines issued by international bodies such as the EBA or the ESMA, and the Code of Good Governance of Listed Companies, which is taken as a benchmark of best practices in this field. **In this respect, it should be noted that**:

1. Separation of functions between the non-executive Chairman and the executive CEO.
2. The independent status of 55% of the members of the Board of Directors.

3. The chairmanship of all advisory committees by an independent director.

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

## General meeting of shareholders

The General Shareholders Meeting is the **most senior decision-making body at the Bank** and its resolutions are binding on the Board of Directors. The General Meeting has the broadest of authorities to govern the Bank and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Bank's own Bylaws.

The functioning of the General Shareholders Meeting is regulated in section 5 of the Articles of Association, which are accessible through the corporate website www.ibercaja.com in the Shareholders and Investors section (https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones), setting out in articles 13 to 23 the regulation of the Meeting, the place and time of the meetings, the right to attend and representation, the rules governing the constitution of the general meeting, the drawing up of attendance lists, deliberation, the casting of remote votes prior to the meeting and the adoption of resolutions.

# Board of Directors

Meanwhile, the Board of Directors has the **broadest of authorities to manage, administer and represent the Bank** and, except for those matters reserved for the General Meeting, it is the highest decision-making body at the Bank. The Board has six committees: Delegate Committee and the internal advisory committees on Appointments, Remuneration, Audit and Compliance, Major Risks and Solvency and Strategy.

*The composition of the Board of Directors on 31 December 2021 was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr José Luis Aguirre Loaso | Proprietary |
| **First Deputy Chairman** | Mr. Jesús Máximo Bueno Arrese | Proprietary |
| **CEO** | Mr Víctor Manuel Iglesias Ruiz | Executive |
| **Member** | Ms Gabriela González-Bueno Lillo | Independent |
| **Member** | Mr José Miguel Echarri Porta | Proprietary |
| **Member** | Mr Vicente Cóndor López | Independent |
| **Member** | Mr Jesús Solchaga Loitegui | Independent |
| **Member** | Mr Jesús Tejel Giménez | Independent |
| **Member** | Mr Félix Santiago Longás Lafuente | Independent |
| **Member** | Mr Luis Enrique Arrufat Guerra | Proprietary |
| **Member** | Ms Maria Pilar Segura Bas | Independent |

| **9.1** | **36.36** | **54.54** | **25** |
|---|---|---|---|
| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |

EL BANCO DEL vamos

# Composition of the Board of Directors


All appointments of the members of the Board of Directors have been favourably reported by the Appointments Committee, prior to their formal appointment, and have been subject to the mandatory individual and collective evaluation, in accordance with the terms established in the Policy for the assessment of suitability and diversity of directors and senior officers of the Bank, as required by current legislation.

The academic background, experience and professional career of the directors is available on the Entity's corporate website https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones/consejo-de-administracion).

According to article 28 of the current statutes, directors shall hold office for a term of four years and may be re-elected one or more times for terms of the same duration. The appointment of the directors shall lapse when, upon expiry of the term, the next general meeting has been held or the legal term for convening the meeting that is to decide on the approval of the accounts of the previous financial year has elapsed.

As at 31 December 2021, the average term of office of directors was five years, taking into account that the current Chairman and Vice-Chairman were appointed as directors on the occasion of the incorporation of Ibercaja Banco in 2011, and that a proprietary director was appointed in October 2021.

The Chairman of the Board of Directors, Mr José Luis Aguirre Loaso, informed the Board of his intention to resign for reasons of age once the accounts for the 2021 financial year had been drawn up. The Board agreed to initiate the process of succession of the non-executive Chairman, such process being directed by the Appointments Committee, which has been assisted for this purpose by external specialist advice.

On 17 December 2021, at the proposal of the Appointments Committee, the Board of Directors unanimously agreed to propose Francisco Serrano Gill de Albornoz as a candidate for non-executive Chairman of the Board. This proposal is conditional both on the European Central Bank's positive assessment of the candidate's suitability and, should this take place, on the Bank's General Meeting of Shareholders appointing the candidate as a director. Pending this process, Mr Aguirre Loaso will continue to serve as non-executive Chairman.

# Executive Committee

The **powers delegated** by the Board of Directors to the Executive Committee are expressly set out in the **Board of Directors' Regulations** and are as follows:

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

*The composition of the Executive Committee as at 31 December 2021 was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr José Luis Aguirre Loaso | Proprietary |
| **Member** | Mr Víctor Manuel Iglesias Ruiz | Executive |
| **Member** | Mr Vicente Cóndor López | Independent |
| **Member** | Mr Jesús Máximo Bueno Arrese | Proprietary |
| **Member** | Mr Jesús Tejel Giménez | Independent |

| 20.00 | 40.00 | 40.00 | 23 |
| --- | --- | --- | --- |
| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |

# Nominations Committee

The Nominations Committee is responsible for **proposing nominations** to the Board of Directors. It is specifically responsible for: evaluating the suitability of directors and senior managers of the Entity and the basic terms and conditions of their contracts, establishing a target for the gender less represented on the Board, making, together with shareholders at a general meeting, proposals for the nomination, re-election or removal of independent directors, reporting on motions to nominate or remove senior executives and key office holders, and examining and organising the succession of the Chairman and the CEO.

*The composition of the Nomination Committee as at 31 December 2021 was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr Jesús Solchaga Loitegui | Independent |
| **Member** | Mr Félix Santiago Longás Lafuente | Independent |
| **Member** | Ms Maria Pilar Segura Bas | Independent |
| **Member** | Ms Gabriela González-Bueno Lillo | Independent |

| **0.00** | **0.00** | **100.00** | **7** |
|---|---|---|---|
| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |

# Compensation Committee

The Compensation Committee has the duty of **reporting, advising and proposing matters regarding compensation** for directors, general managers and similar personnel, and the remaining members of the so-called Identified Collective, i.e. the persons whose professional activity has a significant impact on the Bank's risk profile.

*The composition of the Remuneration Committee as at 31 December 2021 was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr Jesús Solchaga Loitegui | Independent |
| **Member** | Mr Félix Santiago Longás Lafuente | Independent |
| **Member** | Ms Maria Pilar Segura Bas | Independent |
| **Member** | Ms Gabriela González-Bueno Lillo | Independent |

| **0.00** | **0.00** | **100.00** | **5** |
|---|---|---|---|
| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |

## Audit and Compliance Committee

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to **supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks**; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

*The composition of the Audit and Compliance Committee, as at 31 December 2021, was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr Jesús Tejel Giménez | Independent |
| **Member** | Mr Jesús Máximo Bueno Arrese | Proprietary |
| **Member** | Mr Félix Santiago Longás Lafuente | Independent |
| **Member** | Mr José Miguel Echarri Porta | Proprietary |
| **Member** | Mr Vicente Cóndor López | Independent |

| **0.00** | **40.00** | **60.00** | **11** |
|---|---|---|---|
| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |

# Large Risk and Solvency Committee

The Committee has the primary duty of **advising the Board as to the overall current and future risk appetite** of the Bank and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by the senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

*The composition of the Large Exposures and Solvency Committee at 31 December 2021 was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr Vicente Cóndor López | Independent |
| **Member** | Mr Jesús Tejel Giménez | Independent |
| **Member** | Mr Jesús Máximo Bueno Arrese | Proprietary |
| **Member** | Ms Maria Pilar Segura Bas | Independent |
| **Member** | Mr Jesús Solchaga Loitegui | Independent |

| **0.00** | **20.00** | **80.00** | **15** |
|---|---|---|---|
| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |

# Strategy Committee

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation. The committee regularly **evaluated the Strategic Plan** approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented **quarterly follow-up measures** regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors. It also monitors and reports to the Board of Directors on the sustainability policy.

*The composition of the Strategy Committee as at 31 December 2021 was as follows:*

| POSITION | DIRECTOR | CATEGORY |
|---|---|---|
| **Chairman** | Mr José Luis Aguirre Loaso | Proprietary |
| **Member** | Mr Jesús Solchaga Loitegui | Independent |
| **Member** | Mr Félix Santiago Longás Lafuente | Independent |
| **Member** | Mr Luis Enrique Arrufat Guerra | Proprietary |
| **Member** | Mr José Miguel Echarri Porta | Proprietary |

| % of Executive Directors | % of proprietary Directors | % of independent Directors | Number of meetings |
|---|---|---|---|
| **0.00** | **60.00** | **40.00** | **9** |

*Information on the **composition of the different governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and which is available on the Bank's corporate website, www.ibercaja.com under the section titled "Shareholders and investors - Corporate Governance and Remuneration Policy".*

At its meeting on 8 January 2021, the Board of Directors, at the proposal of the Chief Executive Officer, resolved **to modify the structure of the Entity's senior management** to comprise a staff directorate attached to the Chief Executive Officer, nine area directorates and two staff directorates reporting

**CEO** **D. Víctor Iglesias Ruiz**

**DEPARTMENT OF STAFF ATTACHED TO THE CHIEF EXECUTIVE OFFICER**

D. Rodrigo Galán Gallardo

**BUSINESS DIVISIONS**

**General Secretary and Control Department** Francisco Serrano Gill de Albornoz

**Branch Network Business Division** José Ignacio Oto Ribate

**Financial Business Division** Antonio Martínez Martínez

**Credit Risk Business Division** María Raquel Martínez Cabañero

**Media Business Division** José Palma Serrano

**People Business Division** Ana Jesús Sangrós Orden

**Marketing and Digital Strategy Business Division** Ignacio Torre Salà

**Financial Group Business Division** Luis Miguel Carrasco Miguel

**Corporate Banking Business Division** María Teresa Fernàndez Fortún

**STAFF DEPARTMENTS**

**Communication and Institutional Relations Department** Enrique Barbero Lahoz

**Framework, Reputation and Sustainability Department** María Campo Bernal

## Suitability of the members of the Board of Directors

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

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

To **assess the suitability of the aforementioned key posts** and positions, which, in any case, must take place prior to their appointment, the following will be taken into account:

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

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

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

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

# Performance assessment - self-assessment of the Board and committees

Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions assigns responsibility to the **Board of Directors** for the **oversight, control and periodic assessment of the effectiveness of the corporate governance system.** The European Banking Authority (EBA) Guidelines on internal governance (EBA/GL/2021/05) and the Bank of Spain's guidelines on the internal capital adequacy assessment process at credit institutions provide for the management body to periodically assess the individual and collective efficiency and effectiveness of its corporate governance activities, practices and procedures, as well as the functioning of the delegated committees. This obligation is stipulated in the Corporate Enterprises Act for listed companies and in the CNMV'S Code of Good Governance. These legal obligations and good practices are included in the Bank's Board of Directors' Regulations, which stipulate that one of the Board's duties is to prepare a self-assessment report of its performance annually and that of its internal committees Every three years, this performance evaluation is carried out by an external evaluator, the last external evaluation having been carried out in the 2019 financial year.

# Remuneration of Governing bodies and Senior Management

The **position of member of the Board of Directors** is **remunerated** in accordance with article 34 of the Bylaws.

The **maximum amount of the annual remuneration of all the directors is approved by the General Shareholders' Meeting** and remains in force until their modification is approved. Unless otherwise resolved by the General Shareholders' Meeting, the distribution of remuneration among the directors shall be established by resolution of the Board of Directors, following a favourable report from the Remuneration Committee, taking into consideration the special duties and responsibilities inherent to the position, as well as sector and market practices (comparable sector based on size, market capitalisation, among other factors). Remuneration shall be set to reward the level of responsibility and career development of the Bank's Directors, ensuring both internal fairness and external competitiveness.

In particular, the **Board of Directors shall be responsible for setting the remuneration of the chief executive officer and the terms and conditions of his contract with the Bank**, in accordance with current legislation and the director remuneration policy.

In general, directors' remuneration shall be based on the following principles:

- **Prudent and effective risk management**: the Policy shall promote and be consistent with sound and effective risk management and shall not provide incentives to take risks beyond the level tolerated by the Entity.

- **Alignment with business strategy:** the Policy shall be consistent with the business strategy, objectives, values and long-term interests of the Entity and shall avoid conflicts of interest, ensuring that in the setting of performance targets to be achieved to which remuneration may be linked, there is no risk of such conflicts of interest.
- **Sustainability over time**, so as not to encourage the excessive or undue assumption of risk, and should be aligned with the Entity's solvency and capitalisation needs, maintaining adequate proportionality between the remuneration paid to directors and the responsibilities assumed and the volume of assets and nature of the Entity, also ensuring equality in the remuneration schemes of the directors from the point of view of gender diversity, and in particular, preventing excessive remuneration of independent external directors from circumventing their independence.
- **Alignment with long-term interests**: the valuation of any performance-based component shall focus on long-term results and consider the current and future risks associated with them.
- **Transparency**: the Policy shall be transparent and known to the persons to whom it applies from time to time so that they can have a clear idea at the beginning of the financial year of the total amount of remuneration they could achieve at the end of the financial year. Decisions taken by the governing bodies competent for remuneration matters shall be duly recorded in the minutes of the relevant meetings. The approved quantitative aspects in force from time to time shall be set out in an appendix to this Directors' Remuneration Policy.
- **Simplicity:** the rules for the management of remuneration shall be drafted clearly and concisely, simplifying as far as possible the description of the rules, the calculation methods and the conditions for their achievement.

- **Adequate ratio between fixed and variable components:** in those cases in which the remuneration system of a director provides for a variable component, the fixed component shall constitute a sufficiently large part of the total remuneration to allow the variable component sufficient flexibility to permit its modulation, to the extent that it is possible not to satisfy it by means of the "malus" clauses that have been established.

In order to avoid any excessive risk-taking, a maximum shall be set for the ratio between the fixed and the variable component of the total remuneration.

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

The setting of global and specific targets for variable remuneration is linked to prudent risk management, with some of its main features in relation to *ex-ante* adjustments being as follows:

- **Depends on and is adapted to beneficiaries' individual performance and the Entity results**, considering the impact of the underlying economic cycle and the present and future risks.
- **Flexibility and alignment with the Entity's strategic interests** without limiting its ability to reinforce its solvency.
- **Setting certain upper and lower limits that clearly mitigate risks associated with their potential impact on the income statement and** the Entity's own funds.

Without prejudice to the foregoing, the Entity has established ex-post adjustment clauses for variable remuneration (*pre-malus*, *malus* and clawback clauses) that may be applied up to 100% of the total variable remuneration. In any case, the variable component of the remuneration may be reduced at the time of its performance evaluation, in the event of a negative performance of the Entity's results or of its capital ratios, either in relation to previous years or to those of similar entities, or a negative performance of other parameters such as the degree of achievement of budgetary targets, and provided that a requirement or recommendation by the competent authority to the Entity to restrict its dividend policy is in force.

Ibercaja's Remuneration Policy is coherent with the Sustainability Policy and the principles and values of the Bank with regard to managing environmental, social and corporate governance risks. It is in line with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector with regard to establishing a remuneration system based on equal opportunities and non-discrimination, contributing to the Bank's good corporate governance, coherent with the internal code of conduct and mitigates an unreasonable assumption of risks.

In addition, a long-term incentive has been approved to align the interests of certain key executives of the Bank with the corporate strategy and long-term value creation. Three of its multi-annual objectives are related to sustainability: the percentage of female managers, $CO_2$ emissions and achievement of the major sustainability milestones contained in the Desafío 2023 Strategic Plan.

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Bylaws. Only the Chief Executive Officer and the Chairman receive a salary for the performance of their duties, as well as allowances for attending meetings of governing bodies, in accordance with the provisions of the Bylaws. The remuneration of the other directors, in their capacity as such, consists of (a) allowances for attending meetings of the Board of Directors and its committees, and (b) an annual allocation to be determined by the Board for directors with special dedication and duties (chair of the internal committees of the Board of Directors).

Hence the average remuneration of directors, including the CEO and the Chairman, (9 male directors and 2 female directors) amounted to 125.88 thousand euros. Furthermore, the average remuneration of directors in their capacity as such is 55.71 thousand euros (the average remuneration of male directors is 59.75 thousand euros and that of female directors is 35.5 thousand euros. This difference is due to the chairmanship of committees, the number of committees of which one is a member and the number of meetings of each committee).

Quantitative data on directors' remuneration are provided in the annual directors' remuneration report disclosed on the Entity's corporate website (https://www.ibercaja.com/accionistas-e-inverores/gobierno-corporativo-y-politica-de-remuneraciones/politica-de-remuneraciones) and for both directors and senior management in the Annual Corporate Governance Report (sections C.1.6 and C.1.7) also accessible through the corporate website (https://www.ibercaja.com/accionistas-e-inverores/gobierno-corporativo-y-politica-de-remuneraciones/informe-anual-del-gobierno-corporativo).

## Conflicts of interest of the administrative, management and supervisory bodies

The members of the governing bodies of Ibercaja Banco **comply with the requirements established in the Corporate Enterprises Act**, and no conflicts of interest have been disclosed between persons, their private interests and other duties, and their activity at the Entity.

The board members must adopt the necessary measures to avoid situations where there may be a conflict of interest with the business and their duties to the Entity, as stipulated in the Board of Directors' Regulations.

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

# Internal Rules and Control Organs

*103-1, 103-2, 103-3, 417-1*

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

- **Code of ethics**, which include a memorandum of operating conduct and security that affects all the Bank's employees.
- **Policy for managing the risk of non-compliance with regulations.**
- **Internal Code of Conduct in the securities market,** applicable to the Board of Directors, Senior Management and employees of the Entity who operate or whose professional activity is related to the securities market, or who may have access to privileged information or other relevant information of the Entity.
- **Body for reporting suspicious activities involving market abuse.**
- **Regulations for the Defence of the Customer** of the Ibercaja Group and the **Style Manual for customer service**, which contains the general criteria for customer service.
- **Retail savings product marketing manual**, in accordance with MiFID regulations.
- **Conflicts of interest policy**, prepared according to MiFID regulations, aims to objectively manage conflicts of interest that may arise between the Ibercaja Group and its customers.

- **Anti-money Laundering and Counter-Terrorism Financing Prevention Committee** (Internal Control Body-ICB) that has been commissioned the functions established in the anti-money laundering and counter-terrorism financing regulations.
- **Data Processing Officer** (DPO) of the Group and Privacy Office, whose duty is to ensure compliance with the personal data protection regulations.
- **Control body for the criminal risk prevention system.**
- **Tax compliance management and control model.**

## Control Functions

The Group has an internal monitoring system in place to oversee the financial and operational risks inherent in its business activities. The **General Secretary's Office and Control area** bring together the **second line of defence**, formed by the Risk Control department and the Compliance department. The General Secretary of the Bank is also the Chief Risk Officer.

The **Risk Control Department** verifies compliance with the risk limits approved by the Board of Directors and the **Regulatory Compliance Department** supervises observance of the laws that govern the Group's business activities. In addition, the **Internal Audit Division** reviews the proper functioning of the risk monitoring systems, while verifying compliance with established policies, procedures and standards. The **Audit and Compliance Committee** of the Board of Directors supervises the effectiveness of internal audit and control and the systems for managing the risk of non-compliance with regulations.

The head of the Risk Control Department reports regularly to the Large Risk and Solvency Committee, while the heads of the Regulatory Compliance Department and the Internal Audit Department report regularly to the Audit and Compliance Committee. The chairmen of the committees, as well as the CRO, report to the plenary session of the Board of Directors within the scope of their respective areas of concern.

# Commitment to privacy

*103-1, 103-2, 103-3*

All processes and actions of the Ibercaja Group are conducted with the utmost possible respect and protection for the privacy and security of personal data.

Privacy management is central to the design of internal actions, both commercially and technologically. The Ibercaja Group's data protection officer (corporate DPO) carries out his or her activity through the privacy branch and coordinates this function in all the Group's companies. Promotes maximum respect for privacy, above general standards, with a medium-term view to anticipate future obligations. Throughout 2021, several aspects have been reviewed, such as:

- **Improvement of internal rules and criteria** to achieve maximum effectiveness in protecting personal data when dealing with changes in processes, products or technological assets.
- **Constant improvement in the definition of special processes** for the blocking, erasure and conservation of data, making the legally mandated periods for the persistence of information compatible with absolute respect for the law in relation to the protection of such data.
- **Conducting both general and process-specific audits** to ensure the adequacy of the privacy framework to the internal dynamics of innovation and change.
- **Development of internal utilities** based on artificial intelligence tools aimed at creating a privacy innovation pipeline.

- **Training and outreach actions**, with recurrent privacy committees, internal communications and maintenance of a complete and clear internal regulatory corpus, as well as mandatory data protection courses and presence in professional exchange forums.

# 4.5 Business model and Strategic Plan

> Ibercaja's business model, with a robust retail profile, combines universality with specialisation by segments.

## 4.5.1 Business positioning and markets in which it operates

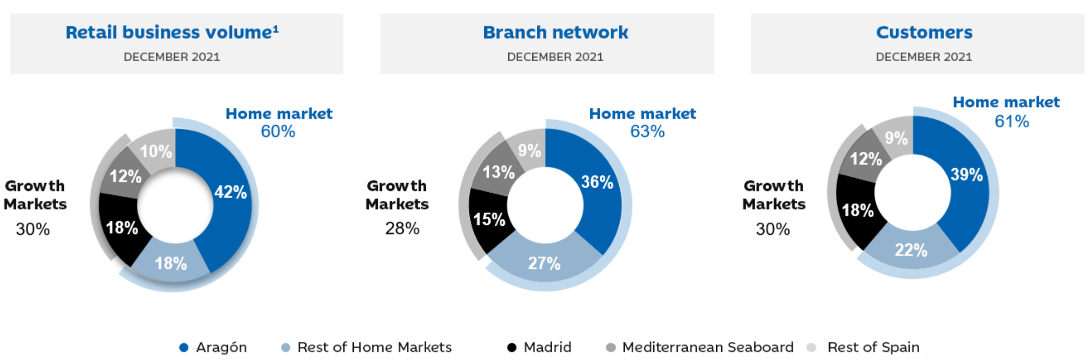
*102-2, 102-4, 102-6, 102-7, 103-1, 103-2, 103-3*

The Ibercaja Group, with a balance of **58,631 million euros**, is the **ninth largest in terms of asset volume in the Spanish banking system**. The Bank is developing a "universal banking" model to meet all the financial needs of its customers. It has a wide range of banking and financial products and services, focusing on first home mortgages, SME financing, asset management and life savings and risk insurance products.

The **retail nature of the business** is reflected in the balance sheet structure and the low-risk profile. Loans to individuals and small and medium-size enterprises account for almost 85% of loans and advances to customers, and retail deposits 80% of borrowings. At the national level, it has a market share of **2.4% in lending to households and non-financial corporations**, **3.6% in the individual house purchase segment**, and **2.7% in household and corporate deposits**, according to statistics published by the Bank of Spain.

**Ibercaja owns its entire Financial Group**, which is made up of subsidiaries specialising in the management of investment funds and pension plans, bancassurance, and leasing and renting, through which it offers a wide variety of products especially aimed at retail customers and which complement more traditional banking services. Ibercaja's Financial Group makes the Bank the **fourth largest financial institution in Spain in terms of asset management and life insurance** with 32,810 million euros in assets under management and technical provisions, reaching an aggregate market share in this range of products of **5.1% as at 31 December 2021.**

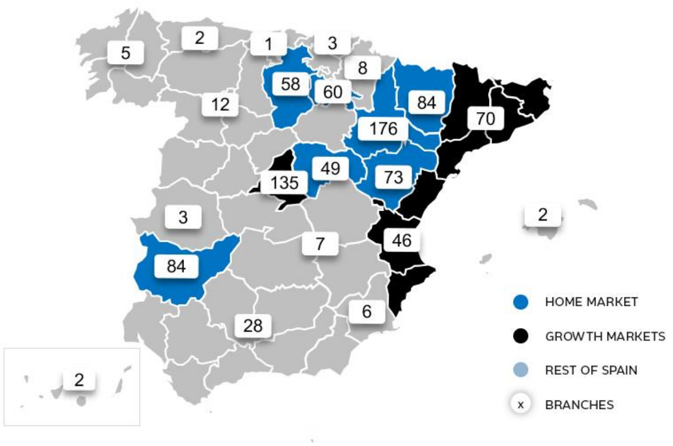
The Entity operates exclusively in Spain and has a **leading position in its traditional area of operation** (the autonomous communities of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz), where **61% of customers** are concentrated and where **60% of retail business volume is obtained**. According to the Bank of Spain statistics, the market share in this territory, 31% in private sector deposits and 22% in credit reach 44% and 31% in Aragon. It also has a **significant presence in other areas of major economic significance, such as Madrid and the Mediterranean** (including the Autonomous Communities of Catalonia and Valencia), accounting for 18% and 12% of the Bank's customers, 18% and 12% of its turnover.




[1] Retail business volume in the ordinary course of business: loans and advances to customers ex reverse repos of assets and doubtful assets + retail deposits + asset management and insurance

At December 2021, the **network** totals **914 branches**, of which 255 are rural. Within the framework of the ERE agreement signed in 2020, **117 centres were closed during the year** out of the 199 planned. In line with a policy of economic streamlining, their closure was compatible in every case with the commitment to guarantee business continuity, conserve customer proximity, and maintain the Bank's presence in small towns and villages.

Distribution of Ibercaja Banco's branch network




The **distribution of offices by Autonomous Community** is 333 points of sale in Aragón, 135 in the Community of Madrid, 87 in Extremadura, 70 in Castilla y León, 70 in Catalonia, 60 in La Rioja, 56 in Castilla-La Mancha, 46 in the Community of Valencia, 28 in Andalusia and 29 in other Autonomous Communities.

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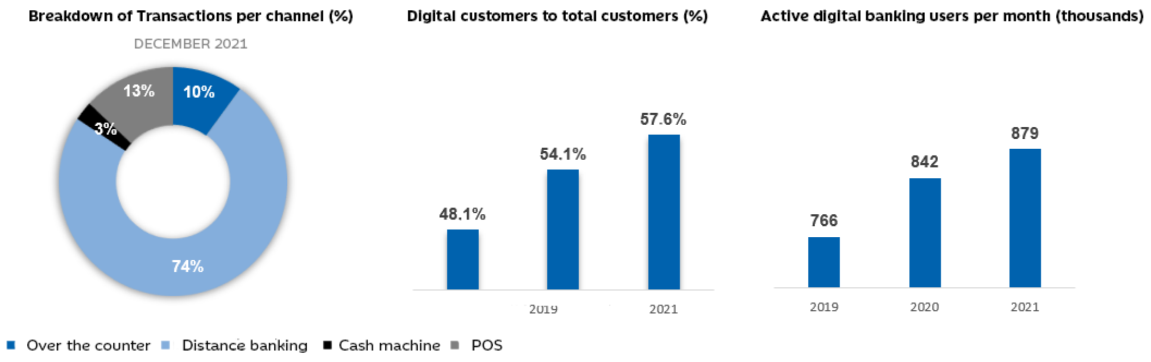
The **number of employees** in the Group totals **4,880 employees (4,587 in the parent)**. In December 2020, the Management of Ibercaja Banco and the employees' representatives, as part of a redundancy programme enforceable until 30 June 2022, reached an agreement that envisaged a compensated lay-off plan. It affected a maximum of 750 employees, establishing voluntary participation as preferential selection criteria, either due to age or the closure of the centre of employment. Departures during 2021 amounted to 525 people, 70% of the agreed separations. The remainder of the phase-outs will be staggered until June 2022.

Commercial efficiency is being increased by **specialising more employees** to serve different types of customers and their specific needs. Supporting the branch network and providing a high value-added service are 212 managers specialising in corporate banking, 426 in personal banking, **and 76 in private banking.** Additionally, there are **83 digital managers** (67 digital personal banking managers and 16 digital customer managers) advising digital customers who need to engage with financial experts.

The situation created by the health crisis has accelerated the use of non-face-to-face services and digital assets through which customers can carry out their transactions in the most convenient and simple environment, whether online or via mobile phones. The **digitalisation strategy** being deployed by Ibercaja in recent years has enabled it to respond to the greater demand for online services while maintaining quality service. Digital customers reached 57.6%, compared to 54.1% in 2020, and the number of transactions carried out in the year accounted for 74.3% of the total. The **number of digital banking customers** who used any of the various channels last month reached **878,818**, a year-on-year increase of 4.3%, with notable advances in mobile banking users (+15.7%) and mobile payment (+51.1%).

## Distribution of the number of transactions by channel and developments in remote banking



## 4.5.2 Goals and Strategies

*102-2*

In April 2021, the Chairman and CEO of Ibercaja presented the **new Strategic Plan 2021-2023**, which, under the name **"Desafío 2023"**, will be the roadmap for the Entity over the three-year period. The **main objectives** of this Plan are **to improve the Bank's recurrent profitability**, **to reinforce Ibercaja's leadership in customer experience** as a differential value and accelerate its transformation to **ensure its competitiveness** in the future while maintaining its own independent and sustainable project.

**Two programmes have been defined for this purpose:**

### 1) Customer and profitable growth

This programme is based on the **premise** that the entire organisation must **focus on the customer and on fully satisfying their needs** by anticipating, with a personalised value proposal, and offering them a global service that makes a difference.

The aim is to make customers feel closer to the Bank and perceive a unique experience regardless of the channel through which they interact with the Bank. In this way, an equitable monetisation of the value and utility provided by the service to the


On the commercial level, **three major focal points for action are enabled**:

1.1 Business banking

1.2 Risk insurance

1.3 Personal banking

establishing **two common initiatives** for the whole programme:

1.4 Model for charging for products and services: this will make it possible to customise the product and service offering and redefine new lines to help increase and diversify the offer, while maximising revenues.

1.5 Knowledge of the customer and business intelligence: in-depth knowledge of each customer and optimal business intelligence will facilitate the development of a differential offer, adapted to the needs of each customer at all times, with an omnichannel approach.

## 2) Productivity and Efficiency

It aims to enable the organisation to **redirect resources and focus them on value creation,** reducing less productive operating costs, so that these savings are used to accelerate the Bank's digital and operational transformation.

To this end, it is undertaking two major initiatives:


2.1 Development of the operating model: focuses on four lines of work

2.2 Base budget 0: implementation of a new budgeting methodology for the efficient allocation of available resources, knowing in advance the real costs assigned to each task and process.

**In addition, two blocks of cross-cutting initiatives have been established for the two programmes:**

## 1) Value initiatives

These measures aim to **improve risk awareness** and advanced **risk management**. Risk-adjusted profitability is the basic criterion for decision making as well as for the orientation of business growth.

The main initiatives are:


1.1 IRB Model: launched in the previous Plan, seeks to achieve an integrated management of risks at the Organisation, improve the Bank's competitive position and enable the sectoral comparison in

1.2 Pricing and efficient capital allocation: deployment in the management of the RAROC methodology to set prices based on risk-adjusted returns and capital consumption.

1.3 Data governance: Building on the progress made in the past 2018-2020 Plan, this initiative aims to complete a corporate framework that ensures transparency and reliability of the information, streamlines decision-making and maximises commercial and risk management performance.

# 2) Enabling initiatives

**Technology, people and corporate purpose are the basic pillars** to make the Bank a more agile, innovative and flexible organisation, with a corporate culture focused on creating value for customers and shareholders.

These initiatives include:


2.1 Development of the technology model to make technology a competitive advantage, improve the efficiency and agility of processes, align ICT capabilities and services with business objectives and

2.2 Strategic people planning: shaping a new people management model that drives internal development, mobilises talent and identifies the workforce’s needs to meet the Bank's strategic challenges.

2.3 Purpose and sustainability: this initiative meets the ECB's expectations in the four areas established by the Supervisor: strategy and business model, governance and risk appetite, risk management and disclosure. The lines of work, in which the initiative is materialised, and its objectives are as follows:

- *ESG risk management:* incorporating climate-related and environmental risks into cross-cutting risk processes as well as into existing risk policies and procedures.
- *Sustainable business strategy:* aligning the Group's commercial strategy with the principles of responsible banking and accompanying customers in the transition to a sustainable future and a low-carbon economy.

- *Communication and reporting:* creating an ongoing and transparent communication framework that reinforces the organisation's commitment to sustainability.
- *Synergies with shareholder foundations*: developing lines of collaboration with shareholder foundations to respond to the main social and environmental needs of the Bank's territories of operation.

The medium-term financial targets announced in the presentation of the Strategic Plan have subsequently been revised upwards, taking into account that they were designed at the end of 2020 and since then the degree of uncertainty about the impact of COVID-19 on the progress of the economy and, particularly, on the Bank's business has been significantly reduced. The following table shows the main financial figures at the end of 2021 and the new medium-term target:

| Medium-term objectives | DEC 2021 | MEDIUM-TERM OBJECTIVES |
|---|---|---|
| **SOLVENCY** | | |
| Ratio CET1 (fully loaded) | 12.7% | 12.5% |
| Total capital ratio (fully loaded) | 17.4% | 17.0% |
| Ratio pay-out | 65% | 60% (*) |
| **PROFITABILITY** | | |
| ROTE | 5.7% | c. 9% |
| Recurring efficiency ratio | 64.2% | ≈55% |
| **ASSET QUALITY** | | |
| Cost of risk | 35 bp | 30 bp |
| NPL ratio | 2.3% | c. 2.5% |
| Problem asset ratio | 4.0% | c. 4% |
| Coverage rate of Problem assets | 69% | >65% |

(*) The Bank has revised the target pay-out upwards from the previous 50%.

## 4.5.3 Impact of the COVID-19 crisis

On 11 March 2020, the World Health Organisation classified COVID-19 as an international pandemic. To cope with this situation in Spain, under Royal Decree 463/2020, of 14 March. a State of Alarm was declared, with diverse restrictions on mobility and on the exercise of non-essential activities, which was extended until 22 June. In October, in response to the resurgence of the infection, Royal Decree 926/2020 of 25 October re-decreed the state of alarm, which was extended until 9 May 2021. Global and Spanish economic activity has been significantly affected by the health crisis caused by COVID-19. Both the European and Spanish authorities implemented various measures to try to limit the impact of the pandemic.

> *Below are details of the most* ***significant impacts of the crisis*** *on strategic guidance, objectives, activities and results of the Bank, the support provided to customers, as well as other organisational and management measures.*

### Impact on strategic orientation and objectives

The transformation of the Bank brought about by the initiatives launched in the 2018-2020 Strategic Plan meant that Ibercaja had the **means and resources to face the crisis** caused by COVID-19 in much more favourable conditions than the previous one in 2008, so that a strategic reorientation was not necessary. In 2021 the Entity launched a new Strategic Plan, "Desafio 2023", which outlines the objectives and strategies for the next three years, detailed in chapter 4.5.2 Objectives and strategy of the management report.

## Organisational measures adopted by Ibercaja to mitigate the effects of COVID-19

The organisational and health and safety measures are described in chapter 6.4 Commitment to our employees in the management report.

## Family and company protection measures

> *Through different Royal Decrees, the Government established **legislative moratoria** for individuals and professionals which, temporarily suspend payment commitments as receivables. Member banks of the Confederación Española de Cajas de Ahorro (CECA) provided a **sectoral moratoria**, in which Ibercaja participated to extend the scope of the mortgage moratoria approved by the Government.*

- On 18 March 2020, **Royal Decree-Law 8/2020** of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published, and on 1 April **Royal Decree-Law 11/2020** of 31 March, was published, extending and amending the previous Royal Decree-Law 8/2020. The measures implemented under these regulations is the establishment of a **deferral of payment on mortgage and non-mortgage debts** under certain circumstances. Banks could enter into such transactions until 21 September 2020. Subsequently, Royal Decree-Law 3/2021 of 2 February extended the application deadline to 31 March 2021.
- On 16 April 2020, the Spanish Confederation of Savings Banks (CECA) published the **sectoral agreement** establishing a moratorium that extended the scope of the mortgage moratorium approved by the Government until 30 September 2020 and subsequently extended to 30 March 2021.

> *The government implemented **credit lines**, partially guaranteed by the state through the Official Credit Institute (ICO), to maintain productive activity.*

- **Royal Decree-Law 8/2020** of 17 March, created a **100 billion guarantee line** to meet the liquidity needs of companies and the self-employed. Financial institutions could formalise operations of this type until 1 June 2021. **Royal Decree-law 25/2020** of 3 July, approved the creation of a **new guarantee line of 40 billion euros** to meet the investment needs of companies and the self-employed until 1 June 2021. Royal Decree-Law 27/2021. **Royal Decree-law 27/2021** of 23 November, extended the deadline for applying for the guaranteed credit lines until 30 June 2022.
- **Royal Decree-law 34/2020** of 17 November extended **the maturity and grace periods of these guaranteed operations** for all debtors who request it. The maturity may be extended by a maximum of three years, provided that the total maturity of the transaction does not exceed eight years from the date of initial arrangement. At the same time, the grace period for the repayment of the principal is increased to a maximum of 12 months, without exceeding 24 months.
- **Royal Decree-law 5/2021** of 12 March **approved the renegotiation framework for debtors with guaranteed finance**. The Agreement of the Council of Ministers of 11 May 2021 established the **Code of Best Practices (CBP)** for the above-mentioned renegotiation, which was subsequently amended on 30 November 2021 to extend the deadlines for the measures contained therein. The CBP sets out that debtors may request the application of three types of measures, either at once or successively, by proving compliance with the requirements set out in the regulation.

1. Extension of the maturity of guarantees.
2. Conversion of guaranteed financing into participating loans.

3. Transfers for reduction of outstanding principal of guaranteed loans.

The application deadline for the first two measures is 1 June 2022 and for the third measure 1 June 2023.

**Ibercaja joined the CBP on 20 May 2021.** In this way, it reinforces its commitment and support to companies in complex and uncertain situations.

At the end of 2021, the Group had formalised **moratorium operations** under Royal Decree-Laws 8/2020 of 17 March, and 11/2020 of 31 March, as well as the private moratorium under the sectoral agreement for an amount of 741 million euros, of which 97% or 715 million euros have matured. The **outstanding balance, 26 million euros**, is almost entirely secured by mortgages and **89% is due in the next three months**. It should be noted that the amount of overdue arrears classified in stage 3 and stage 2 represent 3.3% and 26.5% of the exposure, respectively.

The Entity actively participates in the processing of financing operations within the **ICO Liquidity and Investment** lines established in Royal Decree-Laws 8/2020 of 17 March and 25/2020 of 3 July to support companies and the self-employed affected by the economic effects of the crisis. Up to December 2021, a total of **19,643 operations** have been formalised for an aggregate amount of **2,137 million euros**, 80% of them for SMEs and the self-employed. The **drawn balance, 1,668 million**, represents **20% of financing to companies** and only 1.9% is within Stage 3. The amount guaranteed by the Spanish State through the ICO amounts to 77% of the outstanding balance. Most of the guaranteed credit lines mature between 2023 and 2028. As at 31 December 2021, in accordance with Royal Decree-Law 34/2020, the maturity or grace period of 36.6% of the total amount granted had been extended. In addition, 43% of the outstanding balance remains subject to grace periods. The maturity of these grace periods is concentrated in the second quarter of 2022.

In relation to the **CBP**, the impact of the measures envisaged therein has been very low, as only 6.8 million euros of deferrals have been granted and there have been no requests from customers in relation to the other measures (participating loans and write-offs).

## Impact on the Group's activity, results and financial condition

The **impact of COVID-19 on the Group's business activity** in 2021 **was not significant**. Business dynamism has picked up and the growth targets for the strategic segments have been met. On the credit side, the **credits and loans being arranged, 5,421 million euros, recovered to pre-pandemic levels** and normal financing to companies increased 6.9% year-on-year. At the same time, **customer funds gathering performed favourably**, with growth of 7.3% in the year. Asset management activity reached a record level for the Entity, with advances in market share in investment funds (22 b.p.) and pension plans (6 b.p.).

In relation to the **quality of the credit portfolio no signs of deterioration have been perceived**. Non-performing assets continued to decline, more sharply than the sector as a whole (-29.2% vs -4.7% according to the latest available information from the Bank of Spain as at November), and the NPL ratio fell to 2.30%. Sales of real estate assets reactivated (+52%) after the standstill in 2020. Refinancing continued to fall (-26.9%) and the percentage of the loan portfolio classified as stage 2 is very low (5.0%). Exposure to economic sectors that have been particularly affected by the economic consequences of the COVID-19 pandemic, such as transport and warehousing, hotels and restaurants, and arts, entertainment and recreation, together amount to 631 million euros, representing only 2.0% of gross lending. However, the Group performed on ongoing monitoring of the main indicators to anticipate possible negative effects.

Ibercaja has a **sound solvency position which has been strengthened during 2021**. The CET1 phased-in ratio reached 13.41%, well above the minimum requirements communicated by the Supervisor. The CET1 fully loaded ratio was 12.71%, 12 basis points higher than in 2020.

At the end of the year, the **available liquidity** exceeded **15.25 billion euros** and comfortably covered debt maturities.

The **most relevant impact of the pandemic in 2020** was an **extraordinary provision for credit risk of 90 million euros**, of which **52 million euros was recorded as a post-model adjustment (*post model adjustment*)** to cover the increased credit risk of customers who due to the deterioration of the macroeconomic situation could move to stage 2 in 2021. At year end, it has been decided to maintain this post model adjustment as described in note 11.6.3 of the annual accounts.

The **result for the 2021 financial year** amounts to **151 million euros**, 127 million euros more than in 2020.

## Expected trends in activity and results

The effect of COVID-19 on the economy has been gradually moderated by the progress of vaccination, the lifting of restrictions, the recovery of activity in the most affected sectors and the economic support measures implemented by the European and Spanish authorities. In this context, and taking into account the positive progress of the business in 2021, Ibercaja does not expect its activity and results to be pressured by the crisis. However, it cannot be ruled out that a hypothetical worsening of the macroeconomic environment would lead to lower lending activity and higher impairment losses.

# 4.5.4 Lines of the Group's Business Model

*102-2, 102-4, 102-6, 102-9, 103-1, 103-2, 103-3, 417-1, FS6, FS14*

> *Ibercaja is committed to a universal banking model, focused on retail business and based on a solid relationship with the customer, advice, quality of service and innovation.*

It serves a **stable base of 1.8 million customers (management units)**: comprising households, companies and public and private institutions. According to their financial needs, the segmentation of customers allows us to offer them a **diversified portfolio of products and tailor-made solutions through specialised managers**. The Entity offers basic banking services and other complements, such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group, whose companies it owns in full.

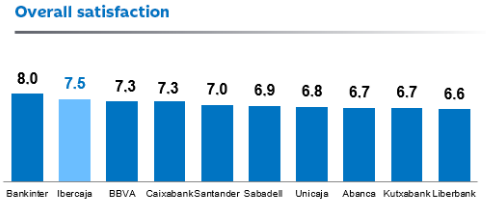
## Ibercaja's commercial strategy is based on:

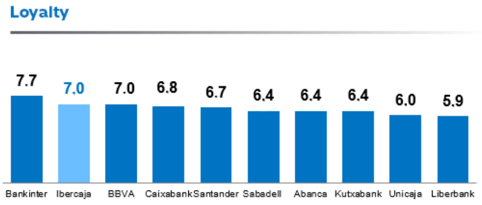
1. **Specialisation aims to meet the customer's financial needs and expectations through specifically qualified managers specialising in personal, private, and** corporate banking.
2. **Advice:** advisory services have become a differentiating factor that characterises Ibercaja. In 2012, the Bank was the first Spanish bank to obtain AENOR certification for excellence in personal banking advice, and since 2007 it has held the European Seal of Excellence 500+, awarded by the European Foundation for Quality Management (EFQM), which was renewed this year under the updated EFQM Model, making it the first financial institution to obtain it.

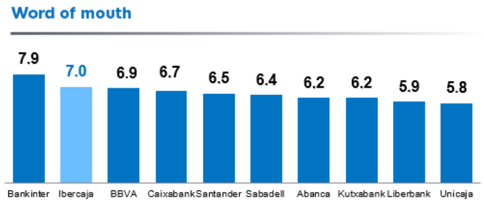
3. **Omni-channel relationship model:** the customer decides the most appropriate way to interact with the Bank according to their preferences, needs, characteristics, context and life cycle. The omnichannel system provides you with a unique and recognisable experience to use personal interaction for your advisory needs while using digital channels for your daily transactions. Omni-channel customers generate the highest revenues, with an average number of products and services purchased far higher than those operating only in branches.

4. **Personalised product offer:** The production of the Group's subsidiaries enjoys a solid reputation and enables a customised offer tailored to each type of customer, their personal and financial circumstances and the level of risk they are willing to take.

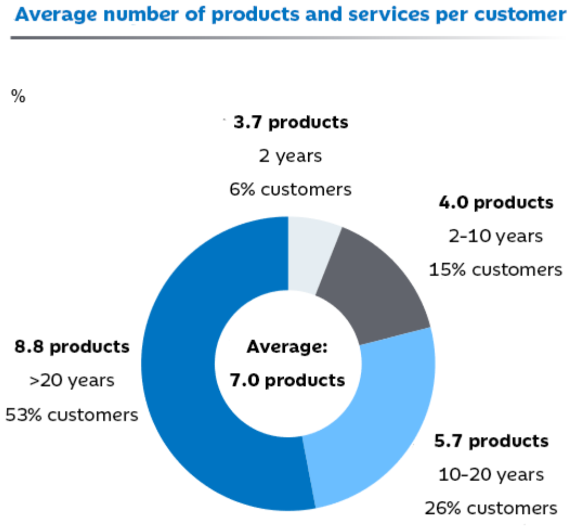
The customer is constantly evolving, so it is important to deepen our understanding of their expectations and their experience of the Bank. Satisfaction surveys conducted by polling individuals and companies allow us to ascertain their perception of the Entity, evaluate the services offered and identify those aspects that may be improved. According to the results obtained in the sectoral report on the Satisfaction of Private Customers in the Financial Sector (BMKS), carried out by the consultancy firm Stiga, Ibercaja ranks second among its peers in terms of overall satisfaction, loyalty and recommendation.




*The level of customer satisfaction is translated in terms of **commitment** and **engagement** with the Entity.*

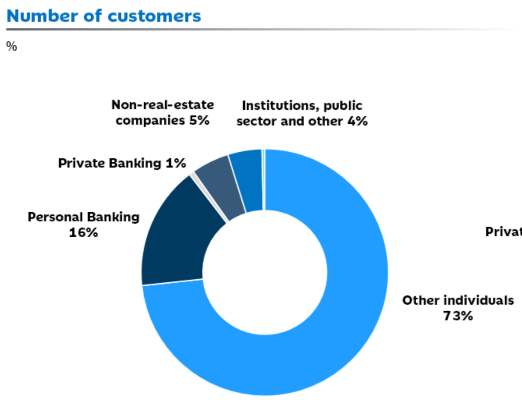


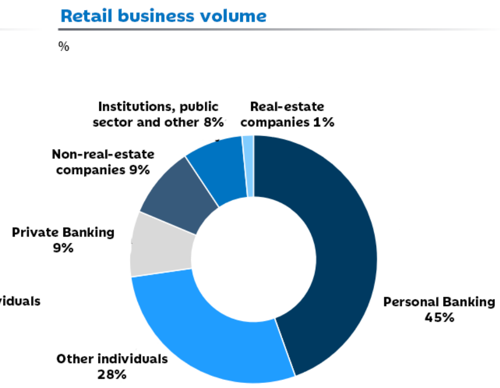

Ibercaja's business model distinguishes the following **segments** depending on the **commercial strategy** defined for each type of customer:

1. *Personal Banking*
2. *Private Banking*
3. *Other individuals*
4. *Non-real estate productive assets*
5. *Real estate productive assets*
6. *Institutions, public sector and others*

EL BANCO DEL vamos

The distribution by segment of the number of customers and retail business volume at the end of 2021 is shown in the following charts:



**The most relevant segments are described below:**

## PERSONAL BANKING

**Personal banking** encompasses over 290,000 customers with a **savings balance of more than 100,000 euros or 75,000 euros outside the Home Market**. The customer care model for this group is based on a personal manager who proposes the best investment strategy for the customer's profile and preferences. The **426 specialised managers**, based on their knowledge of the customer, offer him/her investment alternatives, mainly funds, pension plans and insurance, adjusted to his/her risk profile, objectives and experience in financial products.

Personal banking customers generated a retail business volume of **44,000 million euros (45% of the total)**. This segment contributes over 50% of the Group's retail customer loans with a mix, in which almost 50% is an asset management and insurance. The average number of products and services contracted per customer is 13.7.

The last year has seen the **digital personal banking model** take root, a new way of working whereby customers with a digital profile (with little or no presence in the branch) receive the same service provided by the branch through a digital banking manager supported by specific tools and with a timetable adapted to this type of model. The current team of **67 managers, serving almost 40,000 customers**, has grown in 2021 and, given the success of this model, will continue to expand over the coming years.

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

**AENOR**

*In 2021, Ibercaja renewed the* ***certification of service excellence management for the personal banking segment,*** *issued by Aenor.*

This stamp reinforces the Bank's leadership in professional advisory services in terms of customer savings management, and is accompanied by the **personal asset management advisory services certification**, also granted by Aenor, held by the Bank since 2012.

## PRIVATE BANKING

Private banking is aimed at **customers or household management units with financial wealth in excess of 500,000 euros (300,000 euros in Extremadura)**. The customer is assisted by a private banking manager who analyses their needs and provides them with the best investment alternatives and financial-tax planning. The range of financial assets available to this private banking community is extensive: securities listed on Spanish and foreign markets, investment funds both of Ibercaja and of external suppliers, SICAVs, structured deposits, etc.

The assets under management of more than **11,000 family groups**, amount to almost **8.5 billion euros**, of which around **75% are in asset management and insurance**. The average number of products contracted per customer exceeds 21.

The year 2021 was particularly relevant for the private banking segment due to the volume of business achieved, particularly in the **discretionary portfolio management** service, which exceeded 3 billion euros. This figure means that almost 35% of customers opt for this formula, compared to 15% of the sector as a whole. In addition, 56% of the investment funds of private banking customers are under discretionary portfolio management contracts.

The work team assigned to the private banking services is made up of **76 people**, distributed among the branches of Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, as well as the customer service offices of Huesca, Teruel and Pamplona.

## OTHER INDIVIDUALS

This segment **provides the largest number of customers, 1.3 million, and a turnover of almost 28 billion, representing 28% of the Group's total.** The management of the branch network in this collective focuses on capturing new customers and consolidating the loyalty of existing ones. The Bank carries out its mission through proposals adapted to personal needs, depending on the risk profile and available income.

Ibercaja has continued to support families affected by COVID-19 by maintaining the advance payment of pensions and unemployment benefits, facilitating access to public aid and offering solutions for customers in vulnerable situations.

Changing customer habits have driven the **growth of remote transactions**. In response to this demand, the Bank has strengthened its non-face-to-face operations, increasing to **16 (47 at the end of January 2022) the number of digital managers** serving 38,000 customers.

The Entity continues to enjoy the **confidence of its customers in the management of their financial assets**. The strong growth of funds, especially off-balance sheet funds, has been supported by increased household savings and favourable market conditions.


The Bank has maintained its **commitment to financing housing for individuals**, a sector in which it has historically specialised, adapting its offer to the different types of customers; in the case of the youngest customers, financing up to 95% of the value of the property, to facilitate their emancipation and access to homeownership.

In the last quarter of the year, under the slogan **"Madrileños siempre hemos estado juntos"** (we people of Madrid have always been together), an ambitious campaign was launched to attract 6,000 customers in the Madrid region. Customer support, proximity, and commitment to the territory and society are the values that the Bank wishes to highlight to drive this growth and constitute a differential business model.


*The main strategic challenges and trends that will mark the activity of Retail Banking (personal banking, private banking and other individuals) in the near future are:*

| | |
|---|---|
| Value proposition | *To offer customers value propositions that meet their financial needs, both personally and professionally, providing them with personalised advice and content to improve their financial education and help them make decisions.* |
| Consolidate Personal and Private Banking | *Consolidate progress in the personal and private banking segments.* |
| Digitalisation | *Continue to drive digitalisation and non-face-to-face customer service channels.* |
| ESG Products | *Expand the range of financing and investment products with ESG criteria, showing customers how they can use their assets to help build a more sustainable and caring world.* |

## NON-REAL ESTATE PRODUCTIVE ASSETS

This segment includes **almost 90,000 customers** with a turnover of more than **9.2 billion euros**.

One of the Bank's strategic objectives is to gain a presence in the corporate world by broadening the diversification of its business. In this regard, the Desafío 2023 Plan sets out the roadmap and the transformations to be undertaken in the 2021-2023 cycle. To achieve the proposed goals, a **new Corporate Banking Area Division** has been created, to which the **specialised commercial network** reports, comprising **212 managers, 8 Corporate Business Centres, 16 Corporate Areas** in the main branches and a **Corporate and Syndicated Banking Financing Unit**. In addition, the focus on companies with a turnover of less than two million euros has been strengthened by increasing the number of **commercial business managers to a total of 130.**

*The main lines of action within the framework of the Strategic Plan are:*

1. Offer the customer a differential value proposition in terms of quality of service and excellent experience.
2. Simplify and digitise processes, improving operational agility and customer responsiveness.
3. The data as a basis for profitable business growth, as well as for anticipating possible credit deterioration.
4. Progress of business models and collaborative capabilities.

The **commercial offering** was expanded in 2021. In terms of investment products, a range of investment funds has been created, especially designed for companies, to enable them to manage their cash flow more efficiently and make the most of their surplus liquidity.

In terms of financing products, a line of sustainable products and another related to Next Generation EU funds have been opened. In May, an alliance was signed with the consulting firms Mazars and Silos, through which the Bank offers companies a clear and defined working model to articulate successful proposals for transformation projects that are eligible for Next Generation EU Funds.


Lastly, work was done to highlight the Group's experience as a specialist in employment plans for SMEs.

The **online banking service for companies** has incorporated the possibility of contacting and scheduling appointments through **"My Manager"** and the **"Priority"** service, which guarantees immediate attention to any customer query.

The **Ecosistema Más Empresa** (Ecosystem Plus Enterprise) initiative promoted by Ibercaja and its Foundation has been consolidated. It is a platform for innovation and a meeting point to stimulate economic activity, improve competitiveness, exchange knowledge and generate business value. Its 5,000 members from more than 2,500 companies can access mentoring programmes, tools, workshops, trend reports, and webinars to share best practices, identify common challenges, and create solutions to make everyone better while establishing a network of professional contacts.

Customers in the retail, professional, agricultural and livestock sectors and the self-employed in general are strategic for Ibercaja due to the important business opportunities they generate in the areas of financing, insurance and collection and payment services related to their professional activity, as well as others related to their particular needs.

In 2021, the range of value-added services associated with the POS was expanded with the launch of the **new Plazox service**, which offers instant financing at the time of sale. To increase the number of new customers, the **Vamos Comercios, Profesionales, and Agro accounts** have continued to be marketed. Various commercial actions were also launched during the year to link and build customer loyalty by contracting financing products, insurance, cards or payment and collection solutions, mainly. In the case of customers in the agricultural sector, we have provided the **CAP management service** in several Autonomous Communities.

*The main strategic challenges and trends that will shape corporate business activity in the near future are:*

| | |
|---|---|
| Market share | *Consolidate Ibercaja's presence in these segments* ***by increasing its market share****.* |
| Integrated management | *Promote the* ***comprehensive management*** *of these customers, specifically Personal Banking and Wealth Management customers with professional activities on their own account, who have professional needs that we must respond to in order to be their main entity.* |
| Next Generation EU Funds | *Facilitate the dissemination and access of these customers to the* ***Next Generation EU Funds****, boosting the digitisation and growth of businesses by implementing new projects framed within the initiatives promoted by these funds.* |
| Support for entrepreneurs | *Intensify the participation of professionals and microenterprises in the* ***"Ecosistema+ Empresas" and "Ibercaja Emprende"*** *initiatives.* |

## PROGRESS IN DIGITAL TRANSFORMATION AND MULTI CHANNELLING

Digital transformation, a key pillar of the "Desafío 2023" Strategic Plan, aims to provide Ibercaja with the most advanced technological solutions that enable it to offer a quality service adapted to the digital capabilities and needs of each customer while at the same time contributing to boosting business generation and efficiency.

The impact of COVID-19 demonstrated the robustness of the Entity's digital channels and the capacity to achieve the objectives set both in terms of channel usage and the level of satisfaction generated. In 2021, we worked to implement new digital capabilities aligned with the Group's business objectives. The progress made with the entry into a transformational project such as the Financial Sandbox, the growth in digital sales to 36.4% and the consolidation of leadership in customer satisfaction with digital channels are noteworthy.

### Mobile banking

- **Top-rated app:** Customer satisfaction with the app continued to increase, maintaining its leadership as the best rated in the Spanish financial sector.
- Launch of a **New Sales Environment** that integrates all the products marketed in the app.
- Contribution to financial inclusion by implementing cash pick-up and delivery at home or at branches through **Correos Cash**.
- Implementation of **new risk insurance consultation and service functionalities** in collaboration with Caser.

### Relationship management

- **"Mi Gestor"** (My Manager) has been deployed to all managers in the branch network. The functionality allows individuals and businesses to chat, exchange documents and arrange appointments easily and securely, both in digital and mobile banking.
- **Digital managers** serve non-face-to-face customers who need to engage with financial experts. In 2021 the number of managers has grown by more than 70% to 83 people.
- The new **Contact Center** tool has been a significant step forward in terms of efficiency and quality in the specific services it supports through digital and automated processes.

### Financial sandbox

This controlled testing environment enables the development and testing of innovative projects through collaboration between financial institutions, Fintech, technology companies and regulators. The Pension for Consumption project "Pensumo", developed jointly by Ibercaja and the Fintech Pensumo, was selected in the first call.

### Promotion of virtual sales

One of the Strategic Plan objectives is for digital sales of the Bank's main products to reach 45% by 2023. Improved non-face-to-face sales processes have led to digital channels:

a. **36.4%** of **total sales**.

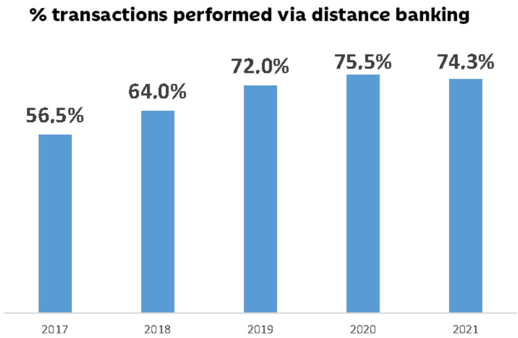
b. **13.4%** of **non-subrogated mortgage loans**.

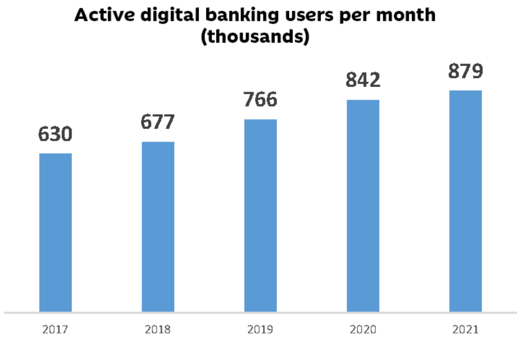
c. **91.4%** of **pre-qualified loans.**

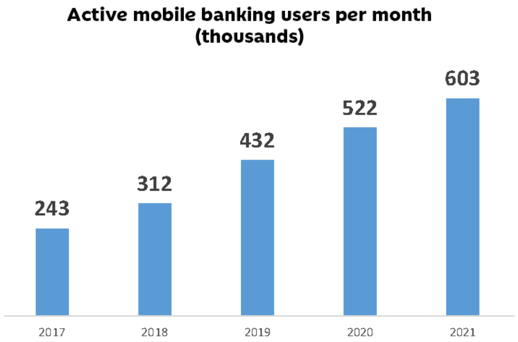
d. **29.4% and 19.6%** of **pension plans and investment funds, respectively.**

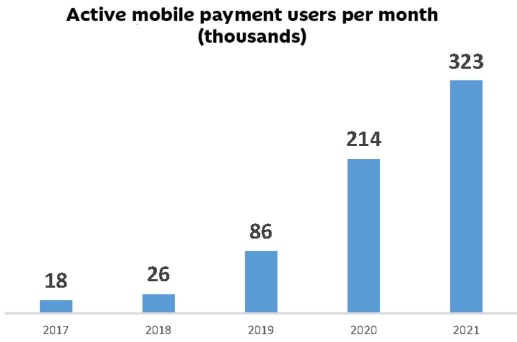
e. **5.2%** of **non-life risk insurance.**

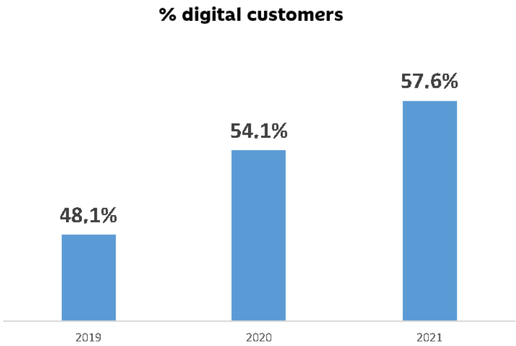
In addition to the new digital capabilities implemented in the non-face-to-face channels, the Marketing Automation System, **Adobe Campaign**, has enabled optimal integration between the Entity's business intelligence and the different communication and relationship channels.



## BUSINESS MODEL AND SUSTAINABILITY

Since it was formed 145 years ago, the Bank has maintained a **sustainability commitment,** which is reflected in the social, economic and environmental approach of its activities. The Group is aware that financial institutions have a key role in sustainable development, mobilising the necessary capital flows and integrating environmental, social and corporate governance risks and opportunities into management. In 2020, the Board of Directors approved the **Group's Sustainability Policy**. This document reflects the commitment to sustainable growth and establishes the framework for global action in sustainability.

**Ibercaja incorporates sustainability into its business model through different channels, including most notably:**

- **Financial product offerings** which contribute to achieving sustainable development by reducing the carbon footprint and by mitigating the effects of economic activity on the climate: catalogue of investment funds and pension plans managed with ESG criteria, financing of renewable energy projects, financing to companies committed to sustainability and the environment, offering in the rental of cero emission vehicles, etc.
- Environmental care in **energy and property management**: central headquarters recognised as a green building in line with ISO 14001.
- **The Organisation's commitment to the Sustainable Development Goals** of the 2030 Agenda; signing of the United Nations Principles for Responsible Banking, together with the Bank's inclusion in the New Deal for Europe "CEO's call to action" initiative and the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD).
- **Commitment to employees:** development of their capabilities, Family Responsible Company Seal, training in sustainable finance, corporate volunteering, etc.

- **Commitment to society:** its social sensitivity is manifested in its daily activities and in obtaining resources that revert to society through the generation of wealth and welfare and through the social action of the Bank's shareholder foundations.

***Sections 2 and 6*** *of this document explain in further depth and quantify the aspects related to* ***sustainability****.*

## FACTORS AND TRENDS THAT MAY AFFECT THE FUTURE PERFORMANCE OF THE GROUP

The trends for 2022 are framed in a context in which a certain degree of control of the health crisis means that the sectors most affected by the pandemic will be reactivated, and other sectors will gradually reach pre-pandemic levels of activity and employment. There is the threat to development posed by escalating inflation, which erodes household consumption capacity, squeezes business margins and hampers competitiveness. A fiscal policy to support the recovery and the arrival of European funds will allow investments in infrastructure, digitalisation and the environment to modernise and relaunch the economy.

On the banking side, the negative interest rate situation, which puts pressure on credit revenues, could change in the context of the measures to curb the inflationary situation mentioned above. In this scenario, **the Group's objectives and strategies focus on boosting the profitable growth of loans**, in particular, those aimed at companies, maintaining the pledge for other alternative income sources which, in turn, provide the customer with value-added products and services, such as investment funds and pension plans, accelerating the growth in risk insurance at the same time. Reducing non-performing assets and the cost of risk, together with monitoring NPLs, are a priority at a time when a large part of the moratoriums and deferrals on ICO loans granted in 2020 are due to expire. Cost reduction is a permanent objective, given the narrowing of margins, competition between institutions and the growing offer of financial services by new players.

Digitalisation in all areas of business must continue to progress to boost digital proximity with the customer, to make their relationship with the Bank easier and more efficient and to foster efficiency and productivity. Lastly, it is necessary to favour the transition towards a sustainable economy by developing the guidelines expressed in the Bank's Sustainability Policy and the Roadmap of the "Desafío 2023" Plan.

The **specific strategic challenges for each business area** in the short and medium term have been described above in their corresponding sections.

# 4.5.5 Financial Group

*102-5, 102-45, 103-1, 103-2, 103-3, FS6*

> *The Financial Group's activity enables it to provide customers with investment solutions of recognised prestige, expert support to strengthen their relationship with the Bank, as well as to diversify the business and generate recurring income.*

Created in 1988 and wholly owned by Ibercaja, the division is made up of savings and income generation mix **companies specialising in investment funds, savings and pension plans, bancassurance and leasing/renting**. Its products, which are aimed at both individuals and companies, are distributed mainly through the branch network and digital channels, complementing the Bank's range of banking products and services.

> **DIFFERENTIATING VALUES**
>
> *The **innovation** and **specialisation of the offer** are **differential values of the Ibercaja Financial Group**.*

## The companies that form part of the Financial Group are:

**IBERCAJA BANCO**

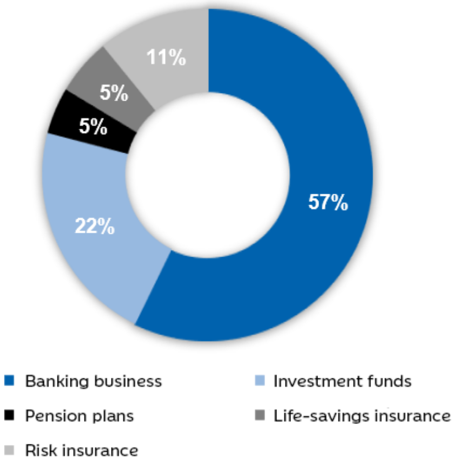
**100%** WHOLLY OWNED BY IBERCAJA

| | | | | |
|---|---|---|---|---|
| IBERCAJA GESTIÓN | CIU manager | Equity 18.4 | Fashion share 5.8% | #6 |
| IBERCAJA PENSIÓN | Pension plan management company | Equity 7.6 | Fashion share 6.0% | #4 |
| IBERCAJA VIDA | Life insurance broker | Technical provisions 6.8 | Fashion share 3.5% | #7 |
| IBERCAJA LEASING | Leasing & Renting | Outstanding investment 0,6 | Fashion share 2.9% | #8 |
| IBERCAJA MEDIACIÓN | Insurance intermediation | Premiums 0.3 | Alliance with Caser | caser seguros |

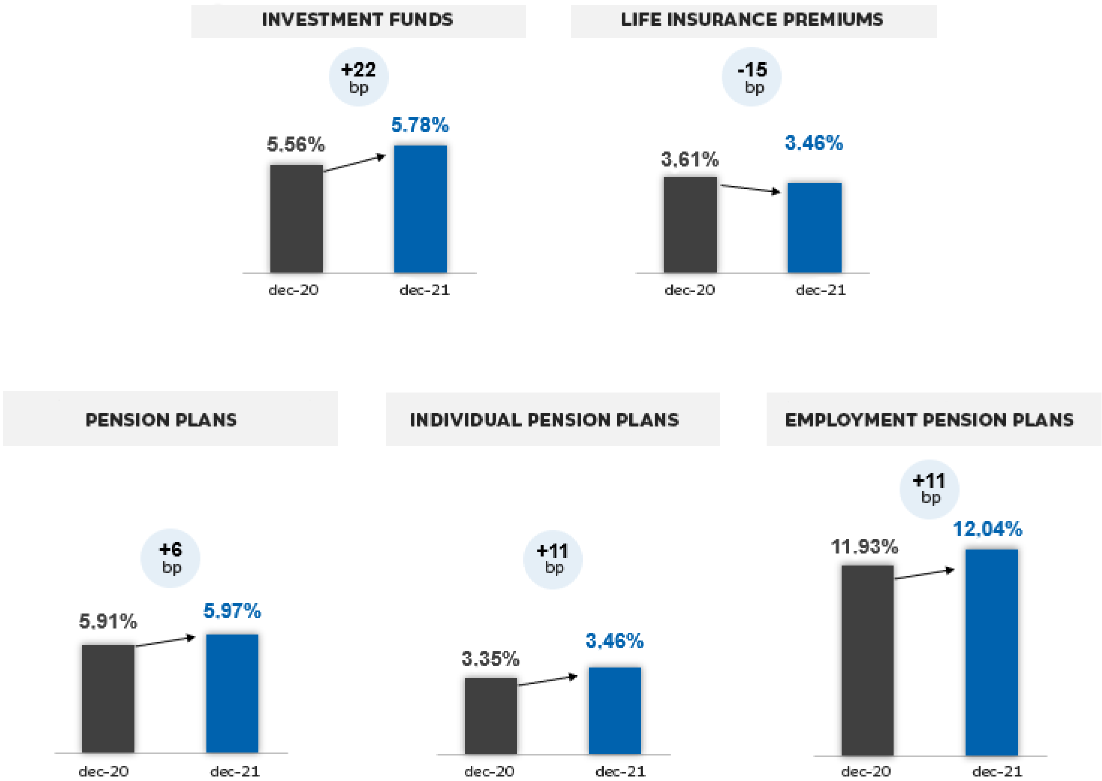
Figures expressed in billions of euros.

## Contribution to recurrent revenues:

The **assets under management and insurance** account for **43% of the Group's recurrent revenues and 47% of the retail customer funds** managed by the Entity, giving rise to one of the most diversified mix of savings and income generation in the Spanish banking system.




## Ibercaja achieved market share gains in the most significant segments:




Note: INVERCO, with the publication of the April investment fund statistics, standardised the criteria for exclusion from the assets of funds that invest in the manager's own funds (funds of funds). This change led to a decrease in the system's overall net worth and a readjustment of quotas, bringing Ibercaja Gestión's shareholding at the end of December 2020 to 5.56%.

## Sustainability:

The Financial Group is part of Ibercaja's **"purpose and sustainability" strategic initiative**, led by the Brand, Reputation and Sustainability Division. The initiative began in 2021 and will run until 2023. The objective of the Financial Group is to identify risks and opportunities in this area, responding to the sustainability, regulatory and market challenges of its component companies. In this way, the Financial Group promotes different actions linked to governance, regulatory adaptation, risk management and the development of the sustainable products business, having achieved the following **sustainability achievements in 2021:**

### Governance:

- The Financial Group forms part of Ibercaja's **Reputation and Sustainability Committee** to manage the sustainability strategy with a consolidated vision.
- **New policies** relating to sustainability have been developed and approved:
    - **Sustainability Policy**, to evidence and formalise the Financial Group's commitment to sustainable development and value creation through its activity and to establish the global action framework for the Group in matters of sustainability, containing the commitments voluntarily assumed to promote long-term sustainable, inclusive and environmentally-friendly growth, with a long-term vision[1].
    - **The Sustainability Risk Integration Policy**, which establishes the principles, processes and governance framework, governing ESG risk integration in the investment decisions.

[1] In compliance with the provisions regarding transparency in the incorporation of sustainability risks in investment management of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (SFDR).

- **Exclusions Policy**, to ensure that the investment policies are not exposed to unethical, irresponsible or unsustainable activities, and to contribute to the attainment of the UN Sustainable Development Goals (SDGs) in the framework of the ESG Risk Integration Policy.
- **Adverse Incident Policy** for identifying, analysing and managing the impacts of the investment decisions that may negatively affect sustainability factors (EU Regulation 2019/2088)[2].
- **Implication Policy**, including the general principles, criteria and procedures to foster the long-term involvement of shareholders in listed companies[3].

- In addition, the Financial Group already had an **ESG Committee** to promote the implementation of responsible investment strategies in asset management.
- As a sign of the commitment of the Financial Group and its management companies to sustainable investment, in 2021, Ibercaja Gestión adheres to the **United Nations Principles for Socially Responsible Investment (UNPRI)**, to which Ibercaja Pensión had already adhered in 2011.
- In 2021, both managers signed up for the Net Zero Asset Managers initiative to achieve CO2 neutrality for themselves and their portfolios by 2050 and joined the **Carbon Disclosure Project** engagement platform. This is an independent non-profit organisation that maintains the world's largest database of corporate climate change information and enables investors to manage their environmental impacts better.

[2] Pursuant to Art. 4.1.a and 4.2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector (SFDR).
[3] In compliance with the requirements of article 224 bis of the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, introduced by Act 5/2021, of 12 April, amending the Consolidated Text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.

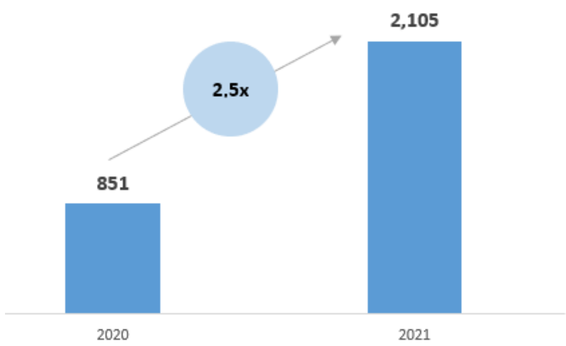
### ESG risk management:

- Identification of Material Sustainability Risks **(physical and transitional)**.
- Selection of tools to provide **ESG data** for use by all companies, facilitating investment decision-making and regulatory reporting.

### Business development:

- **Launch of new sustainable products:**
  - Two investment funds, one pension plan and one SICAV that meet sustainability characteristics (*).
  - Two sustainable leasing products: "Leasing Sustainable Crops" and "Leasing Photovoltaic Energies".
  - In addition, pending launch in early 2022, both a savings insurance and a discretionary management portfolio promoting sustainability have been developed.
- Ibercaja is thus already providing **sustainable investment solutions** to the tune of 2.105 billion at the end of 2021:

ESG investment trend (million euros)



| (millions of euros and number) | | Equity | △ Equity | Unitholders |
|---|---|---|---|---|
| **PENSION PLANS** | | 669 | 350 | 48,052 |
| **Sustainable Confidence** | Mixed fixed income | 303 | 214 | 25,544 |
| **Sustainable and Solidarity** | Mixed equities | 310 | 119 | 18,819 |
| **Sustainable Europe** | Equities | 43 | 4 | 2,563 |
| **Megatrends (*)** | Equities | 13 | 13 | 1,126 |
| **INVESTMENT FUNDS** | | 1,432 | 900 | 72,942 |
| **Sustainable and Solidarity** | Mixed equities | 825 | 548 | 36,651 |
| **Megatrends** | Equities | 504 | 249 | 32,522 |
| **New Energy (*)** | Equities | 54 | 54 | 2,883 |
| **Sustainable Fixed Income (*)** | Sustainable fixed income | 49 | 49 | 886 |
| **SICAV** | | 4 | 4 | 175 |
| **Asguard (*)** | | 4 | 4 | 175 |
| | **Total** | **2,105** | **1,254** | **121,169** |

(*) New products launched in 2021.

- A business plan for sustainable products has also been designed.

## Regulatory adaptation:

- Adaptation to the **Disclosure Regulation**:
  - Policy development.
  - Adaptation of pre-contractual information.
  - Disclosure of ESG obligations on websites.
- Adaptation to the Directive on **encouraging long-term** shareholder engagement
  - Since 2021, asset managers have had a global **proxy advisor** who advises them on exercising their voting rights based on ESG criteria.

## Solidarity activity:

- This activity has been undertaken intensively in 2021 through Ibercaja **Sustainable and Solidarity FI and Ibercaja Sustainable and Solidarity Pension Plan**. To this end, a **Steering Committee and a Technical Committee** have been set up to steer and supervise the distribution of funds and the internal and external communication of the initiative. In 2021 it distributed **585,000 euros in three major items**:
    - **Five major projects received a total of 460,000 euros:**
        - Unicef's "Protecting the most vulnerable children from the effects of the COVID-19 pandemic in Senegal with basic supplies".
        - Cruz Roja's "Improving the employability of people in a situation or at risk of social exclusion and facilitating their integration in the workplace and active inclusion processes".
        - LG Smart Green's "Reforestation and ecosystem recovery in Alpedroches (Guadalajara) in the Alto Tajo".
        - Fundación Oxigeno's "Micro-plastics, macro-litter. Environmental education and volunteering to improve our rivers and beaches".
        - Caritas' "RE- Fashion. We recycle clothes, we incorporate people in the workplace".
- **Through their votes**, the unitholders of the Plan and Fund had the opportunity to distribute the grants with varying amounts among these projects.
        - Six projects of small organisations working in the fields of disability, illness, social exclusion and environmental protection received a total of 45,000 euros.

◦ Twelve Food Banks in Zaragoza, Huesca, Teruel, Guadalajara, Rioja, Burgos, Badajoz, Madrid, Barcelona, Lleida, Valencia and Seville received 80,000 euros to meet urgent needs.

## Management of collective investment undertaking

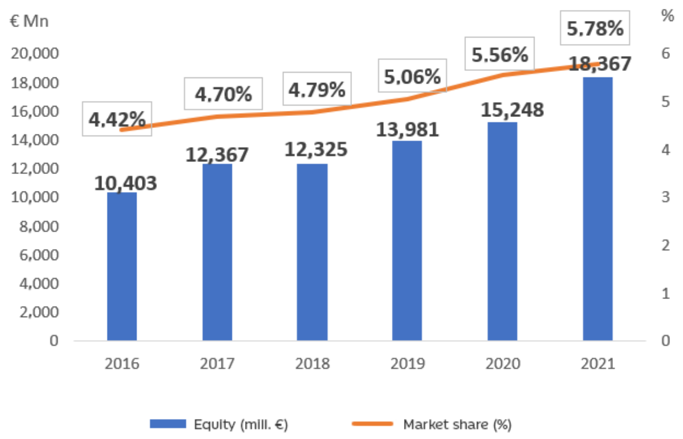
Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's collective investment undertakings (CIUs).

The **assets managed by Ibercaja Gestión**, **18,367 million euros**, were up by 20.5% vs 15.7% of the sector, achieving a new record in assets under management. Renewed investor confidence and positive developments in the financial markets contributed to this excellent performance.

- **Net contributions** totalled 2,337 million euros, more than 100% higher than in 2020, making it the fifth banking group with the best fund gathering figures in Spain during the year, 9.1% of the industry's total.
- **The weighted average return** was 5.0%; 77% of the funds managed by Ibercaja Gestión ended the year with positive returns and 100% in the range of profiled funds.

The **market share**, **5.78%** (source: INVERCO), reached a new all-time high, having increased by **22 basis points** since the previous December. In the last five years, assets under management have grown by 76.6% and, in the last ten years, the volume invested in funds by the Bank's customers has quadrupled. The Management Company consolidates its position in the **sixth Group in the sector ranking.**

Trends in assets and market share in investment funds:




Ibercaja Gestión has **63 investment funds** adapted to any market situation and to different investor profiles. In addition, it manages **13 SICAVs in Spain** with a volume of **72 million euros** and maintains a **management agreement for the Luxembourg-domiciled SICAV**, Ibercaja Global Internacional, which has assets of 45 million euros.

The **increase in the weight of absolute return funds**, which increased their volume by 113.5% in 2021, and the positive performance of **equity funds**, which grew by 30.7% in a very favourable year for the stock markets, stand out in the changes in the weight of the different families in the total assets under management.

Distribution of investment fund assets by type (source: INVERCO)

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | €Mn | % | €Mn | % | €Mn | % |
| **Fixed income funds** | 6,611 | 36.0 | 5,595 | 36.6 | 4,841 | 34.6 |
| **Equity funds** | 3,061 | 16.7 | 2,341 | 15.4 | 2,262 | 16.2 |
| **Mixed funds** | 5,757 | 31.3 | 5,378 | 35.3 | 4,554 | 32.6 |
| **Global funds** | 46 | 0.3 | 47 | 0.3 | 135 | 1.0 |
| **Guaranteed funds** | 647 | 3.5 | 835 | 5.5 | 967 | 6.9 |
| **Absolute return funds** | 2,245 | 12.2 | 1,052 | 6.9 | 1,222 | 8.7 |
| **Total** | **18,367** | **100.0** | **15,248** | **100.0** | **13,981** | **100.0** |

The **focus on diversification**, through portfolios of profiled funds (funds of funds combining investment in bonds and equities), combined with the demand for **investment solutions governed by ESG criteria** were the **key growth drivers in the year.** The portfolios increased their assets by 42%, while the funds managed with ESG criteria multiplied by 2.7 times the 2020 volume at the end of the year. Within the range of sustainable solutions, Ibercaja Sostenible y Solidario FI has consolidated its position as one of the manager's largest funds, with more than 36,000 participants and 825 million in assets, which has enabled it to support various social and environmental projects. In 2022, the range of sustainable solutions will be further boosted with two new launches at the beginning of the year: Ibercaja Confianza Sostenible FI and Ibercaja Infraestructuras FI.

In February, two funds were launched, Ibercaja Renta Fija Empresas FI and Ibercaja Diversificación Empresas FI, designed to channel the stable surplus liquidity of companies and institutions. The objective of both is to enhance the returns, with controlled volatility, obtained in traditional liquidity management instruments. These funds were well received by this type of customer, with inflows of more than 121 million euros.

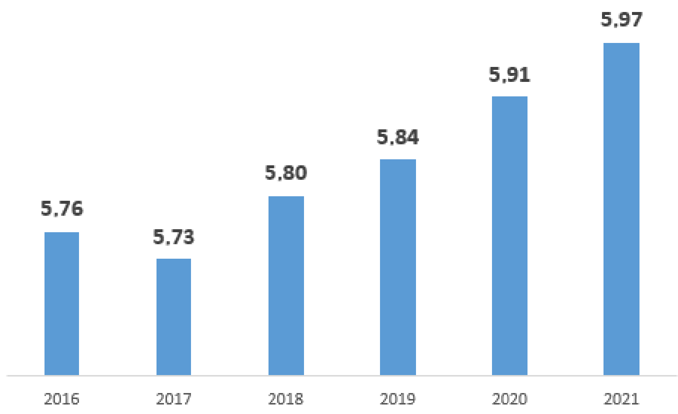
In the 2021 edition of the **Expansión-AllFunds Bank** awards, Ibercaja Gestión was recognised as "Best Asset Allocation Manager" and was a finalist in the "Best National Manager" and "Best Fixed Income Manager" categories.

## Pension plan management

Ibercaja Pensión, EGFP, S.A. is the Group company engaged in managing different kinds of pension plans. The company is a signatory of the United Nations Principles for Responsible Investment and a founding member of Spainsif, the Spanish forum for Socially Responsible Investment.

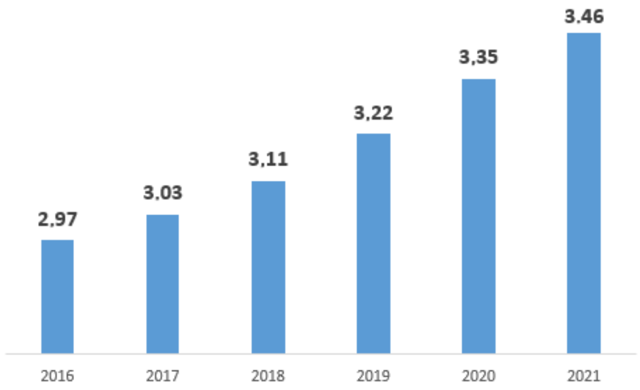
The **assets managed** at year-end, **7,640 million euros**, were 9.0% up on 2020 (sector 8.0%). The **market share** reached an all-time high of **5.97%** after adding **6 basis points during the year**, and the Management Company climbed to **fourth position** in the sector ranking (source: INVERCO).

Trend in pension plan market share:



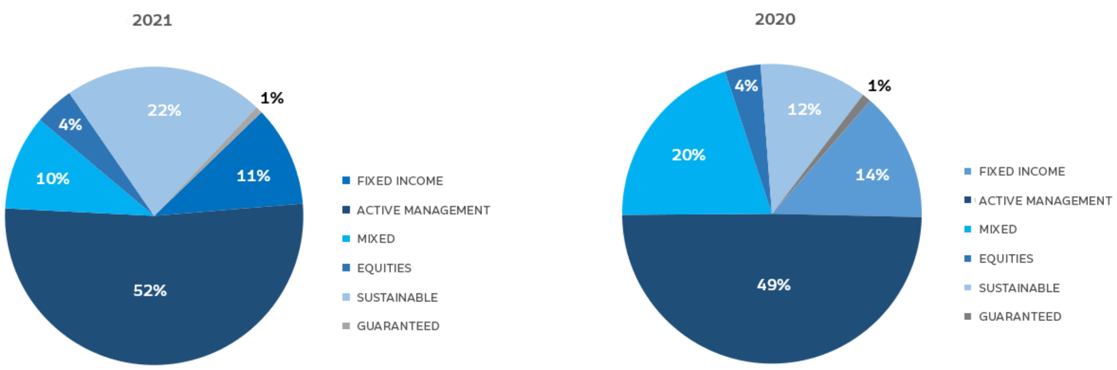

Savings managed in **individual system pension plans** increased by 12.3% to **3,090 million euros**, significantly above the variation experienced by the sector (+8.9%). Customer contributions amounted to 102 million euros in a context marked by reducing the legal limit for tax-deductible annual contributions. The **market share**, **3.46%**, advances **11 basis points** from December 2020, moving the company to **sixth in the sector ranking** (source: INVERCO). The number of customers with individual plans increased by 6,645, reaching 244,165 by the end of 2021.

Trend in personal pension plan market share:




In the **distribution of individual pension plans by type**, the **substantial expansion of products with a sustainable profile** stands out, accounting for 22% (670 million) of total assets, compared to 12% in 2020. **The active management range consolidated with 52% of the volume** and the weight of fixed income and guaranteed plans continued to decline, with 12% of the total, down from 15% a year ago.

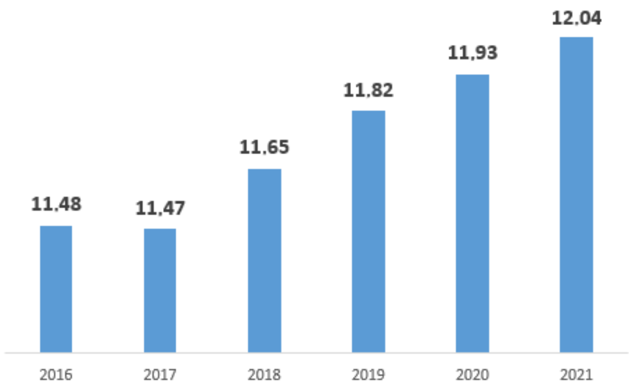
Distribution of individual pension plans by type:




EL BANCO DEL vamos

Assets managed in **employment plans** amounted to **4,548 million euros**, up 6.8% on 2020 (sector -5.9%). The **market share**, **12.04%**, adds **11 basis points** and the company consolidates its position in **third place** among Spanish fund managers (source: INVERCO). This system comprises 69,091 unitholders through 15 plans. Ibercaja Pensión administers two of the ten largest employment plans in the country.

Work pension plan market share trend:




In the 2021 edition of the **Expansion All Funds Awards**, Ibercaja Pensión was a finalist in the category of best pension fund manager, the sixth consecutive time it has been nominated, having won the award on four occasions. The Sustainable and Solidarity PIP was also a finalist for the fourth consecutive year in the "Best Solidarity Fund" category.

XXXII Premios Fondos 2021 Expansión allfunds

Ibercaja Pensión

**XXXIIIII FUND AWARDS 2021 EXPANSION-ALLFUNDS BANK**

Finalist Best National Pension Fund Manager 2020

XXXII Premios Fondos 2021 Expansión allfunds

Ibercaja Sustainable and Solidarity Pension Plan

**XXXIIIII FUND AWARDS 2021 EXPANSION-ALLFUNDS BANK**

For the fourth year running:

Finalist in the Best Solidarity Fund category

## Insurance business

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

- **Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U.** specialises in life insurance, with a proven track record in the bancassurance business since 1996. The Entity produces life savings and life risk insurance that it brokers through Ibercaja Mediación and distributes through Ibercaja Banco's commercial network and digital channels. The volume of technical provisions of the insurer, 6,775 million euros at the end of 2021, represents a market share of 3.46% (source: ICEA). The solvency ratio is well above the legal limit of 100%, reaching 265% in December 2021.

- **Ibercaja Mediación de Seguros S.A.U.** is engaged in general insurance brokerage. Through the Bank's branch network and digital channels, it markets risk insurance (life and non-life) and retirement savings for individuals and companies. The company's activity also extends to operations regulated by Royal Legislative Decree 1/2002, which approves the Consolidated Text of the Pension Plans and Funds Regulation Act. The Bank has a strategic alliance with Caser in the non-life insurance area.

### LIFE-SAVINGS INSURANCE

Ibercaja Vida produces an extensive range of life savings products: systematic savings insurance, investment savings (life annuities, temporary annuities, capital plans and insured pension plans) and unit-linked. The amount of premiums and the number of policies are shown in the table below:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| **No. policies** | 446,418 | 489,335 | 531,554 |
| **Savings insurance premiums (€ million)** | 826 | 884 | 862 |

Mathematical provisions for life insurance savings, 6,643 million euros, declined 3.4%, impacted by the low-interest-rate environment. Systematic savings insurance accounts for slightly less than 40% of the total due to the diversification towards link products, given policyholders' need to make their assets profitable in the current financial context. As a result, the Unit Linked balance at the end of December 2021 will reach a volume of 1,690 million euros, almost double that of 2020. The market share in this segment was 9.95%. The portfolio of investment savings products, mainly annuities and life annuities, amounted to 2,235 million euros. As a result of the temporary closure to marketing, given the current scenario of negative interest rates and the inherent loss ratio of the product, the managed volume decreases by 7.1% in 2021.

Distribution of mathematical provisions for life insurance savings:

| | 2021 | | 2020 | | 2019 | |
|---|---|---|---|---|---|---|
| | €Mn | % | €Mn | % | €Mn | % |
| **Systematic savings insurance** | 2,531 | 38.1 | 3,425 | 49.8 | 4,243 | 58.3 |
| **Savings and investment** | 2,235 | 33.6 | 2,404 | 35.0 | 2,509 | 34.5 |
| **Unit Linked** | 1,690 | 25.5 | 850 | 12.3 | 314 | 4.3 |
| **Other** | 187 | 2.8 | 199 | 2.9 | 211 | 2.9 |
| **Total** | **6,643** | **100.0** | **6,878** | **100.0** | **7,277** | **100.0** |

## RISK INSURANCE

The **risk insurance premiums** brokered by Ibercaja Mediación, **284 million euros**, grew by 3.0% compared to the previous year and policies totalled 983,032.

- **Life insurance premiums** increased by 2.6% to **78 million euros**. Ibercaja Vida, with 73 million euros of premiums brokered in individual life insurance, it is the leading insurer in the life insurance business. The rest of the premium volume of life insurance policies comes mainly from Caser. New production is up 53% year-on-year.

| (€ million) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Life insurance premiums** | 78 | 76 | 78 |
| **. Of which: Ibercaja Vida (*)** | 73 | 71 | 72 |

(*) In addition, Ibercaja Vida produces premiums of 3 million euros in group risk insurance linked to the pension plan for Ibercaja Banco employees.

- **Non-life insurance premiums**, **206 million euros**, increased 3.1%. The boost in activity is the result of the commercial effort and the alliance with Caser to distribute this type of insurance through the branch network. New production associated with the agreement with Caser increased 45.6%, while the backlog rose 6.6%. The most noteworthy advances were in death insurance (+19.5%), civil liability (+9.5%) and home insurance (+5.8%). The market share in non-life insurance premiums, at 0.54%, remains at similar levels compared to 2020 (source: in-house creation based on data published by ICEA).

| (€ million) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Non-life insurance premiums** | 206 | 200 | 198 |
| **Of which: agreement with Caser** | 183 | 172 | 170 |

Ibercaja Mediación has promoted various **actions throughout 2021 to boost the non-life insurance business:**

- "Yavoiyó", home insurance with specific coverage for second homes.
- Rent protection, insurance that protects the owner of a rented property or premises against rent default.

- Inmuebles Flexible, aimed at Communities of Owners, which includes new coverage and the improvement and extension of some of the existing ones.
- In line with Ibercaja's sustainable business strategy, Caser Auto insurance has been adapted to the needs of electric vehicles, in addition to the inclusion of the Autohelp service.

## Leasing and Renting

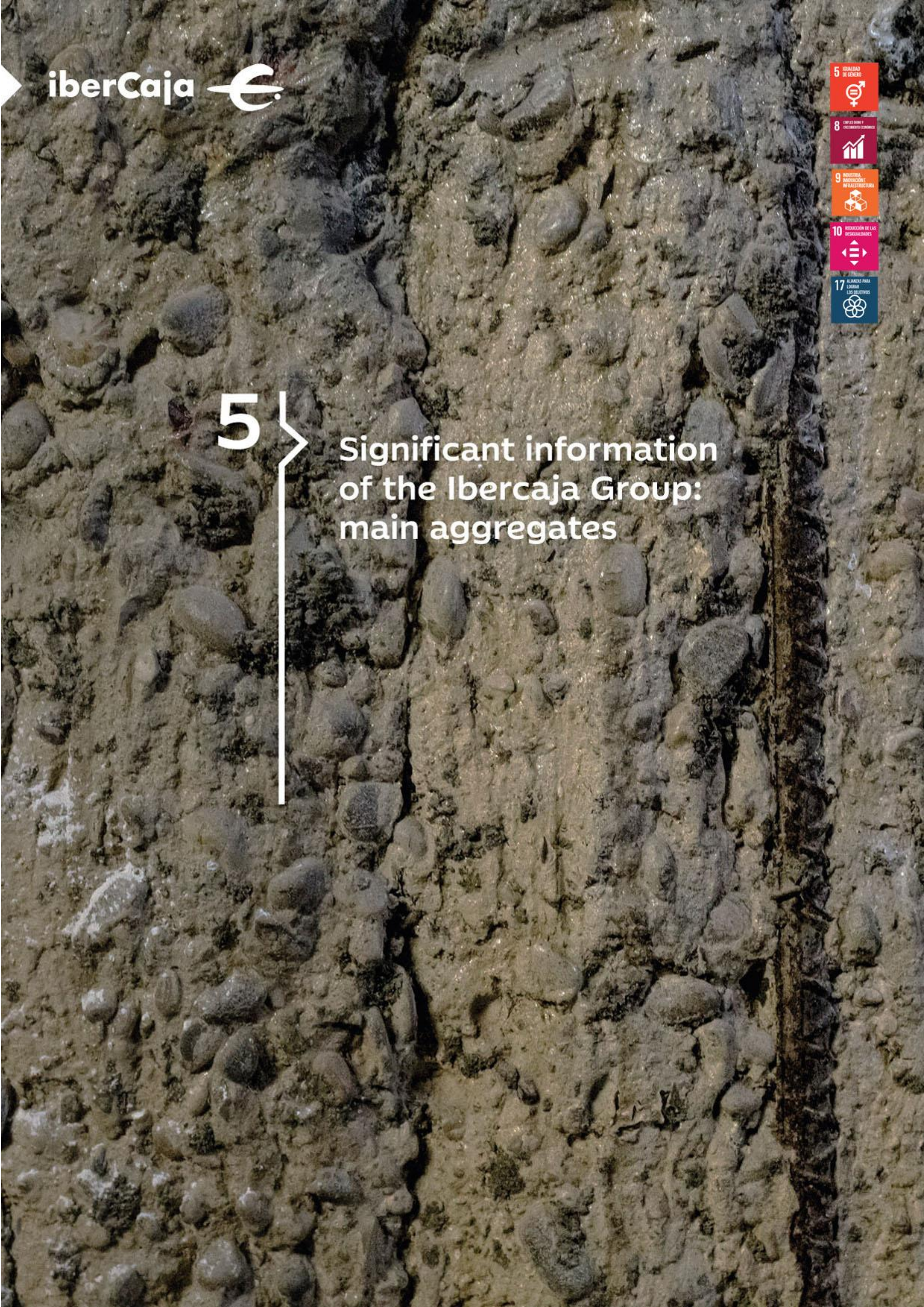
Ibercaja Leasing y Financiación S.A. specialises in financing productive activities through leasing and renting. It provides the branch network with products for SMEs and professionals to finance their fixed-assets investments, offering renting to companies, the self-employed, and individuals.

The **outstanding risk**, **562 million euros**, remains stable compared to 2020. The **market share** amounts to **2.86%** source: Spanish Leasing and Renting Association). The **amount of new contracts** reached **247 million euros.** Of the total number of new operations, 56.21% were for financing non-industrial vehicles, 22.58% for industrial vehicles, 15.50% for machinery, 2.21% for computer equipment and the rest (3.50%) for real estate, furniture and other facilities. It must be highlighted that approximately four out of ten transactions arranged corresponded to the vehicle renting business. As a result, the fleet of leased vehicles totals 4,765 units.

The **default ratio** of Ibercaja Leasing y Financiación S.A., **1.93%**, is significantly lower than the average for financial credit institutions (6.56% at November 2021). In turn, the **coverage ratio** stood at **69%** of doubtful balances.

The Company's commitment to caring for the environment is evident in the commercial campaigns carried out during the year. The sustainable mobility offer has been boosted by offering customers the possibility of contracting 100% electric vehicles, totally ecological and with zero emissions, making a wide range available to cover different needs. The marketing of **two new sustainable products has also been launched**: the **leasing of sustainable crops**, aimed at financing investment in farms that optimise water consumption and allow higher crop yields, and the **leasing of photovoltaic energies**, which facilitates the financing of investments in energy efficiency installations initially intended for self-consumption.

Ibercaja Leasing has obtained the prize awarded by the Spanish Leasing and Renting Association for the most sustainable operation carried out in November 2021 in relation to the sustainable crops product.



# 5 Significant information of the Ibercaja Group: main aggregates

# 5.1 Highlights for the period at the Ibercaja Group

*102-7, 102-10, 103-1, 103-2, 103-3*

> In a complex context for business development, the Group's specialisation strategy, the strength of its hallmarks and the quality of its balance sheet have proven their worth.

> *In the first year of the "Desafío 2023" plan, Ibercaja's commercial activity has been very dynamic, achieving **notable advances in key segments** for the business strategy, such as **asset management**, **insurance distribution** and **company financing**.*

- **Retail funds**, 70,163 million euros were up 7.3% thanks to **asset management and insurance**, whose volume **grew** 12.9%, bringing its share of total managed savings to 47.1%.
- The **assets of the investment funds** managed by Ibercaja Gestión **maintained their upward trend**, totalling 18,367 million euros, with an increase of 20.5% over the year, above the 15.7% recorded by Spanish CIIs as a whole. Contributions, 2,337 million euros, were double those of a year earlier, and the market share, 5.78%, was **up 22 basis points**.
- The volume under management in **pension plans** increased by 9.0%, allowing the market share of 5.97% to add **6 basis points**. In **individual and work plans,** the share of each of them rises **by 11 basis points.**

- The **sustainable and supportive investment**, materialised in investment funds and pension plans, **multiplies its assets by 2.5 times in one year**, demonstrating the Group's commitment to sustainability.

- The **credits and loans being arranged, 5,421 million euros**, **recovered to pre-pandemic levels** and almost 60% of them are allocated to companies. Lending for house purchases has been revitalised in recent months so that new production in the fourth quarter was more than 70% higher than the average of the first three quarters, stabilising the portfolio in the latter part of the year. Also noteworthy was the strong dynamism of the volume of outstanding loans, 15.7% higher than in 2020.

- The new Corporate Banking Area has given a **significant commercial boost to the productive activities business**. **Standard loans to companies grew 6.9%,** increasing the market share by eight basis points in the year. Ibercaja, in collaboration with experienced consultancy firms, has made available to customers an advisory service to access funds from the NextGenration EU plan to take advantage of the investment opportunities that these funds represent.

- **New life and non-life premium income rose** 33% year-on-year to **66 million euros**.

*The Group reported a **net profit** of **151 million euros, 127 million more than the previous year**. Typical banking revenues grew 2.5%, thanks to the progress in the asset management business, while provisions for credit and real estate risk normalised after the extraordinary provisions made in 2020 to cover the potential economic impact of the pandemic on the loan*

- The interest margin reflects the repricing of the mortgage portfolio due to the decline in the yield curve and the lower contribution of debt securities. Fees increased 16.9% due to the excellent performance of off-balance-sheet managed savings. As a result, **overall recurrent revenues increase by 2.5% and exceed the stability target for 2021.**

- Recurrent operating expenses rose 5.4% year on year. **In the coming months, the cost base will include the effect of the Redundancy Plan** signed by the Entity with the workers' representatives in December 2020. The departures of the employees covered by the redundancy programme will take place progressively until June 2022, so it will be a catalyst for profitability in the coming year.

- Write-offs of foreclosed loans and real estate, at 114 million euros, were 119 million euros lower than in the previous December due to lower NPL entries and because an extraordinary provision of 90 million euros was set aside in 2020 to cover the potential impact on the loan portfolio of the economic effects of COVID-19. The **cost of risk** falls to **35 basis points**, which is significantly below the cost, 71 basis points, of 2020.

- The dividend distribution of 98.14 million euros, which the Board of Directors will propose to the General Meeting of Shareholders, represents a **pay-out of 65%.**

> ***The reduction of non-performing assets on the balance sheet*** *continues without the weak economic environment having translated into a decline in the credit quality of lending, which is highly hedged. The bank maintains the* ***strength of its capital ratios*** *with a* ***CET1***

- The **non-performing assets** decrease by **29.2%, compared to the change, -4.7%, in the sector** (latest information as at November), with the NPL ratio falling by 91 basis points to 2.30%. The positive gap with respect to credit institutions as a whole widened to 199 basis points. The **coverage ratio of non-performing exposure** rose by over 11.4 percentage points to **75.31%**.

- The **aggregate of problem exposure, doubtful and foreclosed assets** was reduced by 373 million euros. The **problem asset ratio, 3.97%**, has fallen by 110 basis points since December 2020. The **coverage ratio** of these assets, **68.79%**, rises by almost seven percentage points.

- The Group has a **sound funding structure** based on the deposits of retail customers, who account for **79.8%** of outside funding, so the loan-to-deposit ratio (LTD) ratio is below 100%. The **Group's liquid assets** represent **26.0% of the balance sheet** and comfortably cover all wholesale debt maturities.

- The **CET1 fully loaded ratio added 12 basis points to 12.71%**, exceeding the Group's medium-term target. The total capital ratio is 17.43%, one of the highest in the Spanish banking system. These ratios are above the PRES 2021 requirements and those that will come into force in March 2022.

# Key indicators

FIGURES ROUNDED TO MILLION EUROS AND %

| BALANCE SHEET | 31/12/2021 | 31/12/2020 | Change % |
|---|---|---|---|
| Total assets | 58,631 | 58,401 | 0.4 |
| Gross loans and advances to customers | 31,195 | 31,590 | (1.2) |
| Performing loan portfolio exc. reverse repurchase agreements | 28,862 | 28,956 | (0.3) |
| Total retail funds | 70,163 | 65,411 | 7.3 |
| Net equity | 3,270 | 3,218 | 1.6 |
| Retail business volume | 99,025 | 94,367 | 4.9 |

| RESULTS (thousands of euros) | 31/12/2021 | 31/12/2020 | Change % |
|---|---|---|---|
| Interest margin | 492,826 | 533,673 | (7.7) |
| Gross income | 952,260 | 1,001,822 | (4.9) |
| Profit before write-downs | 341,038 | 283,316 | 20.4 |
| Profit/(loss) attributed to the parent | 150,985 | 23,602 | 539.7 |

| EFFICIENCY AND PROFITABILITY | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Recurrent cost-to-income ratio (ordinary expenses/recurrent revenues) | 64.2% | 62.5% | +1.7 p.p. |
| ROA (profit attributable to the parent company/total average assets) | 0.26% | 0.04% | 0.22 p.p. |
| RORWA (profit attributable to the parent company/APR) | 0.84% | 0.13% | 0.71 p.p. |
| ROE (profit attributable to the parent company/average own funds) | 5.2% | 0.8% | 4.4 p.p. |
| ROTE (profit attributable to the parent company/average tangible own funds) | 5.7% | 0.9% | 4.8 p.p. |

| RISK MANAGEMENT | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Non-performing balances (loans and advances to customers) | 718 | 1,013 | (29.2) % |
| Non-performance rate of loans and advances to customers (%) | 2.3% | 3.2% | (0.9) p.p. |
| Ratio of distressed assets (%) | 4.0% | 5.1% | (1.1) p.p. |
| Coverage of non-performing risks | 540 | 647 | (16.5) % |
| Coverage of non-performing risks (%) | 75.3% | 63.9% | 11.4 p.p. |
| Coverage of exposure to distressed assets (%) | 68.8% | 62.2% | 6.6 p.p. |

| LIQUIDITY | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| Liquid assets / Total assets (%) | 26.0% | 25.6% | 0.4 p.p. |
| Loan-to-deposit ratio (LTD) | 78.2% | 81.1% | (2.9) p.p. |
| LCR ratio (%) | 452.0% | 468.1% | (16.1) p.p. |
| NSFR ratio (%) | 152.2% | 151.5% | 0.7 p.p. |

| SOLVENCY | 31/12/2021 | 31/12/2020 | Change |
|---|---|---|---|
| CET1, phase-in (%) | 13.41% | 13.62% | (0.21) p.p. |
| Solvency ratio, phase-in (%) | 18.12% | 18.27% | (0.15) p.p. |
| Leverage ratio, phase-in (%) | 6.01% | 6.26% | (0.25) p.p. |
| CET1, fully loaded (%) | 12.71% | 12.59% | 0.12 p.p. |
| Total capital, fully loaded (%) | 17.43% | 17.26% | 0.17 p.p. |
| Leverage ratio, fully loaded (%) | 5.75% | 5.85% | (0.10) p.p. |

| ADDITIONAL INFORMATION | 31/12/2021 | 31/12/2020 | Change % |
|---|---|---|---|
| No. Group employees | 4,880 | 5,307 | (8.0) |
| No. of branches | 914 | 1,031 | (11.3) |

# 5.2 Analysis of the main balance sheet figures

*102-7, 103-1, 103-2, 103-3*

> Retail funding was driven by asset management and life insurance, while lending to productive activities increased and asset quality indicators strengthened.

## Key figures on the consolidated balance sheet:

| | Figures in thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | CHANGE | CHANGE (%) |
| **Cash and credit institutions** | 6,749,981 | 7,884,260 | (1,134,279) | (14.4) |
| **Loans and advances to customers** | 30,655,026 | 30,942,404 | (287,378) | (0.9) |
| **Securities portfolio** | 18,214,267 | 16,464,946 | 1,749,321 | 10.6 |
| **Tangible assets** | 1,004,091 | 960,967 | 43,124 | 4.5 |
| **Intangible assets** | 269,167 | 237,226 | 31,941 | 13.5 |
| **Other assets** | 1,738,877 | 1,910,987 | (172,110) | (9.0) |
| **Total assets** | **58,631,409** | **58,400,790** | **230,619** | **0.4** |
| | | | | |
| **Deposits from credit institutions and central banks** | 6,616,302 | 6,579,022 | 37,280 | 0.6 |
| **Customer deposits** | 38,268,280 | 37,881,253 | 387,027 | 1.0 |
| **Debt securities issued** | 1,316,321 | 1,340,670 | (24,349) | (1.8) |
| **Liabilities under insurance contracts** | 7,121,494 | 7,521,867 | (400,373) | (5.3) |
| **Provisions** | 268,943 | 393,100 | (124,157) | (31.6) |
| **Other liabilities** | 1,769,668 | 1,466,458 | 303,210 | 20.7 |
| **Total liabilities** | 55,361,008 | 55,182,370 | 178,638 | 0.3 |
| **Net equity** | 3,270,401 | 3,218,420 | 51,981 | 1.6 |
| **Total equity and liabilities** | **58,631,409** | **58,400,790** | **230,619** | **0.4** |

# Assets

The **total assets** of the consolidated balance sheet amounted to **58,631 million euros**, compared to 58,401 million euros in December 2020; the 0.4% increase was mainly due to the growth in the securities portfolio.

**Loans and advances to customers** recognised as financial assets at amortised cost, and financial assets not held for trading, which must be measured at fair value through profit or loss, came to **30,655 million euros**, 0.9% less than at year-end 2020. In gross terms, i.e., without value adjustments for impairment of assets and other impairments, the loan portfolio amounted to 31,195 million euros. "Healthy" lending, at 28,862 million euros, excluding non-performing assets and reverse repos, declined by 93 million euros or 0.3% year on year. The profile of the Group's portfolio is low risk, with home loans accounting for 63% of the total. Without losing this specialisation, the Bank is progressively increasing its share of corporate loans, representing 28% of the total performing lending balance.

Distribution of loans and advances to customers by purpose:

| | Figures in thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| **Loans to households** | 19,818,759 | 20,382,751 | (563,992) | (2.8) |
| **Housing** | 18,100,029 | 18,614,885 | (514,856) | (2.8) |
| **Consumer loans and other** | 1,718,730 | 1,767,866 | (49,136) | (2.8) |
| **Corporate loans** | 8,015,693 | 7,497,607 | 518,086 | 6.9 |
| **Real estate development** | 973,401 | 940,570 | 32,831 | 3.5 |
| **Non-real estate productive activities** | 7,042,292 | 6,557,037 | 485,255 | 7.4 |
| **Public sector and other** | 1,027,984 | 1,075,429 | (47,445) | (4.4) |
| **Gross loans, ex impairments and reverse repos** | 28,862,436 | 28,955,787 | (93,351) | (0.3) |
| **Reverse repurchase agreements** | 1,615,394 | 1,620,857 | (5,463) | (0.3) |
| **Impaired assets** | 717,621 | 1,012,938 | (295,317) | (29.2) |
| **Gross loans and advances to customers** | 31,195,451 | 31,589,582 | (394,131) | (1.2) |
| **Impairment losses and others** | (540,425) | (647,178) | 106,753 | (16.5) |
| **Loans and advances to customers** | 30,655,026 | 30,942,404 | (287,378) | (0.9) |

The **normal loans to companies** amounted to 8,016 million, an increase of 6.9%. The market share of credit to non-financial corporations climbed eight basis points to 1.5%. The **financing of non-real estate productive activities** rose by 7.4%, due to the boost given to the corporate business, a key element in Ibercaja's strategy of diversifying its credit mix. Although of reduced importance, exposure to real estate development increased by 3.5%, in line with the reactivation of this sector in the residential sector. **Home loans** declined by 2.8%. Its main component, **home loans**, dipped by 2.8%. New production is still insufficient to compensate for natural maturities of the portfolio and higher early redemptions because of the accumulated savings pool and the level of retail deposit rates. However, there was a clear recovery in the last months of the year due to the boom in formalisations, so the portfolio in the fourth quarter remained virtually unchanged from the third quarter. In turn, **consumer credit and other financing to households,** with a limited weight in overall investment, fell by 2.8% due to a 4.4% decline in consumer credit, in an environment in which household spending is still recovering slowly.

**Loans and credits being arranged** totalled **5,421 million euros**, reaching pre-pandemic levels. New production to companies totalled 3,188 million euros, lower than the figure obtained in 2020 due to the base effect, since last year, it was enormously boosted by the granting of ICO credit lines partially guaranteed by the State with which companies stockpiled liquidity to mitigate the economic effects of COVID-19. The loans arranged for house purchases amounted to 1,431 million euros, similar to last year's amount. It is worth noting that they are revitalising after the sluggishness of previous months so that new production in the fourth quarter was more than 70% higher than the average granted during the first three quarters of 2021. In terms of geographic markets, Madrid and the Mediterranean Arc accounted for more than 51% of the year's new loans, while the Traditional Area accounted for 34%. In addition, the arrangement of working capital loans for companies exceeded 7,450 million, 15.7% more than in December 2020.

## Asset quality indicators (non-performance rate, foreclosed assets and coverage)

| | thousands of euros and % | |
|---|---|---|
| | 31/12/2021 | 31/12/2020 |
| **Non-performing loans and advances to customers** | 717,621 | 1,012,938 |
| **Loans and advances to customers, gross** | 31,195,451 | 31,589,582 |
| **Non-performance rate of loans and advances to customers (%)** | 2.30% | 3.21% |
| **Distressed assets (non-performing loans and advances to customers + repossessions)** | 1,259,862 | 1,632,465 |
| **Exposure (loans and advances to customers + repossessed assets)** | 31,737,692 | 32,209,109 |
| **Problem asset ratio (%)** | 3.97% | 5.07% |
| | | |
| **Non-performing loans and advances to customers** | 717,621 | 1,012,938 |
| **Coverage of non-performing risks** | 540,425 | 647,178 |
| **Coverage of non-performing risks (%)** | 75.31% | 63.89% |
| **Foreclosed assets (gross carrying amount)** | 542,241 | 619,527 |
| **Coverage of foreclosed assets** | 326,197 | 367,413 |
| **Coverage ratio of foreclosed assets (%)** | 60.16% | 59.31% |
| **Distressed assets (non-performing loans and advances to customers + repossessions)** | 1,259,862 | 1,632,465 |
| **Coverage of Problem assets** | 866,622 | 1,014,591 |
| **Coverage rate of Problem assets (%)** | 68.79% | 62.15% |
| **Distressed assets (non-performing loans and advances to customers + repossessions)** | 1,259,862 | 1,632,465 |
| **Equity and problem asset coverage** | 3,770,479 | 3,825,221 |
| **Texas Ratio (%)** | 33.41% | 42.68% |

The **asset quality indicators are evolving favourably** without the weakness of economic activity in some sectors and the maturity of most of the mortgage moratoriums being reflected in their trajectory. Impaired loans and advances to customers, at 718 million euros, declined 29.2% in the year due to the slower pace of NPL entries (down 26%) and the sale of a 51 million-euro portfolio of non-performing loans. Meanwhile, the volume of recoveries remained stable at 22% of the initial balance of non-performing loans. The contraction of impaired assets in Ibercaja has been significantly higher than that of the sector (-4.7% according to the latest statistical information from the Bank of Spain at the end of November).

The NPL ratio, 2.30%, is one of the lowest in the Spanish banking system. This ratio fell by 91 basis points compared to the end of 2020, widening the favourable spread vis-à-vis all banks to 199 basis points (130 basis points at the end of 2020). The coverage ratio of non-performing loans rose from 11.4 p.p. to 75.31%, one of the highest among comparable institutions.

The **foreclosed real estate portfolio**, recorded under the balance sheet headings investment property, inventories and non-current assets held for sale, totalled **542 million euros gross**, down 12.5% on December 2020, mainly as a result of the recovery in sales, up 52% on the previous year, following the upturn in the real estate market. Land sales amounted to 100 million, 56% of the total. The performance of inflows was also more favourable, falling by 10% year on year. The coverage of all real estate is 60.16%, with land coverage reaching 68.43%. The net value of foreclosed assets, at 216 million euros, decreased by 14.3%, representing only 0.4% of the balance sheet.

**Problem assets**, amounting to **1,260 million euros**, the sum of non-performing loans and advances to customers and foreclosed properties, fell 373 million euros or 22.8% in relative terms. Excluding hedges, net problem assets, at 393 million euros, declined 36.4% to 0.7% of assets. The ratio of problem assets, 3.97%, fell by 110 basis points during the year and the coverage ratio amounted to 68.79%, up almost seven percentage points in December 2020. The Texas ratio, which relates non-performing assets to equity and coverage, decreased to 33.41%, thus improving by 9.3 percentage points in the year.

The Group's refinancing and debt restructuring policy aims to help borrowers experiencing temporary financial difficulties meet their obligations and, where possible, improve risk quality by securing additional collateral. **Refinanced loans** amounted to 539 million euros, down 26.9% on year-end 2020 and accounting for only 1.7% of gross loans and advances to customers. 61.1% of refinanced loans are classified as non-performing, and their coverage is 42.7%. On 20 May 2021, Ibercaja adhered to the Code of Best Practices (CBP) to renegotiate guaranteed financing in Royal Decree-Law 5/2021, of 12 March, on extraordinary measures supporting business solvency in response to the COVID-19 pandemic. The CBP sets out the conditions under which financial institutions will provide debtors with the measures available to companies and the self-employed to renegotiate the conditions of ICO-COVID financing operations. At the end of 2021, the impact of these measures was very low, as only 6.8 million euros of deferrals were granted and there were no requests from customers in relation to the other measures envisaged in the CBP.

Regarding the loan portfolio distribution **by stage**, 5.0% of exposure is included in stage 2 (7.3% for all important Spanish institutions at the end of September), and its degree of coverage is 7.1%. This low level responds to the mortgage bias of Ibercaja's portfolio and a prudent policy of risk concession.

The **Group's portfolio of fixed-income securities, shares and participations in companies** amounts to **18,214 million euros**, of which 7,314 million euros correspond to the insurance business.

The **portfolio affected by banking activity**, 10,901 million euros, increased by 1,992 million euros in the year.

- The **ALCO portfolio** managed by the parent company increased by 2,023 million euros to 10,462 million euros due to acquisitions, mainly Spanish public debt, to restore it after the sale of securities in 2020 and to make the excess liquidity on the balance sheet profitable. This portfolio is made up of low-risk bonds, mainly Spanish government debt (63%) and Sareb bonds (16%), with an average duration, including coverage, of 5.3 years. The objective here is to soundly manage balance sheet interest rate risk, generate recurring earnings to strengthen the interest margin and help maintain comfortable levels of liquidity. According to the accounting classification, 94% of these financial assets are classified at amortised cost.
- **Equity**, 403 million euros, comprised investments in unlisted companies in strategic sectors for the Bank or intended for the territorial development of the regions in which the Bank operates, together with listed shares of domestic and foreign companies. The decrease for the year is 27 million euros.

**The portfolio assigned to insurance activity**, 7,314 million euros, declined by 243 million.

- **Fixed income**, 5,603 million euros, mainly Spanish public debt and that of credit institutions, decreased by 1,099 million, mainly due to the transfer from systematic savings insurance to Unit Linked. These assets are mainly classified as "Financial assets at fair value through other comprehensive income".

- **Equity**, 1.711 million euros, rose by 856 million euros, owing to Ibercaja Vida's increased investment in units in investment funds that are managed jointly with liabilities under insurance contracts (unit-linked) measured at fair value.

## Details of the securities portfolio

| | | Figures in thousands of euros | | |
|---|---|---|---|---|
| BY ACCOUNTING CLASSIFICATION | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| **Financial assets not held for trading mandatorily measured at fair value through profit or loss** | 1,666,941 | 852,179 | 814,762 | 95.6 |
| **Debt securities** | 0 | 28,009 | (28,009) | --- |
| **Equity instruments** | 1,666,941 | 824,170 | 842,771 | 102.3 |
| **Financial assets at fair value through profit or loss** | 7,451 | 8,602 | (1,151) | (13.4) |
| **Debt securities** | 7,451 | 8,602 | (1,151) | (13.4) |
| **Financial assets at fair value through other comprehensive income** | 6,464,034 | 7,023,328 | (559,294) | (8.0) |
| **Debt securities** | 6,118,358 | 6,669,456 | (551,098) | (8.3) |
| **Equity instruments** | 345,676 | 353,872 | (8,196) | (2.3) |
| **Financial assets at amortised cost** | 9,974,513 | 8,474,312 | 1,500,201 | 17.7 |
| **Investments in joint ventures and associates** | 101,328 | 106,525 | (5,197) | (4.9) |
| **Total securities portfolio** | 18,214,267 | 16,464,946 | 1,749,321 | 10.6 |

| | | Figures in thousands of euros | | |
|---|---|---|---|---|
| BY ACTIVITY AREA | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| **Banking business** | 10,900,580 | 8,908,586 | 1,991,994 | 22.4 |
| **Of which: fixed income - ALCO portfolio** | 10,462,235 | 8,439,326 | 2,022,909 | 24.0 |
| **Of which: fixed income - subsidiary portfolio** | 34,932 | 39,280 | (4,348) | (11.1) |
| **Of which: equities** | 403,413 | 429,980 | (26,567) | (6.2) |
| **Insurance business** | 7,313,687 | 7,556,360 | (242,673) | (3.2) |
| **Of which: fixed income** | 5,603,155 | 6,701,773 | (1,098,618) | (16.4) |
| **Of which: equity (Unit Linked)** | 1,710,532 | 854,587 | 855,945 | 100.2 |
| **Total securities portfolio** | 18,214,267 | 16,464,946 | 1,749,321 | 10.6 |

The **asset balance with central banks, credit institutions and cash** is **6,750 million euros**. The decrease in the year of 1,134 million euros, mainly concentrated in the heading "cash balances at central banks", is basically due to the aforementioned purchases of fixed-income securities.

**Liabilities to central banks and credit institutions** amounted to **6,616 million euros**, 0.6% more than in December 2020. At 5,871 million euros, funding from the ECB increased by 500 million euros, mainly due to the allotment of 559 million euros in the TLTRO III auction in March 2021. At 745 million euros, deposits from credit institutions fell by 463 million euros, mainly due to a decrease of 412 million euros in time deposits and a decrease in the volume of repurchase agreements with other institutions.

## Breakdown of cash and assets at credit institutions and deposits from credit institutions and central banks

| | Figures in thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| **Cash and cash balances at central banks and other demand** | 6,388,624 | 7,572,609 | (1,183,985) | (15.6) |
| **Credit institutions (financial assets at amortised cost)** | 361,357 | 311,651 | 49,706 | 15.9 |
| **Cash and credit institutions** | 6,749,981 | 7,884,260 | (1,134,279) | (14.4) |
| **Central bank deposits** | 5,871,128 | 5,371,202 | 499,926 | 9.3 |
| **Deposits from credit entities** | 745,174 | 1,207,820 | (462,646) | (38.3) |
| **Deposits from central banks and credit institutions** | 6,616,302 | 6,579,022 | 37,280 | 0.6 |

The **tangible assets** amount to **1,004 million euros**, an increase of 43 million euros since December, due to an increase of 18 million euros in property, plant and equipment for own use, as well as in operating leases and investment property of 16 million euros and 9 million euros, respectively. **Intangible assets**, **269 million euros**, comprise goodwill, other items generated from the acquisition of Caja3 and computer software. The development of strategic and regulatory projects explains the increase of 32 million in this heading.

The **tax assets**, **1,304 million euros**, decreased by 3.1%, due to a 3.3% decrease in deferred tax assets, because of their offset in the corporate income tax for 2021.

## Equity and liabilities

**Customer deposits** ended the year with a balance of **38,268 million euros**, 1.0% higher than at the end of 2020. This change resulted from a 2.7% increase in retail deposits, partially offset by the maturity of 525 million euros of covered bonds and the lower repurchase agreements. The increase in retail deposits, sight savings and traditional time deposits without covered bonds or repos was significantly lower than a year earlier when it reached 10.4%. Companies have made use of the liquidity accumulated, taking advantage of the ICO guarantee lines, and household deposits have significantly moderated their pace of growth as uncertainty has been reduced and as a result of the Bank's strategy of diversifying savings towards other financial assets with higher expected returns for the customer.

The **debt securities issued**, **1,316 million euros**, decreased by 24 million euros due to the combined effect of the maturity of securitisation liabilities and the issuance of senior preferred debt, eligible for MREL requirements, for 50 million euros.

**Liabilities under insurance or reinsurance contracts**, **7,121 million euros**, declined 5.3% due to the negative impact of low-interest rates on the performance of life savings insurance and the strategy of the Entity to encourage the transfer to unit-linked.

The **retail funds** under management on and off the balance sheet, **70,163 million euros**, increased 7.3%. In addition to the increase mentioned above in retail deposits, asset management and insurance grew 12.9% to 33,031 million euros. This item accounted for 47.1% of the Bank's total customer funds and 80% of the year-on-year increase.

## Details of total retail customer funds

| | Figures in thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| **Retail deposits** | 37,131,170 | 36,165,311 | 965,859 | 2.7 |
| **Demand deposits** | 34,673,081 | 33,014,125 | 1,658,956 | 5.0 |
| **Term deposits (exc. mortgage-backed bonds)** | 2,458,089 | 3,151,186 | (693,097) | (22.0) |
| **Asset and insurance management** | 33,031,334 | 29,245,650 | 3,785,684 | 12.9 |
| **Total retail funds** | **70,162,504** | **65,410,961** | **4,751,543** | **7.3** |

**Provisions** on the liability side of the balance sheet, **269 million euros**, comprise funds for pensions and similar commitments, outstanding labour costs and other provisions. The net change of 124 million euros was mainly due to the use of balances from previous years associated with redundancy plans, interest rate floor clauses and the Group's pension commitments to its employees.

**Equity** totalled **3,270 million euros**, 52 million more than at year-end 2020. The 93 million-euro growth in shareholders' equity offset the 41 million-euro decrease in "Accumulated other comprehensive income".

# 5.3 Income statement

*103-1, 103-2, 103-3*

> Ibercaja achieved a net profit of 151 million euros, a considerable improvement on the figure for the previous year.

## Main headings of the income statement:

| | Figures in thousands of euros | | | Change (%) |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | Change | |
| Interest margin | 492,826 | 533,673 | (40,847) | (7.7) |
| Net fees and commissions and exchange differences | 438,543 | 374,987 | 63,556 | 16.9 |
| **Recurrent revenues** | **931,369** | **908,660** | **22,709** | **2.5** |
| Gains/(losses) on financial assets and liabilities | 46,662 | 119,165 | (72,503) | (60.8) |
| Other operating profit/(loss) | (25,771) | (26,003) | 232 | (0.9) |
| Other operating income and expense | (40,902) | (31,790) | (9,112) | 28.7 |
| Dividends | 9,542 | 5,208 | 4,334 | 83.2 |
| Earnings at equity-accounted entities | 5,589 | 579 | 5,010 | - |
| **Gross income** | **952,260** | **1,001,822** | **(49,562)** | **(4.9)** |
| Operating expenses | (611,222) | (718,506) | 107,284 | (14.9) |
| **Profit before write-downs** | **341,038** | **283,316** | **57,722** | **20.4** |
| Provisions, impairment and other write-downs | (126,951) | (225,830) | 98,879 | (43.8) |
| . of which: COVID-19 write-downs | - | (90,124) | 90,124 | - |
| Other gains/(losses) | 686 | (4,016) | 4,702 | (117.1) |
| **Profit/(loss) before tax** | **214,773** | **53,470** | **161,303** | **301.7** |
| Taxes | (63,788) | (29,868) | (33,920) | 113.6 |
| **Consolidated profit/(loss) for the year** | **150,985** | **23,602** | **127,383** | **539.7** |
| **Profit/(loss) attributable to the Parent** | **150,985** | **23,602** | **127,383** | **539.7** |

The **interest margin** totalled **493 million euros**, **down 7.7% year-on-year**, mainly due to the decline in revenues from lending, the lower contribution from the fixed income portfolio and the lower contribution from the Group's insurance business. Part of this impact, caused by the low-interest rates, has been offset by the lower cost of retail and wholesale funding and the favourable conditions of the financing obtained from the ECB in the TLTRO III auction. In this respect, the Bank, considering the trend in eligible credit and business projections, has accrued interest at -1%.

**Revenues from lending** fell 14.1%, mainly due to lower unit yields. The average rate, at 1.19%, contracted 17 basis points from 2020 as a result of the repricing of the mortgage portfolio following the decline in the 12-month Euribor, lower market interest rates on corporate financing and the high volume of ICO loans formalised with a reduced yield to which the cost of the guarantee is imputed. It should be noted that the mortgage portfolio has already fully reflected the decline in the benchmark.

The **retail saving cost** fell due to the lower balance and rate of term deposits and the charging of negative interest, in certain circumstances, on credit balances on demand accounts.

The yield on loans and advances to customers fell 17 basis points year-on-year to 1.19%, while the cost of retail savings fell one basis point to -0.02%, bringing the **customer spread** to 1.21%, 16 basis points lower than the 1.37% recorded at the end of 2020.

The **yield on the fixed income portfolio** is 34 million euros and represents 6.2% of interest income. The year-on-year decrease, 23 million, is due to the decrease in the average return (0.34% vs 0.66% in 2020) due to the rotation of securities following sales in 2020.

The **cost of wholesale issues** amounted to 33 million, 37.8% less than in 2020, due to the maturity of non-renewed mortgage covered bonds and because until July 2020 part of the subordinated wholesale debt issued in 2015 remained on the balance sheet and was refinanced last year by another lower-cost issue.

The **Group's balance sheet spread** stood at 0.85% at the end of 2021, 11 basis points lower than the previous year.

## Breakdown of interest margin:

| (figures rounded to millions of euros) | 2021 | | | 2020 | | | Change 21/20 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Balance average | Perf Cost | Perf Cost (%) | Balance average | Perf Cost | Perf Cost (%) | Effect volume | Effect rate | Change net |
| **Financial intermediaries** | 7,912 | 67 | 0.85 | 6,234 | 54 | 0.87 | 15 | (1) | 13 |
| **Loans and advances to customers** | 28,862 | 343 | 1.19 | 29,400 | 399 | 1.36 | (7) | (49) | (56) |
| **Fixed income portfolio** | 9,969 | 34 | 0.34 | 8,526 | 57 | 0.66 | 10 | (32) | (23) |
| **Income from insurance activity** | 7,519 | 105 | 1.40 | 7,634 | 122 | 1.60 | (2) | (15) | (17) |
| **Other assets** | 3,603 | 1 | --- | 3,685 | 1 | --- | 0 | (1) | (1) |
| **ASSETS (c)** | **57,865** | **550** | **0.95** | **55,479** | **633** | **1.14** | **27** | **(110)** | **(83)** |
| **Financial intermediaries** | 6,792 | 24 | 0.35 | 5,085 | 30 | 0.58 | 10 | (16) | (6) |
| **Retail deposits (b)** | 35,924 | (7) | (0.02) | 34,333 | (3) | (0.01) | 0 | (4) | (4) |
| **Wholesale issues** | 2,588 | 33 | 1.26 | 3,254 | 53 | 1.61 | (11) | (9) | (20) |
| **Costs of insurance activity** | 7,291 | 2 | 0.02 | 7,632 | 15 | 0.20 | (1) | (13) | (14) |
| **Other liabilities** | 5,270 | 5 | --- | 5,175 | 4 | --- | 0 | 1 | 1 |
| **LIABILITIES (d)** | **57,865** | **57** | **0.10** | **55,479** | **99** | **0.18** | **4** | **(46)** | **(42)** |
| **Customer spread (a-b)** | | | **1.21** | | | **1.37** | | | |
| **Balance sheet spread (c-d)** | | | **0.85** | | | **0.96** | | | |

Note: In accordance with accounting regulations, income derived from the application of negative rates is recognised according to its nature. "Financial intermediaries" on the assets side includes the negative interest on the financial intermediaries' balances on the liabilities side, the most significant of which is the income from TLTRO III. Symmetrically, "Financial intermediaries" on the liabilities side include negative interest on financial intermediaries' balances on the assets side.

**Net fees and exchange differences** totalled **439 million euros, 16.9% more than in 2020**. Marketing and asset management fees rose 25.5%, due to the higher volume of assets under management in off-balance-sheet products and the increase in success fees, because of the excellent performance of the markets in the year. Fees from banking activity increased 3.3%, mainly due to the 8.9% rise in collection and payment services fees, while those associated with securities trading and contingent liabilities and commitments declined.

## Net fees and commissions:

| | Figures in thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| Fees for contingent liabilities and commitments | 11,366 | 12,002 | (636) | (5.3) |
| Collection and payment services fees | 123,161 | 113,084 | 10,077 | 8.9 |
| Securities services fees | 49,581 | 38,992 | 10,589 | 27.2 |
| . Administration, custody and trading of securities | 7,954 | 9,241 | (1,287) | (13.9) |
| . Asset management | 41,627 | 29,751 | 11,876 | 39.9 |
| Non-bank financial product marketing fees | 254,860 | 206,590 | 48,270 | 23.4 |
| Other fees | 18,527 | 20,103 | (1,576) | (7.8) |
| **Fees received** | **457,495** | **390,771** | **66,724** | **17.1** |
| | | | | |
| **Fees paid** | **(19,509)** | **(16,636)** | **(2,873)** | **17.3** |
| | | | | |
| **Exchange differences** | **557** | **852** | **(295)** | **(34.6)** |
| | | | | |
| **Net fees and commissions and exchange differences** | **438,543** | **374,987** | **63,556** | **16.9** |
| | | | | |
| Fees for marketing and asset management | 288,925 | 230,218 | 58,707 | 25.5 |
| Banking fees and commissions | 149,618 | 144,769 | 4,849 | 3.3 |

**Recurrent revenues**, the aggregation of the interest margin and net fees and commissions, **were 2.5% higher at 931 million euros**. The excellent performance of fees, especially those linked to asset management, offset the decline in the interest margin, basically affected by the trend in the yield curve, which put pressure on the performance of the credit and fixed income portfolios. Recurrent revenues amounted to 243 million euros in the fourth quarter, 5.4% more than in the same quarter of 2020 and above pre-pandemic levels, thanks to the commercial dynamism focused particularly on asset management.

The **dividend income** amounted to **10 million euros**, compared to 5 million euros the previous year. The increase is explained by the Caser stake (3.5 million euros) and by the fact that in 2020 many companies suspended dividend distributions for reasons of prudence in view of the COVID-19 crisis.

**Gains from lending transactions** stood at **47 million euros**. This mainly includes realised capital gains of 33 million euros on the forward sale in 2020 of a national public debt securities portfolio, which became effective in the first quarter of 2021. Compared to a year earlier, the decrease is due to the fact that 115 million euros of capital gains were recognised in 2020 on the part of the cash sale of the debt mentioned above portfolio at amortised cost.

The **net of other operating income and expenses** in the income statement includes, inter alia, income and expenses from insurance and reinsurance contracts, income and expenses from non-financial activities and contributions to the Deposit Guarantee Fund (51.8 million euros), to the National Resolution Fund (13.8 million euros) and the expense of the asset benefit from the conversion of deferred tax assets into a receivable from the Spanish tax authorities (2.7 million euros). In 2021 this heading shows an **expenditure of 41 million euros, compared to 32 million euros a year earlier**. The higher expense was mainly due to the 15 million euros recorded in 2020 under "Other operating income" for signing the novation agreement amending the non-life insurance distribution contract with Caser.

The **results of entities accounted for using the equity method** amount to **6 million euros**. The improvement compared to a year earlier comes from the result of Rioja Nueva Economía, following the sale of its subsidiary Energía de Alternativas Eólicas Riojanas.

**Gross income** was **952 million euros**, 4.9% lower than at the end of 2020. The contraction was due to lower net trading income, as recurrent revenues rose 2.5% year on year to account for 98% of gross income.

**Operating expenses**, **611 million euros**, were down 14.9%. Excluding the impact of the costs arising from the ongoing Redundancy Proceedings (151 million euros endowed in 2020 and 12.8 million euros of additional cost in 2021), the **recurring expenses**, **598 million euros**, increase by 5.4%, returning to 2019 levels once the operating cost-saving measures adopted in 2020 by COVID-19 have been finalised.

Personnel expenses, excluding one-offs, increased by 31% due to the achievement of certain variable remuneration targets in 2021 and the accrual of the multi-year incentive plan (ILP). The cost savings from the redundancy programme will materialise progressively, as the redundancies of employees under the plan are being staggered until they end in June 2022. At December 2021, there have been 525 departures out of the 750 approved and the closure of 117 branches out of the 199 planned.

Other administrative expenses and write-downs increased by 9.3% due to the slowdown in projects and activities in 2020 as a result of the emergence of COVID-19 and the launch of the Strategic Plan, which has increased the cost of external services and technical reports associated with the implementation of the various initiatives envisaged therein.

## Breakdown of operating expenses:

| | Figures in thousands of euros | | | |
|---|---|---|---|---|
| | 31/12/2021 | 31/12/2020 | Change | Change (%) |
| Wages and salaries | (270,847) | (263,920) | (6,927) | ,2.6 |
| Social security contributions | (68,638) | (68,660) | 22 | 0.0 |
| Contribution to pension funds and insurance policies | (17,667) | (17,698) | 31 | (0.2) |
| Severance payments | (16,333) | (151,072) | 134,739 | (89.2) |
| Other staff costs | (1,698) | (1,218) | (480) | 39.4 |
| **Personnel expenses** | **(375,183)** | **(502,568)** | **127,385** | **(25.3)** |
| Buildings, installations and office equipment | (27,668) | (26,484) | (1,184) | 4.5 |
| Systems maintenance, licences, IT development and software | (21,879) | (22,239) | 360 | (1.6) |
| Communications | (12,154) | (10,864) | (1,290) | 11.9 |
| Advertising and publicity | (5,771) | (5,003) | (768) | 15.4 |
| Charges and taxes | (18,170) | (20,221) | 2,051 | (10.1) |
| Other management and administration expenses | (83,424) | (68,209) | (15,215) | 22.3 |
| **Other general administrative expenses** | **(169,066)** | **(153,020)** | **(16,046)** | **10.5** |
| **Depreciation and amortisation** | **(66,973)** | **(62,918)** | **(4,055)** | **6.4** |
| **Operating expenses** | **(611,222)** | **(718,506)** | **107,284** | **(14.9)** |
| **Recurring operating expenses** | **(598,380)** | **(567,465)** | **(30,915)** | **5.4** |
| Staff costs ex WAP costs | (362,341) | (351,527) | (10,814) | 3.1 |
| Other general admin. expenses + depreciation and | (236,039) | (215,938) | (20,101) | 9.3 |

The **cost-to-income ratio**, defined as the quotient of recurring operating expenses and gross income, stood at **62.8%**. The **recurrent efficiency ratio**, measured as recurring expenses over recurrent revenues, is **64.2%**.

**Before write-downs, the recurring income** was **333 million euros,** 2.4% less than a year earlier, as the increase in recurrent revenues did not fully offset the increase in operating expenses.

Provisions and write-downs reported as losses on impairment of financial assets, non-financial assets, non-current assets held for sale and allowances for provisions, 127 million euros, reduced by 43.8% in relation to 2020.

The **provisions for loans and foreclosed real estate**, **114 million euros,** amount to 119 million less than in 2020, as a non-recurring provision of 90 million euros was set up in the previous year to cover the potential impact of the economic effects associated with COVID-19. Stripping out this extraordinary provision, the decrease was 20.1% due to lower entries in NPLs. The **Group's cost of risk**, calculated as the ratio of credit and real estate impairments to average exposure, was **35 basis points**, lower than the normal cost for 2020 as a whole of 43 basis points.

The heading **provisions** includes provisions for pensions, litigation, pending tax litigation, commitments and guarantees given and other provisions. It records a **charge of 6 million euros** basically for contingencies related to interest rate floor clauses and mortgage loan expenses, in contrast to the release of 14 million euros in 2020, due to the reversal of a provision set up in 2019 associated with the repurchase of subordinated bonds and the expiry of a contingency linked to labour costs.

**Other gains and losses** include the results of the sale of property, plant and equipment and business interests, as well as the payment of fees for the marketing of foreclosed properties. This heading recorded an **income of 0.7 million euros**, compared to a loss of 4 million euros in 2020. The improvement is due to the higher result from the disposal of assets as a result of the economic recovery.

The Group's **pre-tax profit** amounted to **215 million euros**. After deducting the amount paid in corporate income tax, the **net profit attributable to the parent company** is **151 million euros,** 127 million more than in 2020.

The **ROTE** (ratio of net income to average tangible equity) reached **5.7%,** compared to 0.9% in 2020.

# 5.4 Funding and liquidity structure

Retail deposits are the basis of the Group's outside funding.

Ibercaja has traditionally employed a **conservative liquidity policy**, as it seeks to finance the growth of its lending activity with retail customer funds. The Bank prudently manages its liquidity and ensures that its source have of financing are balanced and well-diversified, anticipating fund needs to honour its obligations as these fall due without conditioning its investment activity to the climate of wholesale financing markets.

The basic principles governing **this strategy** are: active management through an **ongoing monitoring system**, based on internal limits and indicators documented in the Liquidity Manual; establishing **measures and actions to respond to crisis scenarios (contingency plan)**, harnessing the various alternatives offered by the market to diversify investments in relation to their duration and ensure an appropriate mix of highly-liquid instruments; and maintaining a significant **guarantee asset buffer at the ECB** to cover possible tensions.

**Liquidity risk is measured** by taking into account the **estimated cash flows from assets and liabilities** and any **additional collateral or instruments** that may be needed so as to ensure alternative sources of liquidity. **Short, medium and long-term outlooks** are prepared to gauge financing needs and limit compliance. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown on the balance sheet and contingent liabilities and derivative products. Liquidity risk is also controlled by establishing **exposure limits**, within ranges compatible with the approved policies.

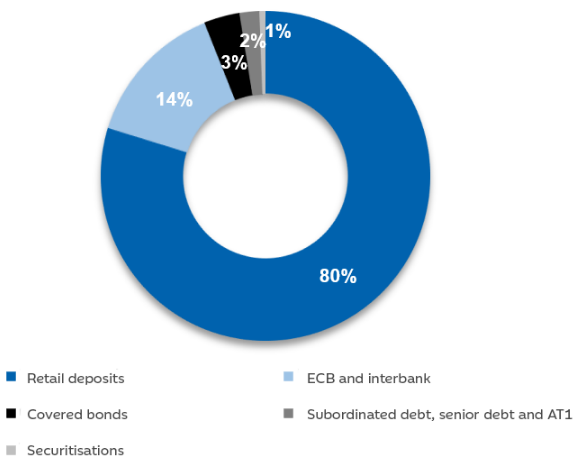
***Note 3.8.** to the **annual accounts for 2021** provides a more detailed explanation of the **Bank's strategy and policies for managing liquidity risk**, as well as the associated measurement and control procedures.*

**Retail customer deposits** are the **main source of outside funding, accounting for 79.8% of the total**. The loan to deposit ratio (LTD) stands at 78.2%. It declined by 2.9 percentage points during the year, mainly due to a 2.7% increase in retail deposits.

**Wholesale funding** supplements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.

The **central bank deposits**, **5,871 million euros**, came entirely from TLTRO III tenders. Ibercaja has borrowed an additional 559 million euros this year to the 5,400 million at the end of 2020. As a result, its weight in total outside funding has risen from 11.6% in December 2020 to 12.6% at 31 December 2021.

Breakdown of funding structure




**Deposits from credit institutions**, **745 million euros**, accounted for 1.6% of borrowed funds, compared with 2.6% at the end of 2020. The decline of 463 million euros was due to a reduction of 412 million euros in term deposits and a decrease in the volume of repurchase agreements with other institutions.

**Customer deposits**, 82.2% of total funding (82.1% in December 2020), increased by 1.0% from 37,881 million euros at the end of the previous year to **38,268 million euros** in December 2021. The change was due to a 2.7% rise in retail deposits, partially offset by the maturity of 525 million euros of special mortgage covered bonds and lower repurchase agreements.

**Debt securities issued**, **1,316 million euros**, decreased 1.8% to 2.8% of borrowings, compared to 2.9% in 2020. The decrease of 24 million euros was due to the combined effect of the maturity of securitisation liabilities and the issuance of senior preferred debt, eligible for compliance with MREL requirements, for 50 million euros.

## Composition of outside funding:

| Figures in thousands of euros and % | 31/12/2021 | | 31/12/2020 | | Change | |
|---|---|---|---|---|---|---|
| | BALANCE | % | BALANCE | % | BALANCE | % |
| **Central bank deposits** | 5,871,128 | 12.6 | 5,371,202 | 11.6 | 499,926 | 9.3 |
| **Deposits from credit entities** | 745,174 | 1.6 | 1,207,820 | 2.6 | (462,646) | (38.3), |
| **Customer deposits** | 38,268,280 | 822 | 37,881,253 | 82.1 | 387,027 | 1.0 |
| **. Of which: retail deposits** | 37,131,170 | 79.8 | 36,165,311 | 78.4 | 965,859 | 2.7 |
| **Debt securities issued** | 1,316,321 | 2.8 | 1,340,670 | 2.9 | (24,349) | (1.8) |
| **AT1 issue** | 350,000 | 0.8 | 350,000 | 0.8 | --- | --- |
| **OUTSIDE FUNDING** | **46,550,903** | **100.0** | **46,150,945** | **100.0** | **399,958** | **0.9** |
| **Retail financing** | 37,131,170 | 79.8 | 36,165,311 | 78.4 | 965,859 | 2.7 |
| **Wholesale financing** | 9,419,733 | 20.2 | 9,985,634 | 21.6 | (565,901) | (5.7) |

The **available liquidity**, **15.25 billion euros**, represents 26.0% of assets. Taking into account the issuance capacity of covered bonds and covered bonds, 8,776 million, the **total liquidity available** is **24,027 million euros**.

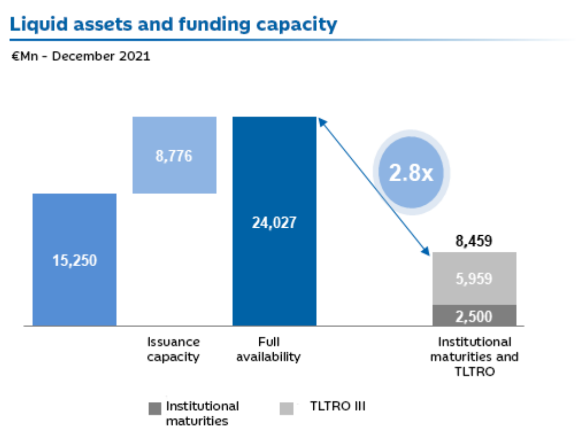
Liquidity metrics remain at very comfortable levels. The liquidity coverage ratio (LCR), which measures the level of high-quality liquid assets free of charges needed to overcome a liquidity stress scenario at 30 days, stands at **452.0%**, well clear of the 100% regulatory requirement. The **NSFR** ratio is **152.2%**. This indicator shows the proportion of funding for one year covered by stable liabilities, the aim being to ensure an even balance sheet structure that limits excessive reliance on short-term wholesale funding.

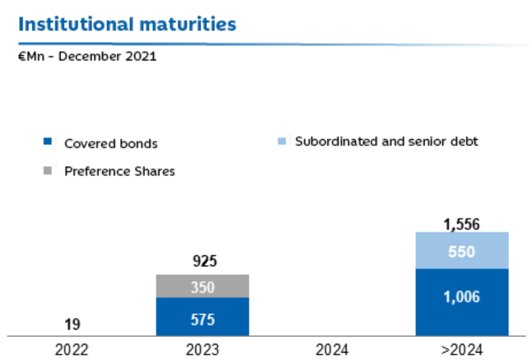
# Liquidity Indicators:

| Figures in thousands of euros and % | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Cash and central banks** | 6,183,416 | 7,319,717 |
| **Available in policy** | 1,050,679 | 891,981 |
| **Eligible assets not included in the policy** | 7,590,280 | 6,421,078 |
| **Other assets not eligible for ECB** | 425,796 | 326,665 |
| **AVAILABLE LIQUIDITY** | **15,250,171** | **14,959,441** |
| **Issuance capacity for mortgage covered and public-sector covered bonds** | 8,776,402 | 8,379,866 |
| **TOTAL AVAILABLE LIQUIDITY** | **24,026,573** | **23,339,307** |
| | | |
| **Available liquidity/total assets (%)** | 26.0% | 25.6% |
| **Loan-to-deposit ratio (%)** | 78.2% | 81.1% |
| **LCR (%)** | 452.0% | 468.1% |
| **NSFR (%)** | 152.2% | 151.5% |

The collateral policy with the ECB includes pledged assets with a discountable value of 6,938 million euros, of which Ibercaja has drawn down 5,959 million, and therefore maintains an **available balance** de **1,051 million euros**, which the Entity can access to meet its liquidity needs.

The **maturities of wholesale market issuances** present a staggered redemption schedule through to 2027. The total liquidity available, 24,027 million euros, covers 2.8 times the debt maturities and the amount taken in the TLTROs III auction.



## Expected liquidity trends and fluctuations:

Business development projections suggest that the Group will have adequate levels of liquidity in the short and medium term, in line with both internal management and regulatory limits. The Bank has a high weight of retail funding, which is highly stable, and wholesale issues are of little relevance and staggered maturity. However, in the event of a hypothetical increase in liquidity tensions in the economy or a contraction in the credit market affecting liquidity and the deposit base, the Group, in addition to its current comfortable liquidity position, has various sources of funding (issuance of senior debt and covered bonds, as well as recourse to ECB funding through pledging of fixed-income securities, own issues and securitisation of assets), as well as recourse to ECB financing through the pledging of fixed income, own issues and asset securitisation) and, if necessary, would implement the specific Contingency Plan it has established for crisis situations.

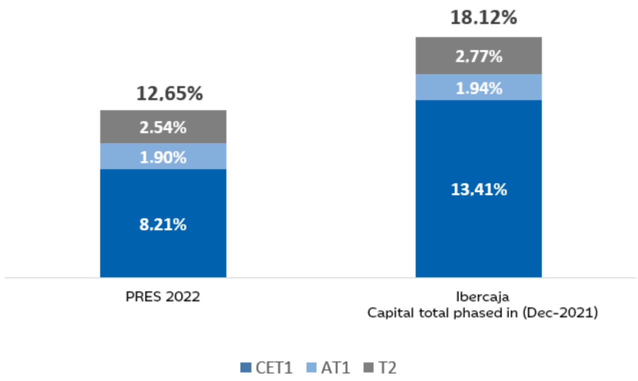
# 5.5 Capital management

> Solid solvency ratios well above regulatory requirements and exceeding medium-term targets.

The **Group's capital management** is designed to ensure **that regulatory requirements are fulfilled at all times and to maintain an adequate relationship between the risk profile and own funds**. Capital adequacy is self-assessed by the Bank on a regular basis through processes to identify, measure and aggregate risks in order to determine the capital needed to cover them. Above and beyond minimum regulatory capital requirements, the Group sets itself a capital target that exceeds actual needs and it forecasts capital sources and consumption on the basis of business performance and expected results in the midterm.

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, Ibercaja Banco will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following the European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11 of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity.

In February 2022, Ibercaja has received the decision regarding the new minimum prudential capital requirements from the European Central Bank once the results of the Supervisory Review and Evaluation Process (SREP) are known.




This decision means that Ibercaja Banco must maintain, **from 1 March 2022, a Common Equity Tier 1 phased-in (CET1) ratio of 8.21% and a Total Capital phased-in ratio of 12.65%.** This total capital requirement includes the minimum Pillar 1 requirement (8%, of which CET1 4.5%), the Pillar 2 requirement (2.15%, of which at least 1.21% must be met with CET1) and the capital conservation buffer (2.5%).

The Ibercaja Group's total capital at 31 December 2021 amounts to 3,270 million euros and represents a **total capital ratio** of **18.12%**. The **phased-in CET1 ratio**, which measures the relationship between Tier 1 capital and risk-weighted assets, was **13.41%.** Based on the PRES in force from 2022, these capital levels imply an excess of CET1 and total Capital of 5.47 and 5.20 percentage points, respectively. The **ratio pay-out, 65%**, is one of the highest in the Spanish banking system.

# Solvency performance and key indices

| (Figures rounded to million euros and %) | Phased in 31/12/2021 | Phased in 31/12/2020 | Fully loaded 31/12/2021 | Fully loaded 31/12/2020 |
|---|---|---|---|---|
| **Tier 1 capital** | 2,770 | 2,835 | 2,640 | 2,640 |
| **Common Equity Tier 1** | 2,420 | 2,485 | 2,290 | 2,290 |
| **Additional Tier 1 capital** | 350 | 350 | 350 | 350 |
| **Tier 2 capital** | 500 | 500 | 500 | 500 |
| **Total Capital** | 3,270 | 3,335 | 3,140 | 3,140 |
| **Risk-weighted assets** | 18,052 | 18,248 | 18,014 | 18,191 |
| **RWA density (RWAs/total assets)** | 30.79% | 31.25% | --- | --- |
| **Tier I (%)** | 15.35% | 15.53% | 14.65% | 14.51% |
| **CET1 (%)** | 13.41% | 13.62% | 12.71% | 12.59% |
| **AT1 (%)** | 1.94% | 1.92% | 1.94% | 1.92% |
| **Tier 2 (%)** | 2.77% | 2.74% | 2.78% | 2.75% |
| **Total capital ratio (%)** | 18.12% | 18.27% | 17.43% | 17.26% |
| **Leverage ratio (%)** | 6.01% | 6.26% | 5.75% | 5.85% |
| **MREL ratio based on RWA (%)** | 18.39% | 18.27% | | |
| **MREL ratio based on LRE (%)** | 7.21% | 7.36% | | |

**In terms of fully loaded**, the **total capital ratio** increased by 17 basis points to **17.43%**, one of the highest in the sector, while CET1 rose to **12.71%**, both ratios exceeding the Bank's medium-term target. The **increase in the year in CET1 was 12 basis points,** due to the decrease of 1% in risk-weighted assets, mainly due to the contraction of non-performing loans.

The **leverage ratio** shows the ratio of a credit institution's capital to assets, irrespective of the degree of riskiness of those assets. The 3% leverage ratio requirement, set by the EU Banking Reforms that came into force on 27 June 2019, has become mandatory on 28 June 2021.

In September 2020, in the context of the COVID-19 crisis, the ECB allowed credit institutions to temporarily exclude certain exposures to central banks from the denominators of their leverage ratios, an option taken up by Ibercaja. In June 2021, the ECB extended this measure until the end of March 2022 so that, as at 1 April 2022, exposures to central banks will again have to be included in the leverage ratio.

At the end of 2021, the **fully-loaded leverage ratio of the Ibercaja Group** far exceeds the minimum requirement, reaching 5.75%.

The new Bank Recovery and Resolution Directive (BRRD2) sets 1 January 2024 as the date for compliance with the **MREL requirements** and sets an intermediate requirement to be met by 1 January 2022. Both are to be expressed as a percentage of risk-weighted assets and leverage ratio exposure.

According to the Bank of Spain's notification of the latest decision of the Single Resolution Board, the Group must have **as at 1 January 2024,** a percentage of own funds and eligible liabilities of **18.59% of risk-weighted assets (21.09% including the combined requirement of capital buffers)**. The requirement **in terms of leverage ratio was 5.21%**. The intermediate requirement at 1 January 2022 is 15.38% with respect to risk-weighted assets (17.88% including the combined capital buffer requirement) and 5.21% in terms of the leverage ratio. The Ibercaja Group's MREL ratio at December 2021 amounts to **18.39% of risk-weighted assets and 7.21% of leverage ratio exposure, levels above those required at 1 January 2022**. The requirements established for 1 January 2024 are aligned with the Bank's financing and capital plan.

According to the definition of Distributable Items in the CRR, the balance of Distributable Items, at the individual level of Ibercaja Banco as at 31 December 2021, amounts to **380 million euros.**

# 6 Commitment to sustainability: management progress. Non-Financial Information Statement (NFS)

# 6.1 Sustainability strategy

*102-12, 102-15, 102-16, 102-19, 102-20, 102-21, 102-26, 102-28, 102-30, 102-31, 102-32, 102-43, 102-44, 103-1, 103-2, 103-3, 305-3, 201-2*

> Ibercaja is committed to ensuring that its business objectives promote sustainable development, integrating environmental, social and good governance aspects into its strategy and business decision-making.

Events such as the **Paris Agreement of 2015** on climate change, the pandemic we are experiencing and the ensuing economic crisis have marked a turning point in our societies, which are moving decisively towards the **new socio-economic paradigm of sustainability**. This is a challenge that banks, in particular, key players in the economy, must take up. We play a leading role in the change towards a sustainable world and our decisions are based on its impact on the climate, the social changes that are taking place, and the governance of companies and institutions. At Ibercaja, we not only move towards sustainability, we actively promote it.

> **CHALLENGE**
>
> *The challenge that Ibercaja has taken on is to ensure that the* ***business objectives promote sustainable development, preserving natural resources and promoting a more just and inclusive society.***

Since the start, Ibercaja has been an entity with a clear **social commitment** to the development of its activity, focused on supporting the country, the business fabric and the most vulnerable groups. Along these lines, it continues moving forward to respond to the growing sustainability-related needs.

**CORPORATE PURPOSE**

*"Help people build their life story because it will be our story"*

In carrying out its financial activity, Ibercaja is very mindful of its **Corporate Purpose**: *"Helping people to build the story of their lives"*, and is aware that its actions must promote a balance between economic growth, social cohesion and the preservation of the environment. Ibercaja is a signatory to the ten principles of the Global Compact, is firmly committed to the Sustainable Development Goals of the 2030 Agenda, and is a signatory to the **United Nations Principles for Responsible Banking** to advance in the configuration of a sustainable banking system.

# Sustainability Policy

The Ibercaja Group's **commitment** to sustainable growth was endorsed with the approval in December 2020 by the Board of Directors of the **Sustainability Policy**, a document that sets out this commitment and establishes the **global action framework** for sustainability, containing the commitments voluntarily undertaken by Ibercaja with its stakeholders to promote sustainable, inclusive and environmentally-friendly growth, with a long-term vision.

## Ibercaja's sustainability strategy is based on five cornerstones:

***ESG RISKS***: *identification and management for its gradual integration into the Entity's global risk analysis.*

***SUSTAINABLE BUSINESS***: *analysing needs and identifying business development opportunities that accompany customers in the transition to a sustainable economy, including climate change.*

***PEOPLE***: *The company is committed to the integral development of its employees, providing them with the necessary training for the new context and promoting the reconciliation of work, personal and family life.*

***TRANSPARENCY*** *for all its stakeholders, promoting communication of the business's financial and non-financial aspects.*

***PROTECTION OF THE ENVIRONMENT*** *and its resources, mitigating climate change and favouring the development of a more inclusive and egalitarian society.*

# Principles of Sustainability

> *Sustainable development is based on certain* ***principles of action*** *that cover any type of activity or decision to be addressed:*

*Maximum respect for and promotion of* ***ethics and good governance.***

*Promotion of the* ***Sustainable Development Goals of the 2030 Agenda****, promoting the goals they pursue through its business activity.*

***Defence of human rights*** *in line with the UN Global Compact.*

*Promotion of the* ***personal and professional development*** *of employees.*

*Prudent and global management of all* ***financial and non-financial risks****.*

*Defence of* ***transparency****, promoting clear, complete and truthful communication.*

*Contribution to* ***social integration****.*

***Defence of the environment****, contributing to the decarbonisation of the economy and promoting sustainable activities aligned with the objectives of the Paris Agreement and the European Green Pact.*

Ibercaja has a governance structure that allows it to manage sustainability adequately.

Additionally, the following **Committees and Working Groups** have been set up:

- **The Sustainability Communication Working Group**, with a cross-cutting function, aims to define messages and plan contents and channels to achieve a greater scope and effectiveness of said communication.
- **Family Responsible Company Committee**, responsible for implementing the FRC plan to ensure a healthy balance between the personal, family and working lives of employees. Ibercaja has earned the FRC (Family Responsible Company) badge, which certifies its proactive commitment to ensuring a suitable work-life balance.
- **Environment Team**, comprising volunteer employees from various areas and departments, who are asked to come up with actions for raising awareness and driving best environmental practices across the Group.

# 2021 - 2023 Strategic Plan

desafío 2023

Given the relevance that sustainability has for the Entity, within the new Strategic Plan defined for 2021-23, the **Purpose and Sustainability Initiative** has been established, **an enabling transversal line of work**, with the **Steering Committee** as a sponsor, to integrate Corporate Purpose into our culture and sustainability into the organisation's strategy. For the latter objective, cross-cutting and multidisciplinary teams are working on the following lines of action:

## 1. ESG Risk Management

To identify, integrate, manage and control ESG risks, advancing prudent risk management in line with supervisory expectations and commitments.

An **Action Plan for climate and environmental risk management** was prepared in 2021, which responds to the ECB's expectations and has been assessed as adequate by the supervisor, both in terms of content and feasibility. As a highlight, the policies and manuals for managing credit, market, liquidity and operational risks have begun to include aspects related to environmental climate risks. Regarding **Credit Risk**, work has been done to align the approval processes with the requirements of the new EBA Guidance on Loan Origination and Monitoring. Progress has also been made in the development of a **mapping of climate and environmental risks**, which will allow for a better understanding of these risks and their transmission channels to prudential risks. More detailed information on these aspects is included in chapters 6.12. and 7 of this consolidated directors' report.

## 2. Sustainable Business Strategy

To align commercial strategy with the Principles of Responsible Banking, responding to the needs of our customers and the objectives of society. In this way, we accompany our customers in the transition to a sustainable future and a low-carbon economy.

This year, an **impact analysis** was carried out to detect the main risks and opportunities related to climate change, and the framework of the **GSA business strategy** to be undertaken in the coming years was designed to respond to the main expectations and needs of our customers in terms of sustainability. Progress has also been made in the **communication and awareness of our customers** in sustainability to accompany them in the transition to a decarbonised economy.

Also, in 2021, the **offering of ESG products** has been expanded, both in investment and financing. In financing products, the focus has been on supporting energy efficiency improvements and access to Next Generation grants. In addition, to accompany our clients on this path to sustainability, various agreements have been signed **(Extremadura Avante Agreement and IDEA Agreement)** focusing on the energy efficiency of buildings. A **collaboration agreement, ACIERTA ASISTENCIA**, has also been signed for advice, management and energy efficiency works.

More complete information on the sustainable business strategy can be found in chapter 6.3. of this report.

## 3. Communication and Sustainable Impact

Creating a framework of permanent and continuous communication over time with our stakeholders reinforces the Ibercaja Group's commitment to sustainability and transparency.

In 2021, holding the **1st Ibercaja Planet Week**, an initiative carried out from 18 to 24 October, coinciding with the celebration of the **International Day for Combating Climate Change,** was a highlight. The aim has been to accompany **customers, employees and society** on the road to sustainability. Under the slogan ***Protecting the environment and fighting climate change***, various business conferences, round tables, volunteer actions, publications in the sustainability blog, competitions, eco-advice, etc., were organised nationwide, achieving wide dissemination and repercussions among customers, employees and society.

A **proactive sustainability communication** has been maintained during the year, with 26 press releases, nine communication reports in the written media, 15 collaborations with media experts and the organisation of several sustainability events. In addition, we actively participated in celebrating the 2nd anniversary of the signing of the Principles of Responsible Banking.

## 4. Our Footprint-Synergy with foundation shareholders

To develop and promote lines of collaboration with the shareholder Foundations, which respond to the main social and environmental needs of our territories of action, making the commitment of the entire Ibercaja Group more visible and achieving a greater impact on society and the environment.

Of particular note is the project **"Vamos juntos hacia la sostenibilidad"** (Let's move towards sustainability together), in collaboration with the Ibercaja Foundation, aimed at the Bank's customers, to accompany them on the necessary path towards the integration of ESG aspects in their business and help them, with training and support, to align their activity with the Sustainable Development Goals. A **specific line of sustainability training** has also been prepared for both companies and individuals. In addition, a new line of work has been developed to implement **environmental actions**, with the firm commitment to contribute to the mitigation of climate change.

The sustainability project is completed with a **Professional Development Plan** that includes a specific line of **training in sustainability** to accompany and train our professionals in the new skills necessary for them to help our customers along this path.

## Supervisory expectations of the European Central Bank: Climate and Environmental Hazards Guide

In November 2020, the European Central Bank (ECB) published its ***"Guidance on climate-related and environmental risks"***, containing 13 supervisory expectations developed in 4 blocks on the management and communication of these risks. The aim of this document is to **raise the financial sector's awareness and preparedness** so that **these risks are considered in governance frameworks, corporate strategy and transparent communication**, thereby improving its climate and environmental reporting.

### The four blocks identified are:

| BUSINESS MODEL AND STRATEGY | RISK GOVERNANCE AND APPETITE | RISK MANAGEMENT | DIVULGATION |
|---|---|---|---|
| Business environment<br>Business strategy | Governing bodies<br>Risk appetite framework<br>Business structure<br>Information | Risk management framework<br>Credit risk<br>Operational risk<br>Market risk<br>Scenario analysis and stress test<br>Liquidity risk | Disclosure Policies and Procedures |

**ACT NOW**

*We must act now to overcome the challenges of climate change. We are confident that* ***together we will build a better future****.*

This year, Ibercaja has informed the ECB **of the steps** taken to integrate climate risks, as well as its **action plan** to respond to supervisory expectations regarding the management and communication of climate and environmental risks. This plan has been approved by the Board of Directors, the Management Committee and the Sustainability Committee of Ibercaja and has been assessed by the supervisor as being both **adequate** in terms of content and feasibility. Implementation has started in 2021 and will continue throughout the strategic cycle.

# Ibercaja's commitments to sustainability

## Net Zero Banking Alliance (NZBA)

In April 2021, Ibercaja signed, as a **founding member of the Net Zero Banking Alliance (NZBA)**, an initiative of the United Nations that promotes the commitment of the banking sector worldwide to achieve carbon neutrality in respect of $CO_2$ emissions by 2050. Meanwhile, Ibercaja Gestión and Ibercaja Pensión signed up to the **Net Zero Asset Managers** initiative in 2021, with the commitment to achieve neutrality of their own and their portfolios' $CO_2$ emissions by 2050 at the latest.

In 2021, all of our direct emissions will have been offset, thus achieving **neutrality of Scope 1 and 2 emissions** for the first time.

This year we began to analyse the carbon footprint of the loan portfolio in order to make progress in its measurement for the establishment of decarbonisation objectives and action plans.

## Principles of Responsible Banking

Ibercaja has been a signatory since 2019 of the **United Nations Principles for Responsible Banking**, as a framework for action for a financial system that acts as a lever for sustainable development.

*THE PRINCIPLES TO WHICH WE ARE COMMITTED ARE:*

1. **Alignment** of our commercial strategy with SDGs
2. **Impact**: increase our positive and reduce our negative impacts; manage ESG risks

3. **Customers**: responsible action and promote sustainable practices and activities

4. **Stakeholders**: active listening, participation and collaboration with stakeholders to achieve ESG objectives

5. **Corporate governance and goal setting**: effective corporate governance and responsible banking culture; ambitious targets for our impacts

6. **Transparency and Accountability**: review our implementation of the Principles and be transparent in reporting on our positive and negative impacts and our contribution to society.

*__Chapter 6.11__. explains how we have made progress in implementing these Principles during 2021.*

## UNEP-FI

The Bank also forms part of the UNEP-FI **United Nations Environment Programme Finance Initiative**, which seeks to mobilise private sector financing for sustainable development by fostering a financial sector that positively impacts people and the planet.

## TCFD

In 2019 Ibercaja adhered to the recommendations of the **Task Force on Climate-Related Financial Disclosures (TCFD)**, as a guide for the development of climate-related disclosures, so that the climate-related financial information published is consistent, reliable, comparable and clear and allows investors to take into account climate-related risks and help adaptation to climate change. Thus, Ibercaja includes detailed information on these matters in section 6.12. of this Management

# Other sustainability commitments

> *Ibercaja has adhered to, among others, the following initiatives that reflect its commitment to sustainability:*

- Since 2005, Ibercaja has prepared its Annual Report in line with the GRI (**Global Reporting Initiative**) standards, providing accurate information on financial and non-financial aspects.

- Ibercaja Banco has been a signatory of the **United Nations Global Compact** since 2006, confirming that the activity carried out is performed in accordance with the principles established by this initiative, with the Bank reporting annually on its involvement.

- It participates in the **Sectoral Sustainable Finance Group and in the Sustainability Observatory**, coordinated by CECABank, in which legislative progress and supervisory expectations in sustainability are analysed to identify the applicable requirements and provide a response through action plans.

- It aligns with the **Sustainable Development Goals** of the 2030 Agenda, also supporting their internal and external distribution.

- Ibercaja is a signatory of the **Alliance #CEOPorLaDiversidad**, led by Fundación Adecco and Fundación CEOE, whose mission is to unite companies around a common and innovative vision of diversity, which accelerates the development of strategies that contribute to business excellence, the competitiveness of talent and the reduction of inequality and exclusion in Spanish society.

- **Collective Commitment to Climate Action**: In December 2019, Ibercaja signed the Spanish financial sector's climate commitment within the framework of COP25, promoted by the AEB, CECA and ICO. The agreement specifies the collective commitment of the main Spanish banks to measure the carbon footprint of their balance sheets and reduce the climate impact of their financial activity.
- Ibercaja holds the **RSA and RSA+ seals** awarded by the Government of Aragon since its creation in 2017, revalidated each year, which recognise those entities in the Autonomous Community committed to corporate social responsibility.
- In 2019, the Entity obtained the **FRC certificate** as a **Family Responsible Company**, awarded by Fundación Más Familia. This certification recognises companies committed to the well-being of their employees and promotes the active management of work-life balance and equality.
- As a sign of the commitment of the Financial Group and its managers to sustainable investment, in 2021, **Ibercaja Gestión has adhered to the United Nations Principles for Socially Responsible Investment (UNPRI)**, to which **Ibercaja Pensión had already adhered in 2011**, with a Socially Responsible Investment Policy published on its website (www.ibercaja.es).
- In addition, both fund managers have joined the **Carbon Disclosure Project**, an engagement platform and non-profit organisation that administers a system for companies to disclose environmental information so that investors can better manage their environmental impacts.

# 6.2 Our contribution to Sustainable Development Goals

Ibercaja promotes the objectives of sustainable development, based on the conviction of achieving the greatest possible contribution to sustainable development for people and the planet.

In 2015, all United Nations Member States adopted the **Agenda 2030 for Sustainable Development**. It represents the international commitment to address the social, economic and environmental challenges we face, putting people, the planet, prosperity and peace at the centre, under the motto of "leaving no one behind". To this end, the **17 Sustainable Development Goals (SDGs)** were established.

In order to achieve these objectives, the involvement of everyone is necessary: society and the public and private sectors. Business has a very important role to play in achieving this **new development model**.

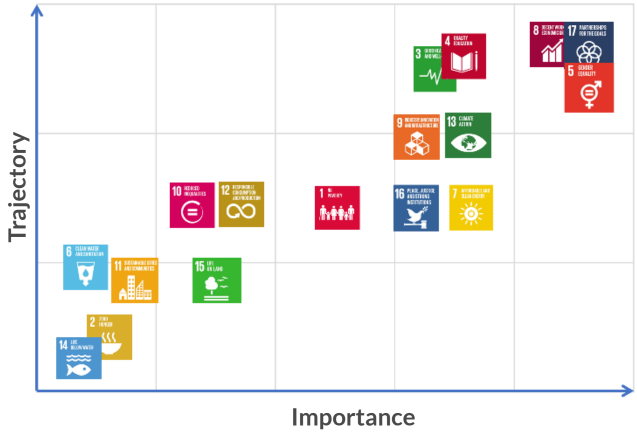
**BUSINESS STRATEGY OF COMPANIES**

*The business strategy of companies must take into account* ***social, environmental and good governance aspects****, to achieve* ***"sustainable development for all that meets the needs of the present, without compromising the requirements of future generations".***

In this line, **financial institutions** have to play a very important role, among other areas, in the mobilisation of the capital flows needed to finance sustainable development.

**At Ibercaja, the SDGs serve as a guide for progress in sustainability and for the development of specific actions**, focusing especially on those where our contribution can be greater. In order to achieve maximum effectiveness, efforts are aligned with those Objectives more directly linked to financial activity and the activities of the Shareholder Foundations.

In 2018, an SDG materiality analysis was carried out to identify the SDGs that Ibercaja has the greatest capacity to influence, broaden their impact, and launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. The result was a **graph that relates the importance of the Goals and makes visible those SDGs that are most relevant for Ibercaja**, where the contribution can be more significant.



Ibercaja prioritises the following objectives

Among the main projects carried out in Ibercaja throughout 2021 that have contributed the most to achieving these SDGs are the following:

3 GOOD HEALTH AND WELL-BEING

**efr certification** as a family responsible company.

More than **100 measures for work-life balance and social benefits** for the people who make up the Entity.

Promotion and awareness of **healthy living habits**, both internally and externally.

Sports sponsorship and the organisation of popular and specialised sporting trials, which promote the most extensive **participation** possible.

Strengthening the participation of employees therein, reinforcing the values of effort and teamwork, along with the benefits for **health**.

Creation of the internal communication channel **Ibercaja with you**, from which healthy habits and information in this area are promoted.

**Pandemic contingency plan**, in order to protect the health of customers and employees

**In-house training** for the largest number of professionals in financial and sustainability matters, actively contributing to the development of internal talent. **This training offer includes a specific course on the SDGs and the 2030 Agenda**, in partnership with the Global Compact.

Organisation of talks, conferences and seminars and **educational activities** for companies and society in general.

**"Sustainable Tuesdays"**, a series of online talks aimed at employees to raise awareness and promote sustainable behaviour towards people and the planet.

**Good Habitz Platform**, a training proposal with multiple possibilities and online resources to enhance the talent and well-being of employees.

**“Educa Initiative”**, developed by the Ibercaja Foundation, focused on parents and educators, placing at their disposal proposals that contribute to completing the education of youngsters and actively promoting their development.

Linking the **principle of equality** to all people management policies

**Promotion of the continuous development** of skills and abilities, managing talent, which does not understand gender.

**Plan Leader**, a programme that promotes female leadership at the Entity, eliminating barriers to achieving gender equality.

**Work-life balance** measures allow all employees to balance their personal, family, and work life.

**Ibercaja's Sustainability Policy.**

Promoting the inspiring **leadership model**, which encourages communication and participation, creating an appealing environment to attract and retain talent.

Partnership agreements with Special Employment Centres and entities that promote **the inclusion in the labour market** of people with disabilities or at risk of exclusion.

**Internship programme for university students** with the Human Age Institute Foundation focused on **disabled students**.

Boosting growth in their territories of action, participating in the main projects and developing programmes to promote **entrepreneurs**.

**Ecosystem + Companies**: meeting point and inspiration for entrepreneurs and companies, in which to learn and share the latest trends.

**Technological transformation**, the main lever for change in business models.

Project **Digital Challenge**, which provides all Ibercaja employees with mobile work equipment, improving their working conditions and the quality of service to customers.

**Ibercaja Mobile Banking**, the main digital pledge in the area of individual customers.

**Ibercaja Pay**: mobile payment. Ibercaja customers can now register their cards with the main payment platforms.

Adaptations at ATMs and websites to improve **universal accessibility** to financial services.

**Correos Cash** Service, to improve the accessibility of cash for our customers in rural areas.

**Cash Back** Service to enable our customers to withdraw cash in shops.

**Ibercaja's environmental policy**, updated in 2021, implemented at the organisation to minimise the negative impacts of our activity on the environment.

**Environmental Management System** implemented and certified pursuant to ISO Standard 14001-2015.

**Internal and external environmental awareness-raising** campaigns.

**Planet Week**, Ibercaja's awareness-raising and positioning initiative to accompany its employees, customers and society on the path towards a more sustainable economy.

Internal **environmental suggestions mailbox** to channel the concerns of our people.

Development of **investment and financing products** with ESG criteria.

**Impulso Solidario** Initiative, which encourages employees of Ibercaja Banco, Financial Group and Foundation to participate in projects of non-profit organisations that improve the environment and the lives of the most disadvantaged groups.

Active collaboration through agreements with the main economic and social players of the territories in which it operates.

Alliances that favour significant progress in **sustainability** and socially responsible investment.

The **main initiatives** of which Ibercaja forms part are:

## "Let's move towards sustainability together"

In line with our corporate purpose and to contribute to the necessary transition towards a more sustainable economy and position ourselves as drivers of change, **Ibercaja Banco and Fundación Ibercaja** intend to accompany **other companies in integrating sustainability into their strategy** by making different resources available to them.

To this end, we have designed a support plan aimed at our **corporate customers, who are sensitive to sustainability and social and environmental issues,** creating a **range of sustainable financial products** adapted to their financing and investment needs, as well as offering them **advice on how to access the Next Gen Funds.** And the Ibercaja Foundation has launched the **"Let's move towards sustainability together"** initiative.

It is a **free, nationwide project that will enable companies to contribute to the achievement of the SDGs through awareness-raising, training and the opportunity to collaborate in different Fundación Ibercaja projects**, thus joining forces and multiplying the scope and impact of these actions.

# 6.3 Commitment to customers

102-6, 102-7, 102-43, 102-44, 103-1, 103-2, 103-3, 201-2, 305-3

> Customers are the heart of the Entity's strategy,
>
> with service quality and advice being its hallmarks.

Hence, Ibercaja's Sustainability Policy includes the following **commitments** assumed by the Bank **with its customers**:

- Work on **getting to know each customer in depth**, to always offer them the **products, services** and information they need**, adapted to their expectations and requirements.**
- Align the business strategy with the **United Nations Principles for Responsible Banking:**
    - Identifying **impacts and needs** derived from sustainable development.
    - **Adapting the offer** to respond to these new needs, which promote sustainable business models and practices.
    - **Sensitising** our customers in the necessary transition towards a decarbonised economy, also **identifying** their **sustainability preferences**.
- Helping our customers to optimise the management of their finances, in a simple way, with the best **advice, tools and information**, thereby promoting their financial education.
- Paying particular attention to **transparency in the communication and marketing of products**, providing the necessary information for the customer to be able to make informed advised decisions, avoiding information manipulation and protecting their integrity and honour.
- Always protecting the **confidentiality** of customer data, maintaining the highest security standards.
- Establishing efficient **dialogue channels** that allow us to listen to our customers, as a basis for long-term mutual commitment, offering the **highest quality of service**.

- Providing maximum diligence to **prevent and avoid the financing of illegal practices**, complying with the Regulations for the Prevention of Money Laundering and Terrorist Financing.

## Impact analysis

In order to achieve sustainable development for all to promote a fairer, more inclusive and environmentally friendly society, it is essential to take into account social, environmental and good governance aspects within the business. Since its origins, Ibercaja has always been an institution with a **clear social calling**, **contributing to the development of the territories** in which it operates and placing **people at the centre** of its decisions, which is the hallmark of its way of banking.

Since their approval in 2015, Ibercaja has been closely watching the **Sustainable Development Goals**. Therefore, the main contributions that the Bank can make to the goals were identified, taking into account all 169 targets. **Ibercaja has set social and environmental objectives** that are part of the FRC work-life balance plan, its Environmental Management System, as well as the new Desafío 2023 Strategic Plan, within the Purpose and Sustainability initiative; **objectives that will help us boost our positive impacts and reduce our negative ones**.

To respond to the commitment to align commercial strategy with the Principles of Responsible Banking, in 2020, Ibercaja initiated an **analysis of the impacts that climate risks** could have in Spain.

The aim of this study is to analyse the main impacts of climate change, especially in the areas where Ibercaja carries out its activities, in order to **identify the main risks and opportunities** and establish objectives in those areas in which the Institution can make a greater contribution to sustainable development, accompanying its customers.

Now Ibercaja has placed special emphasis on **climatic and environmental factors**, due to the **urgency of the start of actions in this regard, in accordance with supervisory expectations, and due to the greater regulatory development in this regard.**

## Two types of risks associated with climate change are defined:

- **Physical risks**, which arise from the direct effects of climate change, such as increases in the frequency and intensity of extreme weather events and changes in the balance of ecosystems. These risks can manifest themselves acutely (in the form of specific events such as floods or storms) or chronically (changes in weather patterns).
- **Transition risks**, linked to the transformation to a decarbonised economy, stem from regulatory changes (political and legal risks, such as strict limits on carbon and other greenhouse gas emissions) and technological changes (e.g. all-electric transport systems) required to achieve the decarbonisation goal, as well as market and reputational risks.

> ***A qualitative analysis of sustainability factors has been carried out, focusing on climate-related risks and paying special attention to the impact on those risks considered to have the greatest impact on the Bank's area of operation and in***

Fifty-nine per cent of recurrent revenues is in the form of net interest income. This income originates from loans and advances to customers, which account for 53% of our assets. Retail lending is the most important component of the Bank's lending business. The mortgage portfolio is particularly notable within this segment, as it accounts for more than 32% of the loan portfolio. For this reason, **an analysis of the climate risks of real estate collateral** has been undertaken using reports provided by Sociedad de Tasación.

In the assessment of **transition risk**, the results reveal that the energy ratings of the properties in Ibercaja's portfolio are in line with the national housing stock in Spain (according to the Observatory 2030 Guide - CSCAE, Higher Council of Architects' Associations of Spain), with a higher percentage of homes rated as sustainable (categories A and B) standing out in Ibercaja's portfolio.

From this analysis, we derive considerations for the ESG business strategy, which encourages investment in sustainable housing and the financing of energy efficiency improvements that can be undertaken in our customers' homes.

> ***Encouraging energy efficiency improvements in our housing financing portfolio, as well as a business opportunity, will help reduce the carbon footprint of our business and contribute to the transition to a more sustainable economy.***

The second segment with the largest volume is the financing of **productive activity (corporate segment)**, accounting for more than 12% of the loan portfolio volume. For this reason, an analysis of Ibercaja's portfolio has been carried out using a tool designed by ECODES (Ecology and Development Foundation), a national benchmark in sustainability and climate change, in collaboration with the Statistics Service of the Autonomous University of Barcelona, which estimates the predisposition to climate vulnerability and physical and transition risks of the Entity's portfolio, as a segmentation mechanism for the analysis of the portfolio.

In this sense, the possible effects of physical risks have been analysed theoretically by sector of activity in Spain. Ibercaja's portfolio has been analysed below; in the analysis of the **production activities segment**, both the volume of exposure that each sector represents with respect to the total portfolio and its predisposition to climate vulnerability and exposure to physical and transition risks have been considered, in order to determine which sectors are most relevant for Ibercaja, for further analysis.

In those industries flagged as most vulnerable to climate risks, the main risks relate to their CO2 emissions intensity. Given their significant weight in the Bank's portfolio, the manufacturing industry and the agriculture, livestock, forestry and fishing sectors are particularly notable in this regard. Other industries that are also predisposed to climate vulnerability are less material as they account for a smaller share of the portfolio, such as the power supply, water supply, transport and storage sectors, etc.

Companies in the manufacturing industry may have a greater need for financing to move towards a low-carbon production model. In contrast, other financing needs may arise in the agriculture sector to adapt to the effects of the physical risks of climate change. In short, both sectors may require significant CAPEX investments to undertake these transformations and adaptations. To address these financing needs, specific products have been designed, and further progress will be made in 2022 in developing new solutions to help the company on its path to sustainability.

> ***Promoting the improvement of the company's energy efficiency, as well as a business opportunity, is the way to its adaptation to decarbonisation, thus contributing to its productive transformation and the reduction of the carbon footprint of our activity.***

**Thus, energy efficiency in buildings, sustainable mobility and efficiency in production processes are the axes that will guide our activity.**

**We will add value by accompanying the company in the process of identifying opportunities, applying for public aid and aligning with sustainable development.**

To best manage the risks and opportunities derived from climate change, Ibercaja is working on a project related to including **ESG factors in the different phases of risk management**. In terms of **credit risk**, this project is based on aligning its admission and monitoring processes with some of the sections of the **new EBA Guidance on Loan Origination and Monitoring**, defining the internal governance mechanisms and procedures of financial institutions in relation to credit operations and credit concessions.

# Commercial offer

To promote sustainability among our customers, we have launched our **communication plan** with a newsletter that addresses home energy efficiency, and we have created content to feed a new website offering a whole host of helpful energy efficiency tips.

In most cases, improving efficiency requires investment. To enable easier access to energy efficiency improvements, specific financing products have been developed that offer more attractive prices and repayment periods (including interest-only periods), among other attractive terms and conditions.

This year we added **new financing products** aimed at financing the energy efficiency of private properties, homeowners' associations and productive activities, in addition to the Vamos Coche loan, which was our first product to offer a price advantage if the purpose is a new or second-hand vehicle with "eco" or "zero" certification.

- Vamos Coche (Let's Go Car)
- Vivienda +Sostenible (More Sustainable Housing)
- Edificio + Sostenible (More Sustainable Building)
- Inversión +Sostenible (More Sustainable Investment)
- Photovoltaic Energy Leasing
- Sustainable Crops Leasing

Also, thinking about companies and the necessary support that Ibercaja must provide them, a line of products and services has been designed, from Business Banking, related to the ***Next Generation Funds***, to help them in the necessary transition towards a more sustainable economy. In addition, the project Vamos Juntos hacia la Sostenibilidad (Let's move towards sustainability together) has been launched in collaboration with the Ibercaja Foundation.

These products are over and above others that have already been in place for several years, which are intended to **support youths** with their first major expenses and, in particular, support their investment in education.

- University Tuition Loan
- Erasmus grant advance loan
- Youth Loan 2000

In addition, we have developed **specific products to collaborate with the Community of Extremadura to promote energy efficiency in buildings**, being selected as a collaborating entity of the **Avante Extremadura** project.

Since last March, **Ibercaja has been a collaborating entity of the IDAE (Institute for Energy Diversification and Saving)**, **participating in disseminating its programmes among customers and offering special financing operations in the efficiency programmes promoted** by this Institute.

**To facilitate the improvement of the energy efficiency of properties**, Ibercaja has begun to offer its customers an **advice service, subsidy management, work execution and, of course, financing, in collaboration with Acierta Asistencia**, a company of the CASER Group. This service offers an assessment of the energy efficiency of the building and the customer can ultimately choose to make it a "turnkey" service, thus affording them the best possible solution for their property with the help of specialised professionals. Initially, the commercial action has begun by offering the service to homeowners' associations in the city of Madrid, to extend the service to other homeowners' associations and individuals throughout Spain.

With the aim of involving the customer in the **circular economy and responsible consumption**, Ibercaja has incorporated a new section in **Ibercaja Connect's Consíguelo shop**, which includes reconditioned products. It also aims to **make high-quality technology products more accessible to all customers** through competitive pricing and free financing.

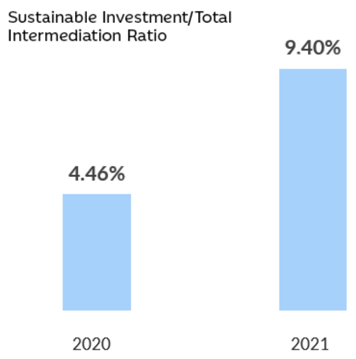
When it comes to sustainable consumption, Ibercaja Renting incorporates a **new Sustainable Renting section**, where customers can find an extensive range of electric vehicles, including two new models from the TESLA brand, a global leader in this sector.

To facilitate the understanding of the impact of **sustainable investment**, specific content has been published on our **vamos con tu futuro website**.

In 2021, the marketing of **two new ESG investment funds**, **Ibercaja Renta Fija Sostenible and Ibercaja New Energy**, has begun, one completing the more conservative range and the other providing a fund with a specific objective of reducing greenhouse gas emissions.

In addition, the **SICAV Asguard**, the first SICAV in Spain with an ESG rating, **was established in 2021.**

To complete the ESG range in finalist savings, the **PIP Megatrends** has been launched, which completes a range of four pension plans that allows us to maintain a leading position in ESG commercial offerings.




These developments have resulted in investment in ESG products exceeding 2 billion euros, increasing the sustainable investment ratio from 4.46% in 2020 to 9.40% at the end of December.

# Regulatory framework for sustainable finance

In order to facilitate private savings flows towards sustainable investments, it is necessary to unify criteria to define what these investments look like, increase transparency and regulate the information investors receive in order to be able to make an informed decision. To this end, the **Sustainable Finance Disclosure Regulation (SDFR)**, which entered into force on 10 March, was defined as part of the EU Sustainable Finance Action Plan.

This Regulation is complemented by the **EU Taxonomy Regulation**, which defines the criteria for determining whether certain investments can be considered environmentally sustainable.

In 2021, Ibercaja undertook the necessary developments to comply with the requirements of these regulations. Specifically:

- Publication of the **Policy for the Integration of Sustainability Factors in Investment Decisions** of the Entity.
- Statement of major **adverse impacts** on sustainability.
- Adaptation of the **pre-contractual information** for products affected by Regulation 2088 (investment funds, pension plans, savings insurance and delegated portfolio management).

## Universal Accessibility

At the end of 2019, the **Service for Deaf People** was launched to support access to financial products for people with hearing disabilities. It is available to all the Entity's customers and is provided in person at the Main Office in Zaragoza.

In 2020, considering those with visual impairment, **new ATMs included a high contrast screen** to enable information to be more easily viewed.

In addition, a new mobile banking functionality, **VoiceOver**, was implemented, allowing **people with visual impairments** to "hear" the fields and data presented on the screen and the interaction they are performing.

**Also, in 2020 Ibercaja launched the mobile banking App Initiation Mode**: it is a service that enables customers who have never used online banking to familiarise themselves with a straightforward easily. Users of this new tool will benefit from the professional advisory services of experts, which will help them resolve any queries. Aimed especially at older people, this project was developed on the basis of an initiative of Impulso Innovador (which promotes innovation through proposals from the Bank's employees) and had the collaboration of COAPEMA (Aragonese Council for the Elderly).

Moreover, since 2020, the **My Manager** functionality is also available in the new digital banking. This is a digital channel for a direct relationship between a customer and their manager from any location, allowing them to establish a conversation, send messages, share documents and manage appointments.

In 2021, **to reinforce the possibilities that can be offered to customers in rural areas or small towns** who are being most disadvantaged by the closures of bank branches of all financial institutions, increasing the existing options in the provision of the cash service for our customers, the **Correos-Cash** initiative has been deployed, which makes it possible to "withdraw and deposit money" at a Correos branch, including having the money sent to the customer's home address. It will be carried out through the Ibercaja app. Cash can be sent at a Correos branch or at an Ibercaja branch. Cash can be paid in at any of the branches of the Post Office set up for this purpose. This is in addition to the cash service in shops, **Cash Back**, which allows you to make a withdrawal with your Ibercaja card at an Ibercaja POS once you have made a purchase at the shop.

# Customer services

To facilitate communication with its customers, Ibercaja has a **Customer Care Service (CCS)** so that customers and users of its services can send in their complaints, claims, suggestions and proposals for improvement. A total of 23,995 applications have been submitted in 2021. Details of the figure and the variation with respect to 2019 and 2020 are included below:

## Requests dealt with by the CCS

| TYPES | 2019 | 2020 | 2021 | CHANGE 20/19 | CHANGE 21/20 |
|---|---|---|---|---|---|
| **Interest rate floor clauses** | 596 | 622 | 944 | 4.3% | 51.70% |
| **Arrangement fees** | 3,738 | 6,340 | 11,561 | 41% | 82.35% |
| **Claims and complaints** | 7,139 | 9,233 | 11,435 | 29.3% | 23.84% |
| **Suggestions** | 36 | 42 | 55 | 16.6% | 30.95% |
| **Total (*)** | **11,509** | **16,237** | **23,995** | **41%** | **47.77%** |

(*) Total 2019 figures do not coincide that those contributed in the 2019 Directors' Report, since the Personal Data Protection rights are no longer dealt with by this Service and have not been included.

The high number of claims requesting the nullity of clauses and compensation for mortgage loan arrangement costs, which is the type of claim with the highest volume in practically the entire Spanish financial system, is due to the confirmation of the jurisprudential criterion by the Court of Justice of the European Union (16 July 2020) and the Supreme Court 457/2020 (24 July 2020) of the division of notary fees in half between the customer and the entity and the full attribution to the lender of appraisal, registration and agency fees. The Court of Justice of the European Union has yet to decide on the "dies a quo", which is the date on which the five-year limitation period for claims begins to run. However, with the criteria established by the Legal Department in 2020, a new procedure was drawn up for the payment of mortgage constitution expenses in those consumer claims that Ibercaja considers not time-barred to prevent these claims from becoming lawsuits, whether the claim was filed through a lawyer or directly by the customer, in order to achieve savings in legal costs for the Entity in those cases in which it is unequivocally known that if the matter goes to court, the decision will be unfavourable to the Entity. This procedure has been modified throughout the year 2021, incorporating the payment of these expenses also in novations and subrogations, cases that it had first been decided to exclude.

As for the so-called "interest rate floor clauses", the trend reflects the work done by the Entity in recent years in resolving this type of claim, having included this year the return of the floor in novated loans from the activation of the clause to the date of the novation.

The **average time to resolve complaints and claims** is around 27 days, which is within current regulations. By 31 December 2021, 97.3% of all incidents received had been handled (82.2% in 2020).

**GUIDE TO SERVICES**

*In 2021 Ibercaja has adapted to the new Guide on customer services and the latest Bank of Spain Circular.*

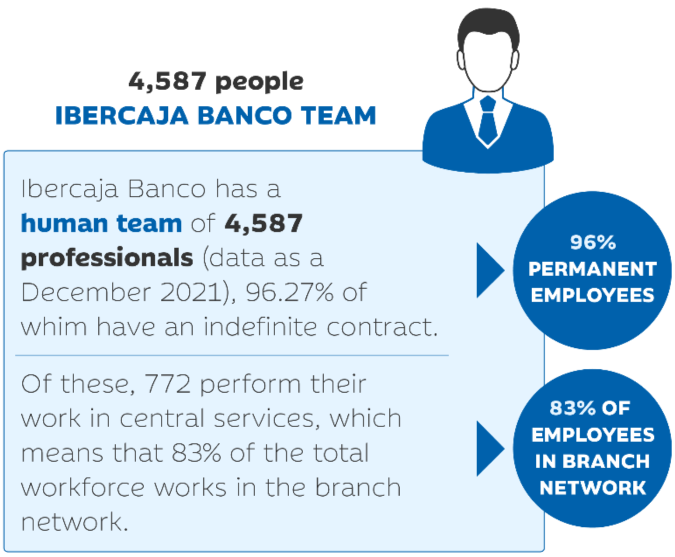
The most important new developments this year are the work to adapt Ibercaja Banco's CCS to the new Guide on the criteria for the organisation and operation of customer services published by the Bank of Spain last July and the preparatory work for the implementation of the new model confidential statements on the register of complaints contained in Bank of Spain Circular 4/2021 of 25 November, to supervised institutions, on models of confidential statements on market conduct, transparency and customer protection, and on the register of complaints, which will require the first confidential statements to be sent in March 2023, reporting data for the second half of 2022.

# 6.4 Commitment to our employees

*102-7, 102-8, 102-10, 102-12, 102-35 102-36, 102-43, 102-44, 103-1, 103-2, 103-3, 401-2, 401-3*

> The dedication and professionalism of the people who work at Ibercaja and their involvement and commitment to the project make them the main ambassadors of the brand.

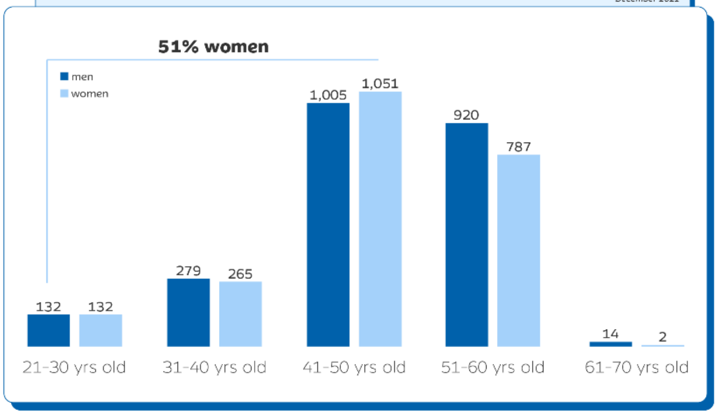
The Ibercaja Group has a **staff** of **4,880 people**, of whom 4,587 work at the Bank, the parent company. **96%** of the Ibercaja Banco workforce have permanent contracts, the average length of service stands at 21 years, and the average age is 47. The collective agreement fully covers the employees of Ibercaja Banco.



**Women** currently account for **49%** of the workforce, having increased significantly in recent years (37% in 2005, 44% in 2014, 45% in 2015, 46% in 2016) and remaining stable in the last three years (48% in 2018 and 2019). In the under-50 age bracket, **51%** of employees were female; this means that the percentage of women in the Bank's average age is one point higher than that of men.

| | 51% MEN | 49% WOMEN | TOTAL |
|---|---|---|---|
| **People** | 2,350 | 2,237 | **4,587** |
| **Average age** | 47 years old | 46 years old | **47 years old** |
| **Average lenght of service** | 21 years old | 21 years old | **21 years old** |

*December 2021*



# We are Ibercaja...

2021 is the second year in which we have had to reconcile the management of the health crisis triggered by COVID-19 with the Bank's strategic roadmap, which has seen the launch of the Desafío 2023 Plan.

In 2021, we began to rewrite the future, in which **Health Care**, **Communication** and **Resilience**, have been essential pillars in the management of people in a new context full of uncertainties but also opportunities.

The People Department faces the challenge of **becoming an attractive organisation for Talent**: reinforcing the behaviours that define our culture; developing a differential value proposal so that the people in the organisation live and feel the best experience and are the main promoters of the Ibercaja brand, in short, making our corporate purpose a reality, now more than ever:

**OUR PURPOSE**

***"Help people build their life story because it will be our story"***

## 2021. Start of the strategic cycle

**THE ROADMAP FOR 2023**

*"To become an attractive organisation for talent"*

Within the framework of the new Desafío 2023 Strategic Plan, and in Ibercaja's conviction that people are the key to achieving success through their Talent, professionalism and commitment, in 2021, the People Department began a strategic reflection on its contribution to the lines of the new **Plan Desafío 2023**, defining a new **Map of Strategic Initiatives**, which includes the renewal of the Department itself.


Report of the People Area Management – 2021

## The Model is defined through 5 strategic lines, materialised in specific objectives:

| Specific objectives | |
|---|---|
| **Talent Development and Recruitment** | • Identify profiles capable of taking on greater responsibilities and coordinating projects, evolving professional careers, and making them more transversal.<br>• Identify talent shortages and fill them with external recruitment<br>• Define recognition policies linked to value added. |
| **Education and training programmes** | • Increase our capabilities aligned to strategic objectives:<br>advisory programmes, sales, profitability-risk, business, new technical skills, leadership, new ways of working... |
| **Incentivising** | • To become a more attractive company for talent, applying recognition policies linked to the value contributed. |
| **Culture of Service and Collaboration** | • Activate the corporate culture and purposes, through action plans that integrate the behaviours defined in the relationship model in our day-to-day life (processes), implementing initiatives that promote innovation, participation, FRC culture, well-being, sustainability...<br>• To become a flatter organisation that encourages participation and innovation. |
| **Systems and Data** | • Advancing data management to enable information-based decision making.<br>• To become the central node for the aggregation and distribution of individual and collective information for the personalised and comprehensive management of each employee. |

# 12 KEY MILESTONES IN 2021

**1**

## Being excellent even in difficult times

In this particular year, Ibercaja wanted to award the **Commitment Award to the entire workforce** and, in particular, to recognize the work of all those who have been on the front line. In this edition, the outstanding work of **633** male and female employees has also been recognised.

**2**


## Agreement on the implementation of the ERE

On December 20, 2020, the Agreement was reached for the application of an ERE in Ibercaja in 2021 and 2022. With this process, Ibercaja satisfactorily meets the objectives of the negotiation: **Voluntary**, **Structural Optimization** and **Efficiency Improvement**.

**3**


## 2nd inFemenine Week (LeaderA Plan)

The **LiderA Plan** seeks to continue advancing in the new inspiring leadership model, focusing on women's access to managerial positions, through the improvement of their aspirations, the support of mentors, measurement and objectification.

**4**

## Call for internal competitions

In 2021, a total of 18 places are announced (9 for access to Level VIII and 9 for access to Level X), in accordance with the provisions of C°C°. Testing date: during the month of May 2022.

**5**

## Salary gap study

In 2021 we have carried out a study of the Salary Gap at Ibercaja, observing that the salary difference at Ibercaja stands at **12.1%**, in line with the sectoral context, motivated by the bank's historical gender evolution.

**6**


## Impulso Solidario Awards

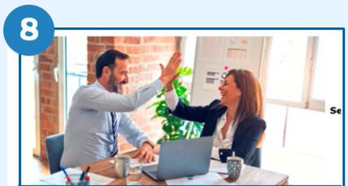
After three editions, the Bank launched an **extraordinary call** in order to alleviate the effects of the health, economic and social crisis caused by Covid-19. In 5 years this project has achieved the involvement of **70% of the workforce.**

**7**

## Business indicators in data analytics

In 2020, business data has been integrated and various data sources analyzed, with the aim of answering business questions related to human capital and acting accordingly to obtain a real improvement in its activities and results.

**8**



## Preparing for digital design

Discovery workshops, Ingorfafías, videos or little tricks to optimize the use of tools, are part of the material available in Paraninfo for the management of technological change in Ibercaja.

**9**

## Ready for the digital challenge? 1st Master's Degree in Financial and Wealth Advice and Digital Banking

With the aim of strengthening the financial training of different STEM profiles recently incorporated into the Bank, in 2021 the 1st edition of this Master will be launched, which has 150 hours of internships in offices complementary to the theoretical training received in the Virtual Classroom.

10


**We lay the foundations of the culture project**

Understand the current experience of Ibercaja employees, to build a **relationship model** with great impact and results, creating an evolutionary model based on data that ensures the improvement of the employee experience and that this has repercussions on the customer experience .

11


**I Planet Week**

From October 18 to 24, different activities were carried out to give visibility to our strategic position in terms of Sustainability and make our corporate Purpose a reality, accompanying and helping on the path towards a more sustainable world.

12


**This Christmas, we are more Ibercaja than ever before**

Under the slogan "*This Christmas We are more Ibercaja than ever before*", this year we are holding a very special campaign with the aim of bringing our stakeholders closer to the values that represent the Ibercaja brand.

# 1. Being excellent even in difficult times

> ***In 2020 we faced a challenging year for everything and everyone. But despite this, at Ibercaja we have been up to the task of supporting our customers from the outset as an essential service.***

In a context of unprecedented crisis, we have once again demonstrated that Ibercaja's differential value is its people, professionals who demonstrate every day that values such as commitment, self-improvement and teamwork are the key to success and have been recognised as such


For this reason, this year, the **COMMITMENT 2020 AWARD** was awarded to all the Bank's professionals, and in particular, the work of all the colleagues who have been on the "front line" in the branch network was explicitly recognised.

**EXCELLENT TEAMS Awards**

**117** Branches
**80** Managers
**633** Recognitions

Therefore, exceptionally in 2021, a greater number of branches and management figures have been recognised, with a total of **633 awards**.

The current health situation once again conditioned the presentation of these awards, but all the winners received a **piece designed** exclusively for this edition, as well as the personal recognition of our CEO.



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## 2. Agreement on the implementation of the ERE

***On 20 December 2020, the Agreement was reached for the Application of a Redundancy Proceedings at Ibercaja.***

With this process, Ibercaja satisfactorily fulfils the negotiation objectives:

- **Voluntariness**, as a priority criterion for involvement.
- **Optimisation of the structure**, adapting it to the current market.
- Improved levels of **efficiency**, competitiveness, productivity and profitability.

**AGREEMENT TO APPLY FURLOUGH SCHEME**

- **750** max. no. of affected workers
- **30,06,2022**, plan deadline
- **199** maximum number of offices affected by closure

Main Redundancy Indicators:

| | | |
|---|---|---|
| **Total voluntary accessions** | 811 | |
| **Separations 2021** | 525 | 70% |
| **Pending separations 2022** | 225 | 30% |

## Dismissals due to redundancies

| AGE RANGES | GENDER<br>MEN | WOMEN | TOTAL |
|---|---|---|---|
| **31 - 40 YEARS OLD** | 1 | 2 | 3 |
| **41 - 50 YEARS OLD** | 5 | 8 | 13 |
| **51 - 60 YEARS OLD** | 338 | 169 | 507 |
| **61 - 70 YEARS OLD** | 1 | 1 | 2 |
| **TOTAL** | **345** | **180** | **525** |

## Dismissals due to redundancies

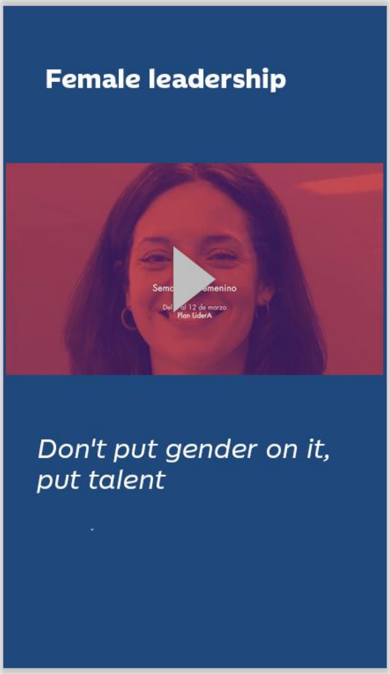
| JOB CATEGORY | GENDER<br>MEN | WOMEN | TOTAL |
|---|---|---|---|
| **EXECUTIVES** | 54 | 20 | 74 |
| **MIDDLE MANAGERS** | 57 | 16 | 73 |
| **TECHNICIANS** | 42 | 45 | 87 |
| **CLERICAL STAFF** | 192 | 99 | 291 |
| **TOTAL** | **345** | **180** | **525** |

## Dismissals due to redundancies

| AREAS | GENDER<br>MEN | WOMEN | TOTAL |
|---|---|---|---|
| **TERR. DIV. ARAGÓN** | 152 | 48 | 200 |
| **TERR. DIV. MEDITERRANEAN SEABOARD** | 28 | 12 | 40 |
| **TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN** | 20 | 19 | 39 |
| **TERR. DIV. MADRID AND NORTH-WEST SPAIN** | 42 | 29 | 71 |
| **TERR. DIV. RIOJA, BURGOS AND GUADALAJARA** | 55 | 44 | 99 |
| **CENTRAL UNITS** | 46 | 28 | 74 |
| **CORPORATE BANKING DEPARTMENT** | 2 | | 2 |
| **TOTAL** | **345** | **180** | **525** |

# 3. 2nd inFemenine Week (LeaderA Plan)

> ***From 8 to 12 March 2021, the 2nd Ibercaja inFemenine week kicked off.***




An initiative framed within the **FRC Plan** to raise awareness among employees, customers and society of the importance of building diverse and egalitarian teams.

At Ibercaja, women currently represent 49% of the workforce (51% in age brackets under 50), and the proportion of women in management positions is 31%.

The LeaderA Plan seeks to further advance our Inspirational Leadership Model by focusing on women's access to leadership positions through raising aspirations, flexibility, ambassadorial support, measurement and objectification to ensure progress.

To achieve this, it is necessary to promote initiatives that raise awareness among women and men of the importance of diversity in all areas of the organisation, breaking down barriers and overcoming stereotypes.

Throughout the week, inspiring voices, ambassadors of our LeaderA Plan, reminded us of the skills that women bring to our Leadership model. These included: Tenacity, Initiative, Self-improvement, Innovation, Courage and Excellence

## Female leadership

**49%** female presence

51% in age brackets below 50 years of age

Applications for vacancies for women in managerial positions

**27% to 32%**

Concessions of vacancies to managerial positions

**28% to 35%**

**51%** of the promotions given to WOMEN

TOP LEADERS

**25% to 28%**

**+36%** of women in managerial positions in 50% of territorial divisions

## Main activities of the week


**SPECIFIC SITE.** We inaugurate the week by launching a specific website to gather all the information related to the FRC Model and the activities developed during the "2nd inFemenine Week".

**LeaderA AMBASSADORS.** Our LeaderA Plan ambassadors conveyed the skills that women bring to Ibercaja's inspirational leadership model: tenacity, initiative, self-improvement, courage and excellence.

**SHOWCASE YOUR TALENT CYCLE.** The cycle of Webinars was presented in the context of the inFemenine week to empower people's talent through self-knowledge and the improvement of personal branding. More than 300 people took part in the different workshops: "My Ideal Self", "Positive Influence Model", "Discover the essence of your personal brand".

**The "RAISE YOUR VOICE" SURVEY**, where more than 450 people participated, allowed us to share reflections on Diversity and Women's Leadership. These same questions were transferred to Social Media, obtaining valuable information about the users' opinions.

**FACE TO FACE WITH...** Led by journalist Pilar Estopiñá, we talked to two female directors of the Entity with different backgrounds who shared their experience and vision of female leadership at different times in their lives.

**SOCIAL MEDIA.** Social Media allowed us to amplify the online dissemination of the 2nd inFemenine Week, supporting the effort made to organise a programme of activities without physical presence, reaching more than **11,000 users** and nearly **2,500 interactions**.

#SemanaenFemenino

**#CEOPorLaDiversidad ALLIANCE** promoted by Fundación Adecco and Fundación CEOE, which Ibercaja joined in 2019.


This initiative aims to unite CEOs from different companies around a common and innovative vision of diversity, equity and inclusion to act as ambassadors helping to accelerate the development of strategies that contribute to business sustainability, talent competitiveness and the reduction of inequality.

With this management commitment, we continue to promote the FRC culture, thus reinforcing the inclusive model in which the organisation works to achieve effective equality.

# 4. Call for internal competitions

> ***On 27 August, the Entity's Board of Directors approved the holding of internal competitions for access to Level VIII and Level X by training.***

Pursuant to Art. 27 of the Collective Bargaining Agreement for Savings Banks and Savings Institutions in force, the conditions relating to the call for applications are as follows:

- Total number of places: **18** (9 for access to Level VIII and 9 for access to Level X)
- Date of testing: During the month of **May 2022**


The syllabus selected for the entrance exams will include, among others, contents that are part of the compulsory-regulatory training that the staff must currently take to carry out their duties:

- MiFID II Regulations and Products (30 hours)
- Prevention of Money Laundering and Terrorist Financing (9 hours)
- GDPR (1 hour)
- IDD Regulations and Insurance Products (25 hours)
- Law on Real Estate Credit Contracts (10 hours)
- Sustainability (30 hours)
- Enterprise Risk and Product Management (30 hours)

The **Guide to the Opponent**, where information related to this process can be consulted, has been produced: syllabus, didactic resources, consultation channel, tutorials...

# 5. Salary gap study

***In recent years, we have made positive progress in gender equality, increasing women's participation and reducing the gender pay gap.***

The gender pay gap measures the difference between the pay received by men and women. In 2021 we conducted a Pay Gap study at Ibercaja, with the following conclusions:

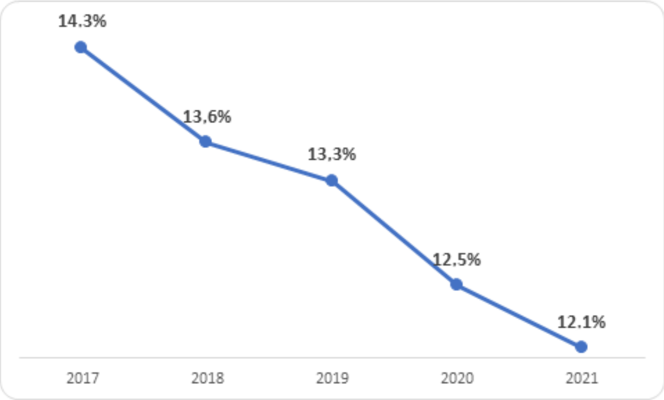
**Wage Gap Study**

*The wage gap at Ibercaja is in line with the sectoral context, mainly due to the Bank's historical gender composition.*

- *Among the workforce under 40 years of age, there is an equal number of men and women. If we take the workforce under 50 years of age as a reference, we find that there is a majority of women compared to men (51%).*
- *The average age of men and women is very similar, at around 48 years old. The average length of service is 22 and 21 years (men and women, respectively).*
- *There is a numerical superiority of men over women from levels I to V, from levels VI-XI we find a majority of women over men, and from levels XII - XIV there is parity between both sexes.*

As a result of the collective redundancies carried out in the Entity, the largest number of departures corresponded to older employees, and consequently, those with more seniority.

This has contributed to the fact that the **salary gap** between women and men **has narrowed** over the years, evolving as follows:



# 6. Impulse Solidario Awards

> ***"imPULSO SOLIDARIO" is a participation initiative aimed at the Bank's employees within the framework of our corporate purpose "Helping People to build the story of their lives, because it will be our story".***


The initiative aims to turn the organisation's professionals into ambassadors of the social causes that move them. The employees are the ones who propose non-profit social projects and through a vote, the whole organisation is involved in the final decision.

After three editions, the Bank launched an **extraordinary call for applications** in order to alleviate the effects of the health, economic and social crisis caused by Covid-19.

The winning associations have been selected by Ibercaja's staff, among the 24 projects also proposed by its employees, aimed at helping the most vulnerable people and groups in this crisis.

The three projects that received the most votes were:

- *Significant loss of income for the research "Duchenne Muscular Dystrophy".*
- *"Covid is not the end of Leukaemia".*
- *"I understand you now"*

On this occasion, the award ceremony for this special edition of "Covid-19" was held virtually and was attended by representatives of the Entity's Management Team.

## 5th ImPULSO Solidario Awards

In addition, the 5th imPULSO SOLIDARIO Awards Gala took place on 17 December. The staff selected the eight winning entities from among the **32 projects proposed** by the employees. Specifically, 3,296 votes were registered, once again ratifying the social commitment of the Bank's employees, the Foundation and the Financial Group.

The organisations with the most votes in each category (Disability, Illness, Integration and Environment) receive a contribution of 10,000 euros and, in the case of the second most voted organisations, 5,000 euros, which is a boost to continue undertaking their work.

**AWARD**

*This initiative received the award for Best Internal Communication Practice in the field of CSR and Responsible Management in 2020 from the Internal Communication Observatory.*

In the five years that imPULSO SOLIDARIO has been held, **296 projects** have been given visibility, which have been presented by **387 employees who are "ambassadors"** of the solidarity associations and institutions and have achieved the involvement of **70% of the staff** through their votes. A total of **€225,000** was awarded to undertake **28 social projects**.

## Participation

**387** imPULSO Solidario ambassadors in 5 years.

70% of the workforce involved with their votes

**250** professionals involved in volunteering actions

**+ 300** children of employees involved in the "Dibuja Ibercaja en tu Navidad" Christmas drawing competition

+ More than **450** participants in the "Raise your voice" initiative shared their reflections on diversity, leadership and shares responsibility among both parents

# 7. Business indicators in data analytics

***In 2019, a specialised team was set up within the People Area, whose mission is to provide the area with a methodology and an integrated data analysis process, which will impact the quality of the decisions made about the people.***

This function is crucial to be able to carry out **personalised segmented proposals**.

In 2021, the project evolved by integrating business data and analysing various data sources to answer business questions related to human capital and act accordingly to improve its activities and results.

**Business Indicators in Data Analytics**

The methodology implemented for the analysis and governance of information has consisted of the creation of an ERM (employee record management) that brings together and integrates all the information processed and analysed in the People Area, regardless of the source from which it comes (mainly own applications for people management, payroll, training, etc.) in a single database. This guarantees information integration with the established recurrence, ensuring the quality and traceability of the information managed and processed.

## 8. Preparing for digital design

> ***In 2021, the Bank's Digitalisation Project was given a new boost with the distribution of new laptops for all staff, incorporating the updated Windows 10 system and access to Office 365 collaborative***

This change represents the definitive consolidation of **mobile working,** which now accounts for more than 95% of the Bank's staff, with mobile working equipment and collaborative tools in all positions, thus allowing for greater versatility and autonomy.

> *More than **95% of our workforce** will be mobile by 2021.*

The People Area has accompanied this digital transformation process, providing the necessary training resources so that the Bank's professionals can adapt to the change in technology from day one and continue to provide the same level of service to our customers from the start of the process.

The team of Talent Transmitters has accompanied the technological deployment, becoming digital ambassadors of the project.

Discovery Workshops, infographics, videos or little tricks to optimise the use of the tools are part of the material available on the Paraninfo Training Platform to adopt change.

## 9. Ready for the digital challenge? 1st Master's Degree in Financial and Wealth Advice and Digital Banking

> ***In recent years, the Bank has incorporated various profiles with an academic background in STEM fields (science, technology, engineering and mathematics) with a high degree of technical specialisation that is more distant from the financial business.***

To train these new profiles in financial matters, in 2021, we are launching the **1st edition of the Master's Degree in Financial, Wealth and Digital Banking Advice**, recognised as a degree by the University of Nebrija.

In this first edition, 19 colleagues from different technical areas such as Model Validation, Systems Auditing or Development of Technological Services, among others, have participated.

The Master's Degree has a blended methodology (face-to-face in a virtual classroom and online courses) and 150 hours of internships in branches, which allows participants to complement the theoretical training by actively participating in the day-to-day banking business in branches.

The colleagues in the branches are mentoring and actively collaborating in this innovative programme, which will undoubtedly help them grow professionally.

# 10. We lay the foundations of the culture project

In 2021 we laid the foundations for this strategic project for the Bank, with the **following objective**:

> *To understand the current experience of Ibercaja's employees in order to build a **relationship model** with great impact on Business and Results, adapting to the specific needs of each group, creating an evolving experience model based on data that ensures the improvement of the employees' experience so that it has an impact on the customers' experience.*

**BUILD**
Identifying the Basis of Culture
2021

**ACTIVATE**
Our culture/purpose in action for
2022-23

**FEEL**
Monitoring strong and sustainable
culture 2021-23

## Project phases

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| **DIAGNOSIS OF THE CURRENT EX** | **RELATIONSHIP MODEL** | **DESIRED EXPERIENCE** | **MEASUREMENT MODEL** |
| What is it like to be an employee and what do they experience? | How do we want to be in the eyes of our employees? | How do we make the desired experience real? | How to ensure results? |
| GAME ANALYSIS-THE EX RIGHT NOW | BENCHMARKING OF GOOD EX PRACTICES | DEFINITION OF THE TRANSFORMATION PLAN (ROADMAP FOR THE DESIRED EX) | DEFINITION OF THE MEASUREMENT SYSTEM |
| DEFINITION OF THE JOURNEY AND MEASUREMENT OF THE EX RIGHT NOW | VALUE PROPOSITION, RELATIONSHIP MODEL AND COMMITMENTS | IDENTIFICATION OF NECESSARY CHANGES | LAUNCHING OF THE EX-PULSES |
| MONITORING AND DIAGNOSIS OF THE EX AT IBERCAJA | DEFINITION OF THE DESIRED EXPERIENCE AND IDENTIFICATION OF GAPS | COMMUNICATION OF THE PLAN AND INVOLVEMENT OF THE TEAM | ANALYSIS OF THE EVOLUTION OF THE EX AND SCORECARD |
| IMPACT OF THE EX ON RESULTS AND CX QUICK WINS: RAPID CHANGES WITH IMPACT | COMMUNICATION OF THE RELATIONSHIP MODEL | DEFINITION OF THE CONTINUOUS IMPROVEMENT | PROP. IMPROVEMENTS AND UPDATES OF THE MODEL |

# 11. I Planet Week

> ***At Ibercaja, we are committed to sustainability, with the dual objective of positioning ourselves as a benchmark institution in this field and responding to the needs of society and the environment.***

This is a commitment of the entire Ibercaja Group: Bank, Foundation and Financial Group.


The **CHALLENGE** we have set is that our business objectives should drive sustainable development, preserve natural resources, and promote a fairer and more inclusive society.

To give visibility to this positioning and to make our corporate Purpose a reality, accompanying and helping our stakeholders on the path towards a more sustainable world, from 18 to 24 October, we organised the 1st Planet Week at Ibercaja, coinciding with the celebration of the International Day for

From the People Area, we collaborated in the organisation and dissemination of the activities that took place throughout the week. A complete panel of activities **focused on employees**, customers (both individuals and companies), suppliers and society in general: conferences, round tables, testimonials from relevant people in Ibercaja's sustainability project, volunteer actions, post, eco-advice from sons and daughters of Bank professionals, competitions and much more... were the content of the 1st Ibercaja Planet Week.

## 12. This Christmas, **we are** more Ibercaja than ever before

> ***To bring our stakeholders closer to the values represented by the Ibercaja brand, in 2021, we are celebrating our most supportive Christmas.***

Under the slogan **"This Christmas WE ARE more Ibercaja than ever"** the Bank's professionals have joined a very special campaign, in which they have been able to participate, together with their families, in the different initiatives proposed with the **following objectives**:

- **Promoting a sense of belonging** and bringing the families of the Ibercaja Group and its Foundation closer to the values of the Ibercaja brand.
- **Fostering knowledge of the Entity** and its internal culture, positively impacting the commitment of professionals to the Entity.
- **Generate a better employee experience** so that employees remain linked and committed to the Ibercaja brand.
- **Encourage the active participation** of the Bank's professionals and their families.
- **Realising our corporate purpose:** ***"Help people build their life story because it will be our story"***


| Internal Christmas campaign initiatives 2021 | |
|---|---|
| **Draw Ibercaja in your Christmas** | Through their drawings, the youngest members of the Ibercaja family conveyed their particular vision of Christmas, relating it to the values that identify the Ibercaja culture.<br>In this edition, 311 sons and daughters of male and female employees took part, representing how we are and the traits that represent our values in their drawings. |
| **Unicef Blue Gift** | Our sons and daughters have also been the protagonists of this solidarity initiative, as thanks to their participation in the Drawing Competition, they have been able to choose a very special gift that we send in their name to other children in those parts of the world where they need it most.<br>Ibercaja joins this Unicef initiative by distributing a total of 144 Survival Kits, 103 Vaccination Kits and 64 Education Kits, so that hundreds of children around the world can study, get vaccinated or have access to processing |

| | |
|---|---|
| **A Smile for Christmas** | This Christmas, among the solidarity initiatives, we are joining the International Cooperation to ensure that children and young people in vulnerable situations can have a toy for Christmas.<br>In this campaign, we delivered 446 gifts through this initiative carried out in collaboration with Cooperación Internacional. |
| **ImPULSO Solidario Gala** | €60,000 delivered to the eight most voted projects out of the 32 projects submitted by employees in this 5th edition. |
| **The Three Wise Men** | 170 colleagues acted as messengers and were in charge of finding the toy that the most vulnerable children had asked for in their letter to the Three Wise Men. |
| **Large Toy Donation** | 156 toys purchased at the UNICEF shop donated to the Hermandad de El Refugio for children from vulnerable families in their day care centre. |
| **Solidarity Scarves** | Solidarity initiative to give homeless people a present this Christmas. The initiative is not only based on a scarf being purchased to protect them from the cold, but also has a more emotional aspect, as together with the scarf they receive a message from Ibercaja employees that provides them with much-needed human warmth.<br>In this campaign, 75 scarves have been given to the Hermandad El Refugio |
| **Crowdfunding Portal** | Our colleagues have contributed to multiplying outreach and creating opportunities for all people, contributing to a more sustainable future: Aid to La Palma, Supporting groups at risk of exclusion, SmartGreen and many more. |

## Other lines of action

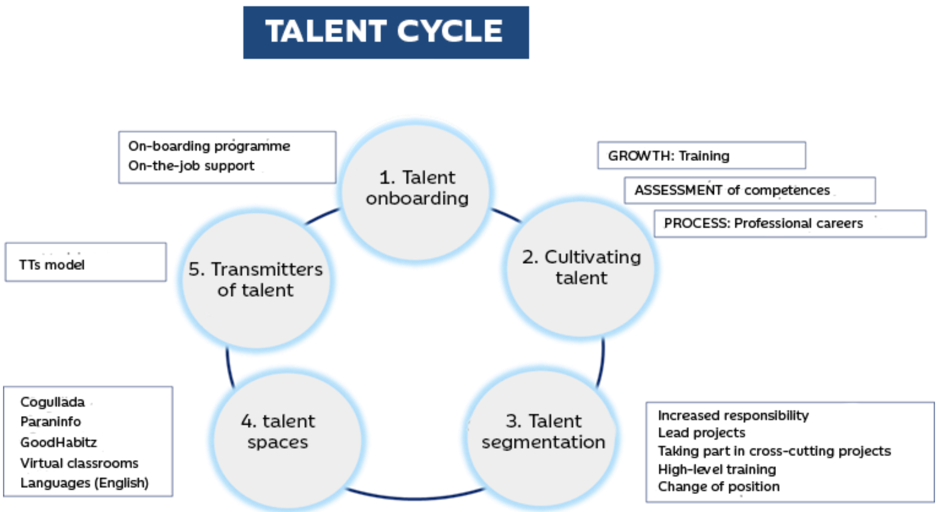
### Cultivating talent

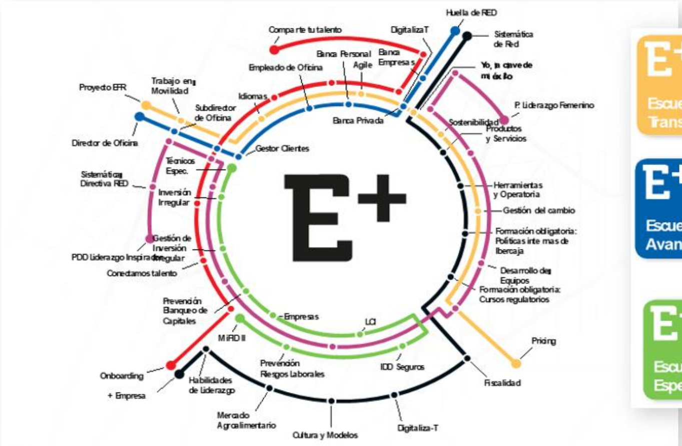
*103-1, 103-2, 103-3, 404-1, 404-2*

This involves obtaining the maximum return on the talent existing at Ibercaja, providing a personalised management that favours professional growth to obtain better results and a greater commitment to the Company in response to the dynamism required to carry on the Bank's activities in line with the expectations and requirements of the surroundings.

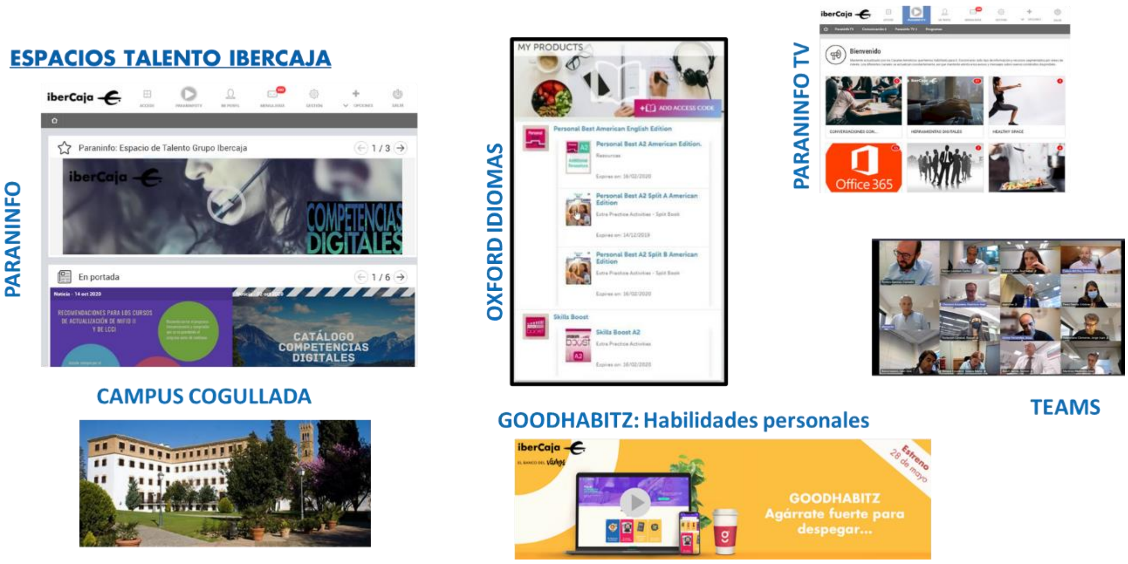
> **STRATEGIC OBJECTIVES**
>
> *Ibercaja considers the* ***professional and personal development*** *of employees as a* ***strategic objective*** *within the framework of People Management.*

Also, through the **Career Development Plan**, we promote the continuous development of the abilities and skills of our employees, identifying and responding to the current and future training needs of the Bank's different Groups. We align the training programmes and needs with the Bank's strategy, actively participating in transmitting our culture, values, knowledge and experience.










The Entity encourages **talent development** through training programs and internal promotion for the highest number of employees possible. In **2021, 684 people** received professional promotions by applying the criteria defined in each professional career plan, length of service, unrestricted designations, and office classifications. There are professional career plans for all central service departments and for the strategic company and personal and private banking segments. The total number of professionals pertaining to these promotion plans was **1,211**.

The training programmes aim to promote **professional development** by responding to the needs that arise in a highly dynamic environment such as banking. Among the main training programmes undertaken are those related to tools and operations, products and services, standards/regulation, taxation, development of attitude and personal motivation, digital environment and new trends.

The number of hours of classroom training totalled **35,173**, and those given through distance channels amounted to **259,933** by job category and gender are distributed as follows:

### Hours of training by gender and job category

| 2021 JOB CATEGORY | MEN | WOMEN | TOTAL |
|---|---|---|---|
| **EXECUTIVES** | 37,207 | 17,525 | 54,732 |
| **MIDDLE MANAGERS** | 37,453 | 33,126 | 70,579 |
| **TECHNICIANS** | 45,345 | 54,535 | 99,880 |
| **CLERICAL STAFF** | 30,665 | 39,250 | 69,915 |
| **TOTAL** | **150,670** | **144,436** | **295,106** |

### Hours of training by gender and job category

| 2021 JOB CATEGORY | MEN | WOMEN | TOTAL |
|---|---|---|---|
| **EXECUTIVES** | 53,620 | 23,575 | 77,194 |
| **MIDDLE MANAGERS** | 51,014 | 46,249 | 97,264 |
| **TECHNICIANS** | 58,375 | 65,789 | 124,164 |
| **CLERICAL STAFF** | 45,006 | 53,092 | 98,099 |
| **TOTAL** | **208,015** | **188,705** | **396,720** |

### Hours of training by gender and job category

| 2021 JOB CATEGORY | MEN | WOMEN | TOTAL |
|---|---|---|---|
| **EXECUTIVES** | 48,815 | 22,310 | 71,124 |
| **MIDDLE MANAGERS** | 41,210 | 37,019 | 78,229 |
| **TECHNICIANS** | 44,906 | 53,959 | 98,865 |
| **CLERICAL STAFF** | 39,772 | 46,903 | 86,674 |
| **TOTAL** | **174,703** | **160,189** | **334,892** |

The average number of training hours per employee in 2021 is 64.3 hours (compared to 78 hours in 2020).

## Employee Communication and Experience

The Bank has open and transparent communication with people, providing information on actions led from the People area, disclosing general interest topics among the workforce, providing and promoting channels and means of guaranteeing adequate notification to employees and encouraging their participation.

The main internal communication resources include:

| Downstream communication channels | |
|---|---|
| **Daily Information** | Corporate Intranet where daily communications of an informative nature or for the development of the activity of all the units that make up the Bank are published (Tenders, Appointments, Labour Agreements, Legislative Novelties, Commercial Campaigns and New Processes). |
| **Regulations** | This internal space contains the set of instructions, rules, references and indications of a commercial, operational or functional nature, which must be complied with, and which constitute the sole and common reference of Ibercaja's Regulations. |
| **Employee Portal** | An environment where staff can consult their personal, family, personal, work and financial data, etc., where certain internal processes related to the area of people are managed. It also includes institutional news, access to pages of interest, trade union communiqués, among others. |
| **Ibercaja Chronicle** | An internal institutional magazine published every four months and with the participation of all areas of the Bank to inform the staff of Ibercaja's milestones and progress give special prominence to Ibercaja's employees as the driving force behind |
| **"Tu compensación" Portal** | Accessible from the Employee Portal, through this platform, the staff can find all the necessary information for contracting and renewing the Flexible Remuneration Plans (FlexiPlan).<br>Salary information and the benefits of being part of the Ibercaja family are also available. |
| **All this is for you** | A digital and interactive publication with a modern, friendly and familiar image shows the advantages and benefits that Ibercaja staff can enjoy. |
| **Internal newsletters** | One of the tools used for the communication of Endomarketing Campaigns and which facilitates direct and personalised communication with the staff, depending on the campaign carried out. |

## Upstream communication channels

| | |
|---|---|
| **"ImPULSO" Platform** | Participation platform based on a system of challenges that aims to involve the entire workforce in the search for ideas and solutions to the challenges that are proposed periodically. There are two types of challenges: Solidarity and Innovation. |
| **People Area Delegates** | Figures close to the territory through which the Bank's professionals can channel their queries, concerns, suggestions, complaints, etc. Periodically, these figures carry out personal interviews in the different work centres. |
| **Employee Experience surveys** | A bottom-up communication channel that allows us to find out how the Bank's employees experience and feel about their relationship with Ibercaja at key moments in their personal and professional lives. |
| **Pulse Surveys** | Designed to take the "pulse" more frequently than EX's global surveys, monitoring the impact of initiatives put in place, measuring fluctuations to be able to intervene more immediately. |
| **"FRC" internal channel** | Through the mailbox efr@ibercaja.es, the Bank's professionals can send their proposals or suggestions for improvement and/or complaints or claims regarding FRC. |
| **"FRC" External Channel** | As a Family-Responsible Company, Ibercaja's professionals also have a confidential communication channel with Fundación Más Familia regarding the FRC Model. www.masfamilia.org |

## Horizontal communication channels

| | |
|---|---|
| **Focus Group** | Widely used as a method for qualitative research and idea generation in various strategic projects for the Bank. |
| **Ibercaja Contigo app** | A 100% digital, blog-like tool that uses simple language to maintain close and empathetic contact with the Bank's employees. This includes: Tips with the best Health tips, Access to Webinars, Streaming to participate in different scheduled events, Chat. |
| **Internal events** | Events specifically designed for internal audiences to encourage networking among colleagues: recognition of excellent teams, a tribute to people who have been with the company for 25 years, meetings of leaders or transmitters of talent, among others. |
| **Executive breakfasts** | Informal discussions between Bank managers and professionals on the various issues they encounter in their day-to-day work.<br>These events provide attendees with a greater link and commitment to the Entity. |

| | |
|---|---|
| **Webinars** | Another way to share information, conduct workshops or develop time-based dynamics in which the user can ask for the floor, ask questions and interact through chat. |
| **Ibercaja CoffeWork** | A multifunctional area and multi-purpose space designed to encourage networking, meet informally, generate ideas, and have a coffee or a piece of fruit. |

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

**EMPLOYEE EXPERIENCE**

*Ibercaja thus reinforces the **Employee Experience**, as **a basis for the People Management Model***

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

*Ibercaja actively promotes equal opportunities, rejecting any form of discrimination, and it is committed to the work-life balance of the professionals that work at the Entity.*

efr certificado en conciliación 1000-1 ES - 212 / 2019 / AENOR

In this context of ongoing listening, in 2020, a joint reflection was made of all that lived in recent months, which enabled us to have valuable information on the concerns and worries of the workforce and improvement suggestions to be able to plan new actions that contribute to facilitate the on-going performance of our daily work in the current coordinates.

**We are efr**

**Over 100** family-friendly business measures to provide a healthy work-life balance

**226** persons benefiting from conciliation measures in 2021

**Over 11,000** views of #Semana enFemenino on social media

**Over 400** participants in the “Exhibe tu Talento” cycle to improve their personal brand

**Professional Development**

**Over 295,000** hours of training in 2021, for an average of 63 hours per employee

**684** people promoted in 2021

**Over 1,200** employees pursuing career plans

## Diversity, equality and work-life balance

*103-1, 103-2, 103-3*

Ibercaja has **over 100 work-life balance and equality measures for its employees** (which exceed that included in the applicable legislation in force) in the categories stipulated in the frc 1000-1, and it has implemented the **frc Plan** for the first certification cycle (2019-2021). Alongside this, Ibercaja updates the **Equality Plan**, which promotes equal opportunities between the genders and a work-life balance to contribute to the welfare of our employees and their families.

The positioning of women in posts of responsibility is continually gaining ground. In 2021 around 40% of Bank Manager positions, 53% of Assistant Manager positions and 64% of Personal Banking Manager positions have been awarded to women. Women obtained 51% of promotions in 2021.

Also, Ibercaja's employees can opt for work-life balance measures such as leave, a reduced working day and an extended leave of absence, some of which extend or improve those set out in the prevailing legislation and the collective bargaining agreements. During the year, 226 people availed themselves of these measures (192 reductions in working hours, 27 extended leave of absence periods for childcare motives and seven extended leave of absence periods to care for family members).

In 2021, 94 people were entitled to parental leave (57 men and 37 women), all of whom took parental leave. All 94 returned to work after the end of parental leave.

In relation to the **integration of people with disabilities**, Ibercaja, in addition to complying with the General Disability Law, promotes the participation of disabled people through agreements with social entities and awareness-raising through training and volunteer actions. Currently, 49 people with varying capacities work at the Bank, thereby achieving one of the main objectives of our frc management model.

> *We perform personalised people management through our Representatives Network in the different territories. Our objective is* ***to know each person****, manage their needs individually, identify their level of commitment and oversee the development*

The Bank has protocols in place for dealing with any type of discrimination, including cases of sexual harassment and harassment for reasons of gender.

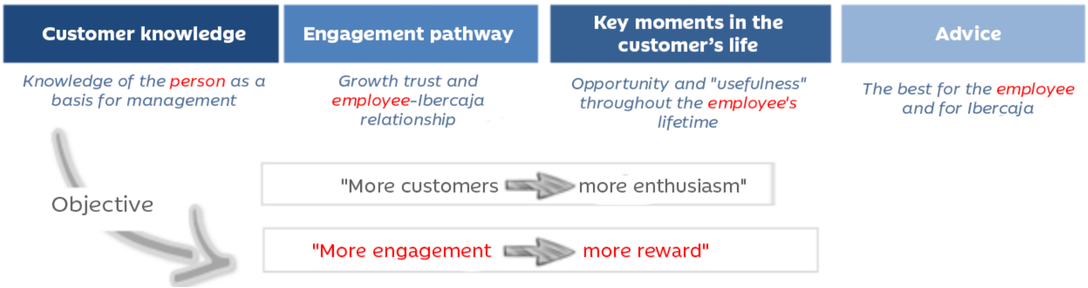
## Leadership and Commitment Management

Since 2017, at Ibercaja, we continue to have a network of seven representatives that provide coverage to all Territorial Divisions, as well as the Representative that works at Central Services.

We seek to ensure that the **employee feels listened to and accompanied** in key moments of their professional life: the inclusion in the post, an appointment, a transfer, the evaluation of skills or the resolution of a personal problem.

Hence, the representatives have a series of tools that help to implement this project: management protocols for accompaniment at key moments; employee records as management support and a new evaluation method concerning the employee's professional expectations.

Our **relationship model with the employee** replicates the **Commercial Management Model with customers**.




## Remuneration policy

*103-1, 103-2, 103-3, 202-1*

Staff **salaries** comprise fixed remuneration provided for in the Collective Bargaining Agreement for each Professional Level and for the variable remuneration received by the staff assigned to the Branch Network associated with the attainment of objectives. In addition, other amounts are paid as supplements for certain groups with specific functions and responsibilities.

The **fringe benefits** provided by Ibercaja to its employees supplement legally stipulated coverage beyond the limits and benefits established in collective bargaining agreements. They include, among others, study grants, pension plans, grants for nurseries and children's education.

Employees have a digital and interactive environment that shows the advantages and benefits they can enjoy by being part of the Ibercaja family with a modern, close at hand and familiar image.

All benefits apply to all employees regardless of their type of contract, except the special financing conditions, which are conditional on being permanent and having passed the probationary period.

In line with the rest of Ibercaja's Human Resources policies, the Remuneration Policy is based on the principle of equality between men and women, with no type of wage differentiation between genders.

The following are details of the **average remuneration received** by the employees of Ibercaja at 31 December **2021**. These remunerations are made up of fixed remuneration, salary complements and variable remuneration received in 2021.

Average total remuneration by gender (amounts in euro):

| GENDER | FIXED + BONUS 2021 | INCR. RESP. 2020 | FIXED + BONUS 2020 |
|---|---|---|---|
| M | 52,840 | -1.18% | 53,468 |
| F | 46,463 | -0.65% | 46,767 |
| **Total** | **49,730** | **-1.13%** | **50,300** |

Average total remuneration by gender (amounts in euro):

| GENDER | FIXED + BONUS 2020 | INCR. RESP. 2019 | FIXED + BONUS 2019 |
|---|---|---|---|
| M | 53,468 | 1.93% | 52,456 |
| F | 46,767 | 2.84% | 45,475 |
| **Total** | **50,300** | **2.37%** | **49,133** |

Average total remuneration by age (amounts in euro):

| AGE RANGES | FIXED + BONUS 2021 | INCR. RESP. 2020 | FIXED + BONUS 2020 |
|---|---|---|---|
| 21 - 30 YEARS OLD | 23,787 | -5.33% | 25,127 |
| 31 - 40 YEARS OLD | 42,877 | 0.43% | 42,694 |
| 41 - 50 YEARS OLD | 49,340 | -0.42% | 49,548 |
| 51 - 60 YEARS OLD | 56,011 | -0.42% | 56,250 |
| 61 - 70 YEARS OLD | 90,852 | -4.19% | 94,829 |
| **Total** | **49,730** | **2.37%** | **50,300** |

## Average total remuneration by age (amounts in euro):

| AGE RANGES | FIXED + BONUS 2020 | INCR. RESP. 2019 | FIXED + BONUS 2019 |
|---|---|---|---|
| 21 - 30 YEARS OLD | 25,127 | 5.95% | 23,717 |
| 31 - 40 YEARS OLD | 42,694 | 1.79% | 41,942 |
| 41 - 50 YEARS OLD | 49,548 | 0.34% | 49,379 |
| 51 - 60 YEARS OLD | 56,250 | 1.24% | 55,563 |
| 61 - 70 YEARS OLD | 94,829 | 1.99% | 92,983 |
| **Total** | **50,300** | **2.37%** | **49,133** |

## Average total remuneration by job category (in euros):

| AGE RANGES | FIXED + BONUS 2021 | INCR. RESP. 2020 | FIXED + BONUS 2020 |
|---|---|---|---|
| 1-EXECUTIVES | 65,317 | 0.63% | 64,908 |
| 2 - MIDDLE MANAGERS | 53,415 | 0.14% | 53,340 |
| 3 - TECHNICIANS | 46,430 | -1.12% | 46,957 |
| 4 - CLERICAL STAFF | 40,483 | -5.01% | 42,619 |
| **Total** | **49,730** | **-1.13%** | **50,300** |

## Average total remuneration by job category (in euros):

| AGE RANGES | FIXED + BONUS 2020 | INCR. RESP. 2019 | FIXED + BONUS 2019 |
|---|---|---|---|
| 1-EXECUTIVES | 64,908 | 2.53% | 63,306 |
| 2 - MIDDLE MANAGERS | 53,340 | 3.17% | 51,703 |
| 3 - TECHNICIANS | 46,957 | 2.30% | 45,899 |
| 4 - CLERICAL STAFF | 42,619 | 2.40% | 41,589 |
| **Total** | **50,300** | **2.37%** | **49,133** |

## Average total remuneration of executives by gender (amounts in euro):

| AGE RANGES | FIXED + BONUS 2021 | INCR. RESP. 2020 | FIXED + BONUS 2020 |
|---|---|---|---|
| M | 67,441 | 0.80% | 66,904 |
| F | 60,653 | 0.62% | 60,280 |
| **Total** | **65,317** | **0.63%** | **64,908** |

Average total remuneration of executives by gender (amounts in euro):

| AGE RANGES | FIXED + BONUS 2020 | INCR. RESP. 2019 | FIXED + BONUS 2019 |
|---|---|---|---|
| M | 66,904 | 2.44% | 65,314 |
| F | 60,280 | 2.81% | 58,634 |
| **Total** | **64,908** | **2.53%** | **63,306** |

In relation to the **salary gap**, if the base salary of the collective agreement is taken as a reference and the additional remuneration for length of service, social benefits or other benefits is excepted, the male/female wage ratio in Ibercaja is 1.

The range of the relationships between the standard initial salary and the minimum local salary in places where significant transactions are performed is 119% for men and women.

Analysing this information weighted by job grouping (executives, middle management, technical and clerical), a salary gap of 7.10% was determined in 2021.

The wage difference shown by the results is in line with the sector, mainly generated by the historical gender composition of the company, which translates into a higher average length of service for men compared to women. The evidence for this is the **reduction of the gap** with **respect to 2020 by 3.72%, from 12.5% to 12.1%.**

This calculation takes into account fixed remuneration, wage complements and variable remuneration received in 2020.

This trend is partly due to the measures implemented to reduce it:

- **Increase in the representation of women** in management positions.
- **51%** of promotions in 2020 corresponded to **women**.

### Aspects relating to the remuneration of senior management

The Bank's Management Committee members, made up of 11 people (8 men and 3 women) as of 31 December 2021, are considered senior management. Information on senior management remuneration includes both fixed and variable remuneration and long-term pension systems. The average remuneration is 203 thousand euros (average remuneration of executives of 211 thousand euros and 184 thousand euros in the case of executives, which is mainly affected by the length of service of the officials in the Bank).

## Social Dialogue

*103-1, 103-2, 103-3*

**Labour relations** are based on **open and transparent dialogue with employee representatives**. The Entity's union representation comprises 226 employees linked to five union sections.

These relationships attempt to foster mutual commitment, in order to advance in the improvement of the employment conditions for the professionals that work at Ibercaja.

Agreements reached in 2021:

- Agreement on Prevention of Occupational Risks

100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees. Ibercaja's activity is carried out entirely in Spain and its workforce is made up of people of different nationalities. All of them have full-time contracts.

**89% of employees** have an intensive **timetable** (except Thursdays in winter). The Collective Agreement for 2019-2023 establishes an annual working time of 1,680 hours of effective work. Abiding by this timetable, and without prejudice to its being irregularly distributed, in accordance with current legislation and applicable industry regulations, working hours are as follows:

- From 1 May to 30 September, the schedule is from Monday to Friday: from 8 to 15 hours.
- From 1 October to 30 April, the schedule is, on Monday, Tuesday, Wednesday and Friday: from 8 to 15 hours. Thursdays: 8:00 to 14:00 hours and from 16:00 to 19:00 hours.

In Ibercaja, 490 employees are subject to special timetables, requested voluntarily. 83% of them have requested to work 3 afternoons, 3% 2 afternoons and 14% one afternoon.

## Occupational health and safety.

*103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10*

Ibercaja is committed to the **safety and protection of its employees** to ensure their **well-being and occupational health**, by minimising risks and assigning the necessary resources to implement preventive actions.

Also, Ibercaja's strategic objectives include the promotion of healthy lifestyles, promoting different initiatives in this regard:

- Performance of medical check-ups.

- Promotion of sports activities through the Cultural Group, active participation in races and marathons throughout Spain in a group manner and the organisation of workshops that promote well-being (Healthy Space and Show Cooking at CoffeeWork).
- Specific section in the Ibercaja with you app (#ContigoNosCuidamos y #ContigoEntrenando), in which healthcare recommendations are included, such as how to prevent colds, habits for a healthy heart or information on the importance of a healthy diet.

| How is this policy applied at Ibercaja? |
|---|
| **Having our own prevention service** to provide specialised technical support across the entire organisation in terms of occupational risk prevention, occupational medicine and ergonomics, promoting health surveillance through regular medical check-ups, vaccination and information campaigns. |
| By setting up an **Occupational Health and Safety Committee**, whose main function, in addition to verifying compliance with the regulations, is the regular and periodic consultation with the Bank on matters of risk prevention. |
| The participation of employees in this specific matter is carried out through the **"Prevention Officers"**. The number of those appointed by and among the workers' representatives is 13. |
| Through the preparation and application of the **Occupational Risk Prevention Plan** and the corresponding risk assessments and reassessments. |
| **Training and informing** employees about the risks of their activity, through prevention courses and dissemination campaigns through different channels. |

The Bank has its **own prevention service**, as it is a company with more than 500 workers. The in-house prevention service is a specific organisational unit covering two of the four prevention disciplines ("Health Surveillance" and "Ergonomics and Applied Psychosociology") provided for in Article 34 of the regulations. The preventive specialities of "Occupational Safety" and "Industrial Hygiene" are contracted with an external prevention service: MORE PREVENTION.

The Bank has implemented an **occupational risk prevention plan** to integrate preventive activity into management.

The Bank has a **Health and Safety Committee** made up of 10 members: Five of them are the Prevention Delegates and the other five are representatives of Ibercaja. Ibercaja's Health and Safety Committee has its own internal regulations that govern its functioning.

Given the activity carried out, no specific risk or illness for employees is identified.

In 2021 there were 32 **occupational accidents** (12 men and 20 women), 14% less than in the previous year (pandemic year, less travelling), and the total number of hours of absenteeism was 359,410 (470,193 in 2020). As is the case every year, the hours of absenteeism include common illness, occupational accidents and maternity and paternity leave. This year again, COVID hours were also included, amounting to 12,012 hours, which was the main reason for the decrease in absenteeism compared to the previous year.

| 2021 | TOTAL | MEN | WOMEN |
|---|---|---|---|
| FREQUENCY INDEX | 1.1764 | 0.8228 | 1.5593 |
| SEVERITY INDEX | 0.1454 | 0.0961 | 0.1989 |

| | 2020 | 2019 |
|---|---|---|
| FREQUENCY INDEX (*) | 1.3294 | 1.2273 |
| SEVERITY INDEX (**) | 0.1191 | 0.1284 |

Recalculation of the severity index in 2019

(*) FI= Number of occupational accidents with sick leave (ex in itinere) *10^6
Total number of hours actually worked

(**) SI= Number of days not worked due to an accident at work, with leave *10^3
Total number of hours actually worked

Also, the new Agreement enacts the right to digital disconnection in the workplace for the first time. This regulation contributes to workers' health by reducing, among others, technological fatigue or stress, thereby improving their working environment and work quality.

# Management of the health crisis caused by COVID-19

As a result of the pandemic caused by COVID-19, since 2020, the People Area has **managed to ensure the health and well-being of people**, without forgetting to **guarantee the viability of the business project.**

The **main actions** performed by the People Area Department as a response to this crisis are grouped into **three main blocks**:



## Health and Safety

With the objective always set on the **health protection of** both our employees and of our customers, the Bank's Prevention Service has managed the health crisis from **four areas**:

a. *Prevention*
b. *Early detection.*
c. *Reduced assignment.*
d. *Ongoing monitoring.*


*Ibercaja has been an* ***example of preventive management*** *thanks to the team created ad hoc and collaborative work to control the crisis.*

*Based on these objectives, the following measures have been adopted:*

- **Protocols have been implemented** for all health and information management processes.
- Reinforcement of the **Medical Service**, to attend to and follow the development of the affected colleagues on an individual basis.
- Management of the **supply of preventive protection equipment** and temperature monitoring in the Central Building.
- Creation and management of a **database** to centralise all information related to the health crisis.
- **Customer care line COVID-19 enquiries** in which Bank employees will be attended to directly by the medical team 24 hours/7 days a week.
- **Flu vaccinations** for all employees that request them.

## New working schemes

In 2021, the Entity continued to implement measures that have enabled us to continue our professional activity while implementing **new working environments**, which have allowed us to shorten distances, conduct meetings efficiently or cooperate in a cross-cutting manner on different projects.


*The COVID-19 pandemic has also been a catalyst for* ***new ways of working****, accelerating our transformation process.*

*Measures adopted:*

- Deployment of **Telework** in the most critical phases of the crisis
- **Flexible working hours**, both entry and departure.
- Implementation of resources and **new mobility tools** (Teams, Office 365, etc.). All posts have collaborative tools.
- Appointment of new figures as **Digital Personal Banking Managers**, providing personalised advice to customers operating remotely.
- Conducting **online examinations** for certification.
- Production of **virtual galas** for the celebration of internal events.

## Communication and accompaniment

Moments in which it was crucial to generate **new internal communication routes** that keep us permanently connected with our colleagues, accompanying them in their day-to-day matters at home and at the office.


***Internal communication*** *has played a* ***key role*** *in the COVID-19 crisis.*

*Operating Communication:*

- COVID-19 space in regulations for the daily publication of measures related to the pandemic.

*Emotional Communication:*

- **Letters from the CEO** to each employee, explaining the Bank's situation, the measures being taken, messages of encouragement and recognition of the important work of Ibercaja's professionals as an essential service to society.
- **Ibercaja Contigo (Ibercaja with you)**. Blog designed to maintain close, empathic and useful contact with colleagues. Articles of interest, Prevention recommendations, Tips to work from home, Solidarity initiatives, Health and well-being tips, Didactic resources, Weekly training, Provision of content to this new channel.

# 6.5 Commitment to the environment

*102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31, 102-43, 102-44, 103-1, 103-2, 103-3, 201-2, 301-1, 301-2, 302-1, 302-4, 303-1, 303-5, 305-1, 305-2, 305-5*

> Ibercaja is firmly committed to protecting the environment and combating climate change, taking into account its environmental impact and promoting, through its activities, the transformation towards a more sustainable economy.

## 6.5.1 Through the banking and financial activity

To this end, the Entity uses the objectives of the Paris Agreement on Climate Change as a reference and moves forward in implementing the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). This information is set out in detail in **section 6.12. of this chapter of the Directors' Report.**

The Sustainability Policy, approved by Ibercaja's Board of Directors in December 2020, includes the **Bank's environmental commitments:**

Through its financial activity, Ibercaja undertakes to:

- **Analyse the impact of climate change,** detecting **needs** that the transition to a decarbonised economy may present to **respond with business solutions** that support environmental sustainability.
- **Analyse climatic and environmental risks,** their impact on customers and their financial activity, for their gradual integration in compliance with the regulatory requirements.

- **Transparently communicate** the advances in environmental sustainability, **raising awareness internally and externally** to promote a sense of environmental responsibility.
- Assume and endorse the primary **national and international commitments** that help to protect the environment and fight against climate change, working on their implementation.

## 6.5.2 Through internal environmental management

Our commitment to the environment is also materialised in the management of the direct impacts of our activity, and is developed through the following axes:

In its environmental management, Ibercaja applies the **principle of precaution** to guide its actions to prevent or avoid damage to the environment.

| | |
|---|---|
| Environmental policy | *This policy is based on the **observance of regulations** of a general nature, **preventing pollution and contamination** in its own processes, **ensuring appropriate waste management**, **raising employee awareness** of the responsible use of natural resources and **disseminating good practices** among customers and suppliers to raise their awareness. This policy was updated in 2021 to align with the principles of action that govern the Sustainability Policy and extend its* |
| Environment Committee | *At the executive level, this body is tasked with **ensuring its compliance**, supervising the efficiency and effectiveness of the Bank's environmental management system and **promoting awareness initiatives and environmental protection**. It is the body that reviews and approves updates to the Environmental Policy.* |
| Environmental Management System | *Supervised by the Environmental Committee, it has a Coordinator and a specific budget for its correct performance, enabling the implementation of environmental initiatives proposed by the Environmental Team, formed by volunteers from different units, which propose, foster and promote initiatives in the environmental protection area.* |

To do so, Ibercaja assumes the following commitments:

- Measure and publish its carbon footprint, establishing a reduction plan to achieve **emission neutrality.**
- Comply with the **applicable legal environmental requirements** and those other voluntarily assumed rules, adopting the necessary measures.
- Apply the **principle of pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- **Encourage** the **responsible control and consumption of resources**, and **the proper management of waste**, minimising its generation to the extent possible, favouring the circular economy throughout the value chain.
- Ensure **continuous improvement** in the system and environmental performance by establishing **environmental objectives.**
- **To raise awareness** among the **people** who make up Ibercaja, fostering a sense of environmental responsibility in their actions, disseminating good practices and involvement and participation.
- **To disseminate its Environmental Policy** and all relevant information on the actions and initiatives carried out in environmental matters among stakeholders.

The Environmental Management System (EMS) has been in place at the Bank since 2007, and it is externally certified by AENOR, which verifies compliance by the head office building with the requirements of the ISO 14001:2015 standard. As a requirement of this Standard, **the risks and opportunities** arising from the system are identified, as well as the actions to be taken for each risk. The risks include the impact of climate change on financial activity. Opportunities include those arising from the transition to a more sustainable economy: SRI drive, green finance, environmental solidarity initiatives, etc.

**In 2021** AENOR conducted the **Monitoring audit** on the Bank's Environmental Management System, in which it verified the implementation of the System with respect to the specific requirements in the UNE-EN ISO 14001:2015 reference standard. The strong points are **highlighted as follows**:

- State of **order and clean** facilities.
- **Horizontal, vertical, ascending and descending** communication channels.
- **Thorough analysis** of the determination of the context of the organisation, and the interested parties and their requirements.
- The **availability, aptitude and technical preparation of all the personnel involved** in the system, implication and knowledge regarding the Bank's environmental efficiency theme and culture.
- **Internal and external environmental initiatives**, and the participation of the Bank through **inclusion** and awareness-raising through symposiums for the interested parties.
- Integration of the Environmental Management System **in the business units** and the inclusion of environmental criteria in the design of the organisation's financial products.
- **Reduction of the carbon footprint.**

- **Evaluation of EMS suppliers** with a high degree of environmental criteria.
- **Environmental actions** implemented: **100% recycled plastic** in the use of bottles, increased **percentage of sustainable products** in the consumption of office equipment, **improved recycling** in branches.

## Main lines of action in 2021:

### Resource management:

**OPTIMISATION**

*The Bank has implemented initiatives aimed at* ***optimising*** *the* ***consumption of resources***

One of the Bank's **objectives** is the **efficient consumption of resources** and it implements initiatives aimed at their optimisation, especially of those of importance for Ibercaja: water, energy and paper. It also places special emphasis on raising awareness regarding their correct use.

| TOTAL CONSUMPTION | 2019 | 2020 | 2021 |
|---|---|---|---|
| Water consumption (m3) | 41,451 | 37,028 | 38,934 |
| Energy consumption (Gj)** | 138,107.1 | 129,780.7 | 128,138.24 |
| Paper consumption in Tm * | 369.4 | 333.3 | 347.3 |

* 96% of DIN A4 paper is recycled

**The electricity consumption of the Branch Network for 2019 and 2020 has been calculated based on the electricity invoices of the different companies for the period from 1 December of the previous year to 30 November of the current year. This is because real calendar year data are not available until March of the following year. Endesa's actual bills are not available for 2021. The electricity consumption estimated for this year corresponds to the majority billing period from October 2020 to September 2021. In 2022 the information will be homogenised with previous years.

In 2021, as in previous years, in all the reforms, works and maintenance actions carried out at branches, when the facility allows it and it is necessary, the criterion of **replacing the existing lighting with LED systems** and of improving air conditioning systems with more efficient equipment, was maintained. All our measures or procedures take into account the Bank's **environmental management principles**.

In the case of paper, Ibercaja promotes actions to improve the management of paper use, managing to maintain a trend of reducing its consumption, which in 2021 was 5% compared to 2020 and 15% compared to 2019.

### Circular economy and waste management

**The correct segregation of waste and its selective collection is a constant commitment of the Bank**, ensuring the correct destination of each type to reduce its environmental impact. The Waste Coordinator is in charge of their integral management.

Awareness-raising campaigns and training help promote the best environmental practices again awareness to minimise waste generation. In this regard, in 2021, efforts have been focused on the **continuous improvement of waste management**, highlighting the internal and external environmental awareness and information actions, aligned with important global events related to recycling and environmental education, as well as the specific training aimed at technical staff to raise awareness and training in waste prevention and management, efficient use of resources and circular economy, carried out in January 2021.

In this line, the focus has been on extending good environmental practices to the branch network. Specifically, to improve **recycling in branches**, a process has begun to implement the segregation and selective collection of the most common waste in the branches that have office areas, with specific containers for each type of waste (paper/cardboard, plastics and waste), which will continue in the coming year. Information actions accompany these actions to raise awareness and sensitise employees.

Moreover, in its firm commitment to the circular economy and environmental protection, Ibercaja has launched its **new VISA ONE and VISA CASH** cards, which are made from 95% recycled PVC.

### Emissions

Ibercaja has been calculating its carbon footprint since 2016, including both Scope 1 and Scope 2 emissions and also partially indirect Scope 3 emissions, especially those generated by employees as they travel to and from work and those generated by in-house couriers while on their rounds.

**COMMITMENT**

*The Bank's commitment to the environment is embodied in its Carbon Neutral Objective.*

To extend **the measurement of Scope 3 emissions**, in 2021, the Bank conducted a preliminary analysis of the carbon footprint of emissions financed from the productive activities portfolio and the mortgage portfolio, to establish a baseline for carrying out a comprehensive analysis in 2022, based on the PCAF[4] methodology, following sectoral best practices.

To help mitigate climate change, Ibercaja Banco has a $CO_2$ emissions reduction plan and has set itself the target of achieving a 100% reduction of its carbon footprint (Scopes 1, 2 and partially 3) by 2030. The Plan's **base year** is the first year in which the indicator was calculated (2016), and it envisions a series of measures that will contribute globally to achieving the target.

As a final step, the organisation may consider an offsetting approach for those emissions that it has not managed to reduce in the target period.

For the calculation of CO2 emissions for Scopes 1 and 2, the emission factors used are those provided by the Spanish Ministry for the Ecological Transition and Demographic Challenge (MITECO), based on official sources. The calculation methodology of the Greenhouse Gas Protocol (GH Protocol) is used to obtain Scope 3 CO2 emissions.

[4] PCAF (Partnership for Carbon Accounting Financials) is a global carbon footprint accounting standard to measure and disclose the financed and facilitated Scope 3 emissions of financial institutions. For more information on PCAF, see: https://carbonaccountingfinancials.com/

The key indicator when monitoring the Plan is the percentage of emissions reduction achieved. Thus, total emissions (Scopes 1 and 2) amounted to 873.97 Tn $CO_2$ in 2021, down 32% on 2020 and 94% on the base year (2016). This reduction is mainly due to the fact that all of the electricity consumed by the Bank is 100% green energy, with a guarantee of origin.

Meanwhile, to reduce the emissions associated with the fuel consumption of the vehicles that form part of the Ibercaja Network (a total of 20 vehicles), the entire fleet of vehicles has been gradually replaced to include more sustainable vehicles bearing ECO and ZERO badges.

Also, in 2021, the Bank was awarded **the "Calculo-Reduzco"** for 2020 from the Climate Change Office of the Spanish Ministry for the Ecological Transition and Demographic Challenge (MITECO), having previously registered its carbon footprint in the Carbon Footprint, Offsetting and Absorption Project Register.

In tandem, the Bank achieved **carbon neutrality in 2020** (Scopes 1 and 2) by offsetting the direct emissions (Scope 1) that could not be reduced through the **CeroCO2** project of ECODES titled **"Conservation of the Amazons at Madre de Dios, Peru"**.

The Carbon Footprint Report, posted on the Bank's corporate website, describes the progress made towards the actions envisioned in the Emissions Reduction Plan, as well as data collection, methodology, calculation criteria and the trend in emissions taking the base year, 2016, as the yardstick.

As a further show of its commitment to sustainability, Ibercaja adhered to the **Net Zero Banking Alliance** (NZBA) in 2021, as one of the founding members, thus undertaking to become carbon neutral in relation to its loan book and investment portfolio by 2050 or earlier and aligning its targets with those of the Paris Agreement.

### Awareness-raising and communication

To achieve our environmental objective and commitment, awareness-raising and communication with our employees, customers and society are **key aspects**, thus enabling us to generate a greater impact.

Annually, **environmental actions and content are planned throughout the year**, also aligned with global awareness initiatives and special days of the year devoted to environmental preservation and the fight against climate change. Dissemination is carried out through a range of Bank channels, both internal and external (Daily Information, Ibercaja Contigo App, social networks, etc.).

Highlights during the period included the staging of **Planet Week**, which ran from 18 to 24 October to coincide with **International Day against Climate Change**. The aim was to support **customers, employees and society** in achieving their commitment to sustainability. This project embodies the commitment of the entire Ibercaja Group: **Bank, Foundation and Financial Group**. Under the motto **Protecting the environment and fighting against climate change,** numerous **business events, round tables, volunteering actions**, blog posts on sustainability, competitions, eco-tips and other initiatives were organised across Spain and were widely covered in the press and media.

Various **Environmental Volunteering** actions were also carried out during 2021, open to Ibercaja employees and customers and society at large.

**Sustainable Tuesdays** were held from January through to June; an initiative aimed at Ibercaja Group employees and their families, and involving chats with experts on issues such as the circular economy or the Sustainable Development Goals.




Also, during the year, albeit differently due to the health crisis, Ibercaja joined the **Earth Hour** initiative at the Zaragoza central building, the Reyes Católicos building in Burgos and the Badajoz Siglo XXI building in Badajoz.

Also, the **corporate website (https://www.ibercaja.com)** includes Ibercaja's sustainability and environmental commitment in a specific section. Meanwhile, the **commercial website (https://www.ibercaja.es)** now features a blog devoted to sustainability to support and accompany our customers on the necessary path towards decarbonisation.

As part of its commitment to raising awareness and implementing the SDGs, Fundación Ibercaja unveiled its new competition, **"R7 por el planeta"**, which calls on primary, secondary and higher education students from all over Spain to create a project related to the environment.

For the first time in 2021, Fundación Ibercaja joined the **Bosque de los Zaragozanos**, an initiative organised by Zaragoza City Council, with nearly 40 collaborating entities, which seeks to plant 700,000 trees and bushes in and around Zaragoza over the coming years.

## Environment Team

The Environmental Management System has an **Environment Team** comprising volunteers from various departments and areas of the Bank, all tasked with proposing, championing and taking action in the realm of environmental protection.

> **COMMITMENT**
>
> *The **Environment Team** proposes, champions and implements **environmental protection** actions.*

To reduce and optimise the use of plastic at Ibercaja, the **PLASTIC-FREE TEAM** was set up in 2019 to promote, on a voluntary basis, initiatives that encourage the use of recycled and recyclable plastic materials (card sleeves, etc.). The water bottles at the Bank's headquarters were also replaced with rPet bottles (100% recycled and recyclable), thereby transferring our environmental commitments along the value chain. Based on circularity principles, these good practices are part of Ibercaja's environmental objectives to reduce its environmental impact and champion the circular economy by promoting actions to give plastic a second life.

### Training

Training is a key element at Ibercaja as we seek to convey our commitment to the environment to everyone at the Bank and give them the necessary tools to carry out their work and make ESG concerns part of their professional decision-making.

In 2021, a sustainability line was included in the **Professional Development Plan,** and the following **training activities** related to sustainability and the environment were carried out:

- **Sustainable finance**: various training sessions were carried out in different areas (risks, investment, products, reporting, etc.) within the working groups in the CECA area.
- Course on sustainability focused on **environmental protection**, available to all Bank employees through an internal platform.

Various training sessions on sustainability were also held during the year for those employees most directly involved in the management of ESG aspects. **Training was delivered to all employees** on the most relevant aspects of integrating sustainability into Ibercaja's strategy and business.

A course on the **Global Compact** was also made available to all Ibercaja employees through the Bank's platform on **the SDGs and the 2030 Agenda**.

In addition, specific training was provided for **waste managers**, including refresher training to enable them to perform their work properly.

## Environmental alliances

Ibercaja, within the framework of the promotion of SDG 17 (alliances), promotes cooperation between entities and its participation in environmental initiatives and the fight against climate change.

> **COOPERATION**
>
> *Ibercaja promotes **cooperation among entities and** its participation in environmental initiatives*

In April 2021, Ibercaja became a **founding member of the Net Zero Banking Alliance (NZBA)**, an initiative of the United Nations that promotes the commitment of the banking sector worldwide to achieve carbon neutrality in respect of $CO_2$ emissions by 2050. Meanwhile, Ibercaja Gestión and Ibercaja Pensión signed up to the **Net Zero Asset Managers** initiative in 2021, with the commitment to achieve neutrality of their own and their portfolios' $CO_2$ emissions by 2050 at the latest.

This is part of **COEPLAN** (Coalition of Companies for the Planet), a Spanish initiative to promote more innovative and sustainable companies.

Ibercaja is also involved in the **Sustainable Finance Sector Working Group** to analyse and adapt to legislative proposals promoted by the European Commission in its Action Plan on Financing Sustainable Growth.

Ibercaja is part of the **#ComunidadPorElClima** initiative, to raise awareness and disseminate good environmental practices to make the planet a more sustainable place to live.

As part of the COP25, in 2019, the Bank signed the **“Collective Commitment to Climate Action”** of the Spanish financial sector, promoted by the United Nations Environment Programme Finance Initiative, and joined the commitment to measure and reduce the carbon footprint.

**Smart Green**. In 2020, the Ibercaja Foundation joined the Smart Green Movement, an initiative led by LG España in collaboration with the CO2 Revolution, whose objective is to plant millions of trees throughout the country. Hence the Ibercaja Foundation joined the movement that brings together major firms, citizens and institutions to combat climate change, absorbing the CO2 surplus into the atmosphere through the reforestation of trees.

# 6.6. Commitment to shareholders and investors

*102-43, 102-44*

In our relationship with current and potential shareholders and investors, it is crucial to carry out meaningful action and provide adequate information to assess such action.

## Commitments to shareholders and investors:

- **EQUALITY.** Guarantee equality between shareholders and investors regarding access to significant information on the Bank, avoiding asymmetry and ensuring maximum transparency to obtain complete, clear and true information at all times.
- **ADEQUATE DIALOGUE.** Establish adequate dialogue channels that allow them to be attended to with agility and quality in a personalised manner.
- **CONFIDENTIALITY.** In the terms envisaged, protect the confidentiality of the data that shareholders and investors may contribute.

*The Bank continues to pledge for* ***transparency***

## Stock market flotation

In 2021, the Bank made intensive **preparations** to ensure the successful completion of its **IPO**. A large part of the documentation needed to complete the process was completed. Numerous contacts were signed with investors and analysts to showcase Ibercaja's position, its strengths, and how it is tackling the challenges present within the industry. It also continued to bring its corporate governance structure in line with that expected of a listed company.

On 20 January 2022, Ibercaja announced, through a mandatory disclosure delivered to the Spanish National Securities Market Commission (CNMV), its intention to be listed on the Spanish stock exchanges by means of a secondary share offering by the Bank's majority shareholder, the Ibercaja Banking Foundation. However, because the prevailing geopolitical tensions at that time were causing high levels of volatility within the international capital markets, the Board of Directors decided on 31 January 2022 that it would be best to wait for the markets to return to relative normality before continuing with the transaction. It, therefore, continued to prepare for the IPO by drawing up the annual accounts for the year ended 31 December 2021.

# The most significant milestones for investors during 2021 were:

**Big improvement in asset quality ratios**, well above the average for the Spanish financial sector. Ibercaja had one of the lowest NPL ratios among its peers at the end of 2021 while at the same time having one of the highest coverage ratios.

**Clear improvement in the income statement**, thanks to an increase in recurring revenues and especially the sharp reduction in provisions, following the efforts made in 2020. Thus, Ibercaja increased the net profit obtained in 2020 sixfold and reached a ROTE of 5.7%.

Ibercaja continued to maintain throughout 2021 one of the **highest capital ratios of the total system** and one of the highest levels of surplus capital versus ECB requirements.

This improvement in the Bank's fundamentals has led to an **improvement in the Bank's credit ratings** following a 2020, in which the rating agencies had placed under review a large part of the credit ratings of European financial institutions due to the potential impact of the pandemic.

As a result of the continuous improvement in asset quality ratios, **improved profitability and high capital adequacy ratios**, the Bank will distribute 65% of its 2021 net profits in the form of a dividend to its shareholders.

# 6.7 Commitment to suppliers

*102-9, 102-10, 102-43, 102-44, 103-1, 103-2, 103-3*

> Ibercaja has a Supplier Code of Conduct, in which it conveys its principles of responsible management, where interaction and dialogue are key aspects in ensuring a stable and enriching relationship with suppliers, based on ethics, transparency and compliance with the commitments agreed upon.

Ibercaja, in its **relations with suppliers**, insists on a **level of commitment** in line with the socially responsible practices **that comply with the Bank's Code of Ethics.**

Ibercaja has embraced the following commitments with its suppliers:

- Guaranteeing **transparency when dealing with suppliers** and impartiality and objectivity of the Bank's employees who take part in the supplier selection processes.
- Overseeing economic relationships that respect both parties' interests makes it possible to obtain the maximum quality and commitment in the products and services provided.
- Encouraging its suppliers to follow sustainable practices and guaranteeing the application of the principles of the Global Compact, complying with Ibercaja's **Code of Conduct for Suppliers**, which includes the responsible commitments that they should embrace: maximum degree of ethics in their actions, respect for human rights and labour standards, protection of the environment, fight against corruption and confidentiality and security of information.

Hence, to guarantee compliance with these socially responsible practices and favour the application of the principles of the Global Compact, Ibercaja has a **Code of Conduct of Suppliers**, which was updated in 2020.


In Ibercaja's commercial contracts with its suppliers, the latter are obliged to assume the principles of the United Nations Global Compact on Human Rights, Labour Rights, Environmental Protection and Anti-Corruption, committing themselves to Ibercaja's organisation to adopt the measures that are conducive to compliance with these principles, and to encourage third parties with whom they enter into contract to comply with them.

Likewise, suppliers are obliged to comply with and enforce, within their sphere of influence, the regulations in force at any given time regarding environmental protection, in particular waste management, establishing and maintaining a **business policy of sustainable development**, doing their best to make progress in improving their environmental practices.

In November 2019, a **new supplier management tool** was launched with a more evolved and complete website, thus enabling the **improvement and systematisation of supplier risk approval and management processes** and facilitating the Bank's relations and active listening with suppliers. Within the documentation requirements, the new portal includes **social and environmental standards** (ISO 14001, OHSAS 18001, ISO 26001) and matters relating to corporate social responsibility.

When it comes to the transparency of non-financial information, suppliers are consulted about whether they release annual information in this regard, whether they follow any international reporting standards (e.g. GRI) and whether an independent external expert verifies such information.

In 2021, **the supplier risk assessment underwent** further improvements to reinforce and enhance the existing approval process. **The most relevant suppliers were assessed**, numbering 188 (168 in 2020 and 160 in 2019) and accounting for 87% **of the total volume** (85% in 2020 and 86% in 2019) of total procurement processes. Of these, 135 (123 in 2020 and 111 in 2019) were renewed, and 52 (41 in 2020 and 48 in 2019) were approved for the first time.

Almost all positively evaluated suppliers are Spanish, and their contracts are signed pursuant to Spanish legislation. Both the evaluation of suppliers and the management of contracts are part of the purchasing procedures, comply with standardised criteria and objectives and include control mechanisms to ensure compliance with the principles set out above and the commitments made.

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

**SUPPLIERS PORTAL**

*The Suppliers Portal improves **relations and ensures active listening** between the Bank and its suppliers.*

Additional features and functionalities were added to the Suppliers Portal in 2021, including the electronic signature of contracts, the consolidation of approval processes and supplier risk management, thus facilitating the Bank's relations and ensuring active listening with this stakeholder group.


Within the framework of the Entity's Environmental Management System, the supervision of suppliers assigned to it is carried out from the environmental point of view, in the corresponding external audits (AENOR) for the follow-up and/or renewal of ISO 14001, which the organisation has had since 2007.

# 6.8 Contribution to society

102-43, 102-44, 103-1, 103-2, 103-3, 413-1

> Our bank has always displayed a clear commitment to society. The challenge we now embrace is for our business objectives to drive sustainable development as we seek to preserve natural resources and promote a fairer and more inclusive society

The **sustainability policy** enshrines our commitments to society:

- Contributing to the **sustainable development of the territory**.
- Being sensitive to **social and environmental demands** through our financial activities.
- Promoting **financial literacy**.
- Assuming commitments in the realm of **sustainable development**.
- Raising awareness and disseminating good practices that help in the transition towards a **sustainable economy**.
- Promoting **corporate volunteering**.
- Ensuring the utmost **tax responsibility**.

This commitment to society is present in all of the Ibercaja Group's actions and is put into practice through its **financial activity** and with the involvement of its **shareholder foundations,** who, through their activity, work continuously to improve the lives of the people who need it most, to care for and protect the environment and to promote quality education and culture.

In 2021, our main lines of social action were as follows:

## 6.8.1 Social action

### Social projects

Programmes that improve the employability of people that generate real opportunities for social and labour insertion, or that cover the basic needs of vulnerable segments or those at risk of exclusion are eligible for the **Ibercaja Call for Social Projects**, which in its sixteenth edition attracted a total of 431 projects, of which **282 initiatives** from all over Spain were ultimately selected, benefiting **154,766** people.

This call for proposals by the Foundation has been broadened through collaboration with the Bank's three other shareholder foundations: CAI Foundation in Aragon, CB Foundation in Extremadura and Cajacírculo Foundation in Castile and León.

In addition to providing direct aid to social projects, Fundación Ibercaja collaborates with third sector entities in programmes and activities that provide a specific response to the needs of certain groups such as families with limited resources, and the elderly, young people outside the education system or people with disabilities.

Here are some of the main social programmes with which Fundación Ibercaja maintained its commitment in 2021: TOPI School of Hotel Management of Fundación Picarral, Sumando Empleo of Cáritas Autonómica de Aragón, Prevention Plan of Fundación Centro Solidaridad-Proyecto Hombre, Placement Agency of Fundación DFA, and Global Torrevirreina Project with Fundación Federico Ozanam.

### International Cooperation

In 2021, Fundación Ibercaja launched a new call for grants for international cooperation projects aimed at NGOs working in the fields of education, employability, health and access to drinking water and sanitation; basic pillars of action targeting individuals and communities in the most underprivileged areas of the world.

### Plataforma @JuntosHacemosMás

In 2021, Fundación Ibercaja launched the new digital platform **#JuntosHacemosMás (TogetherWeDoMore)** to promote corporate social responsibility and sustainable values for the betterment of society. It allows businesses and individuals alike to collaborate on 15 **projects aligned with the 2030 Agenda and the Sustainable Development Goals**, nine of which are social action projects and six of which are aimed at education, the environment and culture.

### ImPULSO Solidario

Impulso Solidario is an initiative that allows one to experience first-hand **the social commitment of Ibercaja and its Foundation.** This project aims to promote active and participatory social responsibility, in which all of us at the Bank, the Financial Group and Fundación Ibercaja can propose and vote on the social and environmental projects we wish to support, thus making us their best ambassadors. It is essentially an open call to all of us at Ibercaja who want to support worthy causes so that we can present those social projects we feel particularly concerned about and explain what they involve and why we consider it important to support them. The entire organisation is involved in the final decision by casting our votes.

The 5th edition was held during the year, in which eight winning projects were selected, two from each of the following categories: Disability, Disease, Integration and Environment.

## Labour integration and diversity

Ibercaja supports the labour integration of people with disabilities to **achieve a more equal and inclusive society**. The Bank has 49 employees with some form of recognised disability. In 2021, it allocated more than 943,000 euros to hiring people with disabilities from Special Employment Centres, either for the supply of material or services, such as the CEE Fundación Juan XXIII. Donations were also made during the year to foundations that seek to **integrate people with disabilities into the labour market.**

## 6.8.2 Partnerships

In 2021, Ibercaja continued its intense activity of transmitting and disseminating economic, business and financial knowledge to families and companies throughout the country, with special emphasis on its traditional areas of action, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies.

In addition, **to improve accessibility to information, training and solutions offered** through these initiatives, the Bank strengthened its digital assets in this area, providing them with more content, as is the case, for example, of the **Ecosystem+ Company** platform.

### Alignment of Fundación Ibercaja with the UN SDGs

Since joining the Global Compact in 2018, Fundación Ibercaja has geared its model to respond to society's challenges. The Foundation has incorporated the 2030 Agenda into its strategy, thus acquiring a double commitment. Internally, **the Foundation has aligned all its activities and programmes with the SDGs** and their corresponding targets. And externally, it has become an **agent for implementing the 2030 Agenda within society** by disseminating the SDGs and carrying out action to put them into practice.

Fundación Ibercaja has promoted activities and programmes that directly affect 15 of the 17 Sustainable Development Goals, prioritising those in which it can contribute greater value and which are aligned with its mission over the past 145 years: creating opportunities for the whole of society. Notably: SDG 3: Health and well-being; SDG 4: Quality education; SDG 8: Decent work and economic growth; SDG 10: Equal opportunities; and SDG 17: Partnerships for the goals.

## 6.8.3 Recognitions

In 2021, Ibercaja obtained, for the fourth year running, the **RSA + Seal in Aragón**, awarded by the Aragon Social Responsibility Board and coordinated by the Aragon Government, through the Aragon Institute for Development (IAF), in recognition of its social commitment.

To obtain this seal, Ibercaja succeeded in the following four areas, thus earning it the recognition of the Aragon Government:

- **Reconciliation of personal, family and working life**, in line with the guidelines promoted by the Equality and Family Division
- **Promoting equality** in all manner of organisations, prioritising equal opportunities and the principle of non-discrimination
- **Volunteering and social action**, fostering cooperation and stable relations between businesses and not-for-profit organisations and encouraging the use of the Cooperation Window
- Involvement of the organisations in the **promotion of culture** in Aragón by improving their relationships with the community

All the commitments derived from our responsible management of the Bank are translated into specific actions aimed at our stakeholders in order to meet their needs and expectations while favouring active listening.

## 6.8.4 Sponsorships

Ibercaja promotes, through its sponsorships, sports, activities for young people, culture and companies, as the best vehicle for conveying our values. In 2021, it continued to strengthen the social side of these sponsorships, endeavouring to raise awareness among the population and demonstrating that we are committed to sustainability and healthy habits.

### We pursue our sponsorship strategy both internally and externally:

### Internal action

We encourage employees to practise sports and healthy habits with these internal initiatives. More and more employees have been embracing this healthy lifestyle.

In 2021, due to the pandemic restrictions, we were unable to carry out our usual initiatives with employees. However, we were able to take part in the Carrera de las Empresas race organised by ESIC (Zaragoza edition), in which more than 100 employees took part, earning us a prize for being the second most involved company.

In the cultural realm, employees from the entire network were able to enjoy the new exhibitions at the Espacio Ibercaja Delicias and the new Velazquez Tech El Museo.

## External action

In relation to **external action**, the aim is to improve the notoriety and rate of return that each event can deliver for the Bank, based on the following pursuits:

### SPORT

The pandemic has forced many of our sporting events to be re-scheduled. Despite the new circumstances, efforts were made to continue taking part in these events. We renewed the permanent stock of materials to avoid disposable plastic by relying on more sustainable and durable materials. An example of this is the bags and banners used at sporting events, which are no longer plastic but fabric and reusable.

Key events:

- **10K Valencia Ibercaja**: despite the date change and safety restrictions, this event lost none of its spectacle. A total of 7,000 runners took part in the race, with a considerable contingent from Ibercaja. The proceeds from the charity bib were


- **Ibercaja City of Zaragoza trophies**: we renewed the sponsorship agreement for a programme, managed by Zaragoza Deporte Municipal, involving different sports disciplines. With this programme, we grant visibility to all kinds of sports, including those that are more marginal or have fewer opportunities to attract funds for their activities.

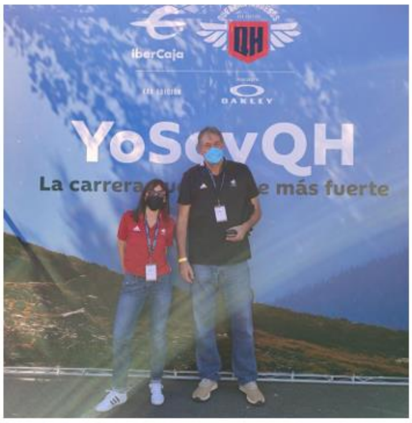
- **Madrid marathon, half marathon and 10K**: Following its 2020 hiatus, the Madrid event took place in September with a great response from the public amidst strict security and health measures. We also attended the runner's fair at IFEMA, EXPODEPOR, to install a large banner with the current MAdrileÑOS campaign, which had a great impact and was used as an improvised photocall by those attending the fair.


Expodepor

Salida del Maratón 2021

- **Quebrantahuesos**: This was the first major cyclotourism event to take place following the 2020 hiatus. Although the change of date and the inclement weather meant that the turnout was much lower than in pre-pandemic times, it did not prevent the event from being equally spectacular and widely followed by the public. The live broadcast of the race gave us considerable brand awareness. Unlike other years, we did not install a hospitality stand at the EXPO area (restricted on this occasion to participants only). Instead, we installed a large photocall at the entrance that proved to a very popular among visitors, many of whom took a selfie or photo there.


Corte de cinta Quebrantahuesos 2021




Photocall Ibercaja en QH21

- **Sponsorships of sporting entities**: Ibercaja, aware of the difficulties that many sports organisations and entities are enduring due to COVID-19, has made a clear commitment to stand by their side to help them overcome the situation and strengthen mutual trust. Therefore, we renewed our commitments with numerous sports federations, clubs, and associations during the year and continued to focus on lower categories and schools. Hence, we help to continue promoting sports among youngsters, ensuring that they acquire healthy habits from a very young age and taking advantage of the digital environment.
- **Sponsorship of Sports Games for Schoolchildren (Aragón Government)**: we remain firmly committed to school sport through our agreement with the Directorate General for Sport, which we renewed in 2021 for a further two years.

### YOUNG PEOPLE

We continue to honour Ibercaja's historical commitment to the **European Youth Card** by sponsoring the Aragón and Extremadura programmes

### CULTURE

Ibercaja collaborates in disseminating culture through involvement in events and its ticketing service, consolidating itself as the leading company in ticket sales in Aragón.

The numerous cancellations of events during the year forced the music and entertainment industry to reinvent itself in response to COVID-19 regulations. Accordingly, Ibercaja has wanted to be at the side of promoters, sites, artists and spectators to help them continue their task. The main lines of action were:

- **Sponsorship of Espacio Ibercaja Delicias**: a new venue in Madrid hosting numerous forms of family entertainment. Thanks to this agreement, Ibercaja has made itself a reference in the leisure industry and has obtained special promotions and discounts for customers and employees for the events held at the venue.


- **Velazquez Tech el Museo**: Ibercaja is sponsoring an innovative technological exhibition on the Meninas in a new space created in Madrid. Thanks to the agreement, various groups related to Ibercaja, in addition to employees, have benefited from tickets or discounts to enjoy this experience.


## 6.8.5 Volunteering

The Ibercaja Group promotes corporate **volunteering** among its active and retired employees through participation in solidarity activities that contribute to the development of people while helping to protect the environment. It is a programme that seeks to motivate employees to contribute to equal opportunities in society, improve the quality of life of people, preserve the natural environment or promote social cohesion and development through its own initiatives or in collaboration with other institutions and entities.

> **VOLUNTEERING AT IBERCAJA**
>
> *Volunteering is characterised by the fact that it always adapts to each moment, responding to emerging needs and then moving elsewhere when these are covered.*

**Ibercaja Volunteering** has also responded to this need to adapt generated by the pandemic. After suspending the face-to-face activities envisaged, activities were sought that responded to two assumptions: **guaranteeing the safety of volunteers** and users and **responding to the needs of the pandemic**. Gradually, physical presence has been recovered when the situation has allowed it, as was the case with Company Solidarity Day, organised in collaboration with Cooperación Internacional, or with the Great Food Collection, an initiative promoted by the Spanish Federation of Food Banks.

The programme to support young people and improve their job prospects continued throughout 2021 alongside Fundación Princesa de Girona. This initiative was launched in late 2020 and is an opportunity for volunteers to mentor young people by drawing on their experience, knowledge and talent.

Various volunteering and awareness-raising actions were also carried out in 2021 alongside Fundación Oxígeno to help protect the environment. Workshops held in more than 10 Spanish cities, involving not only Ibercaja employees and their families but also anyone else interested in the activity. During the workshops, numerous activities took place: collecting rubbish and plastic waste in public spaces, creating and placement of nesting boxes, and interpreting the natural environment.

## 6.8.6 Financial literacy and other educational programmes

The **Financial Literacy** Programme entered its eighth edition in 2021, having become an ideal complement to augment the financial culture of the public, with basic finance workshops and days for schoolchildren and activities for the general public. Managed by Fundación Ibercaja, the programme has, since 2013, fulfilled Ibercaja Banco's commitment to the **National Financial Literacy Plan**, led by the Bank of Spain and the Spanish National Securities Market Commission (CNMV), to promote basic financial literacy among all citizens.

**OBJECTIVE**

*The aim is to promote* ***basic financial literacy*** *for all citizens*.

Ibercaja's Financial Literacy Programme aims to bring financial culture closer to the whole of society by adapting content and format to each target audience.

Every year, the first week of October is **Financial Literacy Week**, which in 2021 focused on **sustainable finance**. Ibercaja has been working on this for some time as a financial institution, and the Ibercaja Foundation plays a central role in raising awareness of the possibilities that sustainability can offer businesses.

**Other highlight educational programmes in the year included:**

## Educate for the Future

“Educate for the future” is Fundación Ibercaja's programme for educational innovation. Aimed at the entire educational community, especially **teachers and families**, it seeks to respond to changing needs in the world of education through the work of nationally and internationally recognised professionals. This year it celebrated its tenth anniversary. This edition was clearly affected by the COVID-19 pandemic and was planned from the outset as a remote event to ensure compliance with the health protocols in place while also reaching out to as many beneficiaries as possible. All the activities were free of charge and were streamed on Fundación Ibercaja's YouTube channel. A total of 30 speakers took part in this edition, which has received more than 9,000 views.

## Schools 2030 – Rescuers of the Planet

Fundación Ibercaja launched this new project in 2021 in collaboration with Santillana as part of its commitment to **implement the Sustainable Development Goals**. The initiative is aimed at secondary school students to work on the SDGs and the 2030 Agenda in a cross-cutting manner and in different areas. The chosen methodology is service-learning, in which students acquire knowledge through experiences linked to work carried out for the community.

Another outstanding educational programme was **Aprendiendo a Emprender**, to help 5th and 6$^{th}$-grade primary school children understand how the entrepreneurial world works from school by fostering their entrepreneurial spirit, autonomy and personal initiative. **Didactic programmes** were also carried out to complement the curricular content in an entertaining way as a further resource for teachers.

## 6.8.7 Sustainable mobility: Mobility City

Mobility City is a strategic initiative of the Ibercaja Foundation, backed by the Aragón Regional Government, which aims to place Zaragoza and Aragón at the forefront of the new mobility and the transformation of associated sectors and industries with the collaboration of institutions and companies that are a benchmark for our economy.

**OBJECTIVE**

*We aspire to **place Zaragoza and Aragón** at the **forefront of new mobility** and the transformation of the industries and associated sectors.*

In 2021, Mobility City continued to extend its portfolio of partners and members involved in the project. During the year, several **collaboration agreements** were signed with the Spanish Spinal Cord Injury Study Association (AESLEME), Fundación ONCE, ALIA Asociación Logística Innovadora de Aragón, Fundación EDUCATRAFIC, Centro Español de Logística and Asociación de Colegios Profesionales de Aragón, in addition to the more than 50 members already involved in the initiative.

The purpose of all these memberships is the **joint development of projects and initiatives linked to innovation, entrepreneurship, and society's dissemination and awareness in response to the challenge of new sustainable and connected mobility.**

The **Mobility City Academic Chair**, created in late 2018 by Fundación Ibercaja and Saragossa University, focused its activity during the year on the realm of **mobile and wireless communication**, related to the concept of the connected vehicle, sustainable urban mobility and intelligent transport systems, together with mobility and modelling of the social behaviour of the leading players involved.

Fundación Ibercaja also continued its collaboration with the **“Mobility Experience” Academic Chair**, in collaboration with Universidad de San Jorge, to carry out teaching, research, knowledge generation, diffusion and the transfer of technology in relation to sustainability mobility.

Various were held in 2021, including **Mobility and Automotion Night**, alongside Faconauto, Sernauto and Anfac, where the first **"Impulso Awards for Innovation in Sustainable Mobility"** were presented.

**Sustainable Mobility Observatory**. Forum to analyse the report’s findings into the challenges and trends of the mobility sector in Spain, based on the opinions of the main business leaders and managers in the automotive, energy, telecommunications, leasing, insurance and infrastructure industries.

**VI Meeting of Cities**. The Directorate General of Traffic (DGT), the Spanish Federation of Municipalities and Provinces (FEMP) and Zaragoza City Council organised the 6th Meeting of Cities for Road Safety and Sustainable Mobility, in collaboration with Fundación Ibercaja. Under the slogan "Cities 2030", the forum explored mobility and urban road safety to disseminate, promote, and encourage good practices and experiences in road safety and sustainable mobility.

## 6.8.8 Development of territories and digitalisation

### Business shareholdings

Ibercaja holds **business holdings** in various sectors: **tourism, real estate, media, infrastructure, renewable energy, services and other.** Investment in investees aims to support the production fabric, preferably SMEs, in projects that contribute to creating wealth and jobs in areas in which the Bank operates. Hence, the economic benefit that may be provided to the Bank is added to the social advantages. Ibercaja encourages investments in sustainable projects with environmental value and in those companies with high levels of corporate social responsibility.

### Network of centres

Fundación Ibercaja is open to the public through its different cultural centres, which are a sounding board for their proposals and a visible face for the people who make it possible to carry out social projects everywhere the entity is present. In addition to structuring the territory, these spaces are a boost for the cultural activity of cities and regions.

The Ibercaja Foundation centres constitute an open window to public participation where coexistence is encouraged, new social relations are woven, and **art, science and culture are made available to all**. At the same time, local entities and any person with concerns find in them perfectly equipped facilities in which to develop their own activities, such as cycles, courses, workshops or exhibitions, with the help and collaboration of an expert team of professionals.

## Digital services

### Ibercaja Orienta

Ibercaja Orienta is a digital service for vocational and academic guidance so that young people, parents and educators have all the information they need to make the right choice. In 2021, the series of videoconference titled "Deciding the future. Information, the key to decision-making" discussed topics such as the new university degrees, vocational training pathways, and the labour market and training options.

### Ibercaja Aula en Red

The Aula en Red programme offers digital activities, didactic resources, programmes, and applications to enhance the work of teachers and students in the classroom. Three **mobility programmes** were carried out throughout 2021: "Ponle freno", "Sustainable urban mobility", and "Accidents can be avoided"

### Ibercaja Digital Challenge

The Ibercaja Digital Challenge Programme commenced at the end of 2017 to reduce the digital divide between generations and extend technological literacy to all layers of society. The programme includes courses and workshops that meet the training needs of different age groups and other social actors in subjects as diverse as the use of the computer and new digital tools, the creation of video games and applications, the use of social networks to improve business results or technology as an educational tool.

### YouTube channel of Fundación Ibercaja

Throughout the year, Fundación Ibercaja's YouTube channel established itself as a valuable platform within the organisation for offering digital conferences, workshops and talks. In early 2021, the pandemic meant that all events were broadcast solely via this channel. Right now, the channel allows multiple activities to be carried out in a hybrid format, both in person and online. Throughout 2021, the channel offered 155 new videos and attracted more than 370,000 views.

## 6.8.9 Employment and companies

### Ibercaja Campus

The Ibercaja Campus, located in the Cogullada Monastery, is a place for meeting, networking, talent and adding value for the businesses and professionals located along the Ebro Valley, who are the end beneficiaries of the very best programmes in lifelong learning and development. The main aim is to **promote the economic and social development of our territory** by driving cultural change towards a more sustainable breed of company throughout the value chain, **aligning the various courses and training to the SDGs of the 2030 Agenda.** The campus carries out all of its work through collaborative management by means of alliances with institutions, entities, companies and professionals, to offer training programmes and services that generate improved economic and social results.

### Entrepreneurship

It was a year of change with respect to the entrepreneurship model. The Emplea-t programme was transformed into **Ibercaja Emprende**, as part of the collaboration between Ibercaja Banco and Fundación Ibercaja, forming part of Ecosistema más empresa. The main difference has been the shift from a local programme to a nationwide programme that focuses on acceleration and the relationship between company and start-up. It has two main programmes: **"Entrepreneurial immersion"**, in which 60 people took part, to help entrepreneurs take their first steps and enable the acquisition of resources and knowledge, and **"Dare to jump"**, which focuses on ideas related to the company of 2025 and its commitment to innovation, digitalisation, cultural transformation, sustainability, diversity and entrepreneurship.

For the first time in 2021, various entrepreneurial activities were carried out. The Group continued to collaborate with the city council through Fundación Zaragoza Ciudad del Conocimiento and with the government through Fundación Aragón Emprende. In both cases, the aim was to work together to position Zaragoza and Aragon as benchmarks in entrepreneurship.

## Ecosistema más Empresa

This initiative between Ibercaja and Fundación Ibercaja seeks to **promote innovation within companies**. It is a point of meeting and interaction between entrepreneurs, professionals and managers from both start-ups and large companies whose aim is to create a more innovative and active business environment based on the premise that knowledge sharing and collaboration help companies go further.

## 6.8.10 Culture

The objective of Ibercaja and Fundación Ibercaja is to promote culture across all territories.

**The main cultural projects carried out in 2021 were as follows:**

### Goya Museum and commemoration of the 275th anniversary of Goya's birth

The Goya Museum is helping to showcase Goya's genius throughout Aragon, Spain and indeed the world. The **275th anniversary of the birth of Francisco de Goya was commemorated in a unique way in 2021 in the form of concerts, exhibitions and a series of conferences in which his person and his work were the common theme.**

### Temporary exhibitions

**"Picasso. Diario Intimo".** This exhibition, organised for the first time in two venues —the Goya Museum and Patio de la Infanta— displayed more than 130 works by the painter, including the complete Vollard Suite, exhibited for the first time in Aragon. This exhibition also delved into how Goya influenced Picasso's work, both of them geniuses who cultivated all artistic genres and were the two best engravers in the history of art. Nearly 18,000 people visited the exhibition at its two venues between 6 October and 31 December.

**“La estela de Corrado Giaquinto, de González Velazquez y Bayeu a Goya”.** This exhibition offered an insight into a few decades of the 18th century that explain the great mystery of Goya and show the influence of Corrado Giaquinto on the finest Spanish artists of the era. The exhibition attracted 15,506 visitors and ran from 24 June to 26 September at the Goya Museum.

**“Semejanzas. Pepe Cerdá”.** This exhibition showcased two of the main themes the Aragonese artist has worked on in recent years: landscape and portraiture, focusing on health workers during the pandemic. 12,629 people visited the exhibition between 18 February and 17 June.

## Friends of the Museum Network

The **Friends of the Museum** programme continues to add members to this select club of people committed to the culture and art of Aragon through the region's leading museum, the Goya Museum. Members enjoy benefits, discounts and advantages and take pride in contributing to the preservation and dissemination of the museum and its collection.

## Transfer/incorporation of works

The **Goya Museum's exhibition catalogue** has been further enhanced with 19 works that are now part of its permanent collection. Some of them are the first known work signed by Francisco de Goya, "Virgen del Pilar con Santiago y uno de los convertidos zaragozanos", "San Cristóbal" or "Dios Padre y el Espíritu Santo", also by the Aragonese genius; "El dios Vulcano", by Francisco Bayeu; "Aparición de la Virgen a San Felipe Neri", by Corrado Giaquinto; "La oración en el Huerto", by Antonio González Velázquez; "Santa María Magdalena", by Francisco Preciado de la Vega; "Retrato de la marquesa de Luján", by Pedro Kuntz y Valentini; "Fiesta de disfraces", by Emilio Sala and "Odalisca", by Francisco Pradilla, among others.

## Ibercaja Patio de la Infanta

The exhibition and congress centre of Fundación Ibercaja, Ibercaja Patio de la Infanta, is a **space open to citizens, organisations and companies** interested in culture and knowledge. Inside is the courtyard that gives its name to the space, a jewel of the Zaragoza Renaissance recovered by Ibercaja for Zaragoza in 1980.

### Permanent exhibition titled “Tapices para el Patio de la Infanta”

The exhibition, which opened on 10 December 2020, displays a carefully curated selection of mythological and religious tapestries from the Fundación Ibercaja collection. The quality and colour of the cloths on display, and the variety of themes, immerse visitors into the splendour of centuries past.

## Cycles of conferences

Various cycles of conferences were held in 2021, including **"Book Tuesdays"**, in which more than 20,000 people took part in both online and face-to-face formats. This cycle brings the general public closer to the new literature being penned by the most prestigious authors in Spain. These meetings also encourage reading, reflection, and critical thinking in close dialogue with journalists.

**"Aragón en la historia de España".** Organised in partnership with the Royal Academy of History and the Fernando el Católico Institution, this cycle —organised for the first time by Fundación Ibercaja though definitely set to continue— allows participants to discover and reflect on the roots of Aragon and its rich cultural and historical heritage.

**"Félix de Azara, el aragonés que se adelantó a Darwin"** This cycle, held on the occasion of the 200th anniversary of the death of this multi-talented man from Alto Aragon, featured leading experts to talk about the genius of this military man, engineer, explorer, cartographer, anthropologist and outstanding naturalist of the Enlightenment.

Other notable cycles included: **"Un Aragón de Novela"**, **"Picasso: Historia, vida y obra"** and **"Retos para el futuro"**.

## 6.8.11 Tax information

201-4, 103-1, 103-2, 103-3, 207-1, 207-2, 207-3, 207-4

The Ibercaja Group reported a **pre-tax profit of 214,773 thousand euros in the period (53,470 thousand euros in 2020 and 128,637 thousand euros in 2019).** Income tax amounted to 63,789 thousand euros (29,868 thousand euros in 2020 and 44,648 thousand euros in 2019)

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form **a Corporate Income Tax Consolidated Group** (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included, and therefore, corporate income tax is assessed on a consolidated basis.

As a result of the securities exchange, in July 2013, Ibercaja Banco acquired control over Banco Grupo Cajatres from the tax period starting 1 January 2014; Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11), which includes all qualifying group companies which have voluntarily agreed to join.

The Group and its companies are subject to inspection by the tax authorities for corporate income tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2017 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the corporation tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value-added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Meanwhile, in relation to the corporate income tax of the tax consolidation group of Banco Grupo Cajatres (a company absorbed by Ibercaja Banco in 2013) and of several of its companies, in July 2020, notification was received of the start of inspection proceedings in respect of supplementary tax returns and requests for rectification filed for the years 2011 to 2013; proceedings which remain in progress.

Due to possible different interpretations of the applicable tax regulations, certain tax contingencies may not be quantified objectively. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities, they will not significantly affect the financial position and the results obtained by the Group.

In 2021, the Bank's Board of Directors approved, at a meeting held on 29 April, the Ibercaja Group's Corporate **Tax Policy**, which sets out the fundamental principles and guidelines that will govern Ibercaja's tax strategy in accordance with applicable regulations and best tax practices. The policy clearly states that promoting a suitable compliance culture is one of the Bank's core values. Consequently, all tax-related actions must comply fully with applicable laws and regulations.

When it comes to tax governance, it states that the **Audit and Compliance Committee** is responsible for ensuring due compliance with the policy, reporting to the Board of Directors, and that the Regulatory Compliance Department will be responsible for periodically monitoring compliance with all applicable procedures in this regard.

Under the terms of the Tax Policy, the Bank's tax compliance risk profile is low.

Thus, the **Annual Operating Plan of the Regulatory Compliance Department** states that the department's remit includes the definition and supervision of the internal control framework in the realm of tax compliance, as well as the review of the existence of procedures and the identification of control milestones for compliance with applicable tax legislation, in collaboration with Tax Advisory. It likewise establishes that the conclusions of the reviews carried out, as well as any proposals for improvement that may be issued, shall be included in the periodic reports that the Regulatory Compliance Department submits to the Global Risk Committee and to the Audit and Compliance Committee.

In fulfilling these duties, the Regulatory Compliance Department, in collaboration with Tax Advisory, has drawn up a **risk map** of potential non-compliance with tax obligations, taking into account the nature and activities of the Bank. This map has been the basis for establishing a tax risk matrix while at the same time prescribing the priority areas for supervision and control.

Also, in 2021, we **sought to disseminate and raise awareness of new tax developments and culture** through a multitude of talks and webinars, in collaboration with professional firms, trade associations (notaries, pharmacists, dentists, surveyors, etc.) or business organisations such as the CEOE Guadalajara, on different subjects such as employment plans, family-owned businesses, year-end tax recommendations or protected assets for people with disabilities, many which have been posted on social networks along with other useful articles on taxation.

In 2021, Ibercaja again joined the **"Empresa Solidaria"** initiative, thus allocating 0.7% of its corporate income tax to social pursuits. These funds help finance government programmes to move towards a more egalitarian, inclusive and just society and support the achievement of the Sustainable Development Goals of the United Nations 2030 Agenda.

Ibercaja Banco and the Group companies did not receive any public subsidies or aid during the year.

# 6.9 Human Rights

*102-16, 102-17, 103-1, 103-2, 103-3*

> Ibercaja is firmly committed to respecting human rights, and its sustainability policy expressly states this. This principle extends to the entire Ibercaja Group and its team.

**For Ibercaja, doing business responsibly while respecting and promoting human rights** is an essential aspect of its business and principles. Our activities are carried out at all times in strict accordance with prevailing legislation and in compliance with international standards. The Bank is always mindful of the UN Universal Declaration of Human Rights and has been a **member of the United Nations Global Compact** since 2006, so that its activities are carried out in accordance with the principles set out in this initiative, which promote and defend respect for human rights by companies.

One of the guiding principles of the **Ibercaja Sustainability Policy** approved in 2020 by the Board of Directors is the defence of human rights, which covers the entire Ibercaja Group and all of its members. This is also reflected in the Bank's **Code of Ethics**, as a key element that reinforces the corporate culture and ethical approach when managing the Bank and its subsidiaries.

*The Bank has set up a* ***reporting channel (ethics channel)*** *to report any Code breach. The corporate website www.ibercaja.com also includes a* ***CSR email address*** *(rsc@ibercaja.es) available to anyone who wishes to contact the Bank.*

In 2019 Ibercaja signed up to the **Principles for Responsible Banking**. Under the auspices of the United Nations, these principles aim to provide a framework for sustainable finance and to support the financial sector in demonstrating its contribution to society. The implementation guides expressly mention the desirability of making the **Guiding Principles on Business and Human Rights** part of responsible Banking Principles.

Ibercaja also promotes respect for human rights, **in line with the SDGs of the 2030 Agenda**, conveying this commitment to the people, companies and institutions with which it relates, incorporating the defence of these rights in investment and project financing decisions, and in its relations with customers and suppliers. In the specific case of suppliers, the Bank has a **Supplier Code of Conduct** that sets out the values that are encouraged for responsible procurement, many of which are related to human rights. This Supplier Code of Conduct must be ratified by any supplier looking to work with the Bank, thus embracing the commitments that the Bank upholds.

In 2021, the Bank was not involved in any incidents involving human rights abuses.

# 6.10 Anti-corruption and bribery

*102-16, 103-1, 103-2, 103-3*

## 6.10.1 Measures to combat corruption and bribery

> *Ibercaja promotes a culture based on the principle of "Zero Tolerance" of illegal acts, encouraging ethical and responsible behaviour among everyone from within the organisation.*

The Bank has a **criminal risk prevention system** in place, which seeks to minimise the risk of any organisation member engaging in potentially unlawful activities. The system has express policies and procedures in place to avoid corruption and bribery within the businesses, which are understood to be the offer, promise, request or acceptance of an unjustified benefit or advantage of any nature as compensation for unduly favouring others in commercial relationships.

### To establish the crime prevention system within the Bank:

i) All activities carried out by the Bank that carry a criminal risk (including corruption and bribery) have been identified;

ii) The Bank's most relevant **policies, manuals and controls** have been reviewed and identified;

iii) **Suitable adjustments** have been made to manuals, procedures and controls to promote the effective prevention of criminal risks, as well as the proper custody of the evidence supporting the controls;

iv) A **specific committee** ("Control Body") has been set up and tasked with the implementation, monitoring and updating of the Bank's criminal risk prevention model. The Audit and Compliance Committee of the Board of Directors is also regularly informed of the system's functioning.

v) The criminal risk prevention model is reviewed as part of the **internal audit** processes;

vi) A training and awareness-raising plan for employees on criminal risks, including corruption and bribery, has been put in place;

vii) A **process has been established for notifying** possible breaches or instances of misconduct, enabling the Bank to be aware and react to any unlawful situation (whistleblowing channel);

viii) The Bank has a **disciplinary procedure** in the event of non-compliance with the obligations required of employees, with the HR and People Department responsible for pursuing disciplinary proceedings based on the findings of any investigations carried out by Internal Audit.

The crime prevention system is set out in a manual that consists of **two parts**:

- **General Part**

  This part defines the structure of the organisational model, supervision, verification, monitoring and general procedures and controls that the Entity has in place to prevent the commission of criminal risks that being susceptible to generate criminal liability for legal persons under the Criminal Code, may hypothetically occur due to the activities carried out by the Bank.

- **Special Part**

  This part details each of the criminal risks identified through a series of appendices; one for each type or group of offence (e.g. money laundering offences, business corruption, stock exchange offences, tax offences, subsidy fraud, etc.). The list of criminal risks identified in the Special Part does not imply that the materialisation of such risks has been detected, but rather that they are identified as activities carried out by the Entity that are connected with conduct which, if it were to occur, could constitute a criminal offence.

The criminal risk control system is based on the **three lines of the prevention model in risk management**:

- The **first line of prevention** is the business units, which assume "ownership" of the risk and understand and manage the risks they are exposed to in the course of their activities.

- The **second line** is the internal control framework, which aims to ensure adequate risk control, prudent business conduct, reliability of information (financial and non-financial) and compliance with the Bank's internal regulations, policies and procedures. The risk control and compliance functions are found within this second line of defence.

- The **third risk prevention and management line** is the internal audit function. Within the scope of their respective activities and functions, all of them must ensure adequate risk management in general and criminal legal risk in particular.

**OBJECTIVE**

*Promote a culture of preventive compliance based on the principle of* ***zero tolerance*** *of unlawful conduct and wrongdoing*

Thus, the system is based on and constitutes a formal statement of the intention of the Board of Directors and senior management of the Bank to establish and uphold, as one of its basic values, that the actions of all members of the organisation shall always comply with the legal system in general and with criminal law, in particular, by fostering a culture of preventive compliance, based on the principle of **zero tolerance** of the unlawful acts (including bribery), and promoting ethical and responsible conduct. This commitment is also enshrined in Ibercaja's **Code of Ethics**, as approved by the Board of Directors.

***All of Ibercaja*** *Banco's current workforce has* ***received training in criminal risk prevention, including the offences of corruption and bribery.***

## 6.10.2 Measures to combat money laundering

During the year, 204 files were opened to analyse transactions suspected of being related to money laundering or the financing of terrorism. SEPBLAC was informed of 121 cases where specific analysis suggested there was evidence to be further examined.

Ibercaja Banco qualifies as a **covered person** under anti-money laundering and counter-terrorism financing (AML/CTF) regulations. It must, therefore, apply adequate measures to prevent the Bank from being used for this purpose. To this end, it has adequate internal control and communication procedures and bodies to uncover, impede, and prevent the carrying out of transactions related to money laundering or the financing of terrorist activities.

The structure and content of these procedures and bodies, which are described in the corresponding manuals, meet the **principles of swiftness, security, efficiency, quality and coordination**, both in the internal transmission of relevant information and in the analysis and reporting to the competent authorities of such information pursuant to applicable law and regulations on the prevention of suspicious transactions.

A basic pillar of the AML/CTF system are the due diligence measures referred to in Law 10/2010 and the provisions of Royal Decree 304/2014 that implement it: identification of the customer and their beneficial owner and information on their economic activities and on the source of the funds that the customer wishes the Bank to deal with or handle.

Consequently, and in line with the risk prevention and management model based on **three lines of risk defence in place at the Bank**, the first filter of the AML/CTF system is the establishment of the relationship with customers, and this relationship is the responsibility of the Branch Network and business units, which act as the **first line** of defence against the risk of money laundering and the financing of terrorism.

In the **second line** of defence, aside from the risk control function, there is the regulatory compliance function performed by the Regulatory Compliance Department, which includes the AML/CTF Unit, which, as a technical unit specialised in this field, has an essential (although not exclusive) role in the application, supervision and monitoring of the internal procedures established by AML/CTF, with the Internal Audit Department assuming the functions of the **third line** of defence.

Such AML/CTF procedures and measures are applied with a risk-based approach. In cases where there is a greater risk that the Bank may be used for money laundering or terrorist financing, these measures are applied with a greater degree of intensity.

## 6.10.3 Contributions to foundations and not-for-profit entities

To the extent that contributions of economic nature by the Bank to foundations and not-for-profit entities are made through accounts held in Ibercaja, the entities benefiting from these contributions are subject to the same **controls for the prevention of money laundering and financing of terrorism** as other customers. In addition, given that due to their very nature, such entities are categorised as medium risk customers, in addition to the application of due diligence measures that are carried out in each customer registration or monitoring of the business relationship (e.g. check against blacklists), the Bank adopts additional control measures for the adequate management of the risk of money laundering or financing of terrorism.

# 6.11. Implementation of the Principles for Responsible Banking – UNEP-FI

*102-15, 102-16, 102-30, 102-31, 201-2*

In November 2019, Ibercaja signed up to the **United Nations Principles for Responsible Banking**, thus becoming part of a global coalition of banks whose aim is to promote and encourage the sustainable development of the economy, aligning the actions of banks with the achievement of the Sustainable Development Goals and the Paris Agreement on climate change.

By signing these Principles, **we are committed to promoting sustainability in our business**, aligning our strategy with long-term objectives that enable economic growth and address and help respond to social and environmental challenges, as we identify our greatest potential contribution.

Among the commitments we have made is to report on the Bank's progress in implementing the Principles. The 2020 Management Report included the first report following the signing of these Principles, as per the model established by UNEP-FI. In this Management Report 2021, we present the second report in which we transparently discuss the progress made in the second year of their implementation.

| REPORTING AND SELF-ASSESSMENT REQUIREMENTS | HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS) | REFERENCE(S)/LINK(S) TO THE BANK'S FULL RESPONSE/ RELEVANT INFORMATION |
|---|---|---|
| **Principle 1: Alignment** | | |
| **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.** | | |
| **1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and, where relevant, the technologies financed across the main geographies in which your bank has operations or provides products and services.** | Ibercaja Banco is a nationwide banking institution specialised in retail and business banking and whose objective it is to generate value for its customers, shareholders and society in general, guided by its Corporate purpose: "**Helping people build their life story because it will be our story**"<br><br>It upholds its traditional **social and territorial commitments** as it seeks to maximise the rewards for its shareholder foundations: Fundación Bancaria Ibercaja (88.04% of share capital), Fundación Caja Inmaculada (4.73%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.33%).<br><br>It carries on all its business in Spain, and its corporate purpose is to carry out all manner of activities, transactions, acts, contracts and services related to the banking business in general. The Bank is the head of a group of subsidiaries, the most important of which are those of the Financial Group, comprising companies specialising in unit trusts, savings and pension plans, insurance banking and leasing/renting.<br><br>The Ibercaja Group, with a balance of 58,631 million euros, is the ninth largest in terms of asset volume in the Spanish banking system. Its **universal banking business model** focuses on the **retail market**, above all on individuals and small and medium-sized enterprises. At the national level, the Group has a market share of 2.4% in lending to households and non-financial corporations, 3.6% in the individual house purchases segment, and 2.7% in household and corporate deposits[1]. The Bank is a leader in its traditional area of operation (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where 61% of its customers are concentrated and where it obtains 60% of its retail turnover. It has an important | See chapter 4 of this report<br><br>See GRI indicators:<br>102-1<br>102-2<br>102-3<br>102-4<br>102-6<br>102-7 |

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| **1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.** | As shown in its **Sustainability Policy**, Ibercaja firmly believes that its plans and actions should help ensure well-balanced economic growth, social cohesion and environmental protection, pursuant to its Corporate Purpose. For this reason, the **Bank is firmly committed to the Sustainable Development Goals of the 2030 Agenda, and it is a signatory of the United Nations Principles for Responsible Banking** | See chapter 6.1. of this report |
| | Ibercaja carried out a **materiality analysis of the SDGs to detect** those where it has the greatest capacity to expand its impact and launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. As a result, 7 SDGs have been prioritised to focus on their progress and align their business strategy: 3,4,5,8,9,13 and 17. | See chapter 6.2. of this report |
| | The Bank is also aligned with the objectives of the Paris Agreements and is a signatory to the Spanish financial sector's **Collective Commitment to Climate Action** and of the **Net Zero Banking Alliance.** Therefore, it is continuing to analyse the carbon footprint of its portfolio and reduce the climate impact of its financial activity. | See chapters 6.1 and 6.5 of this report |
| | The Bank has launched its **New 2021-2023 Strategic Plan**, which includes a horizontal enabling initiative titled **IN02 Purpose and Sustainability,** with the aim of ***"creating a corporate culture aligned with our Purpose and helping to achieve a better world by making sustainability part of the business (risks and opportunities) and our way of banking".*** | See chapters 4.5 and 6.1 of this report |
| | This initiative envisions the following lines of work:<br>• **MANAGEMENT OF ESG RISKS**: integrate **ESG risks** into the traditional risk analysis. In 2021, further progress was made on climate risks, with the development of an action plan for their management and communication. | See chapters 6.1, 6.12 and 7 of this report |
| | • **ESG BUSINESS STRATEGY**: Definition of a **sustainable business strategy (financing and investment)**, which takes into account the needs of our customers, society and the planet, helping our stakeholders as they make the necessary transition towards a sustainable economy. New ESG products, both investment and financing, were added in 2021. | See chapter 6.3. of this |

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| | • **COMMUNICATION AND IMPACT**: **Communication and awareness** among all our stakeholders (employees, customers, society, suppliers, shareholders) as we support and accompany them along this path. | See chapters 6.4, 6.5 and 6.14 of this report |
| | • **TRAINING: Training** in sustainability for everyone at Ibercaja, providing them with the necessary tools and knowledge for this new context to help and support our customers. In 2021, a sustainability strand was included in the Professional Development Plan. | See chapters 6.1, 6.3, 6.5, 6.12 and 7 of this report |
| | • **OUR FOOTPRINT**: **identification and development of synergies with our shareholder foundations**. Joint development of sustainable and environmental projects; financial literacy, volunteering: sustainability training.<br><br>Ibercaja focuses **on climate change, financial inclusion and the promotion of diversity while also concentrating on gender equality and access to the labour market for people with disabilities.** Thus, as part of its **FRC (family-responsible company) Plan**, the Bank has launched the **LiderA Plan**, to help get more women into management positions by improving their aspirations and flexibility aided by the support of mentors and ambassadors, and through accurate measurement and precise targeting to ensure progress.<br><br>Ibercaja carries out **extensive social action** through its own programmes and its shareholder Foundations.<br><br>**Ibercaja's position when it comes to environmental protection** is embodied in:<br><br>– The development of **specific products** to facilitate the transition towards a more sustainable economy.<br>– An **Environmental Management System** that minimises its negative environmental impacts and disseminates this commitment among its stakeholders.<br>– The signing of the **Net Zero Banking Alliance** to achieve decarbonisation of our portfolios by 2050.<br>– **Environmental actions** (planting trees to offset the carbon footprint and environmental volunteering | |

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| **Principle 2: Impact and target setting** | | |
| **We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services To this end, we will set and publish targets where we can have the most significant impacts.** | | |
| **2.1 Impact analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:**<br><br>a. **Scope:** The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis<br><br>b. **Scale of exposure:** In identifying its areas of the most significant impact, the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.<br><br>c. **Context & relevance:** Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. | In order to achieve sustainable development for all so as to promote a fairer, more inclusive and environmentally friendly society, it is essential to take into account social, environmental and good governance aspects within the business. Since its origins, **Ibercaja has always been an institution with a clear social calling, contributing to the development of the territories in which it operates and placing people at the centre of its decisions**, which is the hallmark of its way of banking.<br><br>Since their approval in 2015, Ibercaja has been closely watching the Sustainable Development Goals. Therefore, the main contributions that the Bank can make to the goals were identified, taking into account all 169 targets. **Ibercaja has set social and environmental objectives** that are part of the FRC work-life balance plan, its Environmental Management System, as well as the new Desafío 2023 Strategic Plan, within the Purpose and Sustainability initiative; objectives that will help us boost our positive impacts and reduce our negative ones.<br><br>A global analysis of the environment and the needs and expectations of our stakeholders has allowed us to identify these objectives, which are also based on the characteristics of our business. These objectives are described in section 2.2. of this chapter.<br><br>Ibercaja is now **focusing on climate and environmental factors** because urgent action is required in accordance with supervisory expectations and because there is increased regulation of these important matters.<br><br>This analysis is used to identify the current impact of climate and environmental factors on the business environment to ensure the long-term sustainability and resilience of the business model. A qualitative analysis of sustainability factors has been carried out, focusing on climate-related risks and paying special attention to the impact on those risks considered to have the greatest impact on the Bank's area of operation and on our main sources of income. | See chapters 6.1, 6.2 and 6.12 of this report<br><br>GRI: 102-15 |

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| d. **Scale and intensity / significance of impact:** in identifying its areas of most significant impact, the bank has considered the scale and intensity/significance of the (potential) social, economic and environmental impacts resulting from the bank's activities and the provision of products and services.<br><br>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))<br><br>Show that building on this analysis, the bank has:<br><br>• Identified and disclosed its areas of most significant (potential) positive and negative impact<br><br>• Identified strategic business opportunities in relation to the increase of positive impacts / reduction of | Fifty-nine per cent of Ibercaja's recurrent revenues is in the form of net interest income. This income originates from loans and advances to customers, which account for 53% of our assets. Retail lending is the most important component of the Bank's lending business. The mortgage portfolio is particularly notable within this segment, as it accounts for more than 32% of the loan portfolio. For this reason, the **analysis begins with a study of the climate risks of the mortgage collateral**, using valuation reports drawn up by Sociedad de Tasación.<br><br>The second-largest segment by volume is the financing of **productive activity** (corporate segment), which accounts for more than 12% of the loan portfolio volume. Both physical and transition risks are analysed in relation to this segment. Here, we have conducted theoretical evaluations of the sectors of activity most affected by physical risks in Spain. Ibercaja's own portfolio (business segment) was then analysed in order to identify the economic sectors (NACE) that are most material for the Bank due to their greater predisposition to climate vulnerability, considering, in this case, both physical risks and transition risks.<br><br>For this purpose, we used a tool designed by ECODES (Ecology and Development Foundation) —a national benchmark in sustainability and climate change—, in collaboration with the Statistical Service attached to the Autonomous University of Barcelona in order to estimate the predisposition to climate vulnerability and physical and transition risks, as a segmentation mechanism for the analysis of the portfolio of productive activity.<br><br>This tool is based on a method used to define an index of predisposition to vulnerability to climate change, both through the effects of physical and transitional risks. The method assigns, to each company, the value of the estimated predisposition index that most closely matches the reality of the company being assessed. The variables used are NACE, sales volume, geographical location, financial rating, and expert judgment.<br><br>An initial approximation complements the vulnerability analysis for studying the carbon footprint of the portfolios of housing financing and productive activities, which is carried out in collaboration with Deloitte. | |

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**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.**

The impact analysis has been carried out, and the corresponding reports have been submitted, and we, therefore, consider that the requirements related to this point 2.1 have been fulfilled.

**2.2 Configuration of objectives**

**Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.** Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Reduction of the negative impact on our environment, both Ibercaja and our customers, through a strategy that helps us all to continue growing by improving profitability and positioning and becoming recognised as a company that contributes value to improving the future of society and the environment.

In the first quarter of 2021, the Bank launched its new Strategic Plan for the years 2021 to 2023, which includes a cross-cutting sustainability initiative to ensure that business objectives drive sustainable development.

The definition of this initiative includes the list of **challenges, strategy for their achievement, actions, concrete targets and corresponding** monitoring indicators, based on the baseline situation of 2020.

The objectives to be achieved over the next three years (2021, 2022 and 2023) are shown in the table below.

| | | objective | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| % Volume under management in sustainable investment | 4.46% | 6.25% | (*) | (*) |
| Customers with sustainable investments | 7.72% | 15% | 20% | 25% |
| Sustainable financing volume | 7.92% | 10% | 12% | 15% |
| Number of media impacts on sustainability at Ibercaja | 437 | 550 | 650 | 750 |
| Achievement of Sustainability Milestones of the Strategic Plan | n/a | 40% | 75% | 100% |
| CO2 emissions at Ibercaja Banco | 1,281.02Tn | 0 | 0 | 0 |
| Female leadership: women in management positions | 30% | 32% | 35% | 40% |
| (*) to be established according to new business plan | | | | |

See chapter 6.1 of this report

GRI: 102-15

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| Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets. | | |
| **Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.** | | |
| The main objectives have been set for the years 2021-2023 and will be further developed in the future. | | |
| **2.3 Plans for target implementation and monitoring**<br>**Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.** | The Bank has a **Brand, Reputation and Sustainability Department**, which defines, proposes and coordinates the Sustainability Strategy, monitors all indicators relating to the lines of action of the **Sustainability Initiative of the new 2021-23 Strategic Plan.** This initiative is **transversal**, involving the entire Ibercaja Group and Fundación Ibercaja. As a result, multidisciplinary work teams have been set up and objectives have been set by Marketing and Digital Strategy, People, Brand, Reputation and Sustainability, Communication and IR, Risk Control and Financial Group.<br>To monitor the objectives in place, **Milestones for 2021** were set —all of which have been met— to ensure that the sustainability strategy is being implemented as planned.<br>Monitoring of this initiative and the indicators and milestones is carried out on a regular basis by the Sustainability Committee, the Management Committee and the Board of Directors. | See chapter 6.1 of this report |

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| | These milestones are as follows:<br>• Definition of the **Action Plan** and roadmap for responding to the ECB Expectations Guide **on climate-related and environmental risks.**<br>• **Impact analysis** of climate and transition factors.<br>• Definition of **the commercial strategy** to achieve the sustainability objectives.<br>• Design of the **ESG product strategy.**<br>• Staging of **I Planet Week**, aimed at employees, customers and society.<br>• Design of Ibercaja's **sustainable impact** document, focusing primarily on its people.<br>• Launch of the project ***"Vamos juntos hacia la sostenibilidad"*** (Together towards sustainability), by Ibercaja Banco and its Foundation. The aim is to support and accompany businesses on the road to sustainability, both with specific products and services and advice on the Next Generation Grants, while also providing a specialised team from the Foundation to help them build their CSR and align their activity with the Sustainable Development Goals.<br>Ibercaja's **Remuneration Policy** aligns with the Sustainability Policy and with the Bank's principles and values when it comes to managing environmental, social and corporate governance risks. The policy also establishes a remuneration system based on equal opportunities and non-discrimination, contributes to good corporate governance at the Bank, aligns with the internal code of conduct, and mitigates excessive risk-taking.<br>In addition, a long-term incentive has been approved to align the interests of certain key executives of the Bank with the corporate strategy and long-term value creation. Three of its multi-annual objectives are related to sustainability: the | |

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.**

An initial set of targets and a series of actions to achieve them have been identified. These objectives have been quantified, monitoring indicators established, and a timeline drawn up to check their achievement, thus enabling us to determine the degree of progress towards Ibercaja's sustainability project. Implementation is monitored at the highest level: the Management Committee and Board of Directors.

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**2.4 Progress on implementing targets**

**For each target separately:**

**Show that your bank has implemented the actions it had previously defined to meet the set target.**

**Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target.**

**Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)**

The targets set for 2021 and their degree of achievement are as follows:

| | | 2021 | |
|---|---|---|---|
| | 2020 | Obj | Real |
| % Volume under management in sustainable investment | 4.46% | 6.25% | 9.40% |
| Customers with sustainable investments | 7.72% | 15% | 20.56% |
| Sustainable financing volume | 7.92% | 10% | 12.26% |
| Number of media impacts on sustainability at Ibercaja | 437 | 550 | 699 |
| Achievement of Sustainability Milestones of the Strategic Plan | n/a | 40% | 40% |
| CO2 emissions at Ibercaja Banco | 1,281.02Tn | 0 | 0 |
| Female leadership: women in management positions | 30% | 32% | 31.3% |

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets**

Specific targets were set for 2021 in relation to sustainable investment and financing, female leadership, emissions neutrality and sustainable communication. All of these are considered effectively achieved, indicating that we are on track with the roadmap.

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| **Principle 3: Customers (goods and services)**<br>**We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.** | | |
| **3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof** | In 2021, Ibercaja defined the framework for its sustainable business strategy, which is being developed in the following phases:<br>• **Information**: raising awareness among our customers and helping them to discover the relevance of sustainability and the importance of adaptation<br>• **Detection of needs and opportunities** related to sustainability, which help us to develop our range of products and services, taking into account customisation according to the characteristics of the customer<br>• **Proposed solutions**, through our range of products and services<br>• **Sharing results**: involvement and engagement with our customers<br>Thus, the **range of SRI products** has been expanded and new **financing** products have been designed to respond to the needs of our customers in sustainability, focusing on transition risks and **energy efficiency**.<br>A **Sustainability Communication Plan** has been designed to create a permanent and continuous communication framework over time to accompany customers on this path towards a more sustainable society.<br>Communication with customers follows the line of accompaniment: we tell them what the SDGs are and why Ibercaja is committed to advancing towards these goals and we ask them to join us. We include information on sustainable finance in our blog, promoting financial education to assist in decision-making in this direction. Ibercaja and its majority foundation, Fundación Ibercaja, launched the **"Vamos juntos hacia la sostenibilidad"** (Together towards sustainability) initiative in 2021, to contribute to the necessary transition towards a more sustainable economy and position ourselves as drivers of change. This initiative aims **to support other companies in integrating sustainability** into their strategy by providing them, in addition to appropriate financial solutions, with a wide range of resources. To succeed in this task, a support plan has been designed for our business customers who are sensitive to sustainability and social and environmental concerns. It is a **free, nationwide project** that will enable companies to contribute to the achievement of the SDGs through awareness-raising, training and the opportunity to collaborate in different Fundación Ibercaja projects, thus joining forces and multiplying the scope and impact of these actions. | See chapter 6.3 of this report |

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| | The **Ecosistema+ Empresa** (Ecosystem+ Company) initiative, developed by Ibercaja Banco and Fundación Ibercaja, aims to make companies more competitive for the betterment of society. It incorporates a specific **Sustainability** programme to help companies develop it in their businesses.<br><br>The **Bank's corporate website** has also been updated, making public the commitments with stakeholders contained in its Sustainability Policy.<br><br>Ibercaja Banco, acting in the best interest of its customers, has the duty to seek the generation of medium and long-term value from investment in financial assets. Therefore, as part of its pledge to move towards a sustainable economy and in line with the Bank's mission and values, it has developed a general framework for sustainable investment, which applies to the provision of investment advisory and discretionary portfolio management services. This sustainable investment framework is based on two fundamental pillars, which are set out and developed in Ibercaja Banco's **Sustainability Risk Integration Policy**, in the **Engagement Policy** and the **Due Diligence Policy in relation to Adverse Incidents on Sustainability Factors**. | |
| **3.2 Describe how your bank has worked with and/or plans to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.** | We are going to work to identify our customers' behaviour in relation to sustainability and their interest in achieving the SDGs and propose actions so that we can achieve them together.<br><br>We have started with an **initial analysis of customers** who have already taken out sustainable investment products and reached interesting conclusions that will help us to define new products to complete our range of sustainable products. In 2021, we already started marketing **two new ESG investment funds, an ESG SICAV and a new ESG-rated individual pension plan**.<br><br>To help make the impact of sustainable investments easier to understand, **specific content has been published on our *Vamos con tu futuro*** website.<br><br>To promote sustainability among our customers, we have launched our **communication plan** with a newsletter that | See chapter 6.3 of this report |

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| | In most cases, improving efficiency requires investment.<br><br>To enable easier access to energy efficiency improvements, **specific financing products** have been developed that offer more attractive prices and repayment periods (including interest-only periods), among other attractive terms and conditions.<br><br>Specific products have also been developed for various local and regional public administrations and we act as a collaborator on initiatives that pursue the same aim of energy efficiency and accessibility.<br><br>Ibercaja is **a collaborating entity of the IDAE** (Institute for Energy Diversification and Saving) and helps to disseminate its programmes among customers.<br><br>**To help make buildings more energy efficient**, Ibercaja offers its customers an **advisory and subsidy management service. It also arranges to carry out any necessary installation work and offers a range of financing options**. This service offers an assessment of the energy efficiency of the building and the customer can ultimately choose to make it a "turnkey" service, thus affording them the best possible solution for their property with the help of specialised professionals.<br><br>To help companies on their path towards sustainability, Ibercaja **offers an advisory service on the eligibility of projects that may be eligible to receive Next Generation funds**, as well as the necessary steps to complete their application.<br><br>Aside from environmental aspects, **we also offer products and services that aim to facilitate access for all our customers** through solutions such as **beginner mode** for our mobile banking platform. This option allows customers who have never used online banking to first familiarise themselves with the services it offers via a simple consultation mode. Users of the new Beginner Mode will be assisted by expert professionals and people they trust to answer any questions and address any issues that may arise when attempting to use the app.<br><br>To enable more accessible access to financial services for the hearing impaired, Ibercaja has a **service point for deaf** | |

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| | With **visually impaired customers** in mind, we have added a notch to our debit and credit cards to know which way round they are holding the card and insert it the right way into ATMs or POS terminals.<br><br>We have also continued to expand the use of **recycled PVC** in various products in our card range, thus reducing the impact of card production on the environment.<br><br>To **bring our services closer to municipalities without a bank branch**, we offer various services, including **Correos Cash** (Post Office cash), whereby customers can use the mobile app to send and receive cash through participating post offices, as well as from their own home, through the delivery service of this communications provider.<br><br>This service is complemented by the POS **Cash Back** service, which offers cardholders the possibility of withdrawing cash at the same time as they purchase products at a merchant.<br><br>To provide service in sparsely populated rural locations where there is no branch, we have several **mobile bus branches** that offer all the services that can be found in a regular branch, including an ATM.<br><br>To get customers involved in the **circular economy and responsible consumption**, Ibercaja has unveiled a new section at the **Consíguelo store** of Ibercaja Connect, which includes refurbished products. It also aims to **make high-quality technology products more accessible to all customers** through competitive pricing and free financing.<br><br>When it comes to sustainable consumption, Ibercaja Renting incorporates a **new Sustainable Renting section**, where customers can find an extensive range of electric vehicles, including two new models from the TESLA brand, a global leader in this sector. | |

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| **Principle 4: stakeholders** | | |
| **We will proactively and responsibly consult, engage, and partner with significant stakeholders to achieve society's goals.** | | |
| **4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated, or partnered with to implement these Principles and improve your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.** | Ibercaja works very actively on SDG 17: Partnerships for the goals. It has a **Stakeholder Map**, which was reviewed and updated in 2021 and identifies all stakeholders, analyses the expectations and interests of each of them, and classifies and prioritises them in a bid to improve active listening and engagement from the Bank.<br><br>A **new materiality study was drawn up in 2021**, with the new **dual materiality approach**, in which the Bank consulted its main stakeholders (customers, employees, society, suppliers, opinion leaders, etc.) on the most relevant aspects that influence Ibercaja's capacity to create economic, social and environmental value.<br><br>In 2021, Ibercaja joined the **Net Zero Banking Alliance** as a founding entity to achieve carbon neutrality for its portfolios by 2050. Meanwhile, Ibercaja Gestión and Ibercaja Pensión signed up to the **Net Zero Asset Managers** initiative, also committed to attaining neutrality of their own CO2 emissions and those of their portfolios by 2050.<br><br>In 2021, Ibercaja partnered up with **Forética**. This national association seeks to promote corporate responsibility, leading the **Social Impact Cluster**, a business meeting point for leadership, knowledge, exchange of ideas and dialogue on internal and external social impacts. Hence, it actively exchanges experiences and best practices linked to sustainability with companies from the same and other productive sectors.<br><br>Ibercaja is also a member of **DIRSE** (Spanish Association of Sustainability Executives) and actively participates with **Corporate Excellence**. This think tank promotes the management of intangible assets in companies as a source of differentiation and progress necessary to build responsible and sustainable business practices.<br><br>Ibercaja forms part of the **COEPLAN** (Coalition of Companies for the Planet) initiative, which was created to advance sustainable practices and drive the circular economy. Fundación Ibercaja has a partnership agreement on sustainability training for companies and society at its Ibercide centre.<br><br>In December 2019, Ibercaja signed the **Collective Commitment to Climate Action together with the other big** | See chapters 3, 6.1 and 6.14 of this report<br><br>See chapter 6.1 of this report<br>GRI indicators:<br>102-40<br>102-42<br>102-43<br>102-44 |

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| | We have given notice of our adherence to the **protocol of the Institute for Energy Diversification** (IDAE and Saving, part of MITECO, Ministry for Ecological Transition and the Demographic Challenge) to facilitate the financing of actions in buildings, with an aid programme for the energy rehabilitation of buildings associated with this protocol.<br>In 2021, Ibercaja worked hard to convey and disseminate economic, business and financial knowledge to households and companies across the country, focusing on its traditional regions and seeking to ensure proximity and adaptation to the needs of each territory and segment. In doing so, Ibercaja relied on alliances with **public agents** (regional governments, provincial councils, town halls, etc.), **private agents** (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and **private companies.**<br>In 2021, Ibercaja successfully renewed the **RSA and RSA+** badges awarded by the Government of Aragon, which go to companies and institutions committed to social responsibility.<br>Ibercaja has held the **efr Family-Responsible Company certificate** since 2019, awarded by Fundación Más Familia to companies that champion equality and the reconciliation of work, family and personal life of their employees.<br>Both Ibercaja Pensión and Ibercaja Gestión adhere to the United Nations **Principles for Socially Responsible Investment (UNPRI)**. In addition, both fund managers have joined the **Carbon Disclosure Project**, an engagement platform and non-profit organisation that administers a system for companies to disclose environmental information so that investors can better manage their environmental impacts. | |

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| **Principle 5: Governance and culture** | | |
| **We will implement our commitment to these Principles through effective governance and a culture of responsible banking.** | | |
| **5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.** | For sustainability management and to support the effective implementation of the PRB (Principles for Responsible Banking), the Bank has developed the following **governance structure**:<br>• **Brand, Reputation and Sustainability Division**, reporting directly to the CEO, is tasked with promoting, defining and coordinating the sustainability strategy of Ibercaja Banco while collaborating with the areas involved in implementing that strategy. The division reports on the progress of actions to implement the PBR.<br>• **Reputation and Sustainability Committee**, operating at the senior management level and chaired by the CEO, was tasked with validating and supervising the Bank's Sustainability Strategy and monitoring progress in implementing the PRB.<br>• **The Board of Directors** is ultimately responsible for the approval and effective implementation of the Sustainability Policy; it is supported by the **Strategy Committee**, which oversees the Sustainability Policy.<br>• There are also other committees and specific working groups entrusted with sustainability functions.<br>Ibercaja has approved the following key items for **building a culture of responsible banking:**<br>• **Sustainability Policy**> approved by the Board of Directors in December 2020, it establishes sustainability principles and the Bank's commitments to its main stakeholders and is the framework for implementing the sustainability strategy.<br>• **Corporate Purpose**: the Bank's reason for being and the basis for its corporate strategy, which unifies purpose, inspires and calls us to action. It follows a humanistic approach and focuses on people and generating social value. Our purpose: **"Helping people build their life story because it will be our story"** (approved by the Board of Directors).<br>• **Ethical Management Model**: consists of the Bank's **Code of Ethics, the Ethics Management Manual**, with the | See chapters 4.2, 6.1, 6.4, 6.5, 6.7, 6.12 and 7 of this report<br><br>GRI indicators:<br>102-18<br>102-19<br>102-20<br>102-22<br>102-27 |

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| | • **Suppliers**: the Bank has a **Supplier Code of Conduct** to show them how they are expected to act in relation to sustainability and to get them fully engaged.<br>• **Environmental Policy**: explains the Bank's environmental commitments and fosters good practices. This Policy was reviewed and updated in 2021 to align it with the commitments set out in the Sustainability Policy, and then approved by the Environment Committee and the Sustainability Committee.<br>• **FRC (Family Responsible Company) Plan**: work-life balance plan, which describes the actions to be undertaken to help ensure a healthy balance between the personal, family and working lives of employees, following the principles of proactive management and continuous improvement, which are the hallmark of a socially responsible company.<br>• Ibercaja Banco has been a **signatory of the United Nations Global Compact since 2006**, showing that its business activities are carried out in accordance with the principles established by this initiative. The Bank reports annually on its performance.<br>• In 2021, the Bank began to **integrate aspects related to environmental climate risks into its credit, market, liquidity and operational risk management policies and manuals**. This work will be further developed during 2022 to fully incorporate these concerns into our existing processes and governance structure. Ibercaja is working to include ESG factors into the various phases of credit risk management. This project is based on the alignment of its credit risk admission and monitoring processes with some of the sections of the new EBA Guidelines on Loan Origination and Monitoring.<br>• The **Financial Group**, in line with the Bank's objectives and as part of its sustainability strategy, approved **new policies related to sustainability** in 2021, thus making further progress in integrating EG aspects into management and decision-making: Sustainability Policies, Sustainability Risk Integration Policy, Exclusions Policy, Adverse Event Policy and Engagement Policy. It also has an **ESG Committee**, tasked with promoting the effective implementation of responsible asset management investment strategies. | |

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| **5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.** | The progress of sustainability at the Institution is led by the CEO, who is convinced of the importance of Ibercaja's commitment to sustainability, is backed by the Board of Directors and has the engagement of the entire Management Committee.<br><br>In order to advance in the integration of sustainability into the corporate culture, a strategy has been designed to **activate the Corporate Purpose**, which will be implemented as one of the challenges of the 21-23 Strategic Plan. This activation process is taking place both internally and externally. As for the people who make up Ibercaja, this project is aligned with our equally strategic **Culture and Purpose** project, which the People Department is leading. Both projects pursue the alignment of our **culture with the Corporate Purpose**, as the cornerstone and standard of sustainability, and the embodiment of our values, mission and vision. In this way, we are working to improve daily attitudes and behaviours that should reflect our Purpose, in order to differentiate **our way of banking —responsible, approachable and sustainable banking—** and to be perceived as such by our customers and society. These behaviours will form the basis of the **internal relationship model** we are now defining. Within this project, we will also be working on our **internal leadership model** of "inspirational leadership", as we align the behaviours expected of leaders with the Corporate Purpose.<br><br>In addition, an **Internal Sustainability Communication Plan** has been set up to help make Ibercaja's sustainability objectives known and internalised, thus seeking to foster a new "sustainability culture".<br><br>To mark the **2nd anniversary of the signing of the Principles for Responsible Banking**, Ibercaja celebrated the milestone by demonstrating its steadfast commitment to the Principles and its role as a forerunner.<br><br>A substantial employee training strategy accompanies the sustainability project and the implementation of the PRB. Therefore, a specific line of **sustainability training has been developed as part of the Bank's Professional Development Plan**, starting with a **Sustainable Finance Programme** for employees directly involved in the sustainability project (15 hours of specialised training; 57 people completed the course between 2020 and 2021). In 2021, it included **mandatory training** in sustainability for the entire workforce, thus helping employees to understand what sustainability means, how it is integrated into financial activity and, what Ibercaja's commitment is to progress towards a more sustainable society, how it is integrated into strategy and business, and how it is regulated, among other important aspects. | See chapters 4.2, 6.1 and 6.4 of this report<br>GRI indicators:<br>102-16<br>102-26<br>102-35 |

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| **5.3 Governance structure for implementation of the principles**<br><br>**Show that your bank has a governance structure in place for the implementation of the PRB, including:**<br>**a) target-setting and actions to achieve targets set**<br>**b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being** | Ibercaja has made decisive advances in **sustainability governance**, to help ensure the effective implementation of the Principles for Responsible Banking. The **sustainability governance structure** has been bolstered with the engagement of the Board of Directors and the effective participation of the business areas.<br><br>The Bank took the Principles for Responsible Banking into account in the design of the **new Strategic Plan 21-23**, which includes a **specific Sustainability Initiative**, and in the identification of objectives, in order to respond accordingly and succeed in this task. Thus, the Bank has a clear structure in place for its development and monitoring: the **Reputation and Sustainability Committee** is responsible for overseeing the progress made towards the Challenges and Milestones of the Purpose and Sustainability Initiative of the **new Strategic Plan Challenge 2023**. Meanwhile, the **Management Committee** and the **Board of Directors** monitor the progress made towards the Strategic Plan, in accordance with the established milestones and indicators and focus on continuous improvement.<br><br>In defining the objectives and milestones of the Strategic Plan, the Bank's commitment to implement the PRB has been | See chapter 6.1. of this report |

**Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.**

Ibercaja has made decisive advances in sustainability governance, to help ensure the effective implementation of the Principles for Responsible Banking. The sustainability governance structure has been bolstered with the engagement of the Board of Directors and the effective participation of the business areas. We will continue to move forward with allocating and formalising roles and responsibilities.

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**Principle 6: Transparency & accountability**

**We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**

| | | |
|---|---|---|
| **6.1 Progress on implementing the principles for responsible banking**<br><br>**Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in a minimum of two areas (see 2.1-2.4).**<br><br>**Show that your bank has considered existing and emerging international/regional good practices relevant to implementing the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.** | In 2021, work continued on implementing the PRB, following the roadmap defined in 2020 and to be achieved through the Strategic Sustainability Project, which has a three-year horizon under the Desafío 2023 Plan, which is an enabling and transversal plan for the entire Ibercaja Group.<br><br>Milestones, objectives and indicators have been identified to meet the targets set, which are monitored by the highest management and governing bodies. In summary, progress has been made in:<br><br>• Strengthening a **corporate culture aligned with our Purpose and our values and sustainability** to drive our responsible banking and to earn us recognition both internally and externally. We have worked on our own inspirational **leadership model**, which translates into daily actions and behaviour in which people and the vocation to help take centre stage. We also integrate this into our customer value proposition, tailored to each segment. We are also diagnosing the Bank's current positioning, in order to continue working on its total alignment with our values, our Purpose and our differential way of banking, based on providing a benefit to society and the environment.<br><br>• A **sustainable business strategy** has been designed, with new products and services that respond to the needs of our customers in accordance with the impact analysis carried out and to accompany them towards a decarbonised economy.<br><br>• Substantial progress has been made in identifying and managing **climate and environmental risks**, establishing an **action plan** to meet supervisory expectations in this area.<br><br>• **Proactive internal and external communication** was maintained to raise awareness and support our stakeholders as they champion sustainable practices and the **achievement of the SDGs**.<br><br>• **Staff training** has been strengthened, including a specific line of training in sustainability as part of the Professional | See chapters 6.1, 6.4, 6.5 and 6.12 of this Management Report. |

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| REPORTING AND SELF-ASSESSMENT REQUIREMENTS | HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS) | REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION |
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| **Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on implementing these Principles.** | • As part of the **Family-Responsible Company Plan**, we are continuing to implement healthy practices and promote diversity, with projects such as Plan LiderA and Ibercaja Saludable. We are also seeking to better reconcile the personal, family and professional lives of the Ibercaja team, with the ultimate aim of improving employees' experience and making progress towards social aspects within Ibercaja.<br>• **Sustainability governance** has been strengthened, based on the Sustainability Policy approved in 2020. In 2021, there were six meetings of the Reputation and Sustainability Committee, a management-level body chaired by the CEO, which sets the guidelines and objectives, monitors them and approves the necessary measures for making further progress in integrating sustainability into our business. In addition, the **Remuneration Policy** was aligned with the principles of sustainability and a long-term incentive was approved, aligned with the corporate and sustainability strategy and with long-term value creation.<br>• **Data availability** is one of the most relevant aspects when seeking to integrate ESG factors into business and decision-making. Work is therefore being carried out on a project to design the **ESG reporting model**, to strengthen the structure for this valuable information and give it the same rigour, accuracy and reliability as our financial information. An **ESG data dictionary** was drawn up during the period. The dictionary contains all the necessary information to report in a comprehensive manner while covering all the regulatory requirements in terms of sustainability. It also includes definitions, names the owners and cites the sources to ensure the full traceability of all data.<br>• Ibercaja adheres to the **TCFD (Task Force for Climate-Related Financial Disclosures) Recommendations** to improve its reporting of environmental risks.<br>• Ibercaja is a founding signatory of the **Net Zero Banking Alliance** initiative, demonstrating its commitment to sustainable development and the decarbonisation of its portfolios.<br>• All the progress made during the year is reported in this **consolidated Management Report of Ibercaja**, which | |

| REPORTING AND SELF-ASSESSMENT REQUIREMENTS | HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS) | REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION |
|---|---|---|

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.**

Following its signing of the Principles for Responsible Banking, Ibercaja has taken very sizable steps for their effective implementation: it has built a strong position for itself in the realm of sustainability by defining a Purpose and Sustainability initiative as part of the new 2021-2023 Strategic Plan. It is a firm commitment, which has begun by laying the foundations of governance and engaging the entire organisation, under the leadership of the Board of Directors, the Chief Executive Officer and the Management Committee.

We are now working hard on risk management, responsible business strategy, communication and training; the main areas of this new Strategic Plan 21-23.

[1] Source: Bank of Spain

# 6.12 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

*102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31, 201-2*

> The aim of these recommendations is to develop a common, consistent, comparable and clear reporting framework to provide information on the effect that an economic activity has on the climate to facilitate decision-making

## 6.12.1 Introduction

Climate change is a reality, and its effects on economic and social stability are already noticeable: its mitigation requires the commitment of all public and private actors to achieve progress towards a carbon-free economy.

Ibercaja, **committed from its origins to sustainability and guided by its Corporate Purpose,** is aware of this and is taking significant steps and acquiring commitments to assist in the fight against climate change.

Hence, **in 2019 Ibercaja adhered to the recommendations** issued by the Task Force on Climate-related Financial Disclosures (TCFD) set up by the Financial Stability Board. The objective of TCFD is to develop a common, consistent, comparable and clear reporting framework to inform about the effect that economic activity has on the climate to facilitate investors' decision making.

*IN ITS REPORT, THE TCFD RECOMMENDS REPORTING INFORMATION IN FOUR AREAS, WHICH DEFINE THE STRUCTURE OF THIS SECTION:*


Pursuing the goal of increasing its climate ambition, in 2021, Ibercaja joined the **Net Zero Banking Alliance** (NZBA) as one of the founding members. This organisation is led by the banking sector, convened by the UN and co-launched by the United Nations Environment Programme Finance Initiative (UNEP Finance Initiative) and the Financial Services Task Force of the Sustainable Markets Initiative to lead the transition towards a low-carbon global economy.

As a further show of its firm commitment to sustainability, Ibercaja has joined this initiative to build a global economy of zero net emissions and meet the objectives of the Paris Agreement.

Therefore, Ibercaja is committed to working towards achieving emission neutrality in its loan book and investment portfolio by 2050.

## 6.12.2 Objective

By adhering to the recommendations of the TCFD, Ibercaja aims **to make progress in the clear, consistent and standardised disclosure of the risks and opportunities** of climate change in relation to its business and its implications and integration within the Bank's strategy.

The information summarises how Ibercaja is becoming engaged in responding to the challenges arising from climate change, following the recommendations of the TCFD in the analysis, in the implementation of measures and in the development of reporting.

These are the **first steps and reflect our progress** along these lines: Ibercaja is aware of the long road ahead towards a sustainable future, of the important role it plays as a financial institution accompanying its customers and society in this direction, and shows its firm commitment to **continue progressing and disseminating advances** according to market needs.

# 6.12.3 Definition of environmental and climate-related risks

Environmental risks fall under ESG (Environmental, Social and Governance) risks. They should be treated as the financial risks posed by an institution's exposures to counterparties or invested assets that could potentially be affected by the negative impacts of environmental factors, such as climate change and other forms of environmental degradation (e.g. air pollution, water pollution, freshwater scarcity, soil contamination, biodiversity loss and deforestation), as well as remedial policy measures to address such factors. Within the broader category of environmental risks, climate-related risks derive directly or indirectly from the effects caused by climate change.

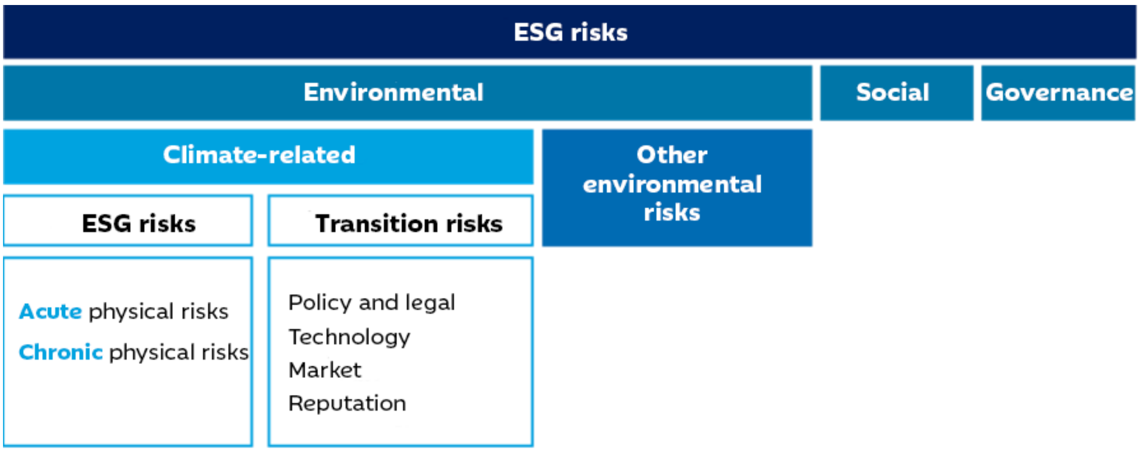



Figure 1. Classification of climate-related risks within ESG factors

Source: prepared in-house.

## Climate change risks can be divided and classified into two categories:

### Transition risks.

Transition risks are associated with transitioning to a low-carbon economy in response to climate change. They relate to the financial losses that a company may suffer directly or indirectly when attempting to adjust to changes in policies or regulations, such as the establishment of limits on CO2 emissions or carbon taxes, as well as changes or advances in technology and changes in consumer preferences.

*They fall into the following categories:*

- **Policy and legal risks.** These risks arise from a failure to prevent or minimise adverse effects on climate or a failure to adapt to climate change. Institutional and policy actions for climate change mitigation continue to evolve through:
    - Policy actions that attempt to constrain activities that contribute to the adverse effects of climate change.
    - Policy actions that seek to promote adaptation to climate change.
- **Technology risk.** Meaning the ability of companies to adopt, or not, new climate-friendly technologies to replace more harmful ones currently in use. The development and use of emerging technologies, such as renewable energies, will affect the competitiveness of certain organisations, their production and distribution costs, and ultimately user demand for their products and services.
- **Market risk.** The ways in which markets can be affected by climate change are varied and complex. For instance, through shifts in the supply and demand for certain products, services or raw materials, mainly due to the fact that both the market and consumers are increasingly shifting their preferences towards options viewed as being more sustainable.

- **Reputation risk.** Climate change has been identified as a potential source of reputation risk that is tied to changing customer or community perceptions of an organisation's contribution to or detract from the transition to a lower-carbon economy.

### Physical risks.

Physical risks relate to the financial impact of a changing climate. They are those arising from the direct effects of climate change, such as increases in the frequency and intensity of extreme weather events or changes in the balance of ecosystems. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

*They fall into the following categories:*

- **Acute risks.** Those that are event-driven, especially those related to weather events such as storms, floods, fires or heat waves, which can damage production facilities and disrupt value chains.

- **Chronic risks.** Those resulting from longer-term shifts in climate patterns, such as changes in temperature, sea-level rise, loss of biodiversity and alterations in land and soil productivity. This can directly cause, for example, damage to goods or a decrease in productivity and can also indirectly lead to further incidents, such as the disruption of supply chains.

## 6.12.4 Governance model

Ibercaja has developed a **sustainability governance model** with the direct engagement of the **Board of Directors**, as the highest level body, which promotes the entity's positioning in sustainable development, with the assistance of the **Strategy Committee**.

### In carrying out this function of promoting sustainability:

- The Board of Directors has reviewed and approved the elements necessary to make progress in the sustainable and responsible planning of the Entity: thus, in 2018, it approved the Code of Ethics, which contains the seven ethical principles that govern the actions of the Ibercaja Group. It also agreed and approved the **Corporate Purpose**, which focuses on a shared inspirational objective: “Helping people to build their life story, because it will be our story.”

- On 11 December 2020, the Board of Directors, following a review by the Strategy Committee, approved the **Sustainability Policy**, an essential element as it establishes the Ibercaja Group's commitments and framework for action in the area of sustainability.

- The Board of Directors, with the support of the Strategy Committee, oversees the implementation of the Sustainability Policy and is regularly informed of the progress made. The Policy sets out the Bank's commitments to its main stakeholders and the environment. **Ibercaja undertakes to:**

    - **Analyse the impact of climate change,** detecting needs that the transition to a decarbonised economy may present, in order to respond with business solutions that support environmental sustainability.

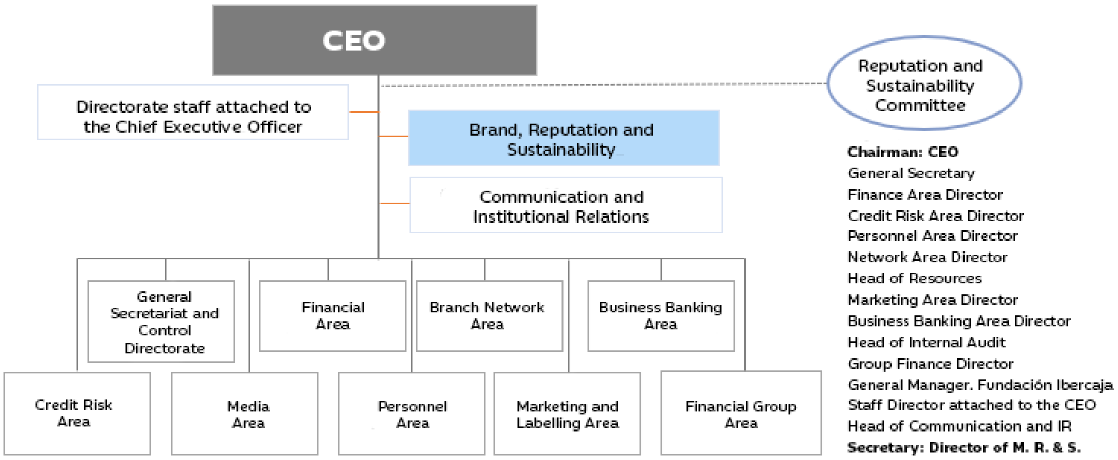
- **Analyse climatic and environmental risks,** their impact on customers and their financial activity, for their gradual integration in compliance with regulatory requirements.
- **Transparently communicate** the advances in environmental sustainability, raising awareness internally and externally to promote a sense of environmental responsibility.
- **Assume and endorse the primary national and international commitments that help to protect the environment and fight against climate change, working on their implementation.**

> *"We are a **different bank**, it's **our reason for being**".*

The **Strategy Committee** attached to the Board of Directors is especially involved in defining and approving the Strategic Plan, with sustainability as one of its key enabling initiatives. It is deployed through six strategic challenges, one of which addresses climate and environmental risk management. It defends a clear position on the importance of differentiating ourselves as a sustainable Bank, from three points of view: financially, socially, and environmentally. "We are a different bank, it's our reason for being".

**Sustainability governance** is based on the work of the functional areas, coordinated by the Brand, Reputation and Sustainability Department and the Reputation and Sustainability Committee, which is responsible for such matters, **according to the following scheme:**

The **Brand, Reputation and Sustainability Department**, reporting directly to the CEO, defines and coordinates the implementation of the sustainability strategy, following approval by the executive-level Reputation and Sustainability Committee, chaired by the CEO.




The sustainability strategy is implemented by a broad Group-wide team, tasked with tackling the challenges of the Purpose and Sustainability initiative of the new Desafío 2023 Strategic Plan, which is described in the following section of this chapter.

## 6.12.5 Strategy

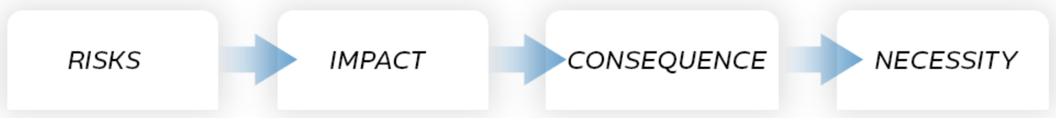
The **Sustainability Policy** defines the **pillars of the strategy**, aligned with the Sustainable Development Goals (especially those that are a priority for Ibercaja: see chapter 6.2).


The policy was designed **with the TCFD recommendations and the Principles for Responsible Banking firmly in mind**, as signed by Ibercaja Banco in October 2019, to respond to its implementation challenges.

In 2021, a new **Strategic Plan, Desafío 2023**, was launched to respond to the Bank's new challenges. This plan includes a transversal initiative, namely **IN02 Purpose and Sustainability**, which aims to activate the Corporate Purpose and integrate ESG aspects into our business decisions. It is being implemented through six challenges that include the integration of ESG concerns into risk management and the definition of the ESG business strategy based on the identification of risks and opportunities arising from climate change, as well as internal and external communication and support with the necessary training of Ibercaja's people to successfully meet the objectives set.

To deliver on its commitment to align its commercial strategy with the Principles for Responsible Banking and to comply with the ECB's expectations on climate and environmental risk management, in 2021, the Bank analysed **the impacts that climate factors** could have in Spain, focusing this analysis on its main areas of activity and on those economic sectors in which it has a greater presence. This analysis **focused** on two main segments of the Ibercaja portfolio: retail segment and corporate segment, with the **aim** of:

- Identifying **sectors and geographical areas** more vulnerable to climate change.
- Identifying **new needs** in relation to climate change adaptation.
- Identifying potential **emerging risks**.
- Identifying **business opportunities** for both segments.




When conducting this analysis, two preliminary exercises were carried out: firstly, an **analysis of the climate vulnerability of the loan portfolio**[5] where the most relevant sectors of activity are identified due to their degree of exposure and predisposition to climate vulnerability; and secondly, an **analysis of the climate risks of real estate collateral**[6] using the reports provided by SOTASA.

[5] The purpose of this analysis is to estimate the potential climate vulnerability of the Entity's loan portfolio, resulting in a preliminary segmentation of economic sectors with a greater predisposition to climate risk. It has been carried out on the basis of a tool developed by ECODES in collaboration with the University of Barcelona. For more information, see section 6.12.6.

[6] This analysis, carried out on the basis of information provided by SOTASA, focuses on the assessment of the physical risk of the real estate portfolio, using the geographical location of the properties under guarantee, and on the assessment of the transition risk, using the energy efficiency certificates of the homes. For more information, see section 6.12.6.

The **results** of the exercise for the **retail portfolio** reveal that the Bank's assets that could present a certain predisposition to **physical risks** are those located in autonomous communities of Spain, where it is estimated that there is a high probability of being potentially affected in the long run by risks derived from rising temperatures or, to a lesser extent, flood risk. In the assessment of **transition risk**, the results show that the ratings of the properties in Ibercaja's portfolio are in line with the national housing stock in Spain, notably with a higher percentage of homes rated as sustainable (categories A and B) in Ibercaja's portfolio.

This analysis revealed certain **business opportunities** for the Bank in relation to physical risks, notably insurance policies to cover the risk of damage to buildings due to natural disasters. Among the opportunities arising from transition risk are specific financing solutions for energy efficiency improvements in housing, as well as solutions based on renting, leasing and loans for electric vehicles, hybrid vehicles and other low-emission certified engines that promote more sustainable mobility.

When analysing the **productive activities segment**, both the volume of exposure that each sector represents with respect to the total portfolio and their predisposition to climate vulnerability and exposure to physical and transition risks have been considered in order to determine which are the most relevant for Ibercaja, as a tool for segmenting its portfolio.

In those industries flagged as most **vulnerable to climate risks, the main risks relate to their $CO_2$** emissions intensity. Given their significant weight in the Bank's portfolio, the manufacturing industry and the agriculture, livestock, forestry and fishing sectors are particularly notable in this regard. Other industries that are also predisposed to climate vulnerability are less material as they account for a smaller share of the portfolio, such as the power supply, water supply, transport and storage sectors, etc.

The main **business opportunities** that arise in these industries are the financing of CAPEX investments needed to improve the energy efficiency of machinery and facilities, the efficiency of risk systems or waste management, or the financing of environmental practices that aid in the decarbonisation of the agricultural sector. There are also significant financing opportunities to promote renewable or alternative energy sources and sustainable mobility, as well as the range of insurance products to minimise the risk exposure of farms or production plants.

Aside from those opportunities revealed from our analysis of the impacts of climate factors, other business opportunities have been identified for Ibercaja:

- **Financing of projects aimed at households and enterprises that** promote **renewable self-consumption, ECO vehicles, energy refurbishment of homes, and** low-consumption appliances.
- Offering **sustainable means of payment**, such as using **cards made from recyclable materials or mobile apps that allow customers to estimate the carbon footprint** of their purchases.
- Offering of **ESG-sensitive** investment funds and pension plans.

In response to these opportunities, an ESG business strategy was also defined in 2021, featuring a series of short- and medium-term initiatives grouped into various thematic blocks. Examples of the blocks of sustainability initiatives include the promotion of mobility and sustainable buildings aimed at the retail segment; support for the energy transition for the corporate segment; or sustainable customer investment in the case of the Financial Group.

## 6.12.6 Risk management

The sustainability strategy designed by Ibercaja includes among its priorities the identification, management and control of climate and environmental risks for their progressive incorporation into the Bank's global risk framework[7].

To succeed in this task, a **Working Group coordinated by Risk Control** has been set up, comprising experts in the management and control of the Group's risks, belonging to the following departments and areas:

- Credit Risk Area
- Financial Area. Market and liquidity risks
- Risk Control Department. Operational risk
- Regulatory Compliance Department.
- Financial Group Area Department. Specific risks of the Financial Group (e.g. risk underwriting).

This Group has worked on identifying **potential climate risks**, their channels of transmission to prudential risks and the qualitative assessment of their impact.

In 2021, ESG aspects were included in the policies and manuals for credit, operational, liquidity and market risk, which clearly state that all such risks must be managed and controlled accordingly. This work will be further developed during 2022 to fully incorporate these concerns into our existing processes and governance structure.

[7] For more information on the risk management framework, see section 7.

The Bank is also working on integrating climate and environmental risks into the Risk Appetite Framework and Capital and Liquidity Self-Assessment processes, taking into account the supervisory expectations of both the ECB and the EBA.

Ibercaja was heavily involved in properly identifying, measuring, and managing climate-related risks in 2021, as shown in the figure below. This section describes the progress made by the Bank in 2021 in each of these three phases.

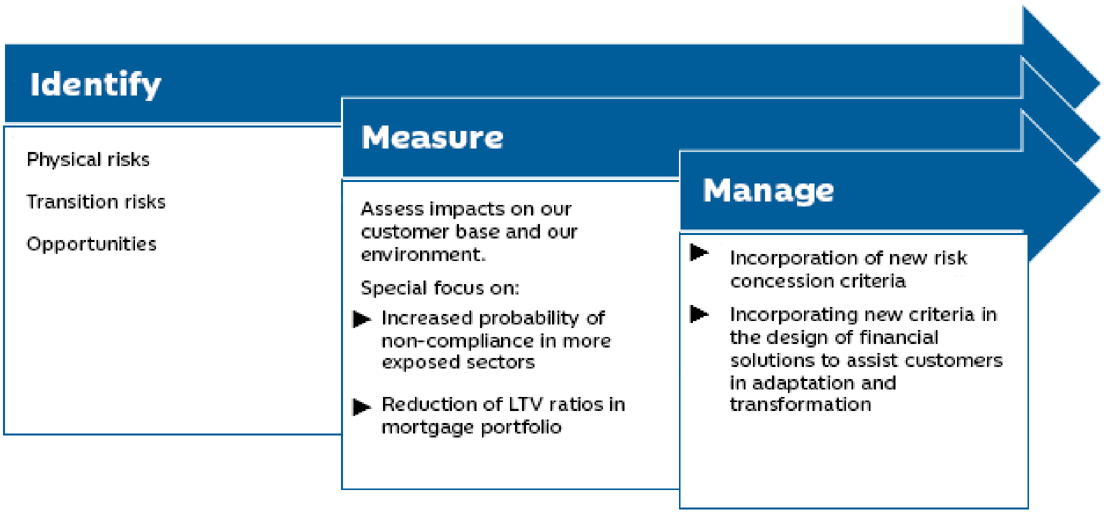



Figure 2. Main phases of climate risk management

Source: prepared in-house.

## IDENTIFICATION OF CLIMATE-RELATED RISKS

Developing the climate and environmental risk map is a first step in understanding climate and environmental risks and their transmission channels to prudential risks.

*Objectives:*

- Further understand the characteristics and particularities of climate and environmental risks.

- Identify the main climate risks affecting the Ibercaja Group and how they are reflected in the existing risk categories.
- Make further progress in establishing and consolidating the management model for these risks based on three lines of defence at the Bank[8].

To succeed in this task, the work was coordinated with the front lines of the main prudential risks, based on a qualitative methodology developed with a top-down approach, to identify the main climate risk events and transmission channels that can lead to the risk categories currently used.

As part of the climate risk mapping exercise carried out by Ibercaja, an inventory was drawn up of climate events that are likely to materialise the various risks previously defined.

[8] For more information on the risk management model, see Note 3 of the Ibercaja Banco Group's Annual Report for the 2021 financial year.

## Table 1. Inventory of climate and environmental events

| | |
|---|---|
| Transition risks | POLICY AND LEGAL |
| | Non-compliance with environmental laws and regulations |
| | New regulations on existing products and services |
| | Increase in the price of greenhouse gas (GHG) emissions |
| | Changes in emission reporting obligations |
| | Stricter reporting and transparency obligations |
| | New taxes that penalise high-emission energy sources |
| | TECHNOLOGY |
| | Replacement of products, services and raw materials for more sustainable options (low emissions) |
| | Financing of failed investments in new technologies |
| | Transition costs to low-emission technology |
| | Late or unsuccessful adoption of energy efficiency and productivity technologies |
| | Early obsolescence of high GHG-emitting energy technologies |
| | MARKET |
| | Changing preferences among consumers and investors: favouring more sustainable products (reduced demand for certain products/services) |
| | Increase in the cost of raw materials |
| | Increased costs and/or price volatility of natural resources and raw materials |
| | Increasing demands from investors in terms of transparency and ESG standards |
| | REPUTATION |
| | Stigmatisation of the sector (due to its impact on climate change or environmental practices) |
| | Increased stakeholder concerns regarding contribution to climate change and environmental impact |
| | Potential reputational impact due to inaction or late action towards a low GHG emissions model |
| | Negative remarks made by stakeholders |

| | |
|---|---|
| Physical risks | ACUTE |
| | Severe external weather events such as cyclones and floods |
| | Disruption and delay of operations due to extreme weather events |
| | Rising energy costs due to extreme events |
| | CHRONIC |
| | Changes in precipitation patterns and extreme variability in weather patterns |
| | Scarcity of resources (drought) |
| | Increase in average temperature |
| | Rising sea levels |
| | Increase in pollution |
| | Destruction of ecosystems |

Source: prepared in-house.

These climate risk factors or events may impact prudential risks through the Bank's counterparties and/or invested assets via various transmission channels, which are effectively the chain of causality whereby a climate factor and/or inefficient management thereof has a negative impact on the Bank.

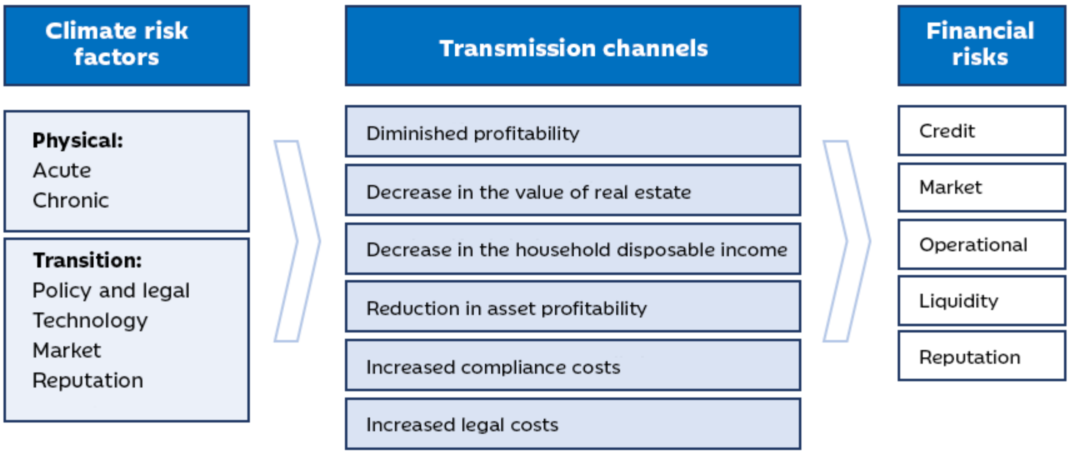



Figure 3. Non-exhaustive summary of climate risks, main transmission channels and financial risks impacted

Source: In-house adaptation of the EBA report on management and supervision of ESG risks for credit institutions and investment firms. European Banking Authority (EBA), 2021.

Based on the events identified in the inventory, Ibercaja carried out an initial qualitative assessment of the materiality of climate risks and their potential impact on prudential risks (credit, liquidity, market, operational and reputational) over different time horizons (short, medium and long term). The following tables provide a qualitative description of how climate, physical and transitional risks may impact these prudential risks.

## Table 2. Expected potential impact of physical risks on prudential risks

| | Physical risks |
|---|---|
| TYPE OF RISK | DESCRIPTION OF IMPACT |
| Credit risk | In geographic areas affected by extreme and chronic weather events, the value of real estate assets financed and/or used as collateral could be reduced if damaged, with potential repercussions at both PD and LGD levels. |

| | |
|---|---|
| Market risk | Acute climate events that have an economic impact on listed companies or fixed-income issues, or investments in companies or projects linked to polluting activities, such as the oil extraction sector, could impact the price of their shares or issues. |
| Liquidity risk | Extreme weather events could lead to a sharp depreciation of real estate assets that serve as collateral, resulting in a higher cost of funding. The withdrawal of deposits by customers who need to repair damage caused by these weather events could also impact liquidity. |
| Reputation risk | Given the characteristics of reputation risk, the impact of physical risk on reputation risk is not considered material. |
| Operational risk | The impact of physical risks arising from climate change on the Bank's assets such as buildings, offices, etc. is considered low in terms of expected losses in the short, medium and long run |

Source: prepared in-house.

## Table 3. Expected potential impact of transition risks on prudential risks.

| TYPE OF RISK | Transition risks<br>DESCRIPTION OF IMPACT |
|---|---|
| Credit risk | An increase in the price of carbon or a rise in the price of certain resources could result in reduced revenues for affected companies. The need to make a home more energy efficient, for example, could result in lower disposable income for the households affected. This reduction in customers' ability to pay could impact PD and LGD levels. |
| Market risk | Stricter ESG requirements could affect the valuation of companies and assets. Failure to take these criteria into account could affect the value of investment portfolios. Also, some companies lagging behind in ESG management might see their ability to pay dividends compromised. |
| Liquidity risk | Failure to align the institution's activities with the objectives of the Paris Agreement could result in the deterioration of its ESG rating, leading to the exclusion of its securities from the investment universe of asset managers or possibly higher funding costs. |
| Reputation risk | The financing of companies and projects in sectors of activity considered unsustainable could be perceived negatively by customers, markets and society, which might adversely impact the company's reputation or business. In these unsustainable sectors, customers' creditworthiness and payment capacity may also be affected. |
| Operational risk | No potential financial impacts on Ibercaja's operational risk as a result of transition risks have been observed |

Source: prepared in-house.

This assessment dives deeper into risk analysis by incorporating a qualitative assessment of the materiality of climatic factors in the prudential risk categories. The analysis discriminates between the potential impacts of physical and transition risks over various time horizons (short, medium and long term).

This exercise resulted in a **climate risk map** in which the major impacts are concentrated in credit and market risk, with the most relevant risks being those of transition in the medium and long term, as well as the possible impact of physical risks in the long term.

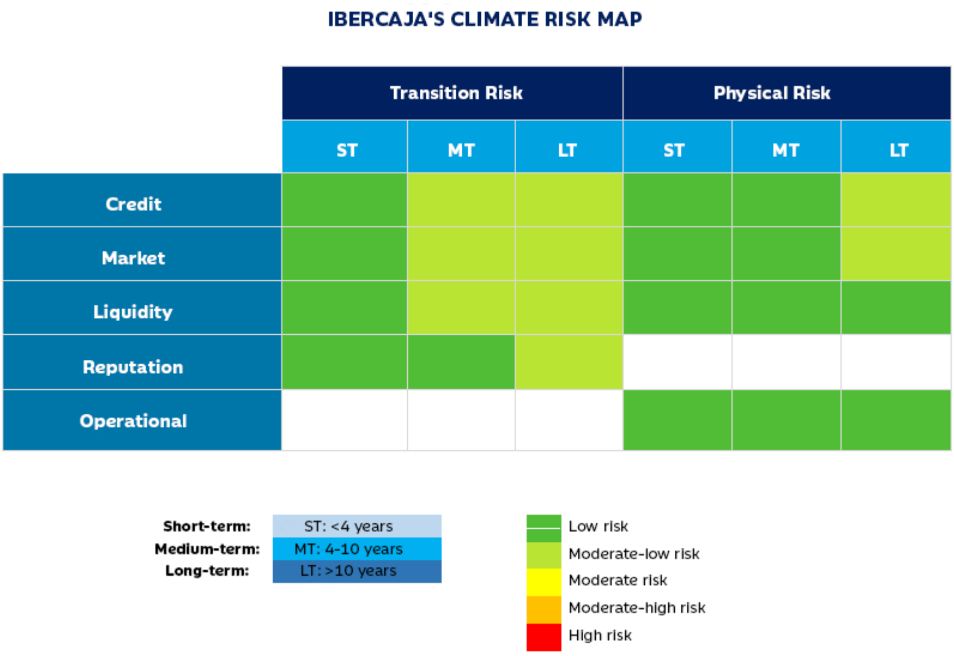



Figure 4. Expected potential impact of climate-related risks on prudential risks in the short, medium and long term.

Source: prepared in-house based on the consolidated results of the risk assessment questionnaires.

The risk map was also updated in 2021 to show the environmental and climate events that could impact this prudential risk and considering how climate-related events could negatively affect business continuity. The operational risk assessment questionnaire was adapted to include the risks of physical damage to the Bank's assets, branches and data centres due to extreme weather events. Special attention will now be paid to the potential impact that physical risks could have on the provision of the Group's services, as well as the potential risks linked to possible bad practices in the achievement of the climate transition objectives by Ibercaja or its counterparties, which may result in reputational costs for the Bank.

## MEASUREMENT OF CLIMATE-RELATED RISKS

In 2021, Ibercaja carried out various exercises that allowed it to make further progress in measuring climate risks.

Firstly, it conducted an **analysis of the climate vulnerability of the Bank's loan portfolio**. This analysis aims to estimate the potential climate vulnerability of Ibercaja's productive activities segment of the loan portfolio, resulting in a preliminary segmentation of economic sectors with a greater predisposition to climate risk. It was carried out based on a tool developed by ECODES[9] (Ecology and Development Foundation), a national benchmark organisation in sustainability and climate change, in collaboration with the Statistics Service of the Autonomous University of Barcelona, following a methodology agreed upon with the Bank. To identify sectors and geographical areas with a greater predisposition to be impacted by climate factors, the following relevant metrics were analysed in 2021:

- **Metric 1:** measures the predisposition to climate vulnerability of the portfolio of productive activities by means of a variable that addresses not only climatic factors (physical and transition risks) but also environmental factors (soil degradation, water needs in processes, etc.).
- **Metric 2:** measures predisposition to physical risks of the portfolio of productive activities. The variable used reflects the vulnerability associated with extreme weather events such as tornadoes, torrential rainfall, earthquakes, etc.

[9] This ECODES (Fundación Ecología y Desarrollo) model allows assigning to each of the company clients of the productive segments, a value of the estimated climate predisposition index that best fits the reality of the evaluated company, with certain restrictions that the limitation of the model's input information imposes.

- **Metric 3:** measures predisposition to transition risks of the portfolio of productive activities. With the variable used, it is possible to know which activities within the portfolio are considered intensive in the emission of greenhouse gases in general or $CO_2$ in particular.

The Bank has also conducted a **climate risk analysis for real estate collateral**, assessing both physical and transition risk and using as an input information provided by valuation company Sociedad de Tasación (SOTASA)[10]. The potential physical climate impacts were determined for the real estate portfolio in the most relevant geographical areas, reflecting low levels of predisposition. Meanwhile, a study was carried out into the energy certification ratings of the housing units included in this portfolio. As a result, the ratings of the properties in Ibercaja's portfolio were found to be in line with those of the national housing stock.

In 2022 Ibercaja will take part in the **ECB's climate stress test exercise** to integrate climate factors into the Bank's internal stress test framework.

[10] SOTASA has carried out an analytical review of the climate impacts on Ibercaja's real estate guarantees, as well as a study of their energy certification ratings.

## MANAGEMENT OF CLIMATE-RELATED RISKS

Ibercaja is working to **include the ESG factors in the underwriting and monitoring of credit risk**, in line with the EBA Guidelines on loan origination and monitoring, which set out the internal governance mechanisms and procedures of financial institutions in relation to loan transactions. Reference to the consideration of ESG risks in the assessment of customers and transactions has now been included in its risk underwriting policies. In 2022, the Bank will work towards implementing an exclusions policy and the ESG rating of its corporate customers. In aspects relating to the monitoring of the production activity portfolio, Ibercaja will start to monitor changes in the Bank's exposure to those sectors with potentially higher levels of ESG risk, especially climate change risks.

This work will continue throughout 2022 to completely integrate **ESG risks** into risk management and control processes.

With regard to **liquidity risk management**, the decline in the value of additional liquid assets for ESG assets was included for the first time during the period (including climate and environmental risks) within the main types of risk.

Last but not least, and in relation to **market risk management**, work was carried out in the sphere of portfolio management through the monitoring of indicators that define ESG criteria (which include aspects related to climate and environmental risks) and certain asset selection criteria that enable private fixed income and equity portfolios to be characterised.

Along similar lines, the **asset managers of the Financial Group** (Ibercaja Pensión and Ibercaja Gestión) —both firmly committed to the growth of society and environmental protection through socially responsible investment— are developing an internal and progressive model of investment selection and the management of non-financial risks that is being incorporated into the traditional essential analysis. Thus, in 2021 the **following policies** were approved:

- **Sustainability Policy**, to evidence and formalise the Financial Group's commitment to sustainable development and value creation through its activity and to establish the global action framework for the Group in matters of sustainability, containing the commitments voluntarily assumed to promote long-term sustainable, inclusive and environmentally-friendly growth, with a long-term vision (Regulation (EU) 2019/2088)[11].

- **The Sustainability Risk Integration Policy**, which establishes the principles, processes and governance framework, governing ESG risk integration in the investment decisions.

- **Exclusions Policy**, to ensure that the investment policies are not exposed to unethical, irresponsible or unsustainable activities, and to contribute to the attainment of the UN Sustainable Development Goals (SDGs) in the framework of the ESG Risk Integration Policy.

- **Adverse Event Policy** for the proper identification, analysis and management of impacts of investment decisions that could negatively affect sustainability factors[12].

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[11] In compliance with the provisions regarding transparency in the incorporation of sustainability risks in investment management of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (SFDR).

[12] Pursuant to Art. 4.1.a and 4.2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector (SFDR).

- **Engagement Policy**, which sets out the general principles, criteria and procedures to encourage the long-term engagement of shareholders in listed companies[13].

[13] In compliance with the requirements of article 224 bis of the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, introduced by Act 5/2021, of 12 April, amending the Consolidated Text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.

# 6.12.7 Metrics and targets

## Metrics

Ibercaja is aware of the **importance of non-financial information** in making progress in the metrics and targets needed to assess and manage climate-related risks and opportunities

For this reason, a specific line has been developed as part of the Strategic Sustainability Initiative to improve non-financial information and make it one of the areas of information to be further developed within the framework of the Data Governance Project currently underway at the Bank.

### *Progress made: definition of stages to be undertaken*

1. **Identification of non-financial information** used for both internal management and reporting of climate and environment-related risks.
2. **Development of an ESG reporting and analysis model to ensure the availability of information** (quantitative and qualitative) in the Bank's information system. Planning of the necessary developments for unavailable data.
3. **Adaptation of identified** non-financial information to the needs of the Data Governance Framework for further integration therein.
4. **Definition by users and construction of the metrics** (KPIs and KRIs) based on which environmental and climate risk exposure is to be identified, managed, monitored and measured.
5. **Definition and preparation of reporting and disclosure** (internal and external) through a scorecard that includes indicators and the like, as well as control levels and reporting frequency.

## Objectives

In furtherance of its commitment to sustainability and the fight against climate change, **Ibercaja aims to**:

- **Accompany its customers on the path towards a decarbonised economy**, defining a commercial strategy that helps them make purchasing and investment decisions that positively impact the environment.
- **Continue to promote socially responsible investment by expanding the number of investment products and strengthening the Financial Group's positioning in SRI strategies (see current SRI product offering in Chapter 6.3).**
- **Complete the financing offer with products with sustainable features** (especially climate change mitigation), thus meeting the needs of the environment and customers.

The new Strategic Plan, Desafío 2023, incorporates specific targets for sustainability and the fight against climate change, as well as indicators for their monitoring and evaluation. In particular, it has set a target of achieving Scope 1 and 2 emission neutrality, achieved by offsetting those emissions that could not be avoided.

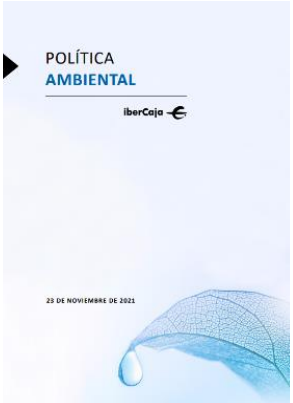
In addition, within the Environmental Management System, the objectives for the years 2021-2023 are to continue working to reduce emissions, extend our environmental commitment to our suppliers, and promote the circular economy while improving recycling levels.

## Disclosure of Ibercaja Banco's carbon footprint (direct impacts)

As evidenced by its **Sustainability Policy,** Ibercaja, aware of the direct impact of its activity on the environment, is committed to:

- Measure and publish its **carbon footprint**, establishing a reduction plan to achieve emission neutrality.
- Comply with all applicable **environmental law and regulations** and other voluntarily assumed requirements, adopting the necessary measures to do so.
- Apply the principle of **pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- Encourage the **responsible control and consumption** of resources and the **proper management of waste** by minimising its generation to the fullest extent possible and promoting the circular economy all along the value chain.
- Ensure the integration of continuous improvement in the system and in environmental performance by establishing **environmental objectives**.

Since 2007, the Entity has had an **Environmental Management System**, which is certified by the ISO 14001 Standard, and which establishes annual environmental targets and defines the indicators for their monitoring. It also has an **Environmental Policy**, which is based on the observance of applicable laws and regulations, preventing pollution and contamination, ensuring proper waste management, raising employee awareness regarding the responsible use of natural resources and disseminating good practices among customers and suppliers to raise levels of engagement.




This policy was updated in 2021 to align with the principles of action that govern the Sustainability Policy and extend its scope to include the Bank's financial activity.

Since 2016, Ibercaja has calculated its carbon footprint, including the scope 1 and 2 emissions, demanded by the Spanish Climate Change Office, and also the indirect scope 3 emissions, specifically, those produced by car trips of employees for work reasons and those associated with documents sent by messenger.

In response to the commitments made, in 2019, Ibercaja **registered its carbon footprint in the Registry of Footprint, Offsets and CO2 Absorption Projects of the Ministry for Ecological Transition and Demographic Challenge** with the calculation of CO2 emissions of scope 1+2 and 3.

Ibercaja has drawn up an **Emissions Reduction Plan** and has earned the **"Calculo/Reduzco" (I calculate, I reduce)** seal of excellence from the carbon footprint register kept by MITECO.

As explained in **Chapter 6.5.** of this Management Report, in 2021, Ibercaja offset those emissions calculated in 2020 that could not be avoided, thus making it **Carbón Neutral**.

Furthermore, aware of the importance of directly reducing CO2 emissions, Ibercaja has an **emissions reduction plan** that identifies the most effective measures in achieving this objective.

In addition, following its accession to the NZBA initiative in 2021, Ibercaja is firmly committed to achieving emission neutrality for its loan book and investment portfolio by 2050 (for more information, see Chapter 6.1. of this report).

# 6.13 Global Compact Progress Report

> Ibercaja has been a signatory of the United Nations Global Compact since 2006, a pact that promotes the implementation of ten universally proclaimed principles to foster sustainable development.

The **2021 Management Report** of Ibercaja describes the **Bank's annual progress** in implementing the ten principles of the UN Global Compact in terms of human and employment rights, the environment and the fight against corruption.

In this way, we are responding to the requirements established for preparing the **Progress Report**, reaching the **Advanced level**, the highest rating awarded by the **Global Compact** within the Reporting levels.

**ACTIONS**

*The 2021 Management Report describes the actions carried out during the year in the task of implementing* ***these Ten Principles***

In this regard, there are three key issues on which we wish to report:

- **Corporate sustainability and leadership**: in late 2020, Ibercaja approved the Sustainability Policy of the Ibercaja Group, thus making further progress, as explained throughout this report, towards the Bank's commitment to sustainability. The new 2021-2023 Strategic Plan was also launched in 2021, which includes ambitious and specific objectives to advance the integration of sustainability within the business.
- **Sustainable Development Goals** of the United Nations: this report also includes information on the Bank's positioning in relation to the SDGs and the most significant actions carried out, adding to their achievement.
- **Implementation of the Ten Principles** in strategies and operations in Human Rights, Labour, Environment and Anti-Corruption. **Appendix B** contains a table showing the Ten Principles of the Global Compact and the sections of this report that contain information on them and their relationship with the GRI Indicators.

# 6.14 Communication: listening to and dialogue with our stakeholders

*102-21, 102-40, 102-42, 102-43, 102-44, 103-1, 103-2, 103-3, 207-3*

> For Ibercaja, active listening and dialogue with stakeholders are key to developing its business model, achieving the greatest positive impact, and meeting their expectations and needs.

The challenges faced by the Bank and, specifically, its active role in **achieving the Sustainable Development Goals for the improvement of the planet** can only be met by actively engaging its stakeholders to jointly promote the necessary transition towards a more sustainable economy. Doing this necessarily means fostering **dialogue and close cooperation** with stakeholders, knowing their expectations, working together, and joining forces through partnerships.

> **DIALOGUE AND PROXIMITY**
>
> *It is necessary **to foster dialogue and proximity with stakeholders**, know their expectations, and work together, through alliances, as we join forces.*

The Bank has a **stakeholder map**, which is regularly updated and identifies those stakeholders that are a priority for the Bank: **customers, employees, investors and shareholders, suppliers and society**. In addition, the impact of its activity on the **environment** is given careful consideration. This selection was made after analysing their expectations and interests and assessing their relationship with the Bank, their capacity to influence and the importance of each group to the Bank.

***Stakeholders*** *are persons or groups that impact the Entity and are influenced, directly or indirectly, by its activities, products or services.*


Communication and institutional relations with our various stakeholders are a tool for enhancing reputation and business opportunities, while contributing to our differentiation within the market.

Therefore, there is continuous coordination and alignment in disseminating content through the Bank's various communication channels, both externally and internally.

## Communications criteria

Transparency, honesty, diligence and neutrality are key criteria present in all the information flows generated by the Bank, both internally and externally.

Based on these four key criteria, these flows are systematised through a communication model.

### Transparency

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

### Veracity

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

### Diligence

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

### Neutrality

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

### Internal communication

Working alongside the People Department, **Internal Communication** seeks to foster a sense of belonging, commitment and alignment of the workforce around the common project. One of the most important milestones this year was the presentation of the Strategic Plan, Desafío 2023, in April, which was presented online to all Bank employees.

Also, in 2021, Ibercaja continued to deploy its **Internal Sustainability Communication Plan**, which was launched the previous year to accompany the Bank's Sustainability project and help to ensure that Ibercaja's objectives in this area are **known and internalised**, thus helping to foster a new **culture of sustainability**.

## External communication

**External Communication** in 2021 was deployed within the framework of the new Strategic Plan, Desafío 2023. The Bank worked even harder to convey its messages relating to the activities of Corporate Banking, Personal and Private Banking and Insurance, as well as those relating to sustainability, thus helping to raise awareness of the Bank's firm commitment to sustainable growth and, at the same time, accompanying its stakeholders on the path towards a more sustainable society.

Ibercaja maintains fluid relations with Spanish and foreign media to respond to requests for information and notify society of significant events involving the Bank. Through these actions, the Bank achieved 18,677 impacts in 2021

**The main external communication actions include:**

- seven press conferences, four of which were held online due to existing health protocols at that time. At these events, information was presented to the press and media on the Bank's achievements and actions that were considered relevant to the Bank's various stakeholders. The Bank has been able to keep up normal levels of external communication by going digital in many cases, thus achieving greater outreach. In particular, the press call for the online presentation of the Strategic Plan, Desafío 2023, was attended by 33 media outlets and generated 91 impacts. Meanwhile, the press conference held to report on the Financial Group's performance, which was also held in digital format, was attended by 18 media outlets and generated 56 impacts.

- Planet Week: In October of this year, the 1st Ibercaja Planet Week was organised with the slogan "the week in which the planet and you win", to convey to society, customers and employees the Bank's commitment to the transition towards a more sustainable economy, while also seeking to raise awareness and engagement among all of its stakeholders. The Bank's commitment to being a benchmark in sustainability was reflected in the press releases, media collaborations, articles, events, and the like that were carried out or published throughout the year, with 699 hits within the media and an outreach on social networks of 397,072

- Dissemination of Ecosistema Más Empresa actions: a meeting point for more than 4,000 entrepreneurs, professionals and managers who interact through an open innovation platform throughout the country. The Ecosystem currently has 48 national and international partners, and a think-tank made up of five leading experts in their sectors. It has also organised more than 130 face-to-face activities throughout Spain. Some of these companies have participated in the Ecosystem Open Innovation challenge platform.

- Collaboration of expert professionals in different areas of the Bank with the media through opinion articles, interviews and responses to queries on issues and matters of an economic and financial nature.

- Boosting the Bank's presence on social networks by disseminating news related to the Bank, participation in events, sponsorships, partnerships, etc.

- Preparation and dissemination of the four-monthly issues of journal Economía Aragonesa and the half-yearly issues of journal Economía Riojana, which include analyses of the international, national and regional economic situation carried out by the Bank's Economic and Financial Studies unit, as well as monographic articles on regional socio-economic issues.

**Institutional projection plan.** This plan aims to position the Ibercaja brand as a benchmark within the Spanish banking system through participation in the main economic and sectorial forums and meetings and in the general and specialised media, both by members of the management team and other managers and specialists of the Bank. The Bank continued to strengthen its institutional projection in the traditional regions where it has a stronger position, such as Aragon, La Rioja, Guadalajara, Burgos and Badajoz, as well as in those areas of expansion where it has a significant presence, such as Madrid and the Mediterranean Seaboard. In 2021, a total of 436 conferences, events, meetings and webinars were held, of which 63 were online. A total of 11,617 people attended in person, while 5,646 people followed the live streaming of the event.

**Lobbying strategy**. Ibercaja is a member of the Spanish Confederation of Savings Banks (CECA), which groups together Spanish banks that were once savings banks in their day. To further the legitimate interests of its member institutions, CECA acts as a spokesperson and sectoral liaison with parliaments and governments, as well as with the various regulatory and supervisory bodies, both at the European and national level. Therefore, Ibercaja channels its lobbying strategy through CECA on almost all issues.

## The main communication channels are as follows:

| | |
|---|---|
| | *Customer service* |
| | *Corporate website and commercial website* |
| | *Suppliers Portal* |
| | *Active listening on social media* |
| | *Customer satisfaction surveys*<br>*Employee satisfaction surveys*<br>*Reputation measurement surveys*<br>*Brand awareness surveys* |
| | *Free telephone numbers and email inboxes* |
| | *Newsletters and online assessment questionnaires* |
| | *Meetings and focus groups with employees, customers and the general public* |
| | *Systematic and permanent relationships with bodies, institutions and social agents to ascertain trends and expectations and exchange good practices (AEC, CEOE, Chambers of Commerce, Forética, Cecabank, etc.).* |

# 6.15 Commitments in 2021 and challenges in 2022

*102-11*

> The attached tables provide information on the degree of achievement of the targets set for 2021, as well as the new challenges for 2022.

## 2021 Commitments

| STAKEHOLDER | 2021 COMMITMENTS | RESULTS | % |
|---|---|---|---|
| Customers | **Customer experience**: Achieve 90% of satisfied or very satisfied customers in post-interaction counselling surveys | A 97.4% customer satisfaction rate was achieved, meaning target attainment was successful and above expectations. | 100% |
| | **Marketing and sales**:<br>• Expanding our range of sustainable investment products to offer each customer the most appropriate solution according to their investment profile. | We added two new investment funds and an ESG pension plan. In addition, Spain's first ESG-rated SICAV was set up. | 100% |
| | • Enhancing our range of sustainable financing products to provide customers with access to solutions that improve the energy efficiency of their homes, businesses and mobility. | We incorporated new financing products aimed at the energy efficiency of private properties, homeowners' associations and productive activities. To keep up with sustainable consumption trends, Ibercaja Renting incorporated a new Sustainable Renting section for electric vehicles. | 80% |
| | **Digitalisation**: 90% of transfers in digital channels. | In 2021 89.5% of transfers were made via digital channels. | 100% |
| | **Ibercaja APP**: Increase active users of the Ibercaja app by 25%. | In 2021 the number of users of Ibercaja's apps was up 26%. | 100% |

| | | | |
|---|---|---|---|
| Human resources | **Launch of a new "Digital Employee Environment" with the following objectives**: improve the user experience, bring together the main communication and employee engagement applications and incorporate new forms of internal communication to enhance the employee experience. | Phase 1 of the project developed in a test and production environment. Actual launch for the entire workforce planned for April/May 2022. | 75% |
| | **Advance in the design and deployment of a governance model to assist the work of Management** by establishing basic and uniform guidelines for all divisions, ensuring that this process will consolidate the Leadership Model at Central Services, just as it does across the Network through the Management | The model is designed, but not yet deployed. | 50% |
| | **Advance in constructing a people development model** based on the alignment between value contribution and remuneration. | Currently in the design phase. | 50% |

| | | | |
|---|---|---|---|
| Environment | **Progress in identifying climate risks** for their progressive incorporation into the Bank's wider risk management processes. | The impact of climate factors was analysed, identifying the potentially most vulnerable sectors and focusing on the analysis of mortgage collateral and the portfolio of productive activities of companies. The climate and environmental risk map was developed to understand climate and environmental risks and their transmission channels to prudential risks. | 100% |
| | **Progress in integrating environmental criteria** in supplier approval processes. | Within the Suppliers Portal, suppliers can incorporate, for approval, information on any seals, recognitions or certifications | 80% |
| | **Offset the total carbon footprint (Scopes 1 and 2)** through CO2 absorption projects. | In 2021, carbon emissions from 2020 were offset through an Ecodes project in the Amazon. | 100% |
| | **Advance in the improvement of selective waste collection** at the Bank | In 2021, a selective waste collection system was implemented at the Bank's main centres, and the aim is to make further progress over the coming years. | 90% |
| Suppliers | **Review and adapt to the EBA's Guidelines on Outsourcing** of outsourced services before they enter into force. | Project carried out on schedule. | 100% |
| | **Improve and standardise the model for measuring** risks associated with suppliers. | All objectives were met. | 100% |

| | | | |
|---|---|---|---|
| Company | **Renew the RSA+ Seal** | In 2021, both the RSA Seal and the RSA+ Seal, promoted by the Government of Aragon, were renewed. | 100% |
| | **Develop a different kind of volunteering** that brings added value and can be carried out in the current health circumstances. | In 2021, a professional volunteering model was implemented to unlock the value of the professional experience of Ibercaja's people and help young people make their way into the labour market. This project was developed through digital tools to avoid physical contact amid the ongoing pandemic. | 100% |
| | **Convey to society** the strategic importance of sustainability for the Ibercaja Group. | Ibercaja has positioned itself in sustainability to accompany customers and society on this path. A prime example of this was the celebration of Planet Week. | 100% |
| Shareholders and investors | **Continue increasing the visibility of Ibercaja among institutional investors** by increasing the number of events, meetings and telephone conferences. | Numerous contacts were made with leading institutional investors in preparation for the IPO process. | 100% |
| | **Adapt the corporate website** www.ibercaja.com to include the Bank's commitments and progress in sustainability | The sustainability section of the corporate website was revised and completed to show the progress made in the sustainability project framework and respond to the regulatory requirements arising from EU Regulation 2019/2088 on the disclosure of information relating to sustainability in the financial services sector. | 75% |
| | **Enhance communication of Ibercaja's ESG** commitment among investors and rating agencies. | Ibercaja began to regularly include information on the Bank's ESG strategy in presentations to investors, while also holding specific meetings on the subject with the rating agencies that cover Ibercaja | 75% |

| | | | |
|---|---|---|---|
| Other commitments | **Making sustainability part of the new Strategic Plan, Desafío 2023**: developing a cross-cutting enabling initiative. | The new Strategic Plan, Desafío 2023, includes the initiative IN02: Purpose and Sustainability to integrate the Corporate Purpose into our culture and sustainability into the organisation's strategy (risk management, business strategy, communication and outreach, etc.) | 100% |
| | **Internally and externally activate the organisational purpose** by making it part of the corporate culture. | The first planned activation phase was carried out with an internal and external communication plan; the corporate culture was aligned with the Purpose; the latter was included in the customer value proposition, personalised by segments. | 100% |

# 2022 challenges

| STAKEHOLDER | 2022 COMMITMENTS |
|---|---|
| Customers | **Customer experience:**<br>• Post-interaction advice: Achieve 90% of satisfied or very satisfied customers in post-interaction counselling surveys<br>• Omnichannel Relationship Customer Experience: TOP3 in the sector (source: BMKS – Global Satisfaction)<br>**Digitalisation:**<br>• Users of Ibercaja apps: To exceed 1 million active users of the app and Ibercaja Pay.<br>**Marketing and sales:**<br>• Broaden the range of sustainable investment products to ensure that an investment proposal can be made to all customers who receive advice, whatever their risk profile and preferences |
| Human resources | **Employee Experience Indicator**, identifying the various employee archetypes and lines of improvement in those processes that have the greatest impact at key moments in Ibercaja's relationship with its employees. NPS index update Recertification of the **Family Friendly Business**<br>Update of the **Equality Plan** |
| Environment | **Emissions neutrality**: Offset the total carbon footprint (Scopes 1 and 2) through CO2 absorption projects.<br>**Make progress in measuring the carbon footprint** of the loan portfolio for subsequent analysis and definition of reduction targets. |
| Suppliers | **Review of procurement and supplier risk management policies**, including ESG criteria.<br>**Standardise the approval and review of supplier risk** at all Ibercaja Group companies |

| | |
|---|---|
| Company | **In collaboration with Fundación Ibercaja, development of a comprehensive environmental action**: reforestation activity, alliance with companies and participation of environmental volunteers.<br><br>**Launch of the 2022 Volunteering Plan**: visibility, encouraging participation and enhancing the volunteer experience.<br><br>**Renewal of the RSA+ seal from the Government of Aragon**<br>**Raising public awareness of the relevance of sustainability** and the importance of moving towards a decarbonised economy: Internal and external communication actions. |
| Shareholders and investors | Continue increasing the **visibility of Ibercaja** among **institutional investors** by increasing the number of events, meetings and telephone conferences.<br>Enhance communication of Ibercaja's **ESG commitment** among investors and rating agencies.<br>Development of a **communication policy** for shareholders, investors and proxy advisors once the Bank is listed on the stock exchange |
| Other commitments | **Development of an action plan to integrate climate and environmental risks** in response to supervisory expectations |

# 7 Risk management

# 7. Risk management

*102-15, 102-30, 102-31, 103-1, 103-2, 103-3*

> Financial and sustainability-related risk management is key to Ibercaja's business development strategy.

**Global risk management** is one of **Ibercaja's strategic priorities** in order to preserve its financial strength and grow the business in accordance with the risk appetite and tolerance levels determined by the governing bodies.

Risk management is organised through the **Risk Appetite Framework. The key aim is to establish a set of principles, procedures, controls, and systems through which the Group's risk appetite is specified, communicated and monitored**. Risk appetite is the level or profile of risk that the Bank is willing to accept and maintain in terms of type and amount. Risk appetite must be geared towards achieving the targets of the Strategic Plan in accordance with the established lines of action.

## The Group's risk management principles are as follows:

- Maintain a medium-low risk profile.
- Comply with regulatory requirements and with the capital and liquidity targets set in the self-assessment processes.
- Maintain strong risk governance with senior management and the Board of directors' effective involvement.
- Foster a risk-aware culture and ensure that the organisation understands the level and nature of risks to which it is exposed.

- Maintain the trust of customers, investors, employees, suppliers and other stakeholders.
- Preserve credit, market and interest rate risk levels that ensure a medium-low risk profile and the objectives of profitability and solvency.
- Prevent risk concentration.
- Avoid materialising operational, regulatory, legal or reputation risks through active and continuous risk management.
- Maintain a liquidity position to ensure that all payment obligations can be comfortably met.
- Achieve suitable levels of risk-adjusted returns to ensure the achievement of profit targets.

While **credit risk** is the most significant threat to the Bank's business, other risks are managed and controlled, including business and profitability, concentration, operational, interest rate, market, and liquidity.

In addition, the Bank has numerous measures and procedures in place to minimise **non-financial risks**, such as reputation risk, compliance risk and risks related to social, human rights and environmental issues.

Among the general principles of sustainability enshrined in the Sustainability Policy approved by the Board of Directors in December 2020, Ibercaja observes the prudent and global management of all financial and non-financial risks when carrying on its activities, including ESG risks (environmental, social and good governance). In addition, the Entity undertakes to analyse the risks arising from climate change and environmental deterioration, their impact on customers and its financial activity for gradual integration into risk management procedures in compliance with supervisory expectations. In this regard, Ibercaja has drawn up an **Action Plan**, also approved by the Board of Directors on 11 May 2021, to respond to the **expectations of the European Central Bank's Guide on climate-related and environmental risks**. This Plan is developed within the Strategic Initiative "Purpose and Sustainability" framework, which is part of the Strategic Plan, Desafío 2023.

It should be noted that Ibercaja is working to include ESG factors in its credit risk underwriting and monitoring processes, in line with the EBA Guidelines on loan origination and monitoring, having already included in its risk underwriting policies an analysis of the potential impact of ESG factors. The Bank is likewise looking to develop an Exclusions Policy that limits the impact of the ESG factors on the Bank's credit risk. ESG aspects were included in the policies and manuals for credit, operational, liquidity and market risk, which clearly state that all such risks must be managed and controlled accordingly. The Bank is also working on integrating climate and environmental risks into the Risk Appetite Framework and Capital and Liquidity Self-Assessment processes, taking into account the supervisory expectations of both the ECB and the European Banking Authority (EBA).

Meanwhile, the asset managers of the Financial Group (Ibercaja Gestión and Ibercaja Pensión) —both firmly committed to the development of society and environmental protection through socially responsible investment— approved the following policies during the year: Sustainability Policy, Sustainability Risk Integration Policy, Exclusions Policy, Adverse Event Policy and Engagement Policy.

***Note 3 to the Ibercaja Banco Group's 2021 consolidated annual accounts*** *provides more extensive and detailed information on the management of each type of risk.*

# 8 Research, development and technology

# 8. Research, development and technology

102-2

> The new Strategic Plan reinforces the Bank's commitment to digital transformation and the continuous improvement of operational processes.

Technological innovation plays a key role amid a series of hugely significant changes within the sector: transformation of customer habits, the need to improve the efficiency of operational processes to gain competitiveness, regulation in continuous change, and the emergence of new players who are making inroads in the retailing of financial products.

**Technology** is a **decisive factor underpinning the competitive advantages of the Bank's business and operating model.** In the 2021-2023 Strategic Plan, the development and growth of the operational model is an initiative that deepens the transformation undertaken in the previous three-year period. The new plan focuses on the **four main courses of action**: efficiency, self-service, outsourcing and robotisation. In developing these aspects, a process map of the Bank has been drawn up as a guide for optimisation and ongoing evaluation, thus completing the process re-engineering carried out over the last few years.

The main actions and projects on which work has been carried out are as follows:

| | |
|---|---|
| Ibercaja and Pensumo's "Consumer Pension System" | *This project, submitted in the first edition of the Financial Sandbox, was one of the 18 projects selected out of 67 submitted. The "Consumption-Based Pension System" links retirement savings with consumption by redirecting the economic flows generated by the pension holders' daily lifestyle towards their future pension. A digital service has been created along these lines, available in a new mobile app or via Ibercaja's own app. Through agreements with third parties, commercial establishments and companies, they apply a percentage of the purchase, bonuses, discounts or promotions to the user's savings plan. Moreover, the customer can allocate a fixed amount to their savings system each month or round up the purchase made. This service further innovates the existing mechanisms for savings contributions and further shows the Bank's status as an innovative leader in savings investment.* |
| Digital transformation | *New functionalities and changes to existing applications have been rolled out across all channels to facilitate their use and enhance the customer experience.* |
| Improved efficiency for banking transactions | *The Bank has continued to develop its operating model, which pursues excellence in internal and customer operations and better use of resources. As well as reinforcing mechanisation and robotisation, it has implemented a line of artificial intelligence utilities linked to document and information analysis. The creation of artificial intelligence solutions in processes such as credit investments and risk has already delivered significant results by reducing the hours worked by the human team and leveraging the data obtained by these utilities.* |

| | |
|---|---|
| Self-service plan | *New functionalities have been added to the self-service channels, such as payment of taxes to various administrative bodies and transfers, together with improvements in robotic processes. The changes have resulted in better customer service and more efficient and faster assistance to customers' needs. The Bank has also deployed customer support tools in areas with lower service density. They are essentially cash back utilities, which allow cash withdrawals to be made in shops with Ibercaja POS terminals or the implementation of cash couriers; a solution for sending money orders, including home delivery, from the app and via Ibercaja branches.* |
| Contact centre | *There to provide permanent customer service for cards, POS, complaints, general information lines and specialised fraud response.* |
| Crisis management and business continuity | *Ibercaja has reinforced this line of work, which aims to guarantee the quality and continuity of customer service in complex situations, avoiding impacts that alter the functioning of business processes. The process of modernising the continuity management system will culminate with AENOR's certification of the International Business Continuity Management Standard (ISO 22301) in early 2022.* |

# 9 Information on treasury stock

# 9. Treasury shares

There have been no transactions involving Treasury shares in 2021.

# 10 Other information

# 10. Other information

## 10.1 Dividend policy

The distribution of dividends is determined at the General Meeting of Shareholders on the basis of the proposal made by the Board of Directors.

Given the impact of the COVID-19 pandemic on economic growth, on 15 December 2020, the European Central Bank (ECB) issued a **Recommendation (ECB/2020/62)** addressed to all significant credit institutions in the Eurozone regarding **profit distributions for 2019 and 2020, which was extended until 30 September 2021**, calling for shareholder remuneration to remain below 15% of accumulated profit in both years and not to exceed, under any circumstances, 20 basis points of CET1.

At the General Meeting held on 15 April 2021, shareholders approved the **distribution of a dividend totalling 3,849 thousand euros against the profits reported by the Company in 2020**. Payment of the dividend went ahead on 16 April 2021.

On 23 July, the ECB, through **Recommendation (ECB/2021/31)**, decided **not to extend its recommendation on profit distribution** beyond 30 September 2021.

On 5 October 2021, the Board of Directors of Ibercaja Banco, taking into account the ECB Recommendation of 23 July 2021, resolved, in accordance with Article 277 of the Corporate Enterprises Act, to distribute an **interim dividend of 47 million euros among shareholders in proportion to their respective holdings in the share capital of the Bank**. The dividend was paid out in full on 7 October 2021.

The Board of Directors will lay a motion before the Annual General Meeting calling on shareholders to approve the **distribution of a dividend of 98.14 million euros out of 2021 profits (of which the interim dividend of 47 million euros has already been paid, leaving 51.14 million euros to be approved and distributed),** representing a pay-out ratio of 65%.

The Bank has no legal restriction or limitation on the payment of dividends and, except in extraordinary circumstances such as the health crisis in which the ECB recommendation has been adopted, it intends to continue its shareholder remuneration policy. In any event, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining an adequate capital buffer, even if there is an impairment of the economic situation and financial conditions.

## 10.2 Ratings by rating agencies

In 2021, the main changes in the ratings awarded by the rating agencies were as follows:

- On 24 June, **Standard & Poor's** raised Ibercaja Banco's outlook from "negative" to "stable", confirming the long-term rating at "BB+".
- On 9 September, **Fitch Ratings** downgraded Ibercaja Banco's outlook to "positive" from "negative", confirming the long-term credit rating at "BB+".
- On 13 July, **Moody's Investors Service**, following an internal review of its methodology, adjusted Ibercaja Banco's long-term deposit rating to "Ba2" from "Ba3". On 1 October, in response to the Bank's fundamentals, Moody's upgraded Ibercaja Banco's long-term deposit rating to "Ba1" from "Ba2", maintaining a "stable" outlook.

### Ratings by rating agencies

| | LONG TERM | SHORT TERM | OUTLOOK |
|---|---|---|---|
| **Standard & Poor´s** | BB+ | B | Stable |
| **Moody's (deposit rating)** | Ba1 | NP | Stable |
| **Fitch Ratings** | BB+ | B | Positive |

On 27 January 2022, rating agency S&P Global Ratings ratified Ibercaja Banco's long-term rating at "BB+", maintaining a "stable" outlook.

# 10.3 Average supplier payment period

The average payment period for suppliers in 2021 was **16 days**, well within the legal maximum of 60 days established by Law 15/2010, of 5 July, which establishes measures to combat late payments in commercial transactions.

# 11 Business outlook and projections

# 11. Business outlook and expected performance

## Macroeconomic scenario:

> *The recovery will continue throughout 2022, although material risks have emerged, such as rising inflation and geopolitical tensions, while the pandemic lingers.*

Global growth expectations are favourable for 2022, with GDP growth above the long-term potential, though falling short of the higher rates reported in 2021 due to the base effect caused by the recession in 2020. **The IMF expects a 4.4% increase in global GDP in 2022** (5.9% in 2021), with a 4.0% increase in the United States and 3.9% in the Eurozone (5.6% and 5.2%, respectively, in 2021). However, there are significant downside risks. On the one hand, the omicron variant of the coronavirus has stalled the recovery in recent months by requiring further lockdowns and other restrictions on activities and events where people typically gather. On the other hand, rising energy and commodity prices could negatively impact the consumption of goods and services. On top of this, we have the threat of war in Ukraine.

The delay in **Spain's** recovery in the year just ended implies a **higher growth potential in the short term**. It is, therefore, one of the few economies in which the **International Monetary Fund (IMF) expects growth in 2022 (+5.8%) to outpace 2021 growth (+5.0%)**. Beyond a return to pre-pandemic production levels, growth will depend on the impact of the risks mentioned above and on recovering the productivity lost in the last year. To this end, proper use of Next Generation EU funds may well play a key role.

# Overview and prospects of the Ibercaja Group

*The Strategic Plan launched in 2021 aims to improve the Bank's competitiveness and profitability. It envisions a series of initiatives to help Ibercaja achieve its objectives for the 2021–2023 three-year period.*

Ibercaja has completed the first year of the new Strategic Plan 2021-2023, achieving a large part of the demanding commercial and sales objectives it set itself while at the same time taking a big step forward in the transformation of the operating and business model on the road to improving its competitiveness.

Commercial activity developed at a good pace, as evidenced by the progress made in the Bank's strategic business lines: Corporate Banking, Personal Banking and asset management and insurance. Of note was the significant increase in market share in lending to companies within a fiercely competitive environment. In contrast, the foundations have been laid in mortgage lending to reach a natural share of the balance and originations that corresponds to the Bank over the coming years. The balance in asset management (mutual funds, pension plans and unit linked) was excellent, underscoring the Group's outstanding expertise in this area, which is so important for the Bank's profitability. The quality of the balance sheet was strengthened with a further reduction in the volume of non-performing assets. At the same time, the Group managed to maintain one of the highest capital adequacy ratios to be found within the entire Spanish financial system. In addition, intense commercial action got underway in the distribution of risk insurance, which was identified as one of the basic pillars of growth over the 2021-2023 strategic period. Looking further ahead, the Bank continued to work towards digital transformation, improving its operating model and customer relationship model and implementing the Group's sustainability strategy.

The gradual return to normality and the economic recovery expected in 2022 will set the scene for Ibercaja's ongoing growth in the year ahead. The Bank will continue to work to become more commercially dynamic, competitive and profitable within the guidelines set out in the Strategic Plan, Desafío 2023.

The main challenges and objectives that will steer our activity moving forward are:

| | |
|---|---|
| Companies | ***Providing liquidity to companies*** *and supporting them, seeing as though we are a key player in financing projects supported and promoted by European Next Generation funds.* |
| Individuals | ***Making mortgage loans available to individuals*** *for home purchases on advantageous terms, as the market is now picking up following the deep slump seen during the darkest months of the pandemic.* |
| Business and Personal Banking | ***Consolidating*** *the plans for* ***Corporate and Personal Banking,*** *both strategic segments of the Bank's activity, as we strengthen the asset management business and distribution of risk insurance.* |
| Profitability | ***Maximising profitability*** *by increasing loan revenue with risk-adjusted rates and generating fees for services that provide added value to the customer, mainly through asset management and insurance.* |
| Irregular assets | ***Managing non-performing assets*** *to bolster the quality of the balance sheet further.* |
| Quality of service | ***Achieving service excellence and customer loyalty*** *as management guidelines and differentiating factors within a highly competitive market. In this respect, we will continue to improve the expertise of branch network employees across the various segments flagged as key to the Bank's business.* |
| Efficiency | ***Increasing efficiency and productivity*** *by optimising resource allocation and maintaining strict cost control. When it comes to efficiency, the final stage of the furlough scheme agreed with the majority of employee representatives in late 2020 will be implemented during the first few months of 2022.* |
| Digitalisation | ***Making decisive progress in the digitalisation*** *of the business to boost commercial activity and deliver on customer expectations.* |

| | |
|---|---|
| Sustainability | ***Supporting the transition towards a more sustainable economy and increasing,*** *in line with the Bank's commitment to sustainability,* ***the range of sustainable products*** *in order to meet the expectations and needs of customers and regulators alike.* |
| Capital adequacy | ***Ensuring that the Group's capital adequacy*** *remains among the highest in the Spanish banking system after exceeding the CET1 fully-loaded target of 12.5% envisioned in the 2021-2023 Strategic Plan.* |
| Value | ***Generating value for shareholders*** *by remunerating them with a target payout of 60% of the profit obtained.* |

One of the main corporate challenges now facing Ibercaja, due to its size and importance for the future of the institution, is to successfully complete the planned IPO to comply with the regulations affecting the Ibercaja Banking Foundation and to place us on the same footing as most of our competitors in Spain and Europe as a listed bank.

# 12 Events after the reporting period

# 12. Events after the reporting period

Between the year-end date and the preparation of these annual accounts, no events have taken place that could significantly affect them.

# 13 Alternative Performance Measures

# 13. Alternative Performance Measures

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA/2015/1415es), the Alternative Performance Measures (APMs) used in this report are defined below, alongside a reconciliation with the balance sheet and income statement items used to calculate them.

Ibercaja uses a range of APMs, which are unaudited, to aid understanding of the company's financial performance. APMs should be regarded as additional information. They do not replace financial information prepared under IFRS. The way in which the Group defines and calculates APMs may differ from performance measures calculated by other companies and, therefore, the APMs may not be comparable.

## APMs related to the income statement

### RECURRENT REVENUES:

**Definition:** sum of interest margin plus net fee and commission income and net exchange differences (APM defined and calculated below).

**Relevance:** measures the performance of income directly related to typical banking activity.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Interest margin (1) | 492,826 | 533,673 |
| + | Net fees and commissions and exchange differences (2) | 438,543 | 374,987 |
| **=** | **Recurrent revenues** | **931,369** | **908,660** |

(1) Source: consolidated income statement in the financial statements.

(2) APM. See definition and calculation below.

## NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES:

**Definition:** aggregation of net fee and commission income and fee and commission expense together with exchange differences.

**Relevance:** measures the income generated via fees and commissions.

| | (THOUSANDS OF EUROS) | 31/12/201 | 31/12/2020 |
|---|---|---|---|
| + | Fee and commission income | 457,495 | 390,771 |
| - | Fee and commission expenses | 19,509 | 16,636 |
| + | Net exchange differences | 557 | 852 |
| **=** | **Net fees and commissions and exchange differences** | **438,543** | **374,987** |

Source: consolidated income statement in the financial statements.

## NET GAINS/(LOSSES) FROM FINANCIAL TRANSACTIONS:

**Definition:** sum of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and liabilities held for trading, gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, gains/losses on financial assets and liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting.

**Relevance:** to determine the amount of income related to financial activity but which, by their nature, cannot be considered as recurring revenue.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Gains or losses on the disposal of financial assets and liability accounts not expenses measured at fair value through profit or loss. | 46,108 | 128,856 |
| + | Gains/(losses) on financial assets and liabilities held for trading | 645 | 1,149 |
| + | Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit or loss | 103 | (10,476) |
| + | Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss | - | - |
| + | Gains/(losses) from hedge accounting | (194) | (364) |
| **=** | **Gains/(losses) on financial assets and liabilities** | **46,662** | **119,165** |

Source: consolidated income statement in the financial statements.

## OTHER OPERATING INCOME AND EXPENSES:

**Definition:** sum of the net amount of other operating income and expenses and income and expenses on assets and liabilities covered by insurance or reinsurance contracts.

**Relevance:** to measure income and expenses that are not wholly derived from financial activity but which are related to our business.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Other operating income | 37,944 | 47,022 |
| - | Other operating expenses | 78,553 | 78,581 |
| + | Income from assets covered by insurance and reinsurance contracts | 904,463 | 960,230 |
| - | Liability expenses covered by insurance or reinsurance contracts | 904,756 | 960,461 |
| **=** | **Other operating income and expense** | **(40,902)** | **(31,790)** |

Source: consolidated income statement in the financial statements.

## OPERATING EXPENSES:

**Definition:** sum of staff expenses, other administrative expenses and depreciation/amortisation.

**Relevance:** indicator of expenses incurred from our activities.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2010 |
|---|---|---|---|
| + | Personnel expenses | 375,183 | 502,568 |
| + | Other administration expenses | 169,066 | 153,020 |
| + | Amortisation/Depreciation | 66,973 | 62,918 |
| **=** | **Operating expenses** | **611,222** | **718,506** |

Source: consolidated income statement in the financial statements.

## RECURRING OPERATING EXPENSES:

**Definition:** operating expenses (APM defined and calculated above) excluding non-recurring items.

**Relevance:** to measure the trends in of ordinary expenses generated by our activity (banking business, asset management and bancassurance), excluding non-recurring items, such as expenses associated with the workforce adjustment plan.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Operating expenses (1) | 611,222 | 718,506 |
| - | Non-recurring expenses (2) | 12,842 | 151,041 |
| **=** | **Recurring operating expenses** | **598,380** | **567,465** |

(1) APM. See definition and calculation above.

(2) Source: Note 38 to the financial statements.

## PROFIT/(LOSS) BEFORE WRITE-DOWNS:

**Definition:** gross margin less operating expenses (administrative expenses and depreciation and amortisation).

**Relevance:** to show profitability before write-downs.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Gross income | 952,260 | 1,001,822 |
| - | Administrative expenses | 544,249 | 655,588 |
| - | Amortisation/Depreciation | 66,973 | 62,918 |
| **=** | **Profit/(loss) before write-downs** | **341,038** | **283,316** |

Source: consolidated income statement in the financial statements.

## RECURRING INCOME BEFORE WRITE-DOWNS:

**Definition:** difference between recurring revenues and recurring operating expenses (MARs as defined and calculated above).

**Relevance:** to measure the recurring profitability of the business before write-downs.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Recurrent revenues (1) | 931,369 | 908,660 |
| - | Recurring operating expenses (1) | 598,380 | 567,465 |
| **=** | **Recurring income before write-downs** | **332,989** | **341,195** |

(1) APM. See definition and calculation above.

## PROVISIONS, IMPAIRMENT AND OTHER WRITE-DOWNS:

**Definition:** The following items are included under the caption "Gains or losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations": the sum of provisions, impairment of financial assets not measured at fair value through profit or loss, impairment of investments in joint ventures or associates, impairment of non-financial assets and the portion of the caption "Gains or losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" corresponding to impairment losses on other non-current assets held for sale.

**Relevance:** indicator of the cost of allowances made during the year to cover the impairment of the value of our assets.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Provisions or (-) reversal of provisions | 5,722 | (14,236) |
| + | impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss. | 78,008 | 219,646 |
| + | Impairment or (-) reversal of impairment on investments in joint businesses or associates | 128 | - |
| + | Impairment or (-) reversal of impairment of non-financial assets | 11,927 | 1,559 |
| + | Impairment losses on other non-current assets for sale | 31,166 | 18,861 |
| **=** | **Provisions, impairment and other write-downs** | **126,951** | **225,830** |

Source: consolidated income statement and Note 42 to the financial statements

## OTHER GAINS AND LOSSES:

**Definition:** sum of gains/(losses) on the disposal of non-financial assets and shareholdings and gains/(losses) on disposal of other non-current assets and held for sale within the heading of gains/(losses) on non-current assets and disposal groups of items classified as held for sale and not eligible for classification as discontinued operations.

**Relevance:** indicator of the impact on our income statement on the derecognition/disposal of assets unrelated to the ordinary activity.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1) | (5,199) | (3,047) |
| + | Gains/(losses) on disposal of other non-current assets for sale (2) | 5,885 | (969) |
| **=** | **Other gains/(losses)** | **686** | **(4,016)** |

(1) Source: consolidated income statement in the financial statements.

(2) Source: Note 42 to the financial statements.

# APMs related to the profitability

## CUSTOMER SPREAD (%):

**Definition:** difference between the average loan portfolio performance and the cost of retail deposits.

**Relevance:** profitability indicator of our retail business.

| | (%) | 2021 | 2020 |
|---|---|---|---|
| + | Yields from consumer loans | 1.19% | 1.36% |
| | *Ratio of interest income on the loan portfolio recorded in the year to the average balance of loans to customers* | | |
| - | Cost of retail deposits | (0.02)% | (0.01)% |
| | *Ratio of interest expense on retail deposits recorded in the year to the average balance of retail deposits* | | |
| **=** | **Customer spread (%)** | **1.21%** | **1.37%** |

Source: internal Bank information.

## COST-TO-INCOME RATIO:

**Definition:** recurring operating expenses (APM defined and calculated above) divided by gross income.

**Relevance:** to measure our operating efficiency.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Recurring operating expenses (1) | 598,380 | 567,465 |
| Denominator | Gross income (2) | 952,260 | 1,001,822 |
| **=** | **Cost-to-income ratio (%)** | **62.84%** | **56.64%** |

(1) APM. See definition and calculation above.

(2) Source: consolidated income statement in the financial statements.

## RECURRING COST-TO-INCOME RATIO:

**Definition:** ratio of recurring operating expenses to recurring revenues (MARs as defined and calculated above).

**Relevance:** to measure the efficiency of our recurring activity.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Recurring operating expenses (1) | 598,380 | 567,465 |
| Denominator | Recurrent revenues (1) | 931,369 | 908,660 |
| = | **Recurring cost-to-income ratio (%)** | **64.25%** | **62.45%** |

(1) APM. See definition and calculation above.

## ROA:

**Definition:** Profit attributable to the parent divided by consolidated average total assets.

**Relevance:** to measure the profitability of our assets.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Profit/(loss) attributed to the parent (1) | 150,985 | 23,602 |
| Denominator | Total average consolidated assets (2) | 57,864,629 | 55,479,103 |
| = | **ROA (%)** | **0.26%** | **0.04%** |

(1) Source: consolidated income statement in the financial statements.

(2) The average balance of total assets was calculated as a simple average of the monthly asset balances. The average monthly balance is the average of the closing balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the month immediately preceding the reference month multiplied by 0.5).

## RORWA:

**Definition:** Parent company profits divided by risk-weighted assets.

**Relevance:** to measure the profitability of our risk-weighted assets.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Profit/(loss) attributed to the parent (1) | 150,985 | 23,602 |
| Denominator | Risk-weighted assets phased in (2) | 18,051,935 | 18,248,449 |
| **=** | **RORWA (%)** | **0.84%** | **0.13%** |

(1) Source: consolidated income statement in the financial statements.

(2) Source: Note 1.7.2 to the financial statements.

## ROE:

**Definition:** ratio between the profit attributable to the parent company and the consolidated average shareholders' equity. Excludes the AT1 issue of €350 million recorded as equity.

**Relevance:** to measure profitability in relation to shareholders' equity.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Profit/(loss) attributed to the parent (1) | 150,985 | 23,602 |
| Denominator | Average consolidated shareholders' equity (2) | 2,893,921 | 2,837,079 |
| **=** | **ROE (%)** | **5.22%** | **0.83%** |

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closing figures since the previous December (inclusive), with the first and last quarter weighted by 0.5 and the rest by 1. Average consolidated shareholders' equity for 2020 has been restated to reflect the criteria adopted for its calculation in 2021.

## ROTE:

**Definition:** Parent company profits divided by average tangible consolidated shareholders' equity. Excludes the AT1 issue of €350 million recorded as equity.

**Relevance**: to measure profitability in relation to tangible equity.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Profit/(loss) attributed to the parent (1) | 150,985 | 23,602 |
| Denominator | Average tangible consolidated shareholders' equity (2) | 2,651,490 | 2,622,633 |
| **=** | **ROTE (%)** | **5.69%** | **0.90%** |

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closing figures since the previous December (inclusive), with the first and last quarter weighted by 0.5 and the rest by 1. Average consolidated tangible shareholders' equity for 2020 has been restated to reflect the criteria adopted for its calculation in 2021.

# APMs related to capital adequacy

## DENSITY OF RWAs:

**Definition:** ratio of risk-weighted assets to total assets.

**Relevance:** to measure our balance sheet's risk profile.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Risk-weighted assets phased in (1) | 18,051,935 | 18,248,449 |
| Denominator | Total consolidated assets (2) | 58,631,409 | 58,400,790 |
| **=** | **RWA density (%)** | **30.79%** | **31.25%** |

(1) Source: Note 1.7.2 to the financial statements.

(2) Source: consolidated balance sheet in the financial statements.

## PAYOUT RATIO:

**Definition**: ratio of the expected dividend to be distributed to shareholders to profit attributable to the parent.

**Relevance**: to measure the shareholder return.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Distribution of dividends (1) | 98,140 | 3,849 |
| Denominator | Profit/(loss) attributed to the parent (2) | 150,985 | 23,602 |
| **=** | **Pay-out ratio (%)** | **65.00%** | **16.31%** |

(1) Source: Note 4 to the financial statements.

(2) Source: consolidated income statement in the financial statements.

# APMs related to asset quality

## DISTRESSED ASSETS:

**Definition:** the aggregation of impaired assets from loans and advances to customers and the gross value of foreclosed assets.

**Relevance:** to evaluate the size of our portfolio of non-performing assets in gross terms.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Impaired assets – loans and advances to customers (1) | 717,621 | 1,012,938 |
| + | Gross value of foreclosed assets (2) | 542,241 | 619,527 |
| **=** | **Distressed assets** | **1,259,862** | **1,632,465** |

(1) Source: Note 3.5.4 to the financial statements.

(2) Source: Note 3.5.6.2 to the financial statements.

## RATIO OF NON-PERFORMING LOANS AND ADVANCES TO CUSTOMERS:

**Definition:** ratio of impaired loans and advances to customers to gross loans and advances to customers.

**Relevance:** monitor the rating of the credit portfolio.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Impaired assets – loans and advances to customers (1) | 717,621 | 1,012,938 |
| Denominator | Gross loans and advances to customers (2) | 31,195,451 | 31,589,582 |
| **=** | **Non-performing loans ratio loans and advances to customers** | **2.30%** | **3.21%** |

(1) Source: Note 3.5.4 to the financial statements.

(2) Source: Notes 8 and 11.4 to the financial statements.

## DISTRESSED ASSET RATIO:

**Definition:** ratio of distressed assets (MAR as defined and calculated above) to the exposure value.

**Relevance:** to evaluate the size of our portfolio of non-performing assets in relative terms.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Distressed assets (1) | 1,259,862 | 1,632,465 |
| Denominator | (a) Gross loans and advances to customers (2) | 31,195,451 | 31,589,582 |
| | (b) Gross value of foreclosed assets (3) | 542,241 | 619,527 |
| | (a) + (b) Value of exposure | 31,737,692 | 32,209,109 |
| **=** | **Distressed asset ratio (%)** | **3.97%** | **5.07%** |

(1) Source: APM. See definition and calculation above.

(2) Source: Notes 8 and 11.4 to the financial statements.

(3) Source: Note 3.5.6.2 to the financial statements.

## COST OF RISK:

**Definition:** percentage of write-offs associated with loans and advances to customers and foreclosed properties in relation to the average exposure, which is the sum of gross loans and advances to customers and foreclosed properties.

**Relevance:** to monitor the cost of allowances for the loan portfolio and foreclosed assets.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Write-downs of loans and foreclosed properties (1) | 113,904 | 232,754 |
| Denominator | Average exposure (gross credit and real estate) (2) | 32,086,135 | 32,884,592 |
| **=** | **Cost of risk (%)** | **0.35%** | **0.71%** |

(1) Source: internal Bank information. The write-down of the loan is the sum of the impairment of financial assets at amortised cost and the provisioning (reversal) of provisions for commitments and guarantees given. Foreclosed properties are classified according to their nature as non-current assets held for sale, investment property or inventories. Impairment losses are recognised under "Impairment or Reversal of Impairment Losses on Non-Financial Assets (Investment Property and Other)" (see note 40 to the consolidated financial statements) and "Impairment Losses on Non-Current Assets Held for Sale" (see note 42 to the consolidated financial statements).

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

## COVERAGE OF NON-PERFORMING EXPOSURES:

**Definition:** sum of impairment losses on loans and advances to customers and cumulative negative changes in fair value due to credit risk on non-performing exposures. Includes impairment losses of stages 1, 2 and 3.

**Relevance:** to monitor the extent to which provisions associated with credit risk cover doubtful loans.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Impairment losses on loans and advances to customers (1) | 539,147 | 644,937 |
| + | Accumulated negative changes in fair value of doubtful exposures (2) | 1,278 | 2,241 |
| **=** | **Coverage of non-performing exposures** | **540,425** | **647,178** |

(1) Source: Note 11.4 to the financial statements.

(2) Source: Note 8 to the financial statements.

## COVERAGE OF NON-PERFORMING EXPOSURES:

**Definition:** ratio of provisions for asset impairment (MAR as defined and calculated above) to impaired assets of loans and advances to customers.

**Relevance:** to monitor the extent to which provisions associated with credit risk cover doubtful loans.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Coverage of non-performing exposures (1) | 540,425 | 647,178 |
| Denominator | Impaired assets – loans and advances to customers (2) | 717,621 | 1,012,938 |
| **=** | **Coverage of non-performing exposures (%)** | **75.31%** | **63.89%** |

(1) Source APM. See definition and calculation above.

(2) Source: Note 3.5.4 to the financial statements.

## COVERAGE RATIO OF FORECLOSED ASSETS:

**Definition:** ratio of impairment losses on foreclosed assets (included since loan origination) to the gross value of foreclosed assets.

**Relevance:** We use this MAR to monitor the extent to which the provisions associated with foreclosed properties cover the gross value of those properties.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Impairment adjustments of foreclosed assets (1) | 326,197 | 367,413 |
| Denominator | Gross value of foreclosed assets (1) | 542,241 | 619,527 |
| **=** | **Coverage of foreclosed assets (%)** | **60.16%** | **59.31%** |

(1) Source: Note 3.5.6.2 to the financial statements.

## COVERAGE RATE OF THE ALLOCATED LAND:

**Definition:** ratio between the value corrections for land impairment (included since the origination of the loan) and the gross adjudicated value of the land.

**Relevance:** to monitor the extent to which provisions associated with land cover the gross value of these properties.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Land value adjustments (1) | 226,627 | 266,206 |
| Denominator | Gross value of land (1) | 331,192 | 404,800 |
| **=** | **Foreclosed land coverage ratio (%)** | **68.43%** | **65.76%** |

(1) Source: Note 3.5.6.2 to the financial statements.

## COVERAGE RATIO OF DISTRESSED ASSETS:

**Definition:** ratio between the allowances for doubtful risks and foreclosed assets over the problematic exposure (MAR as defined and calculated above).

**Relevance:** to monitor the extent to which provisions associated with non-performing loans and foreclosed properties cover the gross value of such exposure.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | (a) Coverage of non-performing exposures (2) | 540,425 | 647,178 |
| | (b) Impairment adjustments of foreclosed assets (1) | 326,197 | 367,413 |
| | (a) + (b) Coverage of distressed assets | 866,622 | 1,014,591 |
| Denominator | Distressed assets (2) | 1,259,862 | 1,632,465 |
| **=** | **Coverage rate of distressed assets (%)** | **68.79%** | **62.15%** |

(1) Source: note 3.5.6.2 to the financial statements.

(2) Source: APM. See definition and calculation above.

## NET DISTRESSED ASSETS TO TOTAL ASSETS:

**Definition:** ratio of distressed assets net of hedges (MAR as defined and calculated above) to total assets.

**Relevance:** to measure the weight of distressed assets, after deducting the provisions linked to those assets, on the balance sheet.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | (a) Distressed assets (1) | 1,259,862 | 1,632,465 |
| | (b) Coverage of distressed assets (1) | 866,622 | 1,014,591 |
| | (a) - (b) Distressed assets net of coverage | 393,240 | 617,874 |
| Denominator | Total assets (2) | 58,631,409 | 58,400,790 |
| **=** | **Net distressed assets to total assets (%)** | **0.67%** | **1.06%** |

(1) Source: APM. See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

## TEXAS RATIO:

**Definition:** ratio of distressed assets (MAR as defined and calculated above) to shareholders' equity and hedges in place. Excludes the AT1 issue of €350 million recorded as equity.

**Relevance:** to measure the absorption capacity of potential losses of our distressed assets with the coverage in place and shareholders' equity.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Distressed assets (1) | 1,259,862 | 1,632,465 |
| Denominator | (b) Coverage of distressed assets (1) | 866,622 | 1,014,591 |
| | (b) Shareholders' equity (2) | 3,253,857 | 3,160,630 |
| | (c) Equity instruments issued other than capital (2) | 350,000 | 350,000 |
| | (a) + (b) – (c) | 3,770,479 | 3,825,221 |
| **=** | **Texas Ratio (%)** | **33.41%** | **42.68%** |

(1) Source: APM. See its definition and calculation explained above.

(2) Source: Note 23.1 to the financial statements.

Note: the 2020 Texas ratio has been restated to reflect the criteria adopted for its calculation in 2021.

# APMs related to business volume

## RETAIL DEPOSITS:

**Definition:** The sum of demand savings and traditional time deposits, excluding mortgage bonds and repurchase agreements recorded under customer deposits in the consolidated balance sheet.

**Relevance:** indicator of retail funding on the balance sheet.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Demand deposits (1) | 34,673,081 | 33,014,125 |
| + | Term deposits (1) | 3,485,694 | 4,688,146 |
| - | Mortgage-backed bonds (including nominal amount and share premium) | 1,027,605 | 1,536,960 |
| | *Nominal value of mortgage covered bonds (1)* | 1,100,470 | 1,625,470 |
| | *Mortgage-backed bond issue premium (2)* | (72,865) | (88,510) |
| | *Term deposits (excluding mortgage-backed bonds)* | *2,458,089* | *3,151,186* |
| = | **Retail deposits** | **37,131,170** | **36,165,311** |

(1) Source: Note 19.3 to the financial statements.

(2) Represents the difference between the nominal value of a security and the price at which it was issued. In this particular case, multi-issuer bonds (those where several entities participate in the full issue) were issued below par, at a cost below the nominal value.

## ASSET MANAGEMENT AND INSURANCE:

**Definition:** sum of assets under management in investment companies and funds (including third-party funds, but excluding the assets of funds that invest in Ibercaja Gestión funds), pension plans and insurance.

**Relevance:** this indicator is significant because of the importance for Ibercaja of off-balance-sheet savings as a source of the Group's income.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Investment companies and funds (1) | 19,600,522 | 16,234,844 |
| + | Pension funds (1) | 6,562,703 | 5,907,074 |
| + | Insurance products (2) | 6,868,109 | 7,103,732 |
| **=** | **Asset management and insurance** | **33,031,334** | **29,245,650** |

(1) Source: Note 27.4 to the consolidated financial statements.

(2) Source: Note 24.4 to the separate financial statements.

## TOTAL RETAIL FUNDS:

**Definition:** sum of retail deposits and asset management and insurance (MARs defined and calculated above).

**Relevance:** indicator of the volume of retail savings managed by Ibercaja.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Retail deposits (1) | 37,131,170 | 36,165,311 |
| + | Asset management and insurance (2) | 33,031,334 | 29,245,650 |
| **=** | **Total retail funds** | **70,162,504** | **65,410,961** |

(1) Source: APM. See its definition and calculation explained above.

## RETAIL BUSINESS VOLUME:

**Definition:** sum of gross loans and advances to customers ex repos and impaired assets and total retail funds (MAR as defined and calculated above).

**Relevance:** indicator of the savings and credit of our retail customers managed by Ibercaja.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Loans and advances to customers ex impaired assets and reverse repos (1) | 28,862,436 | 28,955,787 |
| + | Total retail funds (2) | 70,162,504 | 65,410,961 |
| **=** | **Retail business volume** | **99,024,940** | **94,366,748** |

(1) Source: Notes 8 and 11.4 to the financial statements.

(2) Source: APM. See its definition and calculation explained above.

# APMs related to liquidity

## CREDIT TO RETAIL FUNDING RATIO (LTD):

**Definition:** ratio of loans and advances to customers net of reverse repurchase agreements to retail deposits (MAR as defined and calculated above).

**Relevance:** to measure the proportion of loans and advances to customers financed by retail deposits.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | (a) Net loans and advances to customers (1) | 30,655,026 | 30,942,404 |
| | (b) Reverse repurchase agreements (2) | 1,615,394 | 1,620,857 |
| | (a) – (b) Net loans ex reverse repos | 29,039,632 | 29,321,547 |
| Denominator | Retail deposits (3) | 37,131,170 | 36,165,311 |
| **=** | **LTD (%)** | **78.21%** | **81.08%** |

(1) Source: consolidated balance sheet in the financial statements.

(2) Source: 11.4 in the annual accounts.

(3) Source: APM. See definition and calculation above.

## AVAILABLE LIQUIDITY:

**Definition:** sum of cash and central banks, available on policy, eligible off-policy assets and other marketable assets not eligible by the Central Bank, in accordance with the criteria established in the Bank of Spain's official statement LQ 2.2.

**Relevance:** to calculate the volume of our available assets in the event of an outflow of customer deposits.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Cash and central banks | 6,183,416 | 7,319,717 |
| + | Available in policy | 1,050,679 | 891,981 |
| + | Eligible assets not included in the policy | 7,590,280 | 6,421,078 |
| + | Other marketable assets not eligible by the Central Bank | 425,796 | 326,665 |
| = | **Available liquidity** | **15,250,171** | **14,959,441** |

Source: Note 3.8.2 to the financial statements.

## AVAILABLE LIQUIDITY TO TOTAL ASSETS:

**Definition:** ratio of available liquidity (MAR as defined and calculated above) to total assets. **Relevance:** to calculate the available liquidity to total assets.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Numerator | Available liquidity (1) | 15,250,171 | 14,959,441 |
| Denominator | Total assets (2) | 58,631,409 | 58,400,790 |
| = | **Available liquidity to total assets (%)** | **26.01%** | **25.62%** |

(1) Source: APM. See its definition and calculation explained above.

(2) Source: consolidated balance sheet in the financial statements.

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## TOTAL AVAILABLE LIQUIDITY:

**Definition:** aggregation of available liquidity (MAR defined and calculated above) and capacity to issue mortgage bonds.

**Relevance:** to calculate the volume of our available assets in the event of an outflow of customer deposits.

| | (THOUSANDS OF EUROS) | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| + | Available liquidity (1) | 15,250,171 | 14,959,441 |
| + | Mortgage bond issuance capacity (2) | 8,776,402 | 8,379,866 |
| **=** | **Total available liquidity** | **24,026,573** | **23,339,307** |

(1) Source: APM. See its definition and calculation explained above.

(2) Source: Note 3.8.2 to the financial statements.

# Appendices

# Appendix A – Requirements of Spanish Law 11/2018 regarding non-financial information and diversity

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **BUSINESS MODEL** | Brief description of the group's business model, including:<br>1) its business environment,<br>2) its organisation and structure,<br>3) the markets in which it operates,<br>4) its objectives and strategies,<br>5) the main factors and trends that may affect its future performance. | - | Ibercaja Banco Group (*) | 102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7 | 4.3. Economic and financial environment<br>4.5. Business Model and Strategic Plan 2021-2023<br>11. Business outlook and expected performance | - |
| **POLICIES** | A description of the group's policies with respect to such issues, which shall include:<br>1) the due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and significant impacts<br>2) verification and control procedures, including the measures that have been taken. | - | Ibercaja Banco Group (*) | 103 Management approaches in each area within the economic, environmental and social dimensions | 3. Keys points of this document<br>6.1. Sustainability strategy<br>See the detail of non-financial policies in the following blocks. | - |
| **ST, MT and LT RISKS** | The main risks associated with those topics that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas; and<br>• how the Group manages those risks,<br>• explaining the procedures used to detect and evaluate them in accordance with the national, EU or international reference frameworks for each subject.<br>Must include information on the impacts that have been detected and a breakdown of these, particularly in relation to the main short-, medium- and long-term risks. | - | Ibercaja Banco Group (*) | 102-15 | 7. Risk management<br>6.12. Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) | - |
| **KPIs** | Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability.<br>• In order to facilitate the comparison of information, both over time and between banks, special use will be made of generally applicable non-financial key indicator standards that comply with the European Commission's guidelines in this area and the standards of the Global Reporting Initiative, and the report should mention the national, European or international framework used for each area. | - | Ibercaja Banco Group (*) | General or specific GRI standards of the economic, environmental and social dimensions that are reported in the following blocks | 3. Keys points of this document<br>6.1. Sustainability strategy<br>See the detail of the KPIs reported in the following blocks. | - |
| **TAXONOMY** | Reporting requirements under Regulation (EU) 2020/852 on eligibility indicators | - | Ibercaja Banco Group (*) | | Appendix D | |

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **ENVIRONMENTAL MATTERS** | **Global Environment** | | | | | |
| | 1) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures;<br>2) Resources dedicated to the prevention of environmental risks;<br>3) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the Environmental Liability Law). | YES | Ibercaja Banco Group (*) | 103 Management Approach to each area within the Environmental dimension<br><br>Note 21 to the Financial Statements | 6.5. Commitment to the environment<br><br>6.11. Implementation of the Principles for Responsible Banking – UNEP-FI<br><br>6.12 Recommendations of the Task Force on | |
| | **Pollution** | | | | | |
| | Measures to prevent, reduce or repair carbon emissions that severely affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution. | NO | - | | - | - |
| | **Circular economy and waste prevention and management** | | | | | |
| | Circular economy. | | | | | |
| | Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste. | YES | Ibercaja Banco Group (*) | 103 Effluent and waste management approach | Appendix D. | - |
| | Actions to combat food waste. | NO | - | 306-2 | 6.5. Commitment to the environment | |
| | **Sustainable use of resources** | | | | | |
| | The consumption of water and water supply according to local constraints. | NO | Ibercaja Banco Group (*) | 303-5 | - | - |
| | Consumption of raw materials and measures taken to improve the efficiency of their use. | YES | | 103 Management approach for materials<br><br>301-1<br><br>301-2 | 6.5. Commitment to the environment / Resource management<br>Appendix D | - |
| | Consumption, direct and indirect, of energy, measures taken to improve energy efficiency and use of renewable energies. | YES | | 103 Management approach for energy<br><br>302-1 | Appendix D | - |

| | | | | | |
|---|---|---|---|---|---|
| **Climate Change** | | | | | |
| The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces. | YES | Ibercaja Banco Group (*) | 103 Management approach of Emissions 305-1/305-2/305-3/305-4/305-5 | 6.5. Commitment to the environment / Emissions 6.5. Commitment to the environment / Awareness-raising and communication | - |
| Measures adopted to adapt to the consequences of climate change. | YES | | 103 Management approach of Emissions | 6.12 Recommendations of the Task Force on Climate-related Financial Disclosures | - |
| Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented for that purpose. | YES | | 103 Management approach of Emissions | Appendix D | - |
| **Protection of biodiversity** | | | | | |
| Measures taken to preserve or restore biodiversity. | NO | - | - | - | - |
| Impacts caused by activities or operations in protected areas. | NO | - | | - | - |

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **SOCIAL AND PERSONNEL ASPECTS** | **Employment** | | | | | |
| | Total number and distribution of employees by gender, age, country and job category; | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 103 Employment management approach 102-8 / 405-1 | 6.4. Commitment to our employees<br>Appendix D | - |
| | Total number and distribution of employment contract types. | YES | | 102-8 | | - |
| | Annual breakdown of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational category. | YES | | 102-8 / 405-1 | | - |
| | Number of dismissals by gender, age and occupational category; | YES | | 401-1 | | - |
| | Average remuneration and its trend, broken down by gender, age and occupational category or equal value; Salary gap, the remuneration of equal or average jobs at the company. | YES | | 103 Diversity and equal opportunities management approach 405-2 | 4.4. Corporate Governance<br>6.4. Commitment to our employees / Remuneration policy | - |
| | Average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings pension schemes and any other payments broken down by gender. | YES | | 103 Diversity and equal opportunities management approach | | - |
| | Implementation of digital disconnect policies. | YES | | 103 Employment management approach | 6.4. Commitment to our employees / Social dialogue and organisation of working time | - |
| | Employees with some form of disability. | YES | | 405-1 | 6.4. Commitment to our employees / Diversity, equality and work-life balance | - |
| | **Organisation of work** | | | | | |
| | Organisation of working time | YES | | 103 Employment management approach | 6.4. Commitment to our employees / Social dialogue and organisation of working time | - |
| | Number of hours of absenteeism. | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 403-2 | 6.4. Commitment to our employees / Occupational health and safety | - |
| | Measures aimed at facilitating a work-life balance and encouraging the co-responsible exercise of these rights by both parents. | YES | | 103 Employment management approach | 6.4. Commitment to our employees / Diversity, equality and work-life balance | - |

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|---|---|---|---|---|---|---|
| | **Health and safety** | | | | | |
| | Health and safety conditions at work; | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 103 Employment management approach<br>403-1 to 403-8 | 6.4. Commitment to our employees / Occupational health and safety | - |
| | Occupational accidents, particularly their frequency and severity, occupational diseases, broken down by gender. | YES | | 403-9<br>403-10 | | - |

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **SOCIAL AND PERSONNEL ASPECTS** | **Social relations** | | | | | |
| | Organisation of dialogue with employees, including procedures for informing, consulting and negotiating with them; | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 103 Employer-employee relationship management approach | 6.4. Commitment to our employees / Dialogue with employees | - |
| | Confidentiality of employee complaints/disclosures. | | | GRI 404-1 | 4.2. Purpose, Mission, Vision, values and Code of Ethics | |
| | Percentage of employees covered by collective bargaining agreements by country; | YES | | 102-41 | 6.4. Commitment to our Employees / Dialogue with employees | - |
| | The balance of collective agreements, particularly in the field of health and safety at work. | YES | | 403-1 | 6.4. Commitment to our employees / Occupational health and safety | - |
| | **Training** | | | | | |
| | Policies implemented in training; | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 103 Training and education management approach | 6.4. Commitment to our employees / Cultivating talent | - |
| | The total number of training hours by occupational category. | YES | | 404-1 | 6.4. Commitment to our employees / Cultivating talent | - |
| | Average hours of training by gender and occupational category | | | | | |
| | Average hours of training by gender and employee | | | | | |
| | Universal accessibility for persons with disability | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 103 Diversity and equal opportunities and non-discrimination management approach | 6.4. Commitment to our employees / Diversity, equality and work-life balance | - |
| | Training delivered by partners. GRI 404-1 | | | | | |
| | **Equality** | | | | | |
| | Measures adopted to foster equal treatment and opportunities between women and men; | YES | Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce) | 103 Diversity and equal opportunities and non-discrimination management approach | 6.4. Commitment to our employees / Diversity, equality and work-life balance | - |
| | Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of persons with disabilities; | YES | | | | - |
| | Policy against all forms of discrimination and, as applicable, management of diversity. | YES | | | | - |

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **HUMAN RIGHTS** | Implementation of human rights due to diligence procedures<br>Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and redress possible abuses. | YES | - | 103 Management approach to human rights assessment and non-discrimination<br>102-16 / 102-17 | 6.9. Human Rights | Although the risk of human rights violations in Ibercaja's activities is low, the Bank has several mechanisms to prevent and mitigate any risk in this area. |
| | Complaints due to instances of human rights abuses; | YES | - | 406-1 | | |
| | Promotion and compliance of the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining; | YES | - | 407-1 | | |
| | The elimination of discrimination in employment and labour; | Yes | - | 103 Non-discrimination management approach | | |
| | The elimination of forced or compulsory work; | YES | - | 409-1 | | |
| | The effective abolition of child labour. | YES | - | 408-1 | | |

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **CORRUPTION AND BRIBERY** | Measures taken to prevent corruption and bribery; | YES | Ibercaja Banco Group (*) | 103 Management approach for anti-corruption<br>102-16 / 102-17 | 6.10. Fight against corruption and bribery | - |
| | Measures to combat money laundering | YES | | | 6.10. Fight against corruption and bribery<br>6.8.1 Social action | - |
| | Contributions to foundations and not-for-profit entities. | YES | | 413-1 | 6.10. Fight against corruption and bribery | - |

| AREAS | CONTENT | MATERIAL TOPIC (YES/NO) | SCOPE/PERIMETER | RELATED GRI STANDARDS | SECTION WHERE REPORTED | ADDITIONAL REMARKS |
|---|---|---|---|---|---|---|
| **COMMUNITY** | **Company's commitments to sustainable development** | | | | | |
| | The impact of the company's activity on local employment and development; | YES | Ibercaja Banco Group (*) | 103 Management approach – Local community and indirect economic impacts 203-1 / 413-1 | 6.8 Contribution to society | - |
| | Impact of the company's activity on local communities and the territory; | YES | | | | - |
| | Relationships with local community actors and the types of dialogue with them; | YES | | 102-43 | | - |
| | Partnership or sponsorship actions. | YES | | 102-12 / 102-13 | 6.8.4. Sponsorships | - |
| | **Subcontracting and suppliers** | | | | | |
| | Inclusion in the procurement policy of social, gender equality and environmental issues; consideration, in dealings with suppliers and subcontractors, of their social and environmental responsibility; | YES | Ibercaja Banco Group (*) | 103 Management approach – Procurement practices 102-9 / 204-1 | 6.7. Commitment to suppliers | - |
| | Systems of supervision and audits and results thereof. | YES | | | | - |
| | **Consumers** | | | | | |
| | Measures for consumer health and safety; | YES | - | 103 Customer health and safety management approach; Marketing and labelling and Customer privacy | - | - |
| | Complaint systems, complaints received and their resolution. | YES | Ibercaja Banco Group (*) | | 6.3 Commitment to customers | - |
| | **Tax information** | | | | | |
| | Profits country by country. | YES | Ibercaja Banco Group (*) | 103 Economic performance management approach 207-1 | 6.8.11. Tax information | - |
| | Income tax paid. | YES | Ibercaja Banco Group (*) | 207-4 | | |
| | Public grants received. | YES | Ibercaja Banco Group (*) | 201-4 | | - |

(*) Ibercaja Banco Group corresponds to 100% of the Group's scope of consolidation

# Appendix B – The 10 Principles of the Global Compact

The following table lists the ten principles of the Global Compact and the sections of the report that contain information on them, as well as their relationship with the GRI indicators.

| | PRINCIPLE OF THE GLOBAL COMPACT | RELATED REPORT CONTENTS | REPORT CHAPTERS | GRI CORRESPONDENCE |
|---|---|---|---|---|
| Human rights | **1. Companies must support and respect the protection of fundamental Human Rights, recognised internationally, within their scope of action.** | Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Business Participations, Commitment to our employees - Equality and Work-Life Balance-Occupational Health Prevention, Social Dialogue, Suppliers, Customers, Shareholders & Investors, Environment, Society. | 1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 7 | 102-8, 102-41, 205-1, 205-2, 205-3, 401-1, 401-2, 402-1, 403-1, 403-2, 408-1, 409-1, 413-1, FS13, FS14 |
| | **2. Businesses must ensure that they are not complicit in human rights abuses.** | Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders & Investors, Environment, Society. | 1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 7 | 102-16, 102-25,<br>102-31, 205-1,<br>205-2, 205-3, 408-1, 409-1, 413-1, 416-2, 419-1 |
| Employment rules and standards | **3. Businesses should uphold the freedom of association and effectively recognise the right to collective bargaining.** | Commitment to our Employees; Dialogue with employees. | 6.4. | 102-41, 402-1, 407-1 |
| | **4. Businesses should support eliminating all forms of forced or compulsory labour.** | Business Model, Commitment to Sustainability, Commitment Our Employees-Equality and Work-life Balance- Remuneration Policy, Suppliers, Society. | 4.5, 6.1, 6.4, 6.7, 6.8 | Ibercaja does not operate<br>in developing countries.<br>409-1 |
| | **5. Companies should support the effective abolition of child labour.** | Business Model, Transparency and Strategic Communications, Commitment to Sustainability, Commitment to Our Employees, Suppliers, Society. | 4.5, 6.1, 6.4, 6.7, 6.8 | Ibercaja does not operate<br>in developing countries.<br>408-1 |
| | **6. Businesses should support the elimination of discrimination in respect of employment and occupation.** | Governing Bodies, Internal Control, Suitability Policy, Commitment to Sustainability, Commitment to Customers, Our Employees -Equality and Work-Life Balance-Remuneration Policy-Occupational Health Prevention, Environment, Society. | 4.4, 6.1, 6.3, 6.4, 6.5, 6.8 | 102-8, 102-41,403-1, 403-2, 401-1, 404-1, 404-3 |
| Environment | **7. Companies must maintain a preventive approach that favours the environment.** | Risk Prevention, Breaches, Fines and Penalties, Commitment to Sustainability, Commitment to Environment, Society. | 6.1, 6.5, 6.8. | 301-1, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, 307-1, 419-1 |
| | **8. Businesses should undertake initiatives to promote greater environmental responsibility.** | Ibercaja does not perform its activities in spaces or places that affect natural ecosystems.<br>Presentation Letter, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders, Environment, Society. | 1, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.11, 6.12 | 301-1, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, 307-1, 419-1 |
| | **9. Businesses should encourage the development and diffusion of environmentally friendly technologies.** | 2021-2023 Strategic Plan, Research, Development and Technology, Commitment to Sustainability, Commitment to the Environment, Society. | 4.5, 6.1, 6.5, 6.8, 8 | 301-1, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, 307-1, 419-1 |
| | **10. Businesses should work against corruption in all its forms, including extortion and bribery.** | Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Omnichannel, Financial Group, Model aimed at Excellence, Brand and Reputation, Transparency and Strategic Communications, Commitment to Sustainability, CSR Policy, Commitment to Suppliers, Customers, | 1, 4.1, 4.2, 4.4, 4.5, 5.3, 5.4, 6.1, 6.3, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 7, 8, | 102-16, 102-17,<br>205-1, 205-2, 205-3 |

# Appendix C – GRI Table of contents

*102-8, 102-55*

| GRI STANDARD | CONTENT | CHAPTER OR DIRECT RESPONSE | OMISSION |
|---|---|---|---|
| **GRI 102: 2016 GENERAL CONTENTS** | **102-1 Name of the organisation** | 4.1.<br><br>See Note 1.1 of the Consolidated financial statements at 31 December 2021. | |
| | **102-2 Activities, brands, products and services** | 1, 4.1, 4.2, 4.5.1, 4.5.2, 4.5.4, 8 | |
| | **102-3 Location of headquarters** | 4.1.<br><br>See Note 1.1 of the Consolidated financial statements at 31 December 2021 | |
| | **102-4 Location of operations** | 1, 4.5.1, 4.5.4 | |
| | **102-5 Ownership and legal form** | 1, 4.1, 4.5.5 | |
| | **102-6 Markets served** | 1, 4.5.1, 4.5.4, 6.3 | |
| | **102-7 Scale of the organisation** | 4.5.1, 5.1, 5.2, 6.3, 6.4 | |
| | **102-8 Information on employees and other workers** | 6.4, Appendix C, Appendix D<br><br>Ibercaja Banco carries out most of its activities using its own staff, with investees collaborating in maintenance, editing, logistics and other works. There were no significant changes in the organisation's | |
| | **102-9 Supply chain** | 1, 4.5.2, 4.5.4, 6.7 | |
| | **102-10 Significant changes to the organisation and its supply chain** | 5.1, 6.4, 6.7 | |
| | **102-11 Precautionary principle or approach** | 6.5, 6.12, 6.15 | |
| | **102-12 External initiatives** | 6.1, 6.4, 6.5, 6.12 | |
| | **102-13 Membership of associations** | Ibercaja participates in the sectoral associations representing the financial activity and other associations of reference: Cecabank, AEC, Forética, Commission for the Integrity of the Financial System for | |
| | **102-14 Statement from senior decision-maker** | 1 | |
| | **102-15 Key impacts, risks and opportunities** | 1, 4.4, 6.1, 6.5, 6.11, 6.12, 7 | |
| | **102-16 Values, principles, standards and norms of behaviour** | 4.2, 4.4, 6.1, 6.9, 6.10, 6.11 | |
| | **102-17 Mechanisms for advice and concerns about ethics** | 4.4, 6.9 | |
| | **102-18 Governance structure** | 4.4 | |
| | **102-19 Delegating authority** | 4.4, 6.1, 6.5, 6.12 | |
| | **102-20 Responsibility at the executive level regarding economic, environmental and social issues.** | 4.4, 6.1, 6.5, 6.12 | |
| | **102-21 Consultation of stakeholders regarding economic, environmental and social issues.** | 3, 6.1, 6.14 | |
| | **102-22 Composition of the highest governance body and its committees** | 4.4 | |
| | **102-23 Chair of the highest governance body** | 4.4<br><br>In 2021, the Chairman of Ibercaja Banco did not have any executive functions | |
| | **102-24 Nominating and selecting the highest governance body** | 4.4 | |
| | **102-25 Conflicts of interest** | 4.4 | |
| | **102-26 Role of the highest governing body in the selection of objectives, values and strategies** | 4.4, 6.1 | |
| | **102-28 Evaluation of the performance of the highest governing body** | 4.4, 6.1 | |
| | **102-30 Efficiency of risk management processes** | 4.4, 6.1, 6.5, 6.11, 6.12, 7 | |
| | **102-31 Review of economic, environmental and social issues** | 4.4, 6.1, 6.5, 6.11, 6.12, 7 | |

| | | |
|---|---|---|
| | **102-32 Role of the highest governing body in the preparation of sustainability reports** | 4.4, 6.1<br>This document was approved at the Board meeting for the authorisation for the issue of the Financial Statements held on 25 February 2022 |
| | **102-35 Remuneration policies** | 4.4, 6.4 |
| | **102-36 Processes to determine the remuneration** | 4.4, 6.4 |
| | **102-40 List of stakeholders** | 3, 4.2, 6.14 |
| | **102-41 Collective bargaining agreements** | 100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees. |
| | **102-42 Identification and selection of stakeholders** | 3, 4.2, 6.14<br>The Bank's Stakeholder Map was updated in 2021. |
| | **102-43 Approaches for the participation of stakeholders** | 3, 6.1, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.14 |
| | **102-44 Key issues and concerns mentioned** | 3, 6.1, 6.3, 6.4, 6.5, 6.6., 6.7, 6.8 |
| | **102-45 Entities included in the consolidated financial statements** | 3, 4.1, 4.5.5<br>See consolidated Financial Statements at 31 December 2021 |
| | **102-46 Definition of the contents of the reports and the Coverage of the topic** | 3 |
| | **102-47 List of material issues** | 3 |
| | **102-48 Restatement of information** | The possible changes in the criteria applied with respect to the previous report, when they are significant, are reflected in the corresponding section and in the GRI indicators table. |
| | **102-49 Changes in the preparation of reports** | There have been no significant changes in the scope, coverage or valuation methods. A new materiality analysis was carried out in 2021, including the dual approach to materiality. |
| | **102-50 Period covered by the report** | 2021 |
| | **102-51 Date of last report** | 2020 |
| | **102-52 Report preparation cycle** | Annual |
| | **102-53 Contact point for questions about the report** | mcampob@ibercaja.es |
| | **102-54 Declaration of preparation of the report in accordance with the GRI Standards** | 3 |
| | **102-55 GRI content index** | Appendix C |
| | **102-56 External verification** | Appendix E |

## Economic performance

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 5.1, 5.2, 5.3 |
| | **103-2 Management approach and its components** | 5.1, 5.2, 5.3 |
| | **103-3 Evaluation of the management approach** | 5.1, 5.2, 5.3 |
| **GRI 201: Economic performance 2016** | **201-1 Direct economic value generated and distributed** | Appendix D |
| | **201-2 Financial implications and other risks and opportunities arising from climate change** | 6.1, 6.3, 6.5, 6.11, 6.12 |
| | **201-3 Obligations of the defined benefit plan and other retirement plans** | 100% of serving employees are included in the Pension Plan. |
| | **201-4 Financial assistance received from government** | 6.8.11<br>Ibercaja did not receive any type of aid from the Government. |

## Market presence

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 1, 4.3, 4.5.1, 6.4. Remuneration policy |
| | **103-2 Management approach and its components** | 1, 4.5.1, 6.4. Remuneration policy |
| | **103-3 Evaluation of the management approach** | 4.5.1, 6.4. Remuneration policy |
| **GRI 202: Market presence 2016** | **202-1: Ratio of the standard initial category salary by gender with respect to the minimum local salary** | 6.4. Remuneration policy<br>The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are |

| | | |
|---|---|---|
| | **202-2: Proportion of senior executives hired from the local community.** | Ibercaja Banco recruits 100% of its employees in Spain and 100% of senior executives are Spanish nationals. |

## Indirect economic impacts

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.5.5 |
| | **103-2 Management approach and its components** | 4.5.5 |
| | **103-3 Evaluation of the management approach** | 4.5.5 |
| **GRI 203: Indirect economic impacts 2016** | **203-1: Infrastructure investments and services supported** | Appendix D |

## Procurement practices

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1: Explanation of the material topic and its Boundary** | 6.7. |
| | **103-2: The management approach and its components** | 6.7. |
| | **103-3: Evaluation of the management approach** | 6.7. |
| **GRI 204: Procurement practices** | **204-1: Proportion of spending on local suppliers** | The percentage of purchases from local suppliers is 97%. |
| **GRI 407: Freedom of association and collective bargaining** | **407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk** | Ibercaja has not identified any centres or suppliers likely to have significant risks in relation to the right to freedom of association and collective bargaining. |
| **GRI 408: Child labour** | **408-1: Operations and suppliers at significant risk for incidents of child labour** | Ibercaja has not identified any centres or suppliers likely to have significant risks in relation to child exploitation. Moreover, when doing business with us, all suppliers accept the Bank's Code of Ethics and Supplier Code of Conduct, which explicitly states zero tolerance for |
| **GRI 409: Forced or compulsory labour** | **409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour** | Ibercaja has not identified any centres or suppliers likely to have significant risks in relation to forced labour. Moreover, when entering into business with us, all suppliers accept the Bank's Code of Ethics and Supplier Code of Conduct, which explicitly states zero tolerance for |

## Unfair competition

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4, 6.14, 7 |
| | **103-2 Management approach and its components** | 4.4, 6.14, 7 |
| | **103-3 Evaluation of the management approach** | 4.4, 6.14, 7 |
| **GRI 206: Unfair competition 2016** | **206-1: Legal action related to unfair competition and monopolistic practices and against free competition** | In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to Anti-competitive practices, monopolistic practices or against free |

## Anti-corruption

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4, 6.10, 7 |
| | **103-2 Management approach and its components** | 4.4, 6.10, 7 |
| | **103-3 Evaluation of the management approach** | 4.4, 6.10, 7 |
| **GRI 205: Anti-corruption 2016** | **205-1: Operations evaluated for risks related to corruption** | Appendix D |
| | **205-2: Communication and training on anti-corruption policies and procedures** | 91% of Ibercaja Banco's current workforce has received training in criminal risk prevention, including the crime of corruption and bribery. |
| | **205-3: Confirmed cases of corruption and measures taken** | In 2021, no cases of corruption arose. |

| | | |
|---|---|---|
| | **415-1 Political contributions** | Ibercaja does not accept or offer contributions to political parties and/or representatives. |

## Taxation

| | | |
|---|---|---|
| **GRI 103: Management Approach 2019** | **103-1 Explanation of the material topic and its Boundary** | 6.8.11 |
| | **103-2 Management approach and its components** | 6.8.11 |
| | **103-3 Evaluation of the management approach** | 6.8.11 |
| **GRI 207: Tax** | **207-1 Approach to tax** | 6.8.11 |
| | **207-2: Tax governance, control and risk management** | 6.8.11. The Company is currently working to report tax information on a cash basis through the CECA Total Tax Contribution report and a specific report by Ibercaja. |
| | **207-4 Presentation of reports country by country** | 6.8.11 The Company does not currently have any permanent establishments in other countries and is therefore not required to issue this report. |

## Customer privacy

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4. Commitment to privacy, 6.3 |
| | **103-2 Management approach and its components** | 4.4. Commitment to privacy, 6.3 |
| | **103-3 Evaluation of the management approach** | 4.4. Commitment to privacy, 6.3 |
| **GRI 418: Customer privacy 2016** | **418-1: Claims based on violations of customer privacy and loss of customer data** | In 2021, there were 538 case files relating to GDPR and 3,808 cancellations of online advertising unsubscribes. In 2021, no significant penalties or fines were received of a definitive nature with regard to data protection. |

## Health and safety of customers

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4. Internal rules and control bodies, 6.3 |
| | **103-2 Management approach and its components** | 4.4. Internal rules and control bodies, 6.3 |
| | **103-3 Evaluation of the management approach** | 4.4. Internal rules and control bodies, 6.3 |
| | **416-2: Cases of non-compliance related to the health and safety impacts of the product and services categories** | In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition. |

## Marketing and labelling

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4. Internal rules and control bodies, 4.5.4 |
| | **103-2 Management approach and its components** | 4.4. Internal rules and control bodies, 4.5.4 |
| | **103-3 Evaluation of the management approach** | 4.4. Internal rules and control bodies, 4.5.4 |
| **GRI 417: Marketing and labelling** | **417-1: Information requirements and the labelling of products and services** | 4.4. Internal rules and control bodies, 4.5.4 |
| | **417-2: Cases of breaches related to information and the labelling of products and services** | In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to the impact on the use and supply of products and services and in health and safety, or as a result of labelling. |

| | | |
|---|---|---|
| | **417-3: Cases of breaches related to marketing notifications** | In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to matters tied to marketing notifications. |
| | **305-3 Other indirect (Scope 3) GHG emissions** | 6.1, 6.3<br>Appendix D |

## GRI 103: Management approach

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.4 |
| | **103-2 Management approach and its components** | 6.4 |
| | **103-3 Evaluation of the management approach** | 6.4 |
| **GRI 401: Employment 2016** | **401-1: New employee recruitments and staff turnover** | Appendix D |
| | **401-2: Benefits for full-time employees that are not given to part-time or temporary employees** | 6.4 |
| | **401-3 Parental leave:** | 6.4. |

## Labour/management relations

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.4. Social dialogue |
| | **103-2 Management approach and its components** | 6.4. Social dialogue |
| | **103-3 Evaluation of the management approach** | 6.4. Social dialogue |
| **GRI 402: Labour/management relations 2016** | **402-1: Minimum notice periods for operational changes** | That stipulated in the prevailing legislation applies with regard to minimum advance notice period(s) relating to organisational changes, including if these notices are specific in the collective bargaining agreements. |

## Occupational health and safety

| | | |
|---|---|---|
| **GRI 103: Management Approach 2018** | **103-1 Explanation of the material topic and its Boundary** | 6.4. Occupational health and prevention |
| | **103-2 Management approach and its components** | 6.4. Occupational health and prevention |
| | **103-3 Evaluation of the management approach** | 6.4. Occupational health and prevention |
| **GRI 403: Occupational health and safety 2018** | **403-1 Occupational health and safety management system** | 6.4. Occupational health and prevention |
| | **403-2 Hazard identification, risk assessment and the investigation of incidents** | 6.4. Occupational health and prevention |
| | **403-3 Occupational health services** | 6.4. Occupational health and prevention |
| | **403-4 Worker participation, consultation and communication on occupational health and safety** | 6.4. Occupational health and prevention |
| | **403-5 Training of workers on health and safety at work** | 6.4. Occupational health and prevention |
| | **403-6 Promoting the health of workers** | 6.4. Occupational health and prevention<br><br>The information reported relates to Ibercaja Banco's own personnel. In rotation to the investees' workers who collaborate in maintenance, editing, logistics, and other works, they are not covered by the Ibercaja Banco prevention service. However, the risks associated with their work position are assessed and adequate measures are taken to preserve health and safety. |

| | | |
|---|---|---|
| | **403-7 Prevention and mitigation of the impacts on the health and safety of workers directly linked with commercial relations** | 6.4. Occupational health and prevention<br><br>The information reported relates to Ibercaja Banco's own personnel. There are currently no external workers linked with commercial |
| | **403-8 Coverage of the occupational health and safety management system** | Ibercaja Banco has its own prevention service. However, no health and safety management system currently exists. |
| | **403-9 Work-related injuries** | 6.4. Occupational health and prevention |
| | **403-10 Occupational illnesses and diseases** | 6.4. Occupational health and prevention |

## Training and education

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.4. Cultivating talent |
| | **103-2 Management approach and its components** | 6.4. Cultivating talent |
| | **103-3 Evaluation of the management approach** | 6.4. Cultivating talent |
| **GRI 404: Training and education 2016** | **404-1: Average training hours per year per employee** | 6.4. Cultivating talent<br><br>The average number of training hours per employee in 2020 was 78 hours. |
| | **404-2: Programmes to improve employee aptitudes and transition assistance programmes** | 6.4. Cultivating talent |
| | **404-3: Percentage of employees who receive periodic evaluations of professional performance and development** | 100% of permanent employees receive regular performance and career development assessments. |

## Diversity and equal opportunities

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4, 6.4. |
| | **103-2 Management approach and its components** | 4.4, 6.4. |
| | **103-3 Evaluation of the management approach** | 4.4, 6.4. |
| **GRI 405: Diversity and equal opportunities** | **405-1: Diversity of governance bodies and employees** | 4.4, 6.4. Diversity, equality and work-life balance, Appendix D |

## Non-discrimination

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.4. Diversity, equality and work-life balance, 6.9 |
| | **103-2 Management approach and its components** | 6.4. Diversity, equality and work-life balance, 6.9 |
| | **103-3 Evaluation of the management approach** | 6.4. Diversity, equality and work-life balance, 6.9 |
| **GRI 406: Non-discrimination 2016** | **406-1: Incidents of discrimination and corrective actions taken** | There were no incidents of discrimination or, therefore, corrective plans in 2021. |

## Local communities

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.5.4, 6.8 |
| | **103-2 Management approach and its components** | 4.5.4, 6.8 |
| | **103-3 Evaluation of the management approach** | 4.5.4, 6.8 |
| **GRI 402-1: Local communities 2016** | **413-1: Operations with the participation of the local community, impact assessments and development programmes** | 6.8 |
| | **FS13: Accessibility in unpopulated areas or in marginalised zones** | In 2021, Ibercaja provided services in 104 towns as the only company present, and 23% of branches provides services in towns with fewer than 1,000 inhabitants. |
| | **FS14: Initiatives to improve access to financial services for disadvantaged people.** | 4.5.4, Appendix D |

## Socio-economic compliance

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4. Internal rules and control bodies |
| | **103-2 Management approach and its components** | 4.4. Internal rules and control bodies |
| | **103-3 Evaluation of the management approach** | 4.4. Internal rules and control bodies |
| **GRI 419: Socioeconomic compliance 2016** | **419-1: Breach of laws and regulations in social and economic areas** | In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to social and economic areas. |

## Materials

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.1, 6.5 |
| | **103-2 Management approach and its components** | 6.1, 6.5 |
| | **103-3 Evaluation of the management approach** | 6.1, 6.5 |
| **GRI 301: Materials 2016** | **301-1: Materials used by weight or volume.** | 6.5, Appendix D |
| | **301-2: Recycled inputs** | 6.5, Appendix D |

## Energy

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.1, 6.5 |
| | **103-2 Management approach and its components** | 6.1, 6.5 |
| | **103-3 Evaluation of the management approach** | 6.1, 6.5 |
| **GRI 302: Energy** | **302-1: Energy consumption within the organisation** | 6.5, Appendix D |
| | **302-3: Energy intensity** | Appendix D |
| | **302-4 Reduction of energy consumption** | 6.5, Appendix D |

## Emissions

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.1, 6.5 |
| | **103-2 Management approach and its components** | 6.1, 6.5 |
| | **103-3 Evaluation of the management approach** | 6.1, 6.5 |
| **GRI 305: Emissions 2016** | **305-1: Direct (Scope 1) GHG emissions** | 6.5, Appendix D |
| | **305-2: Indirect GHG emissions when generating energy (Scope** | 6.5, Appendix D |
| | **305-3: Other indirect (Scope 3) GHG emissions** | Appendix D |
| | **305-4: GHG emissions intensity** | Appendix D |
| | **305-5 Reduction of GHG emissions** | 6.5, Appendix D |

## Effluents and waste

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 6.1, 6.5 |
| | **103-2 Management approach and its components** | 6.1, 6.5 |
| | **103-3 Evaluation of the management approach** | 6.1, 6.5 |
| **GRI 306: Effluents and waste 2016** | **306-2: Waste by type and disposal method** | Appendix D |

## Environmental compliance

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.4. Internal rules and control bodies |
| | **103-2 Management approach and its components** | 4.4. Internal rules and control bodies |

| | | |
|---|---|---|
| | **103-3 Evaluation of the management approach** | 4.4. Internal rules and control bodies, 6.1, 6.5 |
| **GRI 307: Environmental compliance** | **307-1: Non-compliance with environmental laws and regulations** | No significant penalties, sanctions or fines were received in 2021 for failure to comply with environmental laws and regulations. |

## Product portfolio

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.5.4, 4.5.5 |
| | **103-2 Management approach and its components** | 4.5.4, 4.5.5 |
| | **103-3 Evaluation of the management approach** | 4.5.4, 4.5.5 |
| **Product portfolio** | **FS6: Portfolio breakdown by line of business, specific ensuring region, size (microenterprise, SME, large company) and sector** | 4.5.4, 4.5.5 |
| | **FS7: Monetary value of products and services designed to offer a specific social benefit for each line of business broken down by objectives.** | Appendix D |
| | **FS8: Monetary value of products and services designed to offer a specific environmental benefit for each line of business broken down by objectives** | Appendix D |

## Audit

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | The Environmental Management System extends to the entire organisation, taking care to ensure operations in accordance with the UNE-EN ISO 14001: 2015 standard. The headquarters at Plaza Paraíso 2, Zaragoza, also has ISO certification in environmental management. In |
| | **103-2 Management approach and its components** | 6.5. |
| | **103-3 Evaluation of the management approach** | 6.5. |

## Active ownership

| | | |
|---|---|---|
| **GRI 103: Management Approach 2016** | **103-1 Explanation of the material topic and its Boundary** | 4.5.4, 4.5.5 |
| | **103-2 Management approach and its components** | 4.5.4, 4.5.5 |
| | **103-3 Evaluation of the management approach** | 4.5.4, 4.5.5 |
| **Active ownership** | **FS10: Percentage and number of companies in the portfolio with which they have interacted in social or environmental matters.** | Appendix D |
| | **FS11: Percentage of assets subject to positive or negative social or environmental analysis.** | Appendix D |

# Appendix D – Additional non-financial information, GRI content and Taxonomy information

*102-8, 201-1, 203-1, 205-1, 401-1, 405-1, 301-1, 301-2, 302-1, 302-3, 302-4, 303-1, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, FS7, FS8, FS10, FS11, FS14*

## 201-1

| THOUSANDS OF EUROS | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Gross income** | 926,579 | 1,001,822 | 952,260 |
| **Net profit/(loss) discontinued operations** | 0 | 0 | 0 |
| **Gains or (-) losses on the derecognition of net non-financial assets and equity interests** | -6,544 | -3,047 | -5,199 |
| **Gains/(losses) non-current assets held for sale** | -6,775 | -969 | 5,885 |
| **Economic value generated** | 913,260 | 997,806 | 952,946 |
| **Dividends** | 17,500 | 3,849 | 98,140 |
| **Other general administrative expenses** | 152,149 | 132,799 | 150,896 |
| **Personnel expenses** | 360,944 | 502,568 | 375,183 |
| **Tax on profits and contributions and other taxes** | 64,414 | 50,089 | 81,958 |
| **Economic value distributed** | 595,007 | 689,305 | 706,177 |
| **Economic value withheld (VEG-VED)** | 318,253 | 308,501 | 246,769 |

## 205-1

| SUMMARY OF REVIEWS CONDUCTED | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Distribution Network Audit** | 333 | 289 (*) | 274 (*) |
| **Credit Risk Audit** | 13 | 13 | 13 |
| **Financial Audit** | 26 | 26 | 28 |
| **Internal Models and Systems Audit** | 25 | 22 | 32 |
| **Technical and Quality Supervision** | 5 | 4 | 5 |
| **Total** | **402** | **354** | **352** |
| | | | |
| **Office audits** | 2019 | 2020 | 2021 |
| **Revised offices** | 321 | 265 | 254 (*) |
| **Percentage of the average number of offices** | 28.69% | 24.33% | 24.42% |

(*) Continuous audit process across the entire Branch Network

## 102-8, 405-1

The **following tables** show the distribution of Ibercaja Banco's workforce at 31 December 2021, 2020 and 2019, broken down by gender, employee category, age, type of contract, professional level and area.

| 2021 EMPLOYEE CATEGORY | GENDER<br>MEN | <br>WOMEN | TOTAL | AVERAGE AGE |
|---|---|---|---|---|
| **Executives** | 549 | 250 | 799 | 47 |
| **Middle managers** | 540 | 496 | 1,036 | 47 |
| **Technicians** | 700 | 843 | 1,543 | 46 |
| **Clerical staff** | 561 | 648 | 1,209 | 46 |
| **Total** | **2,350** | **2,237** | **4,587** | **47** |

| 2020 EMPLOYEE CATEGORY | GENDER<br>MEN | <br>WOMEN | TOTAL | AVERAGE AGE |
|---|---|---|---|---|
| **Executives** | 626 | 270 | 896 | 48 |
| **Middle managers** | 593 | 529 | 1,122 | 47 |
| **Technicians** | 731 | 843 | 1,574 | 46 |
| **Clerical staff** | 715 | 748 | 1,463 | 48 |
| **Total** | **2,665** | **2,390** | **5,055** | **47** |

| 2019 EMPLOYEE CATEGORY | GENDER<br>MEN | <br>WOMEN | TOTAL | AVERAGE AGE |
|---|---|---|---|---|
| **Executives** | 649 | 279 | 928 | 47 |
| **Middle managers** | 593 | 524 | 1,117 | 46 |
| **Technicians** | 699 | 851 | 1,550 | 45 |
| **Clerical staff** | 707 | 751 | 1,458 | 47 |
| **Total** | **2,648** | **2,405** | **5,053** | **46** |

** Job categories are defined as:

EXECUTIVES: up to branch managers

MIDDLE MANAGERS: up to assistant managers-officers

TECHNICIANS: specialised branch office roles and Head Office Technicians/Experts

CLERICAL STAFF: branch network and Head Office employees

| 2021 AGE | GENDER MEN | WOMEN | TOTAL |
|---|---|---|---|
| **21 - 30 YEARS** | 132 | 132 | 264 |
| **31 - 40 YEARS** | 279 | 265 | 544 |
| **41 - 50 YEARS** | 1,005 | 1,051 | 2,056 |
| **51 - 60 YEARS** | 920 | 787 | 1,707 |
| **61 - 70 YEARS** | 14 | 2 | 16 |
| **Total** | 2,350 | 2,237 | 4,587 |

| 2020 AGE | GENDER MEN | WOMEN | TOTAL |
|---|---|---|---|
| **21 - 30 YEARS** | 105 | 102 | 207 |
| **31 - 40 YEARS** | 359 | 361 | 720 |
| **41 - 50 YEARS** | 1,036 | 1,086 | 2,122 |
| **51 - 60 YEARS** | 1,157 | 840 | 1,997 |
| **61 - 70 YEARS** | 8 | 1 | 9 |
| **Total** | **2,665** | **2,390** | **5,055** |

| 2019 AGE | GENDER MEN | WOMEN | TOTAL |
|---|---|---|---|
| **21 - 30 YEARS** | 106 | 102 | 207 |
| **31 - 40 YEARS** | 426 | 459 | 885 |
| **41 - 50 YEARS** | 1,076 | 1,109 | 2,185 |
| **51 - 60 YEARS** | 1,032 | 714 | 1,746 |
| **61 - 70 YEARS** | 8 | 1 | 9 |
| **Total** | **2,648** | **2,405** | **5,053** |

| 2021 GENDER | I | T | TOTAL |
|---|---|---|---|
| **MEN** | 2,258 | 92 | 2,350 |
| **WOMEN** | 2,158 | 79 | 2,237 |
| **TOTAL** | **4,416** | **171** | **4,587** |

| 2020 GENDER | I | T | TOTAL |
|---|---|---|---|
| **MEN** | 2,590 | 75 | 2,655 |
| **WOMEN** | 2,329 | 61 | 2,390 |
| **TOTAL** | **4,919** | **136** | **5,055** |

| 2019 GENDER | I | T | TOTAL |
|---|---|---|---|
| **MEN** | 2,580 | 68 | 2,648 |
| **WOMEN** | 2,329 | 76 | 2,405 |
| **TOTAL** | **4,909** | **144** | **5,053** |

P:permanent contracts

T: temporary contracts

| | GENDER | | TOTAL |
|---|---|---|---|
| 2021 PROFESSIONAL LEVEL | MEN | WOMEN | |
| **GR.1 LEVEL I** | 16 | 4 | 20 |
| **GR.1 LEVEL II** | 35 | 11 | 46 |
| **GR.1 LEVEL III** | 288 | 121 | 409 |
| **GR.1 LEVEL IV** | 491 | 254 | 745 |
| **GR.1 LEVEL V** | 394 | 322 | 716 |
| **GR.1 LEVEL VI** | 233 | 275 | 508 |
| **GR.1 LEVEL VII** | 264 | 299 | 563 |
| **GR.1 LEVEL VIII** | 320 | 561 | 881 |
| **GR.1 LEVEL IX** | 124 | 178 | 302 |
| **GR.1 LEVEL X** | 40 | 91 | 131 |
| **GR.1 LEVEL XI** | 29 | 34 | 63 |
| **GR.1 LEVEL XII** | 48 | 38 | 86 |
| **GR.1 LEVEL XIII** | 39 | 24 | 63 |
| **GR.1 LEVEL XIV** | 15 | 23 | 38 |
| **GR.2 LEVEL I** | 3 | – | 3 |
| **GR.2 LEVEL II** | 10 | 2 | 12 |
| **GR.2 LEVEL IV** | 1 | – | 1 |
| **TOTAL** | **2,350** | **2,237** | **4,587** |

| | GENDER | | TOTAL |
|---|---|---|---|
| 2020 PROFESSIONAL LEVEL | MEN | WOMEN | |
| **GR.1 LEVEL I** | 16 | 4 | 20 |
| **GR.1 LEVEL II** | 42 | 12 | 54 |
| **GR.1 LEVEL III** | 332 | 119 | 451 |
| **GR.1 LEVEL IV** | 571 | 263 | 834 |
| **GR.1 LEVEL V** | 439 | 353 | 792 |
| **GR.1 LEVEL VI** | 268 | 272 | 540 |
| **GR.1 LEVEL VII** | 304 | 334 | 638 |
| **GR.1 LEVEL VIII** | 358 | 621 | 979 |
| **GR.1 LEVEL IX** | 114 | 176 | 290 |
| **GR.1 LEVEL X** | 95 | 131 | 226 |
| **GR.1 LEVEL XI** | 24 | 35 | 59 |
| **GR.1 LEVEL XII** | 44 | 44 | 88 |
| **GR.1 LEVEL XIII** | 22 | 14 | 36 |

| | | | |
|---|---|---|---|
| **GR.1 LEVEL XIV** | 13 | 9 | 22 |
| **GR.2 LEVEL I** | 4 | – | 4 |
| **GR.2 LEVEL II** | 18 | 3 | 21 |
| **GR.2 LEVEL V** | 1 | – | 1 |
| **TOTAL** | **2,665** | **2,390** | **5,055** |

| | GENDER | | TOTAL |
|---|---|---|---|
| 2019 PROFESSIONAL LEVEL | MEN | WOMEN | |
| **GR.1 LEVEL I** | 16 | 4 | 20 |
| **GR.1 LEVEL II** | 43 | 11 | 54 |
| **GR.1 LEVEL III** | 321 | 111 | 432 |
| **GR.1 LEVEL IV** | 557 | 250 | 807 |
| **GR.1 LEVEL V** | 434 | 356 | 790 |
| **GR.1 LEVEL VI** | 252 | 225 | 477 |
| **GR.1 LEVEL VII** | 305 | 335 | 640 |
| **GR.1 LEVEL VIII** | 345 | 613 | 958 |
| **GR.1 LEVEL IX** | 130 | 192 | 322 |
| **GR.1 LEVEL X** | 112 | 178 | 290 |
| **GR.1 LEVEL XI** | 35 | 32 | 67 |
| **GR.1 LEVEL XII** | 36 | 55 | 91 |
| **GR.1 LEVEL XIII** | 26 | 26 | 52 |
| **GR.1 LEVEL XIV** | 13 | 14 | 27 |
| **GR.2 LEVEL I** | 4 | – | 4 |
| **GR.2 LEVEL II** | 18 | 3 | 21 |
| **GR.2 LEVEL V** | 1 | – | 1 |
| **TOTAL** | **2,648** | **2,405** | **5,053** |

| | GENDER | | TOTAL |
|---|---|---|---|
| 2021 – AREAS | MEN | WOMEN | |
| **BRANCH NETWORK DEPARTMENT** | 11 | 12 | 23 |
| **TERR. DIV. ARAGÓN** | 638 | 589 | 1,227 |
| **TERR. DIV. MEDITERRANEAN SEABOARD** | 290 | 268 | 558 |
| **TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN** | 185 | 189 | 374 |
| **TERR. DIV. MADRID AND NORTH-WEST SPAIN** | 369 | 435 | 804 |
| **TERR. DIV. RIOJA, BURGOS AND GUADALAJARA** | 273 | 277 | 550 |
| **CENTRAL UNITS** | 404 | 368 | 772 |
| **CORPORATE BANKING DEPARTMENT** | 180 | 99 | 279 |
| **TOTAL** | **2,350** | **2,237** | **4,587** |

| | GENDER | | TOTAL |
|---|---|---|---|
| 2020 – AREAS | MEN | WOMEN | |
| **BRANCH NETWORK DEPARTMENT** | 16 | 19 | 35 |
| **TERR. DIV. ARAGÓN** | 805 | 638 | 1,443 |
| **TERR. DIV. MEDITERRANEAN SEABOARD** | 351 | 291 | 642 |
| **TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN** | 226 | 215 | 441 |
| **TERR. DIV. MADRID AND NORTH-WEST SPAIN** | 475 | 499 | 974 |

| | | | |
|---|---|---|---|
| **TERR. DIV. RIOJA, BURGOS AND GUADALAJARA** | 352 | 331 | 683 |
| **CENTRAL UNITS** | 440 | 397 | 837 |
| **TOTAL** | **2,665** | **2,390** | **5,055** |

| 2019 – AREAS | GENDER | | TOTAL |
|---|---|---|---|
| | MEN | WOMEN | |
| **BRANCH NETWORK DEPARTMENT** | 16 | 16 | 32 |
| **TERR. DIV. ARAGÓN** | 811 | 652 | 1,463 |
| **TERR. DIV. MEDITERRANEAN SEABOARD** | 354 | 305 | 659 |
| **TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN** | 225 | 219 | 444 |
| **TERR. DIV. MADRID AND NORTH-WEST SPAIN** | 482 | 510 | 992 |
| **TERR. DIV. RIOJA, BURGOS AND GUADALAJARA** | 358 | 327 | 685 |
| **CENTRAL UNITS** | 402 | 376 | 778 |
| **TOTAL** | **2,648** | **2,405** | **5,053** |

The **following tables** present the distribution of the workforce of Ibercaja in 2021, 2020 and 2019 by gender, occupational category, age and type of contract in terms of average number of days.

## AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND OCCUPATIONAL CATEGORY

| | PERMANENT | | | TEMPORARY | | |
|---|---|---|---|---|---|---|
| 2021 | | | TOTAL | | | TOTAL |
| **Executives** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Middle Managers** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Technicians** | 99.92% | 100% | 99.96% | 0.08% | 0% | 0.04% |
| **Clerical staff** | 85.88% | 87.29% | 86.61% | 14.12% | 12.71% | 13.39% |
| **TOTAL** | **96.26%** | **96.07%** | **96.17%** | **3.74%** | **3.93%** | **3.83%** |

| | PERMANENT | | | TEMPORARY | | |
|---|---|---|---|---|---|---|
| 2020 | | | TOTAL | | | TOTAL |
| **Executives** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Middle managers** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Technicians** | 99.93% | 100% | 99.97% | 0.07% | 0% | 0.03% |
| **Clerical staff** | 87.27% | 87.92% | 87.61% | 12.73% | 12.08% | 12.39% |
| **TOTAL** | **96.41%** | **95.98%** | **96.21%** | **3.59%** | **4.02%** | **3.79%** |

| | PERMANENT | | | TEMPORARY | | |
|---|---|---|---|---|---|---|
| 2019 | | | TOTAL | | | TOTAL |
| **Executives** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Middle managers** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Technicians** | 100% | 100% | 100% | 0% | 0% | 0.03% |
| **Clerical staff** | 84.91% | 83.24% | 84.05% | 15.09% | 16.76% | 15.95% |
| **TOTAL** | **95.80%** | **94.54%** | **95.20%** | **4.20%** | **5.46%** | **4.80%** |

## AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND AGE RANGE

| 2021 | PERMANENT | | TOTAL | TEMPORARY | | TOTAL |
|---|---|---|---|---|---|---|
| **21 - 30 YEARS** | 32.37% | 35.96% | 34.20% | 67.63% | 64.04% | 65.80% |
| **31 - 40 YEARS** | 98.10% | 98.41% | 98.25% | 1.90% | 1.59% | 1.75% |
| **41 - 50 YEARS** | 100% | 99.94% | 99.95% | 0% | 0.06% | 0.05% |
| **51 - 60 YEARS** | 99.91% | 100% | 99.95% | 0.09% | 0% | 0.05% |
| **61 - 70 YEARS** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Total** | **96.26%** | **96.07%** | **96.17%** | **3.74%** | **3.93%** | **3.83%** |

| 2020 | PERMANENT | | TOTAL | TEMPORARY | | TOTAL |
|---|---|---|---|---|---|---|
| **21 - 30 YEARS** | 32.37% | 35.98% | 34.23% | 67.63% | 64.02% | 65.77% |
| **31 - 40 YEARS** | 99.01% | 98.91% | 98.96% | 0.99% | 1.09% | 1.04% |
| **41 - 50 YEARS** | 100% | 99.86% | 99.93% | 0% | 0.14% | 0.07% |
| **51 - 60 YEARS** | 99.92% | 100% | 99.95% | 0.08% | 0% | 0.05% |
| **61 - 70 YEARS** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Total** | **96.41%** | **95.98%** | **96.21%** | **3.59%** | **4.02%** | **3.79%** |

| 2019 | PERMANENT | | TOTAL | TEMPORARY | | TOTAL |
|---|---|---|---|---|---|---|
| **21 - 30 YEARS** | 26.05% | 25.97% | 26.01% | 73.95% | 74.03% | 73.99% |
| **31 - 40 YEARS** | 97.75% | 98.35% | 98.06% | 2.25% | 1.65% | 1.94% |
| **41 - 50 YEARS** | 100% | 99.70% | 99.85% | 0% | 0.30% | 0.15% |
| **51 - 60 YEARS** | 100% | 100% | 99.97% | 0% | 0% | 0.03% |
| **61 - 70 YEARS** | 100% | 100% | 100% | 0% | 0% | 0% |
| **Total** | **95.80%** | **94.54%** | **95.20%** | **4.02%** | **5.46%** | **4.80%** |

## 401-1

In 2021, the number of **permanent employees** decreased by 503. The **churn rate** of permanent employees was 14.88% in 2021.

### CHURN NUMBER AND RATE (INCOMING AND OUTGOING EMPLOYEES)

| 2021 | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| | TOTAL | RATE | TOTAL | RATE | TOTAL | RATE |
| **21 - 30 YEARS** | 27 | 1.20% | 18 | 0.83% | 45 | 1.02% |
| **31 - 40 YEARS** | 12 | 0.53% | 22 | 1.02% | 34 | 0.77% |
| **41 - 50 YEARS** | 24 | 1.06% | 29 | 1.34% | 53 | 1.20% |
| **51 - 60 YEARS** | 345 | 15.28% | 176 | 8.16% | 521 | 11.80% |
| **61 - 70 YEARS** | 2 | 0.09% | 2 | 0.09% | 4 | 0.09% |
| **Total** | **410** | **18.16%** | **247** | **11.45%** | **657** | **14.88%** |

| | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| 2020 | TOTAL | RATE | TOTAL | RATE | TOTAL | RATE |
| **21 - 30 YEARS** | 10 | 0.39% | 9 | 0.39% | 19 | 0.39% |
| **31 - 40 YEARS** | 17 | 0.66% | 22 | 0.94% | 39 | 0.79% |
| **41 – 50 YEARS** | 20 | 0.77% | 27 | 1.16% | 47 | 0.96% |
| **51 – 60 YEARS** | 21 | 0.81% | 12 | 0.52% | 33 | 0.67% |
| **61 - 70 YEARS** | 2 | 0.08% | | 0.00% | 2 | 0.04% |
| **Total** | **70** | **2.70%** | **70** | **3.01%** | **140** | **2.85%** |

| 2019 | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| | TOTAL | RATE | TOTAL | RATE | TOTAL | RATE |
| **21 - 30 YEARS** | 17 | 0.66% | 22 | 0.94% | 39 | 0.79% |
| **31 - 40 YEARS** | 13 | 0.50% | 22 | 0.94% | 35 | 0.71% |
| **41 – 50 YEARS** | 11 | 0.42% | 30 | 1.29% | 41 | 0.83% |
| **51 – 60 YEARS** | 13 | 0.50% | 9 | 0.39% | 22 | 0.45% |
| **61 - 70 YEARS** | 1 | 0.04% | 1 | 0.04% | 2 | 0.04% |
| **Total** | **55** | **2.12%** | **84** | **3.61%** | **139** | **2.85%** |

The **hiring rate** of permanent employees was 1.74% in 2021.

## NUMBER AND RATE OF NEW HIRES (INCOMING EMPLOYEES)

| 2021 | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| | TOTAL | RATE | TOTAL | RATE | TOTAL | RATE |
| **21 - 30 YEARS** | 24 | 1.06% | 17 | 0.79% | 41 | 0.93% |
| **31 - 40 YEARS** | 4 | 0.18% | 8 | 0.37% | 12 | 0.27% |
| **41 - 50 YEARS** | 8 | 0.35% | 10 | 0.46% | 18 | 0.41% |
| **51 - 60 YEARS** | 3 | 0.13% | 2 | 0.09% | 5 | 0.11% |
| **61 - 70 YEARS** | | 0.00% | 1 | 0.05% | 1 | 0.02% |
| **Total** | **39** | **1.73%** | **38** | **1.76%** | **77** | **1.74%** |

| 2020 | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| | TOTAL | RATE | TOTAL | RATE | TOTAL | RATE |
| **21 - 30 YEARS** | 9 | 0.35% | 7 | 0.30% | 16 | 0.33% |
| **31 - 40 YEARS** | 13 | 0.50% | 7 | 0.30% | 20 | 0.41% |
| **41 – 50 YEARS** | 10 | 0.39% | 14 | 0.60% | 24 | 0.49% |
| **51 – 60 YEARS** | 7 | 0.27% | 7 | 0.30% | 14 | 0.28% |
| **61 - 70 YEARS** | 1 | 0.04% | | 0.00% | 1 | 0.02% |
| **Total** | **40** | **1.54%** | **35** | **1.50%** | **75** | **1.52%** |

| 2019 | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| | TOTAL | RATE | TOTAL | RATE | TOTAL | RATE |
| **21 - 30 YEARS** | 16 | 0.62% | 19 | 0.82% | 35 | 0.71% |
| **31 - 40 YEARS** | 9 | 0.35% | 12 | 0.52% | 21 | 0.43% |
| **41 – 50 YEARS** | 3 | 0.12% | 15 | 0.64% | 18 | 0.37% |
| **51 – 60 YEARS** | 5 | 0.19% | 4 | 0.17% | 9 | 0.18% |
| **61 - 70 YEARS** | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% |
| **Total** | **33** | **1.27%** | **50** | **2.15%** | **83** | **1.69%** |

A total of 539 people were laid off due to dismissal or termination of contract, with an average age of 57, and none of them was aged under 35 or had children aged under 12.

| 2021 EMPLOYEE CATEGORY | GENDER | | TOTAL | AVERAGE AGE |
|---|---|---|---|---|
| | MEN | WOMEN | | |
| **Executives** | 58 | 20 | 78 | 57 |
| **Middle managers** | 58 | 17 | 75 | 57 |
| **Technicians** | 42 | 47 | 89 | 57 |
| **Clerical staff** | 195 | 102 | 297 | 57 |
| **Total** | **353** | **186** | **539** | **57** |

| 2020 EMPLOYEE CATEGORY | GENDER | | TOTAL | AVERAGE AGE |
|---|---|---|---|---|
| | MEN | WOMEN | | |
| **Executives** | 2 | | 2 | 48 |
| **Middle managers** | 1 | 2 | 3 | 38 |
| **Technicians** | 1 | 2 | 3 | 42 |
| **Clerical staff** | 6 | 1 | 7 | 52 |
| **Total** | **10** | **5** | **15** | **47** |

| 2019 EMPLOYEE CATEGORY | GENDER | | TOTAL | AVERAGE AGE |
|---|---|---|---|---|
| | MEN | WOMEN | | |
| **Executives** | 0 | 0 | 0 | |
| **Middle managers** | 2 | 0 | 2 | 43 |
| **Technicians** | 1 | 1 | 2 | 44 |
| **Clerical staff** | 4 | 6 | 10 | 49 |
| **Total** | **7** | **7** | **14** | **47** |

## 301-1, 301-2, 302-1, 302-3, 302-4, 303-1

### CONSUMPTION

| WATER CONSUMPTION (m3) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Water consumption (headquarters) | 11,473 | 8,210 | 12,515 |
| Water consumption (branch network) | 29,978 | 28,818 | 26,419 |
| Average water consumption per employee and year (Entity) | 8.08 | 7.18 | 7.92 |

Specific observations: Well water collected is not included in the table because it is not consumed. Water consumption has been estimated in the Branch Network based on an average consumption ratio per unit of surface area. No. company employees: taken as the average annual headcount: 5,127 in 2019, 5,152 in 2020 and 4,910 in 2021.

| ENERGY CONSUMPTION (Gj) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Electricity (headquarters) | 30,991.3 | 28,455.83 | 28,850.71 |
| Electricity (branch network) | 100,164.8 | 93,390.28 | 92,132.60 |
| Average electricity consumption per employee and year (Entity) | 25.6 | 23.65 | 24.64 |
| Diesel (central building) | 30.7 | 41.54 | 73.85 |
| Diesel (branch network) | 3,199.7 | 3,427.11 | 3,017.86 |
| Natural Gas (branch network) | 3,720.6 | 4,465.97 | 4,063.22 |
| Average consumption of diesel and natural gas per employee and year (Entity) | 1.4 | 1.45 | 1.46 |

| PAPER CONSUMPTION Tm | 2019 | 2020 | 2021 |
|---|---|---|---|
| Type DIN A4 white (entity) | 8.17 | 9.64 | 9.03 |
| Recycled DIN A4 type (entity) | 257.3 | 211.57 | 224.92 |
| Total type DIN A4 (entity) | 265.4 | 221.21 | 233.95 |
| Type DIN A3 (entity) | 0.4 | 0.27 | 0.33 |
| Envelopes | 26.5 | 23.82 | 54.25 |
| Bovine (insert) | 77.0 | 88.03 | 59.1 |
| Average total paper consumption per employee (Entity) | 0.1 | 0.06 | 0.07 |
| Total paper consumption | 369.3 | 333.3 | 347.3 |

Specific observations on envelopes: Indicator based on the most commonly used envelope size (115x225). In 2021, the accuracy of envelope consumption data was improved and the quantity consumed in previous years was updated.

General remarks

Entity = headquarters + network of branches

No. of employees at central headquarters is considered to be the average workforce: 822 in 2019, 854 in 2020 and 866 in 2021

No. employees per entity is considered to be the average workforce: 5,127 in 2019, 5,152 in 2020 and 4,910 in 2021

Remarks on branch network electricity consumption: the annual electricity consumption of the Branch Network is calculated based on the electricity invoices of the various companies for the period from 1 December of the previous year to 30 November of the current year. This is because real calendar year data are not available until March of the following year.

Endesa's actual bills are not available for 2021. The data shown for office electricity consumption corresponds to Endesa's estimated consumption, which has been taken from the billing period from October 2020 to September 2021.

## 5-1, 305-2, 305-3, 305-4, 305-5

| CO2 EMISSIONS* | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Emissions from diesel consumption, in Tn of CO2 (total entity)** | 250.9 | 269.22 | 234.34 |
| **Emissions from natural gas consumption, in Tn of CO2 (total entity)** | 209.9 | 203.43 | 205.41 |
| **Emissions for electricity consumption, in Tn of CO2 (Central Building)** | 0 | 0 | 0 |
| **Emissions for electrical consumption, in Tn of CO2 (Branch network)** | 7,512.36 | 0 | 0 |
| **Emissions in Tn of CO2 by displacement of employees by car** | 1,133.5 | 607.42 | 687.06 |
| **Emissions in CO2 Tn by vehicle displacement (Total Entity)** | 77.6 | 44.98 | 58.31 |
| **missions in Tn of CO2 by messaging service (Total Entity)** | 82.42 | 69.15 | 58.65 |
| **Emissions in Tn of CO2 by leakage of fluorinated gases (Total Entity)** | 570.4 | 767.39 | 375.90 |
| **Emissions in Tn of CO2 by leakage of fluorinated gases (Central Building)** | 0 | 0 | 0 |
| **Total emissions, in Tn of CO2** | 9,837.04 | 1,961.60 | 1,619.68 |
| **Average CO2 emissions per employee in Tn CO2 **** | 1.92 | 0.38 | 0.33 |

Specific observations: The carbon footprint calculation tool of the Ministry for Ecological Transition (MITECO), Scopes 1-2, is used to calculate emissions.

The sources of the emission factors for the calculation of the CO2 emissions produced in the displacements are: The GHG Protocol (Greenhouse Gas Protocol) and IDAE (Institute for Energy Diversification and Saving)

The average number of employees is as follows: 5,127 in 2019, 5,152 in 2020 and 4,910 in 2021.

100% of electricity supplied by ENDESA is generated from renewable energy sources. This amount of energy is accredited through guarantees of origin by the CNMC.

(*) This figure varies from that reported in the 2020 Management Report (767.39 and 1,961.60) due to a calculation error.

## TABLE OF CO2 EMISSIONS – SCOPES 1, 2 and 3

| | | EMISSIONS (Tn CO2 eq) | | |
|---|---|---|---|---|
| SCOPE | EMITTING SOURCE | 2019 | 2020 | 2021 |
| | **Fuel consumption in buildings** | 460.8 | 472.65 | 439.76 |
| **1** | **Leakage of fluorinated gases** | 570.4 | 763.77 | 375.90 |
| | **Fuel consumption of own vehicles** | 77.63 | 44.98 | 58.31 |
| **2** | **Electricity consumption** | 7,512.36 | 0.00 | 0.00 |
| **TOTAL EMISSIONS, SCOPE 1+2 (Tn CO2 eq)** | | **8,621.19** | **1,281.4** | **873.97** |

| | | EMISSIONS (Tn CO2 eq) | | |
|---|---|---|---|---|
| SCOPE | EMITTING SOURCE | 2019 | 2020 | 2021 |
| **3** | **Commuting of employees by car for work purposes** | 1,133.5 | 607.42 | 687.06 |
| | **Delivery and distribution by courier service** | 82.42 | 69.16 | 58.65 |
| **TOTAL EMISSIONS, SCOPE 3 (Tn CO2 eq)** | | **1,215.92** | **676.58** | **745.71** |

| SCOPES | EMISSIONS (Tn CO2 eq) 2019 | 2020 | 2021 |
|---|---|---|---|
| **SCOPE 1** | 1,108.80 | 1,281.40 | 873.97 |
| **SCOPE 2** | 7,512.30 | 0 | 0.00 |
| **SCOPE 3** | 1,215.90 | 676.58 | 745.71 |
| **TOTAL EMISSIONS** | **9,837.00** | **1,957.90** | **1,619.68** |

## 306-2

| KILOS | 2019 | 2020 | 2021 |
|---|---|---|---|
| **TOTAL NON-HAZARDOUS WASTE (kg)** | 241,183.0 | 209,789.40 | 251,564.8 |
| **TOTAL HAZARDOUS WASTE (kg)** | 3,475.59 | 7,506.56 | 10,089.08 |
| **CONFIDENTIALLY DESTROYED PAPER (kg) (*)** | 230,996.0 | 67,050 | 242,921 |

(*) The actual quantity, in kg, of documentation in custody in 2020, expurgated and certified in 2021, is shown.

To calculate the amount of documentation in custody in 2021 to be destroyed, the same amount has been estimated as in 2020 (146,778 kg).

Confidential Destruction is certified according to UNE-EN 15713 – Secure destruction of confidential material.

## FS14

| CHANNEL OF RELATIONSHIP WITH CUSTOMERS | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Number of offices** | 1,084 | 1,031 | 914 |
| **Number of ATMs** | 1,316 | 1,287 | 1,172 |
| **% over-the-counter transactions** | 12.78% | 9.53% | 10.01% |
| **% transactions performed via distance banking** | 72.03% | 75.96% | 74.27% |
| **% transactions carried out at ATM** | 4.18% | 2.98% | 2.76% |
| **% transactions carried out at POS** | 10.86% | 11.33% | 12.97% |
| **% operations performed on updater** | 0.15% | 0.03% | 0.00% |
| **Active digital banking users per month** | 765,585 | 842,486 | 878,818 |
| **Active mobile banking users per month** | 432,211 | 521,551 | 603,409 |
| **Active mobile payment users per month** | 86,040 | 213,765 | 322,975 |
| **Total visits to ibercaja.es homepage** | 26,375,480 | 28,008,266 | 25,779,055 |

## FS8

| PARTICIPATED COMPANY | ENVIRONMENTAL PROJECT | INVESTMENT IBERCAJA | | | QUANTITATIVE INDICATOR |
|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | |
| Rioja Nueva Economía, S.A. | Bio-diesel plant in Calahorra and wind farm | 7,124 | 5,592 | 5,592 | Wind farm with 39 Mw of installed capacity<br>Biodiesel plant of 250 m Tn/year of |
| Solavanti | Photovoltaic projects | 6,030 | 6,030 | 6,030 | Total installed capacity: 44.46 Mw |
| Foresta Project | Forest plantations in Extremadura | 4,553 | 4,773 | 5,000 | 640 ha (Reservoir of 232,541 trees) |
| Energías Alternativas de Teruel | Promotion and exploitation of wind power | 26 | 26 | - | Projects under development with a capacity of 159 Mw |
| **Total investment Ibercaja** | | **17,733** | **16,421** | **16,622** | |

Specific observations: In 2021, the stake in Prames was reclassified from Environment to Tourism, due to the change of corporate activity. Therefore, in order to provide like-for-like information, this stake is not included in the data for 2019 and 2020.

# FS7

| ECONOMIC VALUES IN THOUSANDS OF EUROS | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Línea Joven** | | | |
| **Scholarships, postgraduate, etc.** | | | |
| No. of transactions | 27 | 8 | 9 |
| Financing amount | 87 | 23 | 9 |
| **Home purchases** | | | |
| No. of transactions | 2,219 | 1,308 | 1,319 |
| Financing amount | 214,421 | 129,473 | 129,864 |
| **Individuals** | | | |
| **Citizen Card Zaragoza** | | | |
| No. of transactions | 3,873,480 | 1,984,572 | 2,357,222 |
| OPERATIONAL amount | 2,495 | 1,313 | 1,556 |
| **Citizen Card Guadalajara** | | | |
| No. of transactions | 33,577 | 18,384 | 15,794 |
| OPERATIONAL amount | 14 | 8 | 7 |
| **Companies** | | | |
| **ICO Lines-Companies and Entrepreneurs** | | | |
| No. of transactions | 525 | 439 | 439 |
| Financing amount | 29,480 | 24,879 | 29,597 |
| **EIB agreements** | | | |
| No. of transactions | 1,964 | 915 | 167 |
| Financing amount | 111,374 | 50,446 | 8,573 |
| **Agro industry** | | | |
| No. of transactions | 3,598 | 2,860 | 2,519 |
| Financing amount | 137,198 | 120,069 | 102,542 |
| **Young Farmers and Cattle Ranchers** | | | |
| No. of transactions | 109 | 125 | 113 |
| Financing amount | 10,211 | 12,746 | 9,933 |

## FS10, FS11

### IBERCAJA INVESTMENTS IN COMPANIES AT WHICH CSR IS MATERIAL

| IBERCAJA'S INVESTMENTS IN COMPANIES IN WHICH CSR IS SIGNIFICANT (THOUSANDS OF EUROS) | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Amounts** | 107,306 | 103,3336 | 103,646 |
| **Companies** | 20 | 19 | 20 |
| **% of total equity interests** | 39% | 45% | 45% |

## 203-1

| BUSINESS SHAREHOLDINGS | INVESTMENT PAID | 2019<br>DIRECT WEALTH GENERATION | JOB CREATION | INVESTMENT PAID | 2020<br>DIRECT WEALTH GENERATION | JOB CREATION |
|---|---|---|---|---|---|---|
| | Thousands of euros | Thousands of euros | Direct and indirect | Thousands of euros | Thousands of euros | Direct and indirect |
| **Tourism sector** | 66,647 | 28,175 | 13,596 | 66,647 | 29,873 | 13,634 |
| **Logistics industry** | - | - | - | - | - | - |
| **Food and agriculture industry** | 1,306 | 25,292 | 1,147 | 1,306 | 9,984 | 1,154 |
| **Other sectors** | 6,600 | 1,173 | 5,570 | 6,600 | 873 | 5,803 |
| **Total** | 74,553 | 54,640 | 20,313 | 74,553 | 40,731 | 20,591 |

| BUSINESS SHAREHOLDINGS | INVESTMENT PAID | 2021<br>DIRECT WEALTH GENERATION | JOB CREATION |
|---|---|---|---|
| | Thousands of euros | Thousands of euros | Direct and indirect |
| **Tourism sector** | 67.463 | 1.331 | 13.603 |
| **Food and agriculture industry** | 1.306 | 9.127 | 1.057 |
| **Other sectors** | 8.523 | 3.403 | 26.446 |
| **Total** | **77,292** | **13,861** | **41,106** |

| Investment in strategic sectors (thousands of euros) | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Amounts** | **77,880** | **75,481** | **74,911** |

## INFORMATION ON THE TAXONOMY REGULATION (EU) 2020/852

Taxonomy Regulation (EU) 2020/852, published on 22 June 2020 by the European Parliament and the Council within the framework of the European Green Pact, aims to help create a fairer economy capable of generating employment equitably by defining those economic activities that can be considered environmentally sustainable.

In accordance with Article 8 of the Regulation, Ibercaja, being subject to Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of information, non-financial and diversity information by certain large companies and certain groups (hereinafter "NFRD"), must disclose how and to what extent its activities are associated with sustainable economic activities, as defined in that regulation.

At present, the Taxonomy has only developed climate change mitigation and climate change adaptation objectives, with the rest of the environmental objectives still to be defined.

The disclosure obligations required of entities subject to the NFRD in this year relate to eligibility ratios. Note that eligibility is not an indicator of an activity's environmental performance or sustainability for these purposes. Eligible economic activities are those that fall within the scope of the regulation and have the potential to contribute to the defined environmental objectives, provided that they meet the technical screening criteria set out in the Regulation; this analysis will be required of companies in the coming years, following a timetable for implementation of the Regulation.

The Ibercaja Group primarily engages in retail banking and carries out all its business in Spain. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

Below we break down below the quantitative information as at 31 December 2021, following the recommendations published by the European Commission in its FAQs document of December 2021, which states that credit institutions should report while following the requirements of the prudential consolidation perimeter in accordance with Title II, Chapter 2, Section 2 of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms.

| At 31 December 2021 | As % | Description of content |
|---|---|---|
| % of total assets exposed to Taxonomy-eligible economic activities | 55.03 | Activities with entities subject to the NFRD, households and local governments covered by the Taxonomy Regulation divided by the total assets covered (1) and (3) |
| % of total assets exposed to Taxonomy-non-eligible economic activities | 18.30 | Activities with entities subject to the NFRD, households and local governments not covered by the Taxonomy Regulation divided by the total |
| % of total assets exposed to Central Governments, Central Banks and Supranational Issuers | 16.72 | Exposures to Central Governments, Central Banks and Supranational Issuers divided by total on-balance sheet assets (2) |
| % of total assets exposed to derivatives | 0.14 | Derivative exposures divided by total balance sheet assets (2) |
| % of total assets exposed to entities not required to publish non-financial information | 26.67 | Exposures to entities not required to report under NFRD divided by total assets covered (1) |
| % of total assets corresponding to the trading book | 0.006 | Trading book exposures divided by total on-balance sheet assets (2) |
| % of total assets corresponding to overnight interbank loans | 0.00 | Exposures to overnight interbank loans divided by total on-balance sheet assets (2) |

(1): "Total assets covered" includes financial assets within the perimeter of the GAR calculation: financial assets at amortised cost, financial assets at fair value through other comprehensive income, investments in subsidiaries, joint ventures and associates, financial assets at fair value through profit or loss, and non-trading financial assets mandatorily measured at fair value through profit or loss as at 31 December 2021

(2): "Total balance sheet assets" is the total amount of assets considering the prudential consolidation perimeter as at 31 December 2021

(3) For the purpose of presenting a like-for-like perimeter with the information published in this management report, the figure of % of total assets exposed to Taxonomy-eligible economic activities is reported by following the consolidation perimeter of the consolidated financial information that includes the entire Ibercaja Group, which represents 49.23%; and the figure of % of total assets exposed to non-eligible economic activities, which represents 19.39%.

To determine the above information, assets exposed to eligible activities have been categorised as such on the basis of the list of activities contained in Annexes I and II of the Climate Delegated Act of the Taxonomy Regulation 2020/852, which list the activities that contribute substantially to the objectives of climate change mitigation and adaptation.

The information about these exposures has been obtained from the analysis of available counterparty data in the company's systems for each asset class. Most of the exposure to activities categorised as Taxonomy-eligible corresponds to exposures to residential real estate, which would correspond under the Regulation to activity 7.1 – Acquisition and ownership of buildings. Also relevant are assets with loan exposures and leasing and renting operations of private vehicles, which under the Regulation relates to activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles of Annex I of the Climate Delegated Act.

To assess the eligibility of exposures to financial and non-financial institutions, it must be based on actual data provided by the counterparty. As at the date of authorisation for issue of this report, the entities required to publish non-financial information have yet to report their eligibility indicators. Therefore, in the information broken down above, the percentages of exposure to eligible activities do not include information about the potential eligibility of the activities associated with those entities.

Likewise, in accordance with the provisions of the aforementioned Regulation, we have made the following exclusions for when calculating the aforementioned indicators:

a. Exposures to central governments, central banks and supranational issuers have been excluded from total hedged assets.

b. The trading portfolio has been excluded from total hedged assets.

c. Exposures to entities not required to publish non-financial information and derivative exposures have been excluded from the numerator of the percentage of total assets exposed to Taxonomy-eligible and non-eligible economic activities.

At Ibercaja, we are committed to sustainability, which is why we strive to duly address the needs and expectations of all our stakeholders while also complying with the provisions of all related regulations, including the Regulation giving rise to this report. When carrying on its financial activity, Ibercaja considers that its actions should promote a suitable balance between economic growth, social cohesion and the preservation of the environment, all in accordance with its Corporate Purpose: “Helping people build their life story because it will be our story.” As stated in its Sustainability Policy, Ibercaja is committed to aligning its commercial strategy with the UN Principles of Responsible Banking by tailoring its products and services to the new needs arising from sustainable development, championing more sustainable business models and practices and integrating ESG factors into global risk management.

With this objective in mind, the Ibercaja Group is now including ESG aspects in designing products and services with sustainable characteristics. During the year, it made progress in identifying and integrating sustainability risks and their disclosure, complying with the current requirements of Regulation 2019/2088, on which it continues to work to adapt its policies and pre-contractual information, website and periodic information to regulatory requirements.

# Appendix E – Independent assurance report

*102-56*

# Independent Assurance Report on the Consolidated Non-Financial Information Statement for the year 2021

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# INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

*Translation of a report originally issued in Spanish. In the event of discrepancy the Spanish-language version prevails*

To the Shareholders of Ibercaja Banco, S.A. (Parent company):

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement Consolidated (hereinafter NFIS) for the year ended 31 December 2021, of Ibercaja Banco, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) which forms part of the 2021 consolidated Group's Director's Report.

The consolidated Director's Report includes additional information to that required by prevailing mercantile legislation governing non-financial information that has not been subject of our assurance work. In this regard, our assurance work was limited only to providing assurance on the information contained in Appendix A "Requirements of Law 11/2018 on non-financial information and diversity", Appendix C "GRI Content Index", and in principles 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 of the chapter 6.11 "Implementation of the UNEP-FI Principles for Responsible Banking", included in the attached consolidated Group's Director's Report.

## Directors´responsibilities

The Board of Directors of the Parent is responsible for the preparation and presentation for the NFIS included in the Group´s Director's Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative of the selected GRI Standards, as well as those other criteria among which are the sectorial supplement "Financial Services of GRI-G4 guidelines" and "Principles for Responsible Banking of United Nation",described in accordance with that mentioned for each subject in Appendix A "Requirements of Law 11/2018 on non-financial information and diversity", Appendix C "GRI Content Index", and in principles 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 of the chapter 6.11 "Implementation of the UNEP-FI Principles for Responsible Banking", included in the attached consolidated Group´s Director´s Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Parent directors of Ibercaja Banco, S.A., are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

## Our Independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialized in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

## Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE) and the Limited Assurance Guide on the reporting of the Principles for Responsible Banking, issued by UNEP-FI (United Nations Environment Programme Finance Initiative).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent that for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Group that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Group personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.

- Analysis of the processes for compiling and validating the data presented in the NFIS for 2021, based on the materiality assessment performed by Group Management and described in section 3 "Guidelines to this document", in light of the content required under prevailing mercantile legislation.

- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2021.

- Review of the processes for compiling and validating the information presented in the NFIS of 2021.

- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2021 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.

- Procurement of a representation letter from the Directors and management.

## Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the entity´s investments are associated with economic activities eligible in accordance with the Taxonomy. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the NFIS which forms part of the aforementioned consolidated Director's Report does not contain comparative information on his matter. Additionally, certain information has been included in respect of which, at the date of preparation of the NFIS which forms part of the aforementioned consolidated Director's Report, the directors of Ibercaja Banco, S.A. have opted to apply the criteria that, in their opinion, best allow the to comply with the new obligation and those defined in the section "Information related of the European Taxonomy (UE) 2020/852) of the NFIS which forms part of the aforementioned consolidated Director's Report. Our conclusion is not modified in respect of this matter.

## Conclusion

Based on the Assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Information Statement Consolidated of Ibercaja Banco, S.A. and subsidiaries for the year ended 31th December 2021 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, as well as those other criteria among which are the sectorial supplement "Financial Services of GRI-G4 guidelines" and "Principles for Responsible Banking of United Nations",described in accordance with that mentioned for each subject in Appendix A "Requirements of the Law 11/2018 on non-financial information and diversity", Appendix C "GRI Content Index", and in principles 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 of the chapter 6.11 "Implementation of the UNEP-FI Principles for Responsible Banking", included in the attached consolidated Group´s Director´s Report.

## Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús

March 8, 2022

# CORPORATE GOVERNANCE
# REPORT

EL BANCO
DEL vamos

The Annual Corporate Governance Report is available at the CNMV and on the Bank's website, under the section "Shareholders and Investors – Corporate Governance and Remuneration Policy".

# Auditor´s report on the "Information Related to the System of Internal Control Over Financial Reporting (ICFR)" for the year 2021

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

(Ibercaja Banco Group)

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# AUDITOR´S REPORT ON THE "INFORMATION RELATED TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

Translation of a report and information originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Board of Directors of IBERCAJA BANCO, S.A.:

In accordance with the request from the Management of IBERCAJA BANCO, S.A. (hereinafter the Entity) and our engagement letter dated March 18, 2021, we have performed certain procedures on the "ICFR related information" attached "F. Internal control and risk management systems for financial reporting (ICFR)" of the Annual Corporate Governance Report of IBERCAJA BANCO, S.A., which summarizes the internal control procedures of the Entity in relation to the annual financial information.

The Board of Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR related information attached.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Entity in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of the entity´s internal control was to enable us to establish the nature, timing and extent of the audit procedures to be applied to the Entity´s financial statements. Therefore, our assessment of the internal control performed for the purposes of the audit of the financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively performed the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to Entity's annual financial information for 2021 described in the ICFR related information attached. Consequently, had we performed additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have come to our attention that would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures performed were as follows:

1. Read and understand the information prepared by the Entity in relation to the ICFR -which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the model established by CNMV Circular nº 5/2013 dated June 12, 2013 and subsequent amendments, the most recent one being CNMV Circular 1/2020 of October 6, 2020 (hereinafter, the CNMV Circulars).

2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) Obtain an understanding of the process followed in its preparation; (ii) Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) Obtain information on whether the control procedures described are implemented and in use by the Group.

3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.

4. Compare the information described in point 1 above with our knowledge of Entity's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.

5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.

6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures performed, no inconsistencies or issues were observed that might have an impact on ICFR related information.

This report was prepared exclusively within the framework of the requirements stipulated in article 540 of the Consolidated text of the Corporate Enterprises Act and CNMV Circulars on ICFR description in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús

March 8, 2022

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