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

Consolidated financial statements at 31 December 2022 and consolidated directors' report for 2022

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, 2022

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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, 2022, 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, 2022, 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 Group's portfolio of loans and advances to customers at amortized cost presented a balance of Euros 30,899 million at December 31, 2022, net of valuation adjustments. Valuation adjustments included Euros 443 million of provisions for impairment losses due to credit risk, as disclosed in note 11.4 to the accompanying consolidated financial statements. Estimating provisions for impairment on the portfolio of loans and advances to customers at amortized cost is important and complex. It considers a number of variables, such as classification of the financial assets, the use of measurement methods and models, and the estimate of assumptions used in the calculation, such provisions are calculated on both an individual and collective basis and it requires high degree of judgment by management according to the principles and policies applied by the Group, as described in note 2.3 to the accompanying consolidated financial statements. 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. Meanwhile, collective estimates of impairment losses are performed by means of internal models that use large databases, different macroeconomic scenarios, and present, past, and future information. Estimating impairment losses is a highly automated and complex process that relies on segmentation criteria for exposures and the use of judgement in determining exposure at default (EAD) and the parameters of expected loss: probability of default (PD) and loss given default (LGD). The Group periodically recalibrates and performs contrast test on its internal models and analyzes sensitivity to macroeconomic scenarios with a view to improving their predictive power on the basis of actual past experience. Additionally, as described in note 11.6.2 of the accompanying consolidated financial statements, the Group is exposed to risks derived from the macroeconomic, geopolitical environment or associated with pandemics such as COVID-19, which have increased with the outbreak of the conflict between Russia and Ukraine and increase the uncertainty around the variables considered by the Group in the quantification of impairment losses. For this reason, the group has supplemented the impairment losses resulting from the internal models with certain additional adjustments of a temporary nature that it considered necessary to reflect the particular characteristics of borrowers or portfolios that may not be identified in the general process of collectively estimating impairment losses. 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 relation to this matter included understanding the processes put in place by management to estimate impairment of loans and advances to customers at amortized cost due to credit risk, evaluating the design and implementation of the relevant controls established in those processes and verifying their operating effectiveness, and performing tests of detail on that estimate, to which end we involved our credit risk specialists. We focused on evaluating the methodology applied by the Group to calculate expected losses, the data and assumptions used in determining the expected loss parameters, the macroeconomic variables used, and the qualitative and quantitative criteria used to adjust the collective allowances and provisions arising from the internal models and the mathematical accuracy of the calculations.

Our procedures related to the assessment of the design and implementation of the relevant controls and verification of their operating effectiveness focused primarily on:

- Reviewing the credit risk management framework, including the design and approval of accounting policies, and of the methodologies and models for estimating expected loss.
- Reviewing the criteria for classification of transactions into stages based on credit risk, taking into account the age of the defaults, the conditions of the operation, including refinancing or restructuring, and the monitoring controls or alerts established by the Group, including those of the files of borrowers whose analysis is carried out individually. Reviewing the methods and assumptions used to estimate EAD, PD and LGD and to determine the macroeconomic variables and the integrity, accuracy an updating of the databases used to calculate expected losses.
- Verifying the reliability and coherence of the data sources used and evaluation of the integrity of the data used and the control and management process established on them.
- Reviewing of the governance framework on additional adjustments to impairment losses identified in the general process and, where applicable, adaptation of the estimate accordingly, considering uncertainties in markets deriving from macroeconomic scenarios and other geopolitical issues.
- Verification of the activities by the Internal Validation Unit in relation to the recalibration and contrast testing (“backtesting”) of the models for estimating collective impairment losses.

Our tests of detail on the estimated impairment losses included the following:

- We assessed the suitability of accounting policies applied by the Group in accordance with the applicable financial reporting framework, as well as the internal credit risk and valuation models for real estate assets (collaterals).
- 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.

- Carrying out selective checks on internal models, with the involvement of our financial risk specialists, in relation to the correct classification of credit transactions and the estimation of the parameters of expected losses (for example, the age of defaults, existence of forbearance and collateral values) as well as the reasonableness of the hypotheses and assumptions made about the future evolution of the macroeconomic variables. We also performed tests of detail on a sample of transactions to assess the correctness of their classification and segmentation for purposes of estimating impairment.
- Evaluation with the assistance of our credit risk specialists, the approach and methodology used by the Group for collectively estimating impairment losses by analyzing a sample of internal models. We also assessed the operation of the expected loss calculation engine by recalculating impairment losses on a collective basis for a sample of credit portfolios.
- 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.

In addition, we assessed whether the disclosures in the notes to the consolidated financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Group.

Assessment of goodwill recoverability

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, 2022 amounting to €145 million (see Note 16.1).

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.

Given that the assessment impairment of goodwill is a process that requires a high degree of judgment and estimation, especially given the uncertainties related to the economic and geopolitical environment, 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:

- Reviewing the criterion used for defining the Group’s CGU to which the goodwill is associated.
- Evaluating methodology used for estimating impairment of goodwill and determining any losses.
- 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.

- 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.

In addition, we assessed whether the disclosures in the notes to the consolidated financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Group.

Valuation of liabilities for life insurance contracts

Description

The Group's life insurance business entails marketing life insurance and unit linked products. The Group's balance sheet at December 31, 2022 shows an amount of 6,403 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 interest rates used.

- 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.

- Verifying the assumptions of expenses detailed in the technical notes and their adequacy, by comparing them with the actual expenses incurred.

In addition, we assessed whether the disclosures in the notes to the consolidated financial statements were prepared in conformity with the criteria provided in the 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, 2022, the Group maintains deferred tax assets amounting to 1,228 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 disclosures 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 as the organization and the management framework that allows an adequate management of technological risks that could affect to the Information Systems, and the physical and logical security controls he maintenance, development and exploitation of the systems, databases and applications used in the process of elaboration of financial Information.
Our response	In the context of our audit and with, with the collaboration of our information systems specialists, we evaluated the control environment of the Group regarding the operation systems, databases and key applications involved in 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.

Other information: consolidated management report

Other information refers exclusively to the 2022 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 and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, 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 2022 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit 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 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 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 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 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

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on March 3, 2023.

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)

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

March 3, 2023

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

At its meeting on 2 March 2023 in Zaragoza, pursuant to the prevailing legislation, the Board of Directors of Ibercaja Banco, S.A. resolved to authorise for issue the 2022 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 2022 consolidated directors' report, which were set forth on official stamped paper and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2022 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 2022 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.

SIGNATORIES:

MR FRANCISCO SERRANO GILL DE ALBORNOZ
Chairman

MR JESÚS BARREIRO SANZ
Non-Director Secretary

MR VÍCTOR IGLESIAS RUIZ
CEO

MR JOSÉ MIGUEL ECHARRI PORTA
Member

MR VICENTE CÓNDOR LÓPEZ
Member

MS MARÍA NATIVIDAD BLASCO DE LAS HERAS
Member

MR FÉLIX LONGÁS LAFUENTE
Member

MS MARÍA LUISA GARCÍA BLANCO
Member

MR JESÚS TEJEL GIMÉNEZ
Member

MR ENRIQUE ARRUFAT GUERRA
Member

MS MARÍA PILAR SEGURA BAS
Member

MS MARÍA LOPEZ VALDES
Member

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

Consolidated financial statements at 31 December 2022

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Thousands of euros)

ASSETS	Note	2022	2021 (*)
Cash and cash balances at central banks and other demand deposits	**6**	**1,582,223**	**6,388,624**
Financial assets held for trading	**7**	**25,177**	**2,864**
Derivatives		25,177	2,864
Debt securities		-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**8**	**1,547,710**	**1,668,437**
Equity instruments		1,546,214	1,666,941
Debt securities		-	-
Loans and advances		1,496	1,496
Customers		*1,496*	*1,496*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**9**	**5,530**	**7,451**
Debt securities		5,530	7,451
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**5,318,133**	**6,464,034**
Equity instruments		298,907	345,676
Debt securities		5,019,226	6,118,358
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*183,196*	*190,604*
Financial assets at amortised cost	**11**	**42,768,427**	**40,989,400**
Debt securities		11,209,203	9,974,513
Loans and advances		31,559,224	31,014,887
Credit institutions		*660,200*	*361,357*
Customers		*30,899,024*	*30,653,530*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*5,518,710*	*3,623,061*
Derivatives - Hedge accounting	**12.1**	**199,034**	**71,866**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		-	-
Investments in joint ventures and associates	**13**	**89,810**	**101,328**
Joint ventures		29,242	25,480
Associates		60,568	75,848
Assets under insurance or reinsurance contracts	**14**	**1,162**	**390**
Tangible assets	**15**	**978,150**	**1,004,091**
Property, plant and equipment		755,147	748,138
For own use		650,890	656,681
Assigned under operating lease		*104,257*	*91,457*
Investment property		223,003	255,953
Of which: assigned under operating lease		*91,674*	*59,235*
Memorandum items: acquired under finance lease		-	-
Intangible assets	**16**	**302,950**	**269,167**
Goodwill		144,934	144,934
Other intangible assets		158,016	124,233
Tax assets	**25**	**1,238,035**	**1,304,032**
Current tax assets		10,421	11,880
Deferred tax assets		1,227,614	1,292,152
Other assets	**17**	**128,073**	**148,297**
Inventories		69,135	89,654
Remainder of other assets		58,938	58,643
Non-current assets and disposal groups classified as held for sale	**18**	**176,292**	**211,428**
TOTAL ASSETS		**54,360,706**	**58,631,409**

(*) 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 2022.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Thousands of euros)

LIABILITIES	Note	2022	2021 (*)
Financial liabilities held for trading	**7**	**14,589**	**8,775**
Derivatives		14,589	8,775
Financial liabilities at fair value through profit or loss		-	-
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	**19**	**43,724,222**	**47,285,113**
Deposits		40,855,197	44,884,582
Central banks		-	*5,871,128*
Credit institutions		*2,013,412*	*745,174*
Customers		*38,841,785*	*38,268,280*
Debt securities issued		1,715,207	1,316,321
Other financial liabilities		1,153,818	1,084,210
Memorandum items: subordinated liabilities		*462,654*	*502,752*
Derivatives - Hedge accounting	**12.1**	**609,795**	**275,690**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**12.2**	**(140,313)**	**17,758**
Liabilities under insurance or reinsurance contracts	**20**	**6,403,447**	**7,121,494**
Provisions	**21**	**219,055**	**268,943**
Pensions and other post-employment defined benefit obligations		65,034	89,239
Other long-term employee remuneration		3,088	1,544
Lawsuits and litigation for outstanding taxes		10,628	7,163
Commitments and guarantees given		20,001	16,707
Other provisions		120,304	154,290
Tax liabilities		**134,242**	**160,221**
Current tax liabilities		1,058	772
Deferred tax liabilities	25.4	133,184	159,449
Other liabilities	**22**	**217,726**	**223,014**
Liabilities within disposal groups classified as held for sale		-	-
TOTAL LIABILITIES		**51,182,763**	**55,361,008**

(*) 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 2022.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Thousands of euros)

EQUITY	Note	2022	2021 (*)
Shareholders' equity	**23**	**3,288,255**	**3,253,857**
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		678,673	621,589
Revaluation reserves		3,280	3,288
Other reserves		1,940,826	1,960,567
Accumulated reserves or losses on investments in jointly-controlled entities and associates		*(36,159)*	*(35,848)*
Other		*1,976,985*	*1,996,415*
(Treasury shares)		-	-
Profit attributable to owners of the Parent		202,120	150,985
(Interim dividends)		(101,072)	(47,000)
Accumulated other comprehensive income		**(110,312)**	**16,544**
Items that will not be reclassified to profit or loss		29,906	25,282
Actuarial gains/(losses) on defined benefit pension plans	24.1	*2,863*	*(13,612)*
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 changes through other comprehensive income	24.3	*27,043*	*38,894*
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 in the fair value of equity instruments measured at fair value through other comprehensive income (hedging 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		(140,218)	(8,738)
Hedges of net investment in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	24.2	*(1,087)*	*(24,973)*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	24.3	*(139,131)*	*16,388*
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)*
Non-controlling interests	**23.2**	-	-
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,177,943**	**3,270,401**
TOTAL EQUITY AND LIABILITIES		**54,360,706**	**58,631,409**
Memorandum items: off-balance sheet exposures			
Loan commitments given	**27.3**	**3,180,128**	**3,220,412**
Financial guarantees granted	**27.1**	**98,854**	**97,630**
Other commitments given		**807,230**	**820,619**

(*) 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 2022.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR YEARS ENDED 31 DECEMBER 2022 AND 2021
(Thousands of euros)

	Note	2022	2021 (*)
Interest income	**28**	**641,910**	**549,923**
Financial assets at fair value through other comprehensive income		87,135	95,251
Financial assets at amortised cost		580,010	423,097
Other		(25,235)	31,575
(Interest expense)	**29**	**83,666**	**57,097**
(Expenses on share capital repayable on demand)		**-**	**-**
INTEREST MARGIN		**558,244**	**492,826**
Dividend income	**30**	**10,365**	**9,542**
Share of profit/(loss) of equity-accounted entities	**31**	**(516)**	**5,589**
Fee and commission income	**32**	**457,575**	**457,495**
(Fee and commission expenses)	**33**	**19,236**	**19,509**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**34**	**4,519**	**46,108**
Financial assets at amortised cost		7,881	40,779
Other financial assets and liabilities		(3,362)	5,329
(Net gains or (-) losses on financial assets and liabilities held for trading)	**34**	**9,843**	**645**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		9,843	645
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**34**	**(1,516)**	**103**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		(1,516)	103
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	**34**	**22**	**-**
Net gains or (-) losses from hedge accounting	**34**	**945**	**(194)**
Net exchange differences	**35**	**(274)**	**557**
Other operating income	**36**	**46,772**	**37,944**
(Other operating expenses)	**37**	**89,890**	**78,553**
Income from assets covered by insurance and reinsurance contracts	**20.2**	**1,117,710**	**904,463**
(Liability expenses covered by insurance or reinsurance contracts)	**20.2**	**1,117,974**	**904,756**
GROSS INCOME		**976,589**	**952,260**
(Administration expenses)		**497,911**	**544,249**
(Staff costs)	38	331,869	375,183
(Other administration expenses)	39	166,042	169,066
(Amortisation/depreciation)	**15, 16**	**74,997**	**66,973**
(Provisions or (-) reversal of provisions)	**21**	**18,995**	**5,722**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)		**65,234**	**78,008**
(Financial assets at fair value through other comprehensive income)	10	138	(1,887)
(Financial assets at amortised cost)	11.5	65,096	79,895
(Impairment or (-) reversal of impairment on investments in joint businesses or associates)		**-**	**128**
(Impairment or (-) reversal of impairment on non-financial assets)	**40**	**18,281**	**11,927**
(Tangible assets)		16,390	4,414
(Intangible assets)		142	-
(Other)		1,749	7,513
Net gains/(losses) on derecognition of non-financial assets	**41**	**5,720**	**(5,199)**
Negative goodwill recognised in profit or loss		**-**	**-**
Gains (losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	**42**	**(23,671)**	**(25,281)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**283,220**	**214,773**
(Expense or (-) income from taxes on income from continuing operations)	**25**	**81,100**	**63,788**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**202,120**	**150,985**
Profit/(loss) after tax from discontinued activities		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**202,120**	**150,985**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		202,120	150,985

(*) 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 2022.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR YEARS ENDED 31 DECEMBER 2022 AND 2021

(Thousands of euros)

	Note	2022	2021 (*)
PROFIT/(LOSS) FOR THE YEAR		**202,120**	**150,985**
OTHER COMPREHENSIVE INCOME	**24**	**(125,285)**	**(31,727)**
Items that will not be reclassified to profit or loss		**6,195**	**24,669**
Actuarial gains/(losses) on defined benefit pension plans		23,534	14,470
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		(14,684)	22,224
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in 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	25.4	(2,655)	(12,025)
Items that may be reclassified to profit or loss		**(131,480)**	**(56,396)**
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)		34,123	(47,891)
Valuation gains/(losses) taken to equity		*34,123*	*(42,246)*
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		(222,170)	(32,433)
Valuation gains/(losses) taken to equity		*(225,532)*	*(24,925)*
Transferred to the income statement	34	*3,362*	*(7,508)*
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		153	(169)
Corporation tax relating to items that may be reclassified to profit or loss	25.4	56,414	24,097
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**76,835**	**119,258**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		76,835	119,258

(*) 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 other comprehensive income at 31 December 2022.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(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)	Accumulated other comprehensive income	Other items	Total (Note 23)
I. 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**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**621,589**	**3,288**	**1,960,567**	**-**	**150,985**	**(47,000)**	**16,544**	**-**	**-**	**3,270,401**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**202,120**	**-**	**(125,285)**	**-**	**-**	**76,835**
Other changes in equity	**-**	**-**	**-**	**-**	**57,084**	**(8)**	**(19,741)**	**-**	**(150,985)**	**(54,072)**	**(1,571)**	**-**	**-**	**(169,293)**
Issuance of ordinary 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(51,140)	-	-	-	-	(101,072)	-	-	-	(152,212)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	108,224	(8)	(2,660)	-	(150,985)	47,000	(1,571)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,081)	-	-	-	-	-	-	(17,081)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Closing balance at 31/12/2022	**214,428**	**-**	**350,000**	**-**	**678,673**	**3,280**	**1,940,826**	**-**	**202,120**	**(101,072)**	**(110,312)**	**-**	**-**	**3,177,943**

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 2022.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN 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)	Accumulated other 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 ordinary 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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**

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

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR YEARS ENDED 31 DECEMBER 2022 AND 2021
(Thousands of euros)

	Note	2022	2021 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(5,071,406)**	**(1,044,965)**
Profit/(loss) for the year	**23**	**202,120**	**150,985**
Adjustments to obtain cash flows from operating activities		**249,184**	**384,849**
Amortisation/Depreciation	15 and 16	74,997	66,973
Other adjustments		174,187	317,876
Net increase/decrease in operating assets		**(909,431)**	**(1,715,097)**
Financial assets held for trading		(22,313)	2,639
Non-trading financial assets mandatorily measured at fair value through profit or loss		120,727	(814,716)
Financial assets at fair value through profit or loss		1,921	1,151
Financial assets at fair value through other comprehensive income		914,169	539,545
Financial assets at amortised cost		(1,836,895)	(1,479,094)
Other operating assets		(87,040)	35,378
Net increase/(decrease) in operating liabilities		**(4,627,278)**	**204,195**
Financial liabilities held for trading		5,814	3,145
Financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost		(4,049,679)	677,851
Other operating liabilities		(583,413)	(476,801)
Corporation tax credit/(payments)		**13,999**	**(69,897)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(17,893)**	**(35,529)**
Payments		**(150,195)**	**(142,576)**
Tangible assets		(97,248)	(94,815)
Intangible assets		(48,825)	(42,623)
Investments in joint ventures and associates		-	(597)
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		(4,122)	(4,541)
Other payments related to investing activities		-	-
Receipts		**132,302**	**107,047**
Tangible assets		56,687	41,397
Intangible assets		133	-
Investments in joint ventures and associates		20,710	833
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		54,772	64,817
Other receipts related to investing activities		-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		**282,898**	**(93,516)**
Payments		**(217,102)**	**(143,516)**
Dividends	4	(152,212)	(50,849)
Subordinated liabilities	19.4	(30)	-
Write down of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities	23.1	(64,860)	(92,667)
Receipts		**500,000**	**50,000**
Subordinated liabilities		-	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other receipts related to financing activities	19.4	500,000	50,000
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(4,806,401)**	**(1,174,010)**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD		**6,388,624**	**7,562,634**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,582,223**	**6,388,624**
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**	232,525	221,486
Cash equivalents at central banks	**6**	1,119,464	5,961,332
Other financial assets	**6**	230,234	205,806
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 2022.

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated financial statements for the financial year ended 31 December 2022

Contents

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated financial statements for the financial year ended 31 December 2022

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 Zaragoza (Spain), 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 Articles of Association and other public information can be viewed. During the 2022 financial year the Bank 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 2022 and 2021, in accordance with the same accounting standards and measurement bases applied in the Group's consolidated financial statements.

The Ibercaja Banco Group's 2021 consolidated financial statements were approved at the Bank's AGM held on 30 March 2022.

Both the consolidated financial statements and the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2022 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 2022, and the consolidated results of its operations and consolidated cash flows during the year then ended.

The consolidated financial statements of the Group for 2022 have been prepared by the directors of the Company, at a meeting of its Board of Directors held on 2 March 2023, 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 at 31 December 2022 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 2022, 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 2022 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 2.3, 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, 15.2, 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 Corporate Income Tax 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).

It should be noted that there is inherent uncertainty associated with these estimates, although since 2020 the degree of uncertainty has increased considerably. The emergence of the Covid-19 coronavirus in March 2020, and its effects on the global economy and global activity in 2020 and 2021, together with geopolitical uncertainties, mainly due to the armed conflict between Russia and Ukraine in February 2022, which has since aggravated the high volatility that had been affecting the markets, causing greater tensions in energy and commodity prices, an acceleration of inflationary pressures and tighter monetary policies, has meant that the consequences for the Bank's operations are still subject to a significant degree of uncertainty.

Despite the direct impact that the war between Russia and Ukraine might have on the Group can fairly be said to be immaterial given the low direct exposure to customers or counterparties originating in those two countries, it is difficult to estimate the indirect effects as the macroeconomic outlook is complex and fraught with uncertainty.

In the face of this uncertainty, the Group has focused its attention on ensuring 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 earnings, capital or liquidity).

The estimates described above have been made on the basis of the best available information at 31 December 2022 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 income statements for the years in question.

1.4 Comparative information relating to 2021

Under the regulations in force, the information contained in these consolidated financial statements for 2021 is presented exclusively for the purpose of comparison with the information for 2022, in order to aid understanding.

1.5 Agency agreements

Neither at year-end 2022 and 2021 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 2022 and 2021 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 included 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 2022, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following table:

	2022	2021
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	*2,322,796*	*2,420,441*
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)	18,045,437	18,051,935
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	*12.87%*	*13.41%*
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	*1.94%*	*1.94%*
Tier 1 capital ratio (Tier 1) (A)+(B)	*14.81%*	*15.35%*
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	*2.77%*	*2.77%*
Total capital ratio (A)+(B)+(C)	**17.58%**	**18.12%**

	2022	2021
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,672,796	2,770,441
Exposure (thousands of euros) (b)	48,270,672	46,071,860
Leverage ratio (a)/(b)	**5.54%**	**6.01%**

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 January 2023, 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 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 2022, Ibercaja Banco's consolidated ratios, CET1 of 12.87% and total capital of 17.58%, stood at 4.66% and 4.93%, respectively, above the regulatory requirements established for 2023.

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

	Thousands of euros	
	2022	**2021**
Share capital	*214,428*	*214,428*
Equity instruments issued other than capital	*350,000*	*350,000*
Retained earnings	*678,673*	*621,589*
Revaluation reserves	*3,280*	*3,288*
Other reserves	*1,940,826*	*1,960,567*
Profit/(loss) attributed to the parent	*202,120*	*150,985*
Interim dividends	*(101,072)*	*(47,000)*
Shareholders' equity in public balance sheet	*3,288,255*	*3,253,857*
Accumulated other comprehensive income	(110,312)	16,544
Non-controlling interests	-	-
Equity in public balance sheet	**3,177,943**	**3,270,401**
Intangible assets	*(308,318)*	*(275,742)*
Intangible asset amortisation adjustment	*58,211*	*30,772*
Deferred tax assets	*(270,802)*	*(265,415)*
Adjustments to Common Equity Tier 1 due to prudential filters	*(707)*	*23,151*
Transitional adjustment for first-time application of IFRS9 9	*66,031*	*74,110*
Proposed distribution of dividends	*(20,200)*	*(51,140)*
Deduction for insufficient coverage of doubtful transactions	*(5,155)*	*(3,689)*
Additional deductions ordinary tier 1 capital	*(24,200)*	*(32,000)*
Equity instruments ineligible as CET1	*(350,000)*	*(350,000)*
Contingent convertible bonds	-	-
Differences in public equity for prudential purposes	*(7)*	*(7)*
Total adjustments and deductions	**(855,147)**	**(849,960)**
Total common equity tier 1 (CET1)	**2,322,796**	**2,420,441**
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)	**2,672,796**	**2,770,441**
Subordinated financing and other	500,000	500,000
Total tier 2 capital (T2)	**500,000**	**500,000**
Total eligible shareholders' equity	**3,172,796**	**3,270,441**

Below are the details at 31 December 2022 and 2021 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	
	2022	2021
TOTAL ELIGIBLE SHAREHOLDERS' EQUITY	**3,172,796**	**3,270,441**
Tier 1 capital (T1)	**2,672,796**	**2,770,441**
Common equity tier 1 (CET1)	**2,322,796**	**2,420,441**
Equity instruments disbursed	214,428	214,428
Retained earnings and other reserves	2,619,492	2,582,149
Admissible results	80,848	52,845
Revaluation reserves	3,280	3,288
Non-controlling interests	-	-
Accumulated other comprehensive income	(110,312)	16,544
Adjustments to Common Equity Tier 1 due to prudential filters	(707)	23,151
Transitional adjustment for first-time application of IFRS9 9	66,031	74,110
Deductions of common equity tier 1 instruments (CET 1)	(550,264)	(546,074)
Deduction for insufficient coverage of doubtful transactions	*(5,155)*	*(3,689)*
Additional deductions ordinary tier 1 capital	*(24,200)*	*(32,000)*
Intangible assets	*(308,318)*	*(275,742)*
Intangible asset amortisation adjustment	*58,211*	*30,772*
Deferred tax assets dependent on future earnings	*(270,802)*	*(265,415)*
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

Given the structure of own funds and eligible liabilities of the resolution group, at 31 December 2022, the MREL ratio in terms of RWAs is 18.13%, excluding the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs) and 7.71% in terms of leverage ratio, 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 2022 consolidated financial statements (Note 1.1).

1.7.5 Credit ratings granted

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

Company	Date		Short term		Long term		Outlook	
	2022	2021	2022	2021	2022	2021	2022	2021
Standard&Poors	November 2022	June 2021	A3	B	BBB-	BB+	Stable	Stable
Moody's	December 2022	October 2021	NP	NP	Baa3	Ba1	Positive	Stable
Fitch Ratings	July 2022	September 2021	F3	B	BBB-	BB+	Stable	Positive

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 2022, the expense incurred as a result of the contribution to this body was 16,095 thousand euros (13,794 thousand euros in 2021; 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 at 31 December 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 (50,397 thousand euros and 44,786 thousand euros at 31 December 2022 and 2021, 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, that shortfall ended in 2022 (ten annual instalments of 8,146 thousand euros each).

In 2022, the expense incurred as a result of all contributions made to this body was 57,473 thousand euros (52,094 thousand euros in 2021). This amount was recognised under "Other operating expenses" (57,434 thousand euros and 51,819 thousand euros in 2022 and 2021, respectively; Note 37) and "Interest costs" (39 thousand euros and 275 thousand euros in 2022 and 2021, respectively; Note 29).

1.9 Minimum reserve ratio

At 31 December 2022, and throughout 2022, 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 2022 amounted to 374,497 thousand euros (359,127 thousand euros at 31 December 2021).

1.10 Events after the reporting period

On 1 January 2023, Ibercaja Banco recorded under "Other operating expenses" in the consolidated income statement an impact of 28,913 thousand euros for the temporary levy on credit institutions.

This tax has been regulated by Law 38/2022 of 27 December for the establishment of temporary energy taxes and taxes on credit institutions and financial credit establishments and which creates the temporary solidarity tax on large fortunes and amends certain tax regulations, which makes it compulsory for credit institutions operating in Spanish territory whose total interest and fee income for 2019 is equal to or greater than 800 million euros to pay a non-tax public benefit during 2023 and 2024, which is payable on the first day of the calendar year of those years. The amount of the benefit to be paid will be the result of applying the percentage of 4.8% to the sum of the interest margin and the income and expenses from commissions derived from the activity carried out in Spain and which appear in the income statement of the tax consolidation group to which the credit institution belongs for the calendar year prior to the year in which the obligation to pay arose.

On 18 January 2023, Ibercaja, S.A. set the economic terms of an issue of preference shares with a principal reduction mechanism for a nominal amount of 350 million euros. The preference shares were issued at par value and carry remuneration, to be paid on a quarterly basis, of 9.125% a year up to 24 July 2028. From that moment onwards, the remuneration will be revised every five years with application of a margin of 6.833% at the five-year mid-swap rate. 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 (CET1) of Ibercaja Group falls below 5.125%. The payout and closing of this issue was carried out on 25 January 2023, and it was listed for trading in the AIAF fixed income market.

This issue of preference shares will count as Tier 1 capital. Likewise, in February 2023, Ibercaja Banco received authorisation from the corresponding Supervisor to redeem, at 6 April 2023, the preference shares that were on the Group's consolidated balance sheet at 31 December 2022 (Note 23.1) and which were included as Tier 1 capital.

1.11 Changes in accounting estimates and criteria

In 2022, 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 2022 were as follows:

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 IFRS 3	Reference to the Conceptual Framework
Annual improvements to IFRS	Cycle 2018-2020

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 shall 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 from the beginning of the earliest period presented in the financial statements in which they are first applied. This standard has had no impact on the Group.

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. This standard has had no impact on the Group.

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. This standard has had no impact on the Group.

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. This standard has had no impact on the Group.

Standards and interpretations that are not effective at 31 December 2022

At the date of authorisation for issue of these consolidated financial statements, new International Financial Reporting Standards and Interpretations had been published which were not mandatory at 31 December 2022. 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
IFRS 17 (*)	Insurance contracts
Amendment to IFRS 17 (*)	First-time application of IFRS 17 and IFRS 9: Comparative information
Amendment to IAS 1 (*)	Breakdown of accounting policies
Amendment to IAS 8 (*)	Definition of Accounting Estimates
Amendment to IAS 12 (*)	Taxes

(*) Applicable for financial years beginning on or after 1 January 2023.

IFRS 17 Insurance contracts

IFRS 17 sets out the principles that an entity should apply in relation to the recognition, measurement, presentation and disclosure of insurance contracts, introducing various profound changes with respect to IFRS 4, with the aim of achieving greater consistency and increasing comparability between entities. This standard will apply to financial years beginning on or after 1 January 2023 (with a minimum of one year's comparative information), i.e. the entry into force of this standard will require reporting of the Group's balances at 1 January 2022.

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

With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model that will use updated assumptions at each closing, with several calculation approaches. The General Model (Building Block Approach) is the default method for the valuation of insurance contracts, unless the conditions for applying one of the other two methods are met: the Variable Fee Approach or the Premium Allocation Approach.

The General Model requires entities to value insurance contracts as 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 the uncertainty associated with non-financial assumptions;

– and the contractual service margin, representing the expected unearned profit under the insurance contracts, which is recognised in the Bank's income statement as the service is provided in the future.

In addition to the general model (BBA), the other two methods mentioned require the fulfilment of a number of conditions for their use:

– Variable Fee Approach (VFA): applicable to direct participation contracts. These contracts, in addition to the benefits guaranteed at the inception of the contract, offer policyholders the opportunity to participate in the return of a pool of assets and/or surpluses generated from other sources of benefits. In this type of contract, the entity undertakes to pay a consideration equal to the fair value of the underlying items from which a variable fee is deducted as remuneration for the services to be provided in the future.

– Premium Allocation Approach (PPA): this is a simplification of the general model applicable at the entity's discretion for contracts with a hedge period equal to or less than one year, or where the measurement of the remaining hedging liability does not differ significantly from that calculated under the general approach.

Under IFRS 17, the amounts recognised in the income statement are broken down into revenue from insurance activity, expenses from the provision of insurance service and insurance finance income or expenses, which is a significant change from the disclosures under IFRS 4. Revenues from insurance activity and expenses from the provision of insurance service exclude any investment component and are recognised over the period in which the entity provides insurance cover.

For portfolios managed by flow matching, the accounting option of recognising the impact of changes in the discount rates of insurance liabilities in “Other Comprehensive Income” has been chosen for the most part to minimise accounting asymmetries with the recording of financial investments.

The Group has incorporated into its accounting policy for insurance contracts the aforementioned changes due to the entry into force of IFRS 17, thereby establishing the accounting criteria for the recording of insurance contracts entered into by Group companies.

With regard to the transition requirements, the transition date will be 1 January 2022. Given the impracticability of applying IFRS 17 retroactively and the impossibility of having reasonable and supported information without incurring a disproportionate cost or effort, the Group has opted to apply the fair value method, whereby the contractual service margin or loss component of a group of contracts is determined at the transition date as the difference between the fair value of the group of contracts and their fulfilment cash flows valued at that date.

The methodology used to obtain the origination discount rate consisted of applying the top-down approach for immunised portfolios, eliminating the credit risk spread by means of the fundamental EIOPA spread to the European government bond curve. However, in non-immunised portfolios the bottom-up approach has been used, using the EIOPA risk-free curve plus volatility at transition date.

The impact of the transition comes mainly from the "interest rate effect", resulting from the valuation of long-term insurance liabilities at the difference between the origination discount rate and the closing rate, as the Group has chosen to split the financial income or expense of insurance between the income statement and accumulated other comprehensive income. Other elements affecting the impact of the transition relate to the elimination of shadow accounting and the fair value measurement of certain financial asset portfolios, with the aim of mitigating accounting asymmetries.

Consequently, the differences in accumulated other comprehensive income and retained earnings mainly arise from long-term contracts, although they will not have a significant impact on the Group's equity.

In order to determine the risk adjustment, in most cases, information on the best estimate liability (BEL) and capital requirements has been used to obtain the risk adjustment using a VaR methodology.

The Group has defined the hedging units as required by the standard and has decided not to change the treatment of accounting estimates made in previous interim periods when applying IFRS 17.

The Group has availed itself of the European derogation on annual cohorts for products with core flows.

In addition, on 9 December 2021 the IASB issued an amendment to IFRS 17 on comparative information on initial application of IFRS 17 and IFRS 9 with the objective of helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thereby improve comparative information for users of financial statements. This amendment permits companies to present comparative information for financial assets on initial application of IFRS 17 and IFRS 9 based on the expected classification under IFRS 9 as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets. This presentation can only be applied for comparative periods that have been restated for IFRS 17.

As the Group already applied IFRS 9 on the financial assets originating from the insurance company, the only expected impact comes from the portfolios that will be reclassified to avoid certain asymmetries between assets and liabilities.

Lastly, based on the analysis performed up to the date of authorisation for issue of these consolidated financial statements, the impact of the entry into force of IFRS 17 on the Group's consolidated financial statements at 1 January 2023 is not expected to be material to the Group's equity. However, the Group is still working to refine its estimates and determine the final impacts in the comparative information for 2022.

Amendments to IAS 1 and IFRS Practice Statement No. 2 - Disclosures of Accounting Policies

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.

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 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.

Not approved for use in the EU

Standards and Interpretations	Title
Amendment to IAS 1 (*)	Classification of liabilities as current or non-current. Non-current liabilities with agreed terms
Amendments to IFRS 16 (*)	Lease liability in sale and leaseback transactions

(*) Applicable for financial years beginning on or after 1 January 2024.

Amendments to IAS 1 Classification of liabilities as current or non-current.

These amendments are intended to clarify how to classify an entity's debts and other liabilities between current and non-current, in particular those liabilities without a specified maturity date and those that could be converted into equity. Early implementation of these amendments is permitted.

Amendments to IAS 1 Non-current liabilities with agreed conditions

These amendments are intended to clarify how covenants affect a loan's classification as a current or non-current liability depending on whether those covenants have to be met before or after the date of the financial statements. These amendments change the "Classification of liabilities as current or non-current" and defer their effective date to 1 January 2024. Earlier application of these amendments is permitted.

Amendments to IFRS 16 Lease liabilities under sale and leaseback transactions

These amendments are intended to specify the requirements that a seller-lessee should use to quantify the lease liability arising on a sale and leaseback transaction so that the seller-lessee does not recognise any gain or loss related to the right of use it retains.

The application of the amendments to IFRS 16 shall be retrospective and early application is permitted.

The Group is analysing the impact that these standards, amendments and interpretations may have on the consolidated financial statements and at the date of authorisation for issue 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 2022 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 Bank 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.

Theses 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 the 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 2022 and 2021 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

Business model and contractual cash flow characteristics of financial assets

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.

– Resto de activos financieros.

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.

Reclassifications between portfolios of financial instruments

Current regulations state that when, and only when, an entity changes its business model for the management of financial assets, it shall reclassify all affected financial assets. In the case of portfolio reclassifications, it should be borne in mind, among other considerations, that:

– The reclassification would be made prospectively from the date of reclassification;

– changes in the business model occur very infrequently; and,

– financial liabilities cannot be reclassified between portfolios.

There have been no reclassifications in the financial asset portfolios in 2022 or 2021.

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 Bank 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.

Transactions purchased or originated with credit impairment

As at 31 December 2022, 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.

Transaction classification criteria

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 (accounting arrears) 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 non-performing are reclassified to performing when, as result of the partial or full collection of outstanding amounts in the case of non-performing exposures due to default, or because the cure period has been completed in the case of non-performing exposures for reasons other than default, the reasons that gave rise to the classification of the operation as non-performing 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 non-performing 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 non-performing for reasons other than default due to non-automatic factors (manually identified default).

- Borrowers without appreciable risk classified as non-performing 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 non-performing 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.

Refinancing and restructuring

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 non-performing:

- Operations reclassified from non-performing exposures or which are refinanced to avoid their classification as non-performing 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 non-performing 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 non-performing 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 thereof 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 non-performing exposures for reasons other than default, provided that they were classified as non-performing 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.

<u>Determination of provisions</u>

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 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 the development of the current economy. 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:

  Uncertainty is once again extremely high due to the unpredictability of how the energy crisis will progress, which has a determining effect on the trend of prices in the production and consumption chains, affecting the purchasing power and confidence of European households. In this scenario, the energy crisis is causing job losses in part of industry, with a knock-on effect on the rest of the economy, and is affecting consumption along with persistent inflation.

– Adverse scenario:

  In the adverse scenario, job destruction is more intense and long-lasting in an environment of increased price pressure and prolonged energy crisis. Furthermore, there is a low take-up of Next Generation European Union funds.

– Favourable scenario:

  In a favourable scenario, electricity prices moderate and the damage caused by inflation diminishes. Companies in sectors with greater exposure to electricity prices manage to pass on the increase in costs to final prices, thus avoiding the destruction of employment and the productive fabric.

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 non-performing, 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 non-performing, 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 Bank 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.

Collective provision estimates

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.

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

- Consumption,
- Self-employed, 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).

Classification and Provision for credit risk due to country risk

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, non-performing 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 income statement.

- 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 income statement.

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 income statement.

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 income statement. 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 income statement.

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 income statement 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 income statement.

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			
	2022		2021	
	Assets	Liabilities/ Equity	Assets	Liabilities/ Equity
Breakdown by type of portfolio -	**169,623**	**18,984**	**179,968**	**38,902**
Financial assets/liabilities at fair value with changes in profit or loss or in equity	92,934	-	104,863	-
Financial assets/liabilities at amortised cost	76,689	40,406	75,105	41,988
Other	-	(21,422)	-	(3,086)
Breakdown by type of currency -	**169,623**	**18,984**	**179,968**	**38,902**
US dollar	154,278	13,013	171,237	38,902
Pound sterling	9,456	6,930	4,357	2,974
Swiss franc	1,081	1,011	872	796
Japanese yen	903	78	943	15
Canadian Dollar	35	8	23	8
Norwegian krone	3	-	45	20
Other	3,867	(2,056)	2,491	(3,813)

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 income statement, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated income statement 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 “Accumulated other 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 income statement 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 income statement when payment is made.

- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated income statement 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 income statement.

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 income statement 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 income statement 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 income statement 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).

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

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 income statement 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 income statement. 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

Investment 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 income statement.

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

2.13 Staff costs

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".

<u>Defined contribution plans</u>

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 "Staff costs" in the consolidated income statement. The contributions made by the defined contribution plan promoters amounted to 13,699 thousand euros in 2022 and 15,413 thousand euros in 2021 (Note 38).

<u>Defined benefit plans</u>

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 income statement: 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 income statement 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.

Pension supplements for serving or retired personnel

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 income statement.

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 41 of the Collective Agreement, plus the family support. If this second limit is applicable, the resulting amount may not be less than 230,000 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 41 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, Ibercaja Banco's General Shareholders' Meeting approved the terms and conditions of the long-term incentive plan (the "Plan") for the Bank's key executives, linked to the Challenge 2023 Strategic Plan. 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 2022, the Group maintains a provision of 3,088 thousand euros (1,544 thousand euros at 31 December 2021) under "Provisions - Other long-term employee benefits" in the accompanying consolidated balance sheet (Notes 21 and 38), for the amount accrued 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 Corporation tax

The corporation 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 corporation 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 income statement 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 17
Fixtures	5 to 17
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 income statement.

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 income statement, 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 income statement 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 income statement (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 income statement.

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

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 income statement. 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 income statement 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 income statement 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 income statement 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 income statement. 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 income statement 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 was carried out to determine the need for a provision for current risks based on the provisions of Article 31 of the Insurance Regulation. This yielded a positive balance, which shows the lack of obligation to make such a 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 Undertakings, 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”.

It should be noted that the accounting policies relating to Insurance Operations described in this note will be modified in the terms indicated in Note 1.11 due to the entry into force of IFRS 17.

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 income statement.

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 income statement") 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 "Corporation tax".

Therefore, this statement shows:

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

b) The net amount of income and expenses recognised as "Accumulated other 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).

3. <u>Risk management</u>

3.1 General principles

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

- Maintain the Group's medium-low risk profile while meeting profitability, liquidity and solvency targets.
  - Achieve low or moderate relative exposure to all risks.
  - Diversify risks to avoid excessive levels of concentration in any of its manifestations.
  - Having a comfortable liquidity position to meet payment obligations and protect depositors' interests.

  - Avoid the materialisation of operational, regulatory, legal or reputational risks through active and continuing risk management.
  - Generate adequate levels of recurrent risk-adjusted returns underpinned by a strong capital and liquidity base.
  - Ensure prudent limits to vulnerable exposures to climate and environmental risks.
- Comply at all times with regulatory requirements.
- Maintain effective risk governance that is led by the Board of Directors and senior management and extends to all areas involved.
- Foster a risk-aware culture and support the organisation's suitable understanding of the level and nature of risks to which it is exposed.
- Securing the trust of customers, investors, employees, suppliers and other stakeholders.

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.

- Model risk. Potential loss that an institution may incur as a result of decisions that could be based primarily on the output of internal models, due to errors in the development, implementation or use of such models.

- Climate and environmental risk. This includes both physical risk, understood as the financial impact of a changing climate, and transition risk, understood as the financial losses that an entity may suffer directly or indirectly from the process of adjusting to a lower carbon and more environmentally sustainable economy. These risks are considered as risk factors in the categories of credit risk, market risk and operational 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 characterised 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 and liquidity 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 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

<u>Board of Directors</u>

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.

<u>Large Exposures and Solvency Committee</u>

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.

Strategy Committee

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.

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.

3.4.2 Executive Committees

Global Risk Committee

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.

Audit Committee

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: Organisationally located in the Control Area Division, it is responsible for carrying out internal control functions in risk management, acting independently of the business and support units. To carry out its functions, it is configured through the Risk Control Division, which monitors and reports on risks, as well as reviewing the application of management policies and control procedures by the first line; the Regulatory Compliance Division, which is responsible for checking that operations are carried out in accordance with applicable legislation, regulations and internal policies; and the Customer Service Unit.

- 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 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 Bank, through the various support measures (public and private) put in place as a result of the Covid-19 crisis, 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 borrowers affected by this crisis were identified and subsequently extended to those affected by the crisis derived from the war in Ukraine/increase in the price of raw materials in order to assess their payment capacity and the Bank has carried out various risk management and accounting recognition actions on these customers and exposures identified as having a higher risk profile.

The impact of these crises, 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 negative impact of classifying the exposure as Stage 2 or ultimately defaulting on the exposure.

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, 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.

In addition, the “Guidelines on lending and loan monitoring” issued by the European Banking Authority (EBA/GL/2020/06), which are applicable at June 2021, are of particular relevance. These guidelines apply to the risk management practices, policies, processes and procedures used for lending and the monitoring of non-doubtful exposures, as well as their integration into overall risk management frameworks. In particular, section 8 of these Guidelines refers specifically to the Monitoring Framework that financial institutions must have.

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 2022 and 2021:

	Thousands of euros			
	31/12/2022			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**41,244,038**	**1,476,221**	**495,623**	**43,215,882**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	-	-	2,896	2,896
Allowances for impairment of assets	86,972	104,840	251,251	443,063
Of which: calculated collectively	*86,972*	*90,628*	*178,562*	*356,162*
Of which: calculated separately	-	*14,212*	*72,689*	*86,901*
Net amount	**41,157,066**	**1,371,381**	**241,476**	**42,769,923**

	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**

Impairment adjustments to collectively calculated assets amounted to 38 thousand euros at 31 December 2022 (2 thousand euros at 31 December 2021) 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	
	2022	**2021**
Public sector	11,875,360	10,571,973
Credit Institutions	693,934	421,129
Real estate construction and development	1,000,951	1,044,664
Other production activities	9,715,619	9,229,100
Housing acquisition and refurbishment	18,058,692	18,385,389
Consumer and other household lending	714,759	765,958
Other sectors not classified	1,156,567	1,113,150
	43,215,882	**41,531,363**

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	
	2022	**2021**
Mortgage guarantees	20,241,918	20,887,418
Pledges - financial assets	96,849	161,579
Off-balance sheet guarantees – public sector, credit institutions, mutual guarantee	3,056,141	3,278,296
Guarantees - public sector debt	1,613,345	1,615,394
	25,008,253	**25,942,687**

Guarantees received and financial guarantees granted break down as follows at 31 December 2022 and 2021:

	Thousands of euros	
	2022	**2021**
Value of collateral	19,990,903	20,621,799
Of which: guarantees normal risks on special watch	*860,182*	*1,003,794*
Of which: guarantees non-performing risks	*279,230*	*424,694*
Value of other collateral	6,650,731	7,120,648
Of which: guarantees normal risks on special watch	*669,372*	*696,350*
Of which: guarantees non-performing risks	*179,903*	*249,032*
Total value of the collateral received	**26,641,634**	**27,742,447**

	Thousands of euros	
	2022	**2021**
Loan commitments given (Note 27.3)	**3,180,128**	**3,220,412**
Of which: amount classified as normal on special watch	*87,294*	*80,847*
Of which: classified as non-performing	*3,854*	*5,383*
Amount recognised under liabilities on the balance sheet (Note 21)	*7,515*	*4,174*
Financial guarantees granted (Note 27.1)	**98,854**	**97,630**
Of which: amount classified as normal on special watch	*7,460*	*12,709*
Of which: classified as non-performing	*4,483*	*4,733*
Amount recognised under liabilities on the balance sheet (Note 21)	*5,845*	*6,073*
Other commitments given	**807,230**	**820,619**
Of which: amount classified as normal on special watch	*2,532*	*411*
Of which: classified as non-performing	*26,524*	*25,359*
Amount recognised under liabilities on the balance sheet (Note 21)	*6,641*	*6,460*

At December 2022 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 53.06% (50.16% at December 2021).

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	
	2022	**2021**
Customer default	381,311	572,801
Other factors	114,312	144,820
	495,623	**717,621**

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 2022 and 2021:

	Thousands of euros							
	2022							
	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	**710,940**	**42,716**	**283**	**15,852**	**24,428**	**2,719**	**-**	**-**
Other financial institutions and individual entrepreneurs (financial business activity)	**1,627,077**	**9,929**	**1,613,679**	**478**	**1,740**	**7,522**	**1,613,670**	**198**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**8,376,319**	**2,027,918**	**66,892**	**886,973**	**693,834**	**353,034**	**49,364**	**111,605**
Real estate construction and development (including land)	967,205	926,861	19	357,314	351,028	200,892	15,362	2,284
Civil engineering	1,462	25	-	25	-	-	-	-
Other purposes	7,407,652	1,101,032	66,873	529,634	342,806	152,142	34,002	109,321
Large corporations	*2,505,144*	*18,995*	*260*	*9,075*	*4,930*	*1,974*	*3,030*	*246*
SMEs and individual entrepreneurs	*4,902,508*	*1,082,037*	*66,613*	*520,559*	*337,876*	*150,168*	*30,972*	*109,075*
Other households	**19,565,509**	**18,032,011**	**49,043**	**4,867,816**	**5,798,137**	**5,767,533**	**1,071,191**	**576,377**
Homes	17,897,015	17,645,570	21,617	4,647,570	5,687,263	5,713,379	1,057,680	561,295
Consumption	691,314	78,776	16,596	61,976	19,080	11,338	2,329	649
Other purposes	977,180	307,665	10,830	158,270	91,794	42,816	11,182	14,433
Total	**30,279,845**	**20,112,574**	**1,729,897**	**5,771,119**	**6,518,139**	**6,130,808**	**2,734,225**	**688,180**
Memorandum items: refinancing, refinanced and restructured operations	**289,605**	**224,038**	**893**	**62,526**	**64,516**	**59,887**	**22,601**	**15,401**

	Thousands of euros							
	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 institutions 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)	**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*	-	*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	**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	**385,306**	**342,443**	**811**	**70,714**	**68,623**	**75,654**	**49,155**	**79,108**

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				
	2022				
	Spain	Other EU	America	Rest of the world	Total
Central banks and credit institutions	**1,978,453**	**446,268**	**7,913**	**63,302**	**2,495,936**
Public administrations	**14,030,483**	**1,615,227**	**90,256**	**-**	**15,735,966**
Central government	12,935,943	1,615,227	90,256	-	14,641,426
Other public administrations	1,094,540	-	-	-	1,094,540
Other financial companies and individual entrepreneurs (financial business activity)	**1,908,068**	**387,153**	**-**	**12,070**	**2,307,291**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**11,112,776**	**656,540**	**21,523**	**11,838**	**11,802,677**
Real estate construction and development (including land)	1,272,009	-	-	-	1,272,009
Civil engineering	9,314	-	-	-	9,314
Other purposes	9,831,453	656,540	21,523	11,838	10,521,354
Large corporations	2,902,515	636,849	17,676	8,982	3,566,022
SMEs and individual entrepreneurs	6,928,938	19,691	3,847	2,856	6,955,332
Other households	**19,642,471**	**58,301**	**10,050**	**36,829**	**19,747,651**
Homes	17,793,560	57,511	9,421	36,522	17,897,014
Consumption	690,190	620	381	122	691,313
Other purposes	1,158,721	170	248	185	1,159,324
Total	**48,672,251**	**3,163,489**	**129,742**	**124,039**	**52,089,521**

	Thousands of euros				
	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)	**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	**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**

- Activity in Spain:

	Thousands of euros								
	2022								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,797,578**	**64,459**	**-**	**60,344**	**3,100**	**-**	**-**	**52,972**	**1,978,453**
Public administrations	**224,528**	**126,207**	**6,550**	**60,129**	**63,934**	**130,131**	**46,534**	**436,527**	**14,030,483**
Central government (*)	-	-	-	-	-	-	-		12,935,943
Other public administrations	224,528	126,207	6,550	60,129	63,934	130,131	46,534	436,527	1,094,540
Other financial institutions and individual entrepreneurs (financial business activity)	**153,314**	**1,750,749**	**733**	**243**	**488**	**1,462**	**176**	**903**	**1,908,068**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**3,971,548**	**2,498,743**	**1,097,720**	**705,867**	**608,462**	**450,770**	**299,734**	**1,479,932**	**11,112,776**
Real estate construction and development (including land)	256,923	636,746	80,201	53,659	72,052	55,798	27,396	89,234	1,272,009
Civil engineering	1,275	7,252	-	-	12	662	1	112	9,314
Other purposes	3,713,350	1,854,745	1,017,519	652,208	536,398	394,310	272,337	1,390,586	9,831,453
Large corporations	*585,663*	*925,652*	*381,019*	*212,209*	*147,156*	*85,262*	*62,510*	*503,044*	*2,902,515*
SMEs and individual	*3,127,687*	*929,093*	*636,500*	*439,999*	*389,242*	*309,048*	*209,827*	*887,542*	*6,928,938*
Other households	**5,075,444**	**5,524,153**	**1,928,863**	**1,633,210**	**1,198,235**	**832,497**	**1,155,223**	**2,294,846**	**19,642,471**
Homes	4,004,634	5,275,499	1,830,095	1,557,381	1,146,450	759,787	1,091,436	2,128,278	17,793,560
Consumption	280,940	106,962	49,734	41,138	25,425	37,573	40,743	107,675	690,190
Other purposes	789,870	141,692	49,034	34,691	26,360	35,137	23,044	58,893	1,158,721
Total	**11,222,412**	**9,964,311**	**3,033,866**	**2,459,793**	**1,874,219**	**1,414,860**	**1,501,667**	**4,265,180**	**48,672,251**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

	Thousands of euros								
	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 institutions 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)	**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	**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.

The concentration of credit quality risk in debt securities based on the counterparty's rating at 31 December 2022 and 2021 is detailed below:

	Thousands of euros			
	2022			
	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	-	-	353,493	4,220
A	-	3,474	3,168,707	7,847,444
BBB	-	2,056	1,495,016	3,328,363
BB	-	-	-	29,176
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	2,010	-
Total	**-**	**5,530**	**5,019,226**	**11,209,203**

	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**

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 2022 and 2021 can be seen below:

	Thousands of euros			
	2022		2021	
	Total	Of which: default/ not-performing	Total	Of which: default/ not-performing
Gross amount	**402,512**	**273,937**	**538,586**	**329,245**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**2,896**	**2,896**	**1,278**	**1,278**
Allowances for impairment of assets	**110,011**	**92,473**	**152,002**	**139,280**
Of which: collective	*64,662*	*49,879*	*96,679*	*85,261*
Of which: individual	*45,349*	*42,594*	*55,323*	*54,019*
Net amount	**289,605**	**178,568**	**385,306**	**188,687**
Value of the collateral received	**420,742**	**203,129**	**572,005**	**331,133**
Value of collateral	263,393	126,695	390,364	217,750
Value of other collateral	157,349	76,434	181,641	113,383

On 31 December 2022, 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 128,575 million euros (209,341 million euros on 31 December 2021).

The reconciliation of the gross amounts of refinanced and restructured transactions at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Balance at 1 January	**538,586**	**736,561**
(+) Refinancing and restructuring in the period	64,141	64,432
Memorandum items: impact recognised in the income statement for the period	*11,162*	*7,860*
(-) Debt repayments	85,693	127,016
(-) Foreclosures	12,212	26,249
(-) Derecognitions (reclassification to written-off assets)	23,865	26,658
(+)/(-) Other changes (*)	(78,445)	(82,484)
Balance at 31 December	**402,512**	**538,586**

(*) 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 2022, 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
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	**1**	**88**	-	-	-	-	-	**88**
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**6**	-	-	-	-	**(6)**	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,188**	**94,689**	**518**	**83,642**	**61,479**	**701**	**(62,034)**	**116,297**
Of which: financing for real estate construction and development	*6*	*2,647*	*78*	*25,307*	*19,800*	*6*	*(10,761)*	*17,193*
Other households	**1,645**	**18,274**	**2,585**	**205,813**	**185,255**	**42**	**(50,867)**	**173,220**
Total	**2,835**	**113,057**	**3,103**	**289,455**	**246,734**	**743**	**(112,907)**	**289,605**
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
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**10**	-	-	-	-	**(6)**	**4**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**589**	**46,652**	**445**	**81,533**	**57,303**	**134**	**(53,199)**	**74,986**
Of which: financing for real estate construction and development	*5*	*1,892*	*95*	*38,899*	*27,672*	*6*	*(10,347)*	*30,444*
Other households	**1,216**	**15,402**	**1,653**	**130,340**	**111,414**	**56**	**(42,164)**	**103,578**
Total	**1,806**	**62,064**	**2,098**	**211,873**	**168,717**	**190**	**(95,369)**	**178,568**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

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	8	3,424	115	53,679	40,006	6	(23,569)	33,534
Other households	**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	7	3,334	102	44,709	31,056	6	(22,565)	25,478
Other households	**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	-	-	-	-	-	-	-	-

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, were classified as non-performing during 2022 and 2021:

	Thousands of euros	
	2022	2021
Public administrations	-	-
Other legal persons and individual entrepreneurs	**5,450**	**4,674**
Of which: financing for real estate construction and development	*1,011*	-
Other individuals	**7,681**	**10,932**
Total	**13,131**	**15,606**

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.

3.5.6.1 Credit investment linked to development and real estate activities and to retail mortgages

On 31 December 2022 and 2021, the details of the financing for the real estate construction and development and the hedging thereof is the following:

	Thousands of euros							
	Gross amount		Excess over collateral value (*)		Accumulated impairment		Net value	
	2022	2021	2022	2021	2022	2021	2022	2021
Financing for real estate construction and development (including land) (businesses in	**1,010,957**	**1,041,081**	**101,516**	**162,223**	**28,470**	**37,617**	**982,487**	**1,003,464**
Of which: default/non-performing	*35,746*	*57,701*	*17,553*	*31,061*	*23,340*	*28,745*	*12,406*	*28,956*
Memorandum items: written-off	**121,881**	**133,524**	-	-	-	-	-	-

(*) 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	**2022**	**2021**
Loans to customers, excluding Public Administrations (businesses in Spain)	29,568,904	29,640,212
Total assets (total businesses)	54,360,706	58,631,409
Impairment loss and provisions for exposures classified as normal (total businesses)	206,981	169,425

The breakdown of the heading of the financing for the real estate construction and development (including land), on 31 December 2022 and 2021 is the following:

	Thousands of euros	
	Gross carrying amount	
	2022	2021
Without real estate collateral	**34,929**	**21,921**
With real estate guarantee	**976,028**	**1,019,160**
Buildings and other completed constructions	283,751	350,164
Housing	*251,132*	*312,154*
Other	*32,619*	*38,010*
Buildings and other constructions under construction	615,675	581,647
Housing	*615,437*	*581,261*
Other	*238*	*386*
Land	76,602	87,349
Consolidated urban land	*70,880*	*66,895*
Other land	*5,722*	*20,454*
Total	**1,010,957**	**1,041,081**

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 2022 and 2021.

Collateral received:

	Thousands of euros	
	2022	2021
Value of collateral	944,505	1,027,908
Of which: guarantees default/non-performing risks	*26,867*	*42,091*
Value of other collateral	288,599	352,738
Of which: guarantees default/non-performing risks	*10,759*	*20,136*
Total value of the collateral received	**1,233,104**	**1,380,647**

Financial guarantees granted:

	Thousands of euros	
	2022	2021
Financial guarantees granted related to real estate construction and development	**5,166**	**5,347**
Amount recognised under liabilities on the balance sheet	2,661	2,306

On 31 December 2022 and 2021, the breakdown of loans to households for housing acquisition is the following:

	Thousands of euros			
	Gross carrying amount		Of which: non-performing	
	2022	2021	2022	2021
Housing acquisition loans	**17,770,595**	**18,062,695**	**174,137**	**272,530**
Without mortgage loan	237,946	238,729	2,361	8,198
With mortgage loan	17,532,649	17,823,966	171,776	264,332

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 2022 and 2021 is the following:

	Thousands of euros					
	2022					
	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	4,556,989	5,650,285	5,707,395	1,057,275	560,70	**17,532,649**
Of which: default/ non-performing	*40,973*	*63,867*	*53,673*	*11,291*	*1,972*	***171,776***

	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 amount	5,391,568	6,924,348	4,902,202	377,912	227,93	**17,823,966**
Of which: default/ non-performing	*38,095*	*69,579*	*83,629*	*30,327*	*42,702*	***264,332***

On 31 December 2022 90.8% of the housing acquisition loan with real estate collateral has an LTV lower than 80% (96.6% on 31 December 2021).

3.5.6.2 Foreclosed or received assets in payment for debts.

As at 31 December 2022 and 2021, the following information relates to assets repossessed or accepted as payment for debts:

	Thousands of euros			
	2022			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**254,641**	**(168,784)**	**(92,768)**	**85,857**
Buildings and other completed constructions	31,551	(17,085)	(7,850)	14,466
Housing	*17,228*	*(9,027)*	*(3,712)*	*8,201*
Other	*14,323*	*(8,058)*	*(4,138)*	*6,265*
Buildings and other constructions under construction	3,579	(2,699)	(873)	880
Housing	*3,219*	*(2,405)*	*(715)*	*814*
Other	*360*	*(294)*	*(158)*	*66*
Land	219,511	(149,000)	(84,045)	70,511
Consolidated urban land	*70,489*	*(47,468)*	*(20,834)*	*23,021*
Other land	*149,022*	*(101,532)*	*(63,211)*	*47,490*
Real estate assets acquired in mortgage loans to households for housing acquisition	**102,103**	**(50,101)**	**(23,778)**	**52,002**
Other foreclosed or received real estate assets in payment of debt	**60,180**	**(31,919)**	**(12,524)**	**28,261**
	416,924	**(250,804)**	**(129,070)**	**166,120**

(*) Amount before deducting the allowances for impairment loss.

	Thousands of euros			
	2021			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of 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.

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item at 31 December 2022 and 2021 is as follows:

	Thousands of euros				
	2022				
	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	15,535	(3,083)	(313)	(3,910)	8,229
Other assets - Inventories	60,827	(10,986)	-	(36,710)	13,131
Non-current assets and disposal groups classified as held for sale	340,562	(107,282)	(70)	(88,450)	144,760
	416,924	**(121,351)**	**(383)**	**(129,070)**	**166,120**

	Thousands of euros				
	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**

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 2022 they reviewed and self-assessed 615 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 2022 shows the total annual net losses (net of direct recoveries and insurance) for operational risk events came to 26,561 thousand euros, corresponding to 11,535 events, of which 1,037 events for 14,141 thousand euros derive from write-downs linked to interest rate floor clauses (return of interest totalling 11,560 thousand euros and legal costs of 2,581 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 27,678 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 Bank 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 Bank 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 net interest income 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 2022 and on 31 December 2021, 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 2022:

	€ million						
	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	**6,644**	**6,575**	**10,224**	**23,443**	**24,699**	**9,799**	**14,900**
Financial assets with fixed interest rates and other assets without determined maturity	3,179	726	1,297	5,202	20,583	7,337	13,246
Financial assets at fixed rate hedged with derivatives	-	(444)	(360)	(804)	3,047	1,784	1,264
Financial assets at variable interest rate	3,466	6,292	9,287	19,044	1,068	678	390
Liabilities	**13,354**	**3,826**	**6,121**	**23,301**	**24,841**	**7,690**	**17,151**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	12,784	2,021	3,985	18,790	26,506	9,244	17,263
Financial liabilities at fixed rate hedged with derivatives	515	1,620	2,136	4,271	(1,672)	(1,554)	(119)
Financial liabilities at variable interest rate	55	184	-	240	7	-	7
Difference or Gap in the period	**(6,709)**	**2,749**	**4,103**	**142**	**(142)**	**2,109**	**(2,251)**
Difference or accumulated Gap	**(6,709)**	**(3,960)**	**142**	**142**	**(142)**	**2,251**	
Average gap	(6,709)	(4,648)	2,958	(2,377)			
% of total assets	(13.94)	(9.65)	6.14	(4.94)			

On 31 December 2021:

	€ million						
	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			

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 Group's annual net interest income.

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 -2,377 million euros, -4.94% of the asset (5,108 million euros, 9.888% of the asset on 31 December 2021).

With data at 31 December 2022, the impact on the Company's interest margin in the event of a 200 basis point rise in interest rates is -41 million euros, -8.50% of the interest margin for the next 12 months, and in the event of a 200 basis point fall is -61.14 million euros, -12.68% of the interest margin for the next 12 months (in December 2021: 79.03 million euros and 19.07% in the event of a rise and -70.58 million euros and -17.03% in the event of a fall) under the assumption that the size and structure of the balance sheet are maintained and that interest rate movements occur instantaneously and are the same for all points on the curve, with a progressive floor ranging from minus 100 b.p., rising 5 b.p. each year to zero.

The impact on the economic value of the Company in the event of a rise of 200 basis points in interest rates is 82.93 million euros, 1.32% of the economic value of assets and liabilities, and in the event of a fall of 200 basis points is -54.16 million euros, -0.87% of the economic value of assets and liabilities (in December 2021, -245.65 million euros and -4.18% in the event of a rise and -82.99 million euros and 1.41% in the event of a fall), under the assumption that interest rate movements occur instantaneously and are the same for all points on the curve, with a progressive floor ranging from minus 100 bps, rising by 5 b.p. 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 development 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 development 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 2022, the Company's available liquidity amounted to 13,345 million euros (15,250 million euros at 31 December 2021), coupled with an issuance capacity of 6,880 million euros (8,776 million euros at 31 December 2021). Total availability stood at 20,225 million euros (24,027 million euros at 31 December 2021), 3,801 million euros down on the close of last year. During 2022, wholesale maturities were outstanding for a nominal amount of 68 million euros: covered bonds (19 million euros), securitisation bonds owned by third parties (49 million euros).

The collateral policy with the ECB contains pledged assets with a discounted value of 5,799 million euros at 31 December 2022 (31 December 2021: 6,938 million euros), of which nothing is drawn down at 31 December 2022, leaving ample liquidity available to meet 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 33,417 million euros (33,298 million euros at 31 December 2021), of which 85% had stable balances. The Bank also has financing collateralised by securities in the amount of 2,300 million euros (6,560 million euros at 31 December 2021), 2,198 million euros of which is transacted with central counterparties. In addition, wholesale issues of a total 3,218 million euros (2,786 million euros at 31 December 2021), characterised by diversification of maturities, and deposits from the Group's financial institutions amounting to 520 million euros (309 million euros at 31 December 2021), and deposits from other customers of 3,355 million euros (3,400 million euros at 31 December 2021), 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 2022, there was no amount affected by the reversal of a qualification scale.

- Liability derivatives for 312 million euros, that have required the contribution of additional guarantees for 314 million as well as asset derivatives for 42 million euros, for those that have received additional guarantees for 42 million euros. In addition, those transacted through the clearing house contributed additional collateral of 199 million euros.

- Financing collateralised by securities of 2,282 million euros, which required the provision of additional collateral of 332 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.

- The hedging of the principal and interest maturities of the next 6 months of covered bonds requires a contribution of guarantees of 68 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	
	2022	**2021**
Cash and central banks	1,351,694	6,183,416
Available in policy	5,798,903	1,050,679
Eligible assets not included in the policy	5,838,121	7,590,280
Other marketable assets not eligible by the Central Bank	356,274	425,796
Accumulated available balance	**13,344,992**	**15,250,171**

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group at 31 December 2022 amounted to 306% (452% at 31 December 2021). The breakdown of liquid assets at 31 December 2022 under the criteria established for calculating the LCR ratio is as follows:

	Thousands of euros					
	2022			2021		
	Balance sheet figure	Weighting (%)	Weighted balance	Balance sheet figure	Weighting (%)	Weighted balance
Cash and central banks	977,197	100	977,197	5,811,647	100	5,811,647
Tier 1 fixed-income	8,994,340	100	8,994,340	8,602,572	100	8,602,572
Central government sovereign	6,670,879	100	6,670,879	6,530,311	100	6,530,311
Regional government sovereign	445,641	100	445,641	-	-	-
Foreign government debt	844,269	100	844,269	1,111,407	100	1,111,407
SAREB/ICO	1,526,844	100	1,526,844	-	-	-
FADE/FROB/State-backed bonds	178,652	100	178,652	58,650	100	58,650
Reverse repurchase agreement for Tier 1 fixed-income assets	1,602,337	100	1,602,337	1,500,007	100	1,500,007
Fixed-income repos	(2,274,282)	100	(2,274,282)	(597,803)	100	(597,803)
NCC1 covered bonds	-	-	-	-	-	-
TIER 1 ASSETS	**9,971,536**		**9,971,536**	**14,414,219**		**14,414,219**
Non-financial entity NCC1 bonds	1,153	-	980	1,244	85	1,057
NCC2 covered bonds	-	-	-	-	-	-
TIER 2A ASSETS	**1,153**		**980**	**1,244**		**1,057**
NCC1 securitisations	-	-	-	-	-	-
Non-financial entity NCC 2/3 bonds	24,160	50	12,080	13,790	50	6,895
NCC3 covered bonds	-	-	-	-	-	-
Disposable equities	94,095	50	47,047	117,709	50	58,854
TIER 2B ASSETS	**118,255**		**59,127**	**131,499**		**65,749**
LIQUID ASSETS	**10,090,944**		**10,031,644**	**14,546,962**		**14,841,026**

The LCR ratio data for the Ibercaja Group are:

	Thousands of euros					
	2022			2021		
	Balance sheet figure	Weighting (%)	Weighted balance	Balance sheet figure	Weighting (%)	Weighted balance
TIER 1 ASSETS (70% limit)	9,971,536	100	9,971,536	14,414,219	100	14,414,219
TIER 2 ASSETS	1,153	85	980	1,244	85	1,057
TIER 2B ASSETS	118,255	50	59,127	131,499	50	65,749
LIQUID ASSETS	**10,090,944**		**10,031,644**	**14,546,962**		**14,481,026**
Stable deposits	*28,317,058*	*5*	*1,415,853*	*28,351,257*	*5*	*1,417,563*
Non-stable deposits	*4,760,393*	*10*	*476,039*	*4,368,514*	*10*	*463,851*
RETAIL CUSTOMER DEPOSITS	33,077,450	6	1,891,892	32,989,771	6	1,881,414
Unsecured wholesale financing	4,170,088	34	1,420,162	3,984,643	36	1,428,899
Additional requirements	4,112,377	12	497,574	3,094,083	11	331,706
GROSS OUTFLOWS			**3,809,628**			**3,642,019**
INFLOWS - Maximum allowed inflows (75% outflows)	1,056,039	51	536,539	867,121	51	438,476
NET OUTFLOWS			**3,273,089**			**3,203,543**
LIQUIDITY COVERAGE RATIO (LCR)			**306.49%**			**452.03%**

Below the breakdown by terms of the contractual maturities of assets and liabilities is presented (liquidity gap) on 31 December 2022 and 31 December 2021:

	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	60,033	2,932	53,128	-	-	114,141	230,234
Loans to other financial institutions	-	42	1,022	497	15,189	34,158	50,908
Temporary acquisitions of securities and securities lending	-	1,386,313	227,033	-	-	-	1,613,345
Loans (including matured, non-performing, written-off and foreclosed)	-	891,033	1,289,041	2,685,033	7,826,152	17,427,846	30,119,104
Securities portfolio settlement	-	-	261,833	16,897	5,332,704	5,078,871	10,690,306
Hedging derivatives	-	-	(6,112)	(24)	54,692	122,562	171,119
Trading derivatives	-	-	-	-	-	-	-
Interest margin	-	68,588	129,492	711,652	-	-	909,732
Total on 31 December 2022	**60,033**	**2,348,908**	**1,955,437**	**3,414,055**	**13,228,737**	**22,777,579**	**43,784,747**
Total on 31 December 2021	**35,825**	**2,623,735**	**1,454,596**	**3,043,243**	**12,162,141**	**23,213,766**	**42,533,307**
LIABILITIES							
Wholesale issues	-	2,932	5,708	949,458	2,160,110	99,561	3,217,768
Deposits from credit entities	6,264	12,074	290	-	-	2,369	20,997
Deposits from other financial institutions and bodies	654,947	(77,424)	300	39,785	-	-	617,608
Deposits from large non-financial companies	140,532	-	-	-	-	-	140,532
Financing from the rest of the customers	34,708,821	244,732	357,712	1,267,609	187,530	4,938	36,771,342
Funds for brokered loans	-	2,567	2,586	16,209	54,920	20,499	96,781
Financing with secured securities	-	2,299,633	-	-	-	-	2,299,633
Other net outflows	-	31,869	50,128	275,272	25,653	47,610	430,532
Hedging derivatives	-	8,917	2,669	71,047	179,764	-	262,396
Formalised loans pending settlement	-	455,160	-	-	-	-	455,160
Commitments available for third parties	3,180,128	-	-	-	-	-	3,180,128
Financial guarantees issued	8,910	2,986	361	2,840	3,457	1,446	20,001
Total on 31 December 2022	**38,699,602**	**2,983,446**	**419,754**	**2,622,220**	**2,611,434**	**176,423**	**47,512,878**
Total on 31 December 2021	**37,766,108**	**1,383,325**	**651,200**	**1,869,589**	**8,971,462**	**367,631**	**51,009,315**
2022 gap period	**(38,639,569)**	**(634,538)**	**1,535,683**	**791,835**	**10,617,303**	**22,601,155**	
2021 gap period	**(37,730,283)**	**1,240,411**	**803,396**	**1,173,654**	**3,190,679**	**22,846,135**	
Accumulated gap (without demand savings) 2022		**(634,538)**	**901,145**	**1,692,980**	**12,310,283**	**34,911,438**	
Accumulated gap (without demand savings) 2021		**1,240,411**	**2,043,807**	**3,217,461**	**6,408,140**	**29,254,275**	

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 3,180 million euros (3,220 million euros at 31 December 2021). 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 20,001 million euros (16,707 million euros on 31 December 2021).

Long-term wholesale financing maturities are shown in the following boxes.

On 31 December 2022:

	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	-	-	-	-	550,000	-	550,000
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	350,000	500,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	-	575,000	1,006,026	-	1,581,026
Securitisations	-	2,932	5,708	24,458	104,084	99,561	236,742
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**2,932**	**5,708**	**949,458**	**2,160,110**	**99,561**	**3,217,768**
Financing with long-term secured securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Maturities in the period	**-**	**2,932**	**5,708**	**949,458**	**2,160,110**	**99,561**	**3,217,768**
Accumulated maturities	**-**	**2,932**	**8,640**	**958,098**	**3,118,207**	**3,217,768**	

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 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.

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 (13,345 million euros), the Company could cover the total of the maturities of the long-term wholesale financing (3,218 million euros). Additionally, it has an issuance capacity of 6,880 million euros (total availability of 20,225 million 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 entities, 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 Finance Area Division 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 2022, the measurement of VaR presents the following values:

Thousands of euros	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	(4,676)	0.15%	(35,301)	1.11%	(8,169)	0.26%	(8,169)	0.26%
Time horizon: 10 days	(14,786)	0.47%	(111,631)	3.52%				

The calculation on 31 December 2021 of the VaR, presented the following values:

Thousands of euros	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%				

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 2022 and 2021:

- Breakdown of the carrying amount of the exposure per country:

	Thousands of euros	
	2022	**2021**
Spain	14,022,686	13,421,612
Italy	1,401,123	1,382,405
Portugal	19,560	67,788
United States	90,256	240,733
France	188,923	100,972
Other	4,664	6,311
Total gross amount	**15,727,212**	**15,219,821**
(Impairment losses)	*(2)*	*(180)*
Total net amount	**15,727,210**	**15,219,641**
of which: from the insurance company	*3,754,187*	*4,196,302*

- Breakdown of the carrying amount of the exposure per portfolio in which the assets are recorded:

	Thousands of euros	
	2022	**2021**
Financial assets at fair value through profit or loss	4,881	6,278
Financial assets at fair value through other comprehensive income	3,912,749	4,641,651
Financial assets at amortised cost	11,809,582	10,571,892
Total	**15,727,212**	**15,219,821**
Of which: from the insurance company	*3,754,187*	*4,196,302*

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					
	2022					
	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	830	—	4,051	—	—	4,881
Financial assets at fair value through other comprehensive income	91,490	185,658	858,674	635,149	2,141,778	3,912,749
Financial assets at amortised cost	1,603,445	127,150	1,887,249	2,896,878	5,294,860	11,809,582
Total	**1,695,765**	**312,808**	**2,749,974**	**3,532,027**	**7,436,638**	**15,727,212**
Of which: from the insurance company	92,320	188,796	889,430	630,868	1,952,773	3,754,187

	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

- Other information

  – Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets 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 -4.68% (-5.13% in 2021).

3.9.4 Reputational risk management

Reputational risk is defined as the current or future risk to the entity's earnings, equity or liquidity arising from a negative perception by its stakeholders (customers, employees, society in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that could adversely affect the Group's ability to maintain its activity or establish new business relationships.

Reputational risk management aims to protect one of the Group's main intangible assets, its corporate reputation, by preventing the occurrence of events that could have a negative impact on its image and the perception of its stakeholders.

Reputational risk has a wide relationship with the rest of the risks due to the amplifying effect that it can have on them. A large part of this risk is derived from operational risk, i.e. those that are managed as if they were just another operational risk, with a potential impact on the entity's corporate reputation. Within this risk category, the Group monitors and assesses regulatory or non-compliance risk (imposition of sanctions, especially if publicly disclosed) with controls, processes and procedures aimed at ensuring compliance with applicable internal and external regulations. Additionally, and as a key function of control, to mitigate the risk of suffering possible negative impacts derived from regulatory incompliance, the Group has 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.

As part of its preventive approach to reputational risk management and control, a number of indicators have been identified as part of the reputational scorecard. It is composed of RAF level indicators and management indicators. These indicators measure, among other aspects, the impact and reach in social media, the perception and expectations of the main stakeholders, mentions in the media, the positioning of the brand and the perception of employees. In addition, studies carried out by the RepTrak consultancy firm identify strengths, areas for improvement, possible reputational risk areas and action plans to improve reputation. 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.

In 2022, the Group took a further step in integrating reputational risk into the Bank's overall risk management by developing the Reputational Risk Management Framework, approved by the Board of Directors. This defines the possible risks that may affect the Ibercaja Group, as well as the processes and procedures adopted for their management, mitigation, control and subsequent monitoring.

In addition, as an important part of the management process, a reputational risk map has been drawn up using a qualitative methodology, in line with that defined in the Bank's operational risk management framework. Thus, the reputational risk map consists of the identification of reputational risks classified by their nature as follows: risks arising from operational risk and pure reputational risks (including reputational risks arising from climatic and environmental events). The map identifies risk managers and mitigating factors.

The Group is thus furthering its commitment to the measurement, management and control of reputational risk, thereby fostering a culture of reputational risk management.

3.10 Management of climate-related risks

ESG refers to environmental, social and governance factors with a potential impact on the balance sheet of financial institutions. ESG risk management helps to identify opportunities and threats that can have a positive or negative impact on institutions:

- Environmental (“E”) risks are linked to exposures to legal entities that could potentially be affected by, or contribute to, the negative impacts of environmental trends, such as climate change.

- Social (“S”) risks measure potential indirect adverse financial or reputational impacts on society arising from the provision of services that do not respect human rights or the health and safety of its employees, among other factors.

- Governance (“G”) risks arise from negative financial or reputational impact resulting from weaknesses on the part of commercial counterparties or investees, such as transparency, market conduct, anti-corruption policies, tax compliance or other behaviour considered ethical by stakeholders.

Following the supervisor's recommendations, Ibercaja is involved in ESG risk management in all its phases (identification, measurement, management and monitoring), prioritising environmental factors and, specifically, climate risk.

Ibercaja identifies ESG risks, and especially climate and environmental risks, as risk factors that are likely to impact prudential risks through its counterparties and/or invested assets via certain transmission channels. In order to guide its actions to prevent or avoid damage to the environment, the Bank has made progress in understanding the impact of different climatic events on prudential risks by developing a risk map for three time horizons (short, medium and long term). In 2022, this exercise was updated and enriched by considering the three climate scenarios proposed by the Network for Greening the Financial System (NFGS): orderly transition scenario (used as the baseline scenario), disorderly transition scenario and Hot House World (HHW) scenario. In addition, in 2022 the Bank has incorporated the assessment of climate impacts on business risk and underwriting risk, and has added the consideration of dispute and litigation events on reputational risk.

In particular, in the area of operational risk, the Bank updated the Operational Risk Management Framework in 2022 and developed, also in 2022, a Reputational Risk Management Framework, identifying the environmental and climate events that impact these prudential risks. In addition, an assessment was performed of how weather-related events could adversely affect the Bank's business continuity and reputation.

With regard to the measurement of ESG risks, in 2022 Ibercaja participated in the ECB's climate stress test exercise, as a first step towards integrating climate factors into the Bank's stress test framework. The overall results obtained by Ibercaja show how the ECB has categorised the Bank's CST framework with a “medium-advanced” degree of progress, higher than the average score of the banks analysed.

It has also assessed the Bank's exposure to the most carbon-intensive industries in its credit and financial portfolio and has defined intermediate decarbonisation targets for 2030 for three of the most carbon-intensive sectors, according to the list published by the Net Zero Banking Alliance (NZBA) and based on the calculation of its carbon footprint financed on the portfolio of productive activities, in response to its commitment to this institution.

It also analysed the development of the potential impact of climate, physical and transition risks on the Bank's mortgage portfolio.

In relation to ESG risk management, Ibercaja is working on the inclusion of ESG factors in the credit risk admission and monitoring processes, in line with the EBA Guide on Loan Origination and Monitoring, which defines the internal governance mechanisms and procedures of financial institutions in relation to credit operations. In this regard, its admission policies include a reference to the consideration of ESG risks in the assessment of customers and transactions at credit risk.

In addition, the Bank is developing an Exclusions Policy to limit the impact of ESG factors on the Bank's own credit and investment risk. Ibercaja's objective is to avoid any investment or financing operation that could be considered controversial due to its high environmental, social, ethical or reputational risk. Ibercaja is also working on developing ESG questionnaires to collect information from its customers on environmental, social and good governance issues.

In addition, the Bank, in collaboration with external data providers and relying on internal data sources, collects information on the evaluation of training capabilities, aspects of shareholder continuity, aspects linked to the governing bodies and their commitments, etc. of its client portfolio.

The asset managers of the Ibercaja 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 management of non-financial risks that is being incorporated into the traditional fundamental analysis. In 2021, a number of policies were developed in relation to ESG risk integration, which were updated in 2022.

With regard to liquidity risk management, both in the financial markets and Ibercaja Vida portfolios, a depreciation of non-sustainable bonds (analysing the difference in spreads between a green bond and a brown bond of the same equivalent issuer) continues to be applied in the liquidity self-assessment exercise, with the aim of integrating climate risks into this prudential 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.

In the area of operational risk, the Bank has already adapted the Operational Risk Management Framework in 2021 to include ESG factors, incorporating climate and environmental risk among operational risks. In 2022, the Bank continued to develop the operational risk map, incorporating, in addition to physical risks in the area of climate and environmental risks, also those related to transition risk, also incorporating them in the assessment tools.

Finally, to monitor climate risks, Ibercaja has developed two sector concentration metrics defined according to Ibercaja's exposure to sectors with high emissions intensity. These metrics have been developed on the portfolio of productive activities and the securities portfolio, with the aim of segmenting the Bank's exposure to climate factors, considering the emissions intensity of the sectors in which it has exposure.

Detailed information on ESG risk management has been included in the Consolidated Directors' Report.

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 financial year 2022, which the Board of Directors will propose for its approval to the General Shareholders' Meeting, and that which was approved from financial year 2021 are the following:

	Thousands of euros	
	2022	**2021**
Distribution		
To dividends:	121,272	98,140
To retained earnings:	160,812	26,175
Legal reserve	-	-
Capitalisation reserves (*)	-	*1,825*
Voluntary reserve	*160,812*	*24,350*
Profit/(loss) for the year	**282,084**	**124,315**

(*) This reserve will be unavailable for the period, with the conditions and exceptions envisaged in article 25 of Corporate Income Tax Law 27/2014, of 27 November,

The General Meeting of Shareholders held on 30 March 2022 approved the distribution of a dividend charged against 2022 results in the amount of 98,140 thousand euros; taking into account that an interim dividend of 47,000 thousand euros had already been paid to shareholders in 2021.

On 12 May 2022, the Board of Directors of Ibercaja Banco, taking into the account the aforementioned recommendations agreed, in accordance with Article 277 of the Corporate Enterprises Act, to distribute among shareholders an interim dividend of 37,681 thousand euros in proportion to their respective holdings in the share capital of the Bank. This interim dividend was paid in full on 13 May 2022.

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 2022 to 31 March 2022	**57,720**
Estimate of Corporate Income Tax	(16,240)
Legal reserve	-
Attributed profit/(loss)	-
Maximum amount of possible distribution	**41,480**
Amount to be distributed	**37,681**

	Thousands of euros
Balance in cash and cash equivalents at 1 January 2022	**6,218,527**
Cash flows from operating activities	(799,069)
Cash flows from investing activities	(21,949)
Cash flows from financing activities	(57,265)
Effect of exchange rate fluctuations	-
Balance in cash and cash equivalents at 31 March 2022	**5,340,244**
Interim dividend distributed	(37,681)
Balance in cash and cash equivalents at 31 March 2022 following the dividend distribution	**5,302,563**

On 31 August 2022, the Board of Directors of Ibercaja Banco, taking into the account the aforementioned recommendations agreed, in accordance with Article 277 of the Corporate Enterprises Act, to distribute among shareholders an interim dividend of 31,272 thousand euros in proportion to their respective holdings in the share capital of the Bank. This interim dividend was paid in full on 1 September 2022.

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 2022 to 30 June 2022	**113,785**
Estimate of Corporate Income Tax	24,940
Legal reserve	-
Attributed profit/(loss)	(37,681)
Maximum amount of possible distribution	**101,044**
Amount to be distributed	**31,272**

	Thousands of euros
Balance in cash and cash equivalents at 1 January 2022	**6,218,527**
Cash flows from operating activities	80,556
Cash flows from investing activities	(12,033)
Cash flows from financing activities	398,900
Effect of exchange rate fluctuations	-
Balance in cash and cash equivalents at 30 June 2022	**6,685,950**
Interim dividend distributed	(68,953)
Balance in cash and cash equivalents at 31 June 2022 following the dividend distribution	**6,616,997**

On 30 November 2022, the Board of Directors of Ibercaja Banco, taking into the account the aforementioned recommendations agreed, in accordance with Article 277 of the Corporate Enterprises Act, to distribute among shareholders an interim dividend of 32,119 thousand euros in proportion to their respective holdings in the share capital of the Bank. This interim dividend was paid in full on 1 December 2022.

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 2022 to 30 September 2022	**182,916**
Estimate of Corporate Income Tax	5,041
Legal reserve	-
Attributed profit/(loss)	(68,953)
Maximum amount of possible distribution	**119,004**
Amount to be distributed	**32,119**

	Thousands of euros
Balance in cash and cash equivalents at 1 January 2022	**6,218,527**
Cash flows from operating activities	(160,699)
Cash flows from investing activities	(27,818)
Cash flows from financing activities	361,502
Effect of exchange rate fluctuations	-
Balance in cash and cash equivalents at 30 September 2022	**6,391,512**
Interim dividend distributed	(101,072)
Balance in cash and cash equivalents at 30 September 2022 following the dividend distribution	**6,290,440**

Additionally, the Board of Directors will propose to the General Shareholders' Meeting that they agree to distribute a dividend out of 2022 profits for 121,272 thousand euros, taking into account that the shareholders have already been paid an interim dividend of 101,072 thousand euros, and 20,200 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 2022 and 2021 are detailed below:

	2022	2021
Earnings per share numerator		
Profit/(loss) attributed to the parent	202,120	150,985
Adjustment: Remuneration of other equity instruments (AT1)	(17,150)	(17,150)
Profit attributable to owners of the parent adjusted	184,970	133,835
Earnings per share denominator		
Average weighted number of shares	214,427,597	214,427,597
Basic and diluted earnings per share (euros)	**0.86 €**	**0.62 €**

At 31 December 2022 and 2021 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 2022 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	Remuneration for membership of the Board	Life insurance premiums	Remuneration for membership of Board Committees	Other items	Total
		Fixed	Variable						
Francisco Serrano Gill de Albornoz (1)	Chairman	280.9	-	8.4	25.0	2.0	-	5.8	322.1
Víctor Iglesias Ruiz	Chief Executive Officer	417.0	136.3	18.9	25.0	2.2	-	5.8	605.2
María Lopez Valdés (2)	Member	-	-	-	8.3	-	4.1	0.4	12.8
María Luisa García Blanco (2)	Member	-	-	-	9.0	-	4.5	1.3	14.8
María Natividad Blasco de las Heras (2)	Member	-	-	-	9.0	-	4.5	0.8	14.3
Vicente Cóndor López	Member	-	-	28.0	25.0	5.9	59.1	4.5	122.5
Jesús Tejel Giménez	Member	-	-	25.2	20.8	4.0	57.1	5.8	112.9
Félix Longás Lafuente	Member	-	-	21.0	25.0	4.5	17.0	3.2	70.7
José Miguel Echarri Porta	Member	-	-	16.1	25.0	-	11.2	1.9	54.2
Enrique Arrufat Guerra	Member	-	-	12.6	25.0	5.2	9.1	7.0	58.9
María Pilar Segura Bas	Member	-	-	21.0	25.0	3.0	18.7	5.7	73.4
Jesús Barreiro Sanz	Non-Director Secretary	-	-	35.0	37.5	6.2	-	7.0	85.7
José Luis Aguirre Loaso (3)	Chairman	96.1	-	10.5	-		-	3.7	110.3
Jesús Bueno Arrese (4)	First Deputy Chairman	-	-	21.7	14.3	39.0	10.9	4.2	90.1
Jesús Solchaga Loitegui (4)	Member	-	-	23.1	14.3	-	38.0	4.5	79.9
Gabriela González-Bueno Lillo (4)	Member	-	-	14.0	14.3	-	10.9	1.9	41.1

(1) Director of the Parent appointed on 30 March 2022.
(2) Director of the Parent appointed on 27 October 2022.
(3) Chairman of the Parent who resigned from his position on 30 March 2022.
(4) Director of the Parent who resigned from his position on 27 October 2022.

The General Shareholders' Meeting of Ibercaja Banco held on 30 June 2022 approved the modification of the Remuneration Policy of the members of the Board of Directors of Ibercaja Banco, in order to adapt it to industry best practices, remaining in line with the provisions of the Capital Companies Act and Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions.

As a result of this adaptation, article 34 of the Articles of Association of Ibercaja Banco was amended to establish that the remuneration of the directors in their capacity as such shall consist of: a) fixed annual allowances for their membership of the board of directors and, where appropriate, its committees; b) an annual allowance to be determined by the board for those directors with special dedication and duties; and c) such remuneration in kind and insurance as may be established from time to time. The maximum remuneration that may be paid by the Company to all directors in their capacity as such shall not exceed the amount determined for such purpose in the Remuneration Policy approved by the General Shareholders' Meeting and shall remain in force until the General Shareholders' Meeting resolves to amend it.

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:

Members of the Board of Directors	Position	Thousands of euros: Remuneration – Fixed	Remuneration – Variable	Attendance fees	Remuneration for membership of the Board	Life insurance premiums	Remuneration for membership of Board Committees	Other items	Total
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 position on 28 October 2021.

With regard to the attendance fees received up to 30 June and, as from 1 July, the fixed annual allowance to be received by the proprietary director appointed by the shareholding foundation 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.

The section "Remuneration for membership of the Board" includes the gross amounts earned by directors for membership of the Board and its Committees, which until 30 June consisted of attendance fees and as from 1 July 2022 of fixed annual allowances.

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 2022, 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 2022 and 2021:

Thousands of euros	Short-term remuneration		Post-employment benefits		Total	
	2022	2021	2022	2021	2022	2021
Senior Management	2,810	2,687	189	223	**2,999**	**2,910**

In 2022 and 2021, remuneration for pensions or life insurance premiums were not registered in the year for former members of Senior Management.

In addition, in 2022 and 2021, in relation to the Long-Term Incentive Plan described in Note 2.13.5, 1,017 thousand euros have accrued for members of Senior Management.

5.3 Duties of loyalty of the Directors

As of 31 December 2022, 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 2022 and 2021, 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 144,346 euros (142,194 euros at 31 December 2021).

- Rental of Ibercaja Banco property used by Fundación Bancaria Ibercaja to carry out its activities for the amount of 101,777 euros (99,294 euros at 31 December 2021).

- Service level agreement (use and management of installations, artistic assets, etc.) by Fundación Bancaria Ibercaja to Ibercaja Banco for the amount of 1,045,334 euros (1,006,829 euros at 31 December 2021).

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 at 31 December 2022 and 2021 were as follows:

	Thousands of euros	
	2022	**2021**
Cash	232,525	221,486
Cash balances at central banks	1,119,464	5,961,332
Other demand deposits	230,234	205,806
	1,582,223	**6,388,624**

The average effective interest rate on debt instruments classified in this portfolio during 2022 was 0.11% (0.39% during 2021).

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 at 31 December 2022 and 2021 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2022	**2021**
By geographical areas		
Spain	14,057	2,467
Rest of the countries in the European Monetary Union	415	358
Rest of Europe	10,444	39
Rest of the world	261	–
	25,177	**2,864**
By counterparty classes		
Credit institutions	14,654	1,035
Other resident sectors	10,523	1,829
	25,177	**2,864**
By type of instrument		
Debt securities	–	–
Derivatives not traded in organised markets	25,177	2,864
	25,177	**2,864**

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 at 31 December 2022 and 2021 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2022	**2021**
By geographical areas		
Spain	12,068	7,828
Rest of the countries in the European Monetary Union	2,288	408
Rest of Europe	233	-
Rest of the world	-	539
	14,589	**8,775**
By counterparty classes		
Credit institutions	10,382	8,735
Other resident sectors	4,207	40
	14,589	**8,775**
By type of instrument		
Derivatives not traded in organised markets	14,589	8,775
Of which: segregated embedded derivatives of hybrid financial instruments	-	-
	14,589	**8,775**

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 at 31 December 2022 and 2021 are shown below:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2022	2021	2022	2021
Not matured foreign currency purchases and sales	**2,824**	**245**	**-**	**-**
Security/index options	**10,444**	**-**	**377**	**377**
Interest rate options	**231**	**13**	**516**	**414**
Other interest rate transactions	**11,678**	**2,606**	**13,696**	**7,984**
Interest rate swaps (IRSs)	11,678	2,606	13,696	7,984
	25,177	**2,864**	**14,589**	**8,775**

	Thousands of euros	
	Notional	
	2022	2021
Not matured foreign currency purchases and sales	**151,972**	**142,104**
Security/index options	**121,267**	**7,550**
Interest rate options	**-**	**-**
Security/index embedded derivatives	**-**	**-**
Other interest rate transactions	**157,345**	**131,765**
Interest rate swap embedded derivatives	-	-
Retail market derivatives	105,440	79,773
Distribution of derivatives	51,905	51,992
	430,584	**281,419**

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 amounted to 515,145 thousand euros at 31 December 2022 (639,778 thousand euros at 31 December 2021).

8. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The financial assets included in this category at 31 December 2022 and 2021 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2022	2021
By geographical areas		
Spain	1,550,166	1,669,715
Rest of the countries in the European Monetary Union	440	-
Rest of Europe	-	-
Total gross amount	**1,550,606**	**1,669,715**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	(2,896)	(1,278)
Total net amount	**1,547,710**	**1,668,437**
Of which: equity instruments related to the insurance activity	*1,536,192*	*1,666,941*
Of which: debt securities related to the insurance activity	-	-
By counterparty classes		
Credit institutions	-	-
Other resident sectors	1,550,166	1,669,715
Other non-resident sectors	440	-
	1,550,606	**1,669,715**
By type of instrument		
Debt securities	-	-
Credits and loans	4,392	2,774
Shares	-	-
Ownership interests in Investment Funds	1,546,214	1,666,941
	1,550,606	**1,669,715**

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 change in “Unit trust equity investments” is mainly due to the development of unit-linked investments in 2022, in line with the Group's strategy of increasing the weight of these products compared to traditional savings insurance products.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2021, the subordinated debt that the Bank held with Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB) was converted into registered shares. 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” in the consolidated balance sheet, without this 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 2022 was 1.55% (0.60% during 2021).

9. Financial assets at fair value through profit or loss

The financial assets included in this category at 31 December 2022 and 2021 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2022	**2021**
By geographical areas		
Spain	3,475	4,596
Rest of the countries in the European Monetary Union	2,055	2,855
	5,530	**7,451**
By counterparty classes		
Credit institutions	649	1,173
Resident public administrations	*3,474*	*4,596*
Non-resident public administrations	*1,407*	*1,682*
	5,530	**7,451**
By type of instrument		
Debt securities	5,530	7,451
	5,530	**7,451**

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 at 31 December 2022 and 2021 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2022	2021
By geographical areas		
Spain	3,873,892	4,668,272
Rest of the countries in the European Monetary Union	1,064,131	1,326,964
Rest of Europe	89,546	118,956
Rest of the world	295,136	354,593
Total gross amount	**5,322,705**	**6,468,785**
(Impairment losses)	(4,572)	(4,751)
Total net amount	**5,318,133**	**6,464,034**
Of which: equity instruments related to the insurance activity	*32,422*	*43,591*
Of which: debt securities related to the insurance activity	*4,502,173*	*5,450,027*
By counterparty classes		
Credit institutions	356,934	465,202
Resident public administrations	*3,394,965*	*4,071,726*
Non-resident public administrations	*586,992*	*663,709*
Other resident sectors	293,643	358,671
Other non-resident sectors	690,171	909,477
Total gross amount	**5,322,705**	**6,468,785**
By type of instrument		
Debt securities:	5,023,798	6,123,109
Public sector debt	*3,289,902*	*3,925,799*
Other public administrations	*104,050*	*144,913*
Foreign government debt securities	*586,992*	*663,709*
Issued by financial institutions	*347,621*	*453,350*
Other fixed-income securities	695,233	935,338
Other equity instruments:	298,907	345,676
Shares in listed Spanish companies	*54,140*	*66,487*
Shares in non-listed Spanish companies	*134,202*	*134,389*
Shares in listed foreign companies	*63,648*	*85,049*
Shares in non-listed foreign companies	*45*	*45*
Ownership interests in Investment Funds	*31,371*	*46,031*
Ownership interests in Venture Capital Funds	*15,501*	*13,675*
Total gross amount	**5,322,705**	**6,468,785**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

At 31 December 2022 and 2021, “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 2021) relating to the shareholding in Caser.

The average effective interest rate on debt instruments classified in this portfolio during 2022 was 1.58% (1.65% during 2021), which includes the effect of the revenue reversals from risk hedging for interest rate risk.

10.2 Impaired debt securities

At 31 December 2022 and 2021 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 2022 and 2021 are presented below:

	Thousands of euros	
	2022	2021
Opening balance	**4,751**	**6,612**
Transfer charged to profit for the year	3,273	1,083
Reversal of provisions taken to income statement	(3,135)	(2,970)
Amounts used	(630)	-
Exchange differences and other movements	313	26
Closing balance	**4,572**	**4,751**
Of which:		
- Individually determined	-	-
- Collectively determined	*4,572*	*4,751*

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 item at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Debt securities (Note 11.2)	**11,209,203**	**9,974,513**
Loans and advances	**31,559,224**	**31,014,887**
Credit institutions (Note 11.3)	660,200	361,357
Customers (Note 11.4)	30,899,024	30,653,530
	42,768,427	**40,989,400**

11.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category at 31 December 2022 and 2021 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2022	**2021**
By geographical areas		
Spain	41,227,788	39,955,871
Rest of the countries in the European Monetary Union	1,156,207	1,172,761
Rest of the world	827,495	399,957
Total gross amount	**43,211,490**	**41,528,589**
(Impairment losses)	(443,063)	(539,189)
Total net amount	**42,768,427**	**40,989,400**
Of which: debt securities related to the insurance activity	*315,321*	*145,677*
Of which: loans and advances related to the insurance activity	*3,800*	*3,555*
By counterparty classes		
Credit institutions	693,934	378,870
Resident public administrations	10,753,299	9,482,201
Non-resident public administrations	1,122,009	1,139,270
Other resident sectors	30,480,301	30,352,302
Other non-resident sectors	161,947	175,946
Total gross amount	**43,211,490**	**41,528,589**
By type of instrument		
Debt securities	11,209,269	9,974,555
Credits and loans	29,107,853	29,235,037
Reverse repurchase agreements	1,613,345	1,615,394
Other	1,281,023	703,603
Total gross amount	**43,211,490**	**41,528,589**

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 type of instrument), amounted to 1,330 thousand euros at 31 December 2022 (1,558 thousand euros at 31 December 2021). 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 type of instrument) and at 31 December 2022 they amounted to 1,824,746 thousand euros (2,115,334 thousand euros at 31 December 2021), 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 amounted to 1,755,205 thousand euros at 31 December 2022 (2,010,108 thousand euros at 31 December 2021). The amount of the bonds issued by the securitisation funds that were subscribed by third parties outside to the Group amounted to 217,993 thousand euros at 31 December 2022 (258,354 thousand euros at 31 December 2021), with their breakdown detailed in Note 19.4.

11.2 Debt securities

The breakdown by financial assets included in the debt securities category at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Debt securities	**11,209,269**	**9,974,555**
Impaired assets	-	-
Total gross amount	**11,209,269**	**9,974,555**
(Impairment losses)	(66)	(42)
Total net amount	**11,209,203**	**9,974,513**

This heading includes, among others, SAREB bonds, with an irrevocable guarantee from the Spanish central government, whose nominal value at 31 December 2022 was 1,573,665 thousand euros (1,628,700 thousand euros at 31 December 2021).

In 2021, the Bank sold a sovereign debt securities portfolio for a nominal value of 160,000 thousand euros. The result of this transaction amounted to 18,686 thousand euros, as 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 consolidated income statement (Note 34). This transaction was not considered to be significant, hence the business model under which the assets concerned are managed was not questioned, in accordance with IFRS 9 and the Group's policies and methodological manuals.

In addition, in that year, the Bank carried out a sale of a domestic government debt securities portfolio for a nominal value of 300,000 thousand euros in the first quarter of 2021 by means of a forward sale. This sale transaction was carried out in response to the extraordinary circumstances of the pandemic caused by Covid-19 and the unusual scale of the challenges posed. The result of this transaction amounted to 33,102 thousand euros, as 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 consolidated income statement (Note 34).

The average effective interest rate on debt instruments classified in this portfolio during 2022 was 1.29% (0.63% during 2021).

11.3 Credit institutions

The breakdown of the financial assets included in the “credit institutions” category at 31 December 2022 and 2021 was as follows:

	Thousands of euros	
	2022	2021
Time or at notice:	**3,213**	**3,227**
Fixed-term deposits	3,213	3,227
Reverse repurchase agreements	-	-
Other accounts	-	-
Other financial assets:	**656,844**	**358,041**
Cheques payable by credit institutions	560	831
Cash guarantees	647,758	350,343
Other items	8,526	6,867
Impaired assets	**-**	**-**
Valuation adjustments	**143**	**89**
Total gross amount	**660,200**	**361,357**
(Impairment losses)	-	-
Total net amount	**660,200**	**361,357**

The average effective interest rate on debt instruments classified in this portfolio during 2022 was 0.07% (0.05% during 2021).

11.4 Customers

The breakdown by financial assets included in the Loans and advances to customers category at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Credits and loans	**29,107,853**	**29,235,037**
Commercial loans	656,741	562,519
Loans secured with collateral	19,600,479	20,085,277
Other term loans	7,008,228	6,521,467
Finance leases	486,379	452,226
Receivables on demand and other	741,684	803,795
Impaired assets	492,727	716,343
Valuation adjustments	121,615	93,410
Reverse repurchase agreements	**1,613,345**	**1,615,394**
Other financial assets	**620,823**	**342,246**
Financial transactions pending settlement	-	-
Cash guarantees	246,056	105,366
Financial guarantee fees	1,330	1,558
Other items	373,437	235,322
Total gross amount	**31,342,021**	**31,192,677**
(Impairment losses)	(442,997)	(539,147)
Total net amount	**30,899,024**	**30,653,530**

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 2022, the gross investment totalled 486,379 thousand euros (452,226 thousand euros at 31 December 2021).

- 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 2022 is 163,518 thousand euros within one year (163,682 thousand euros in 2021), 256,250 thousand euros between one and five years (246,104 thousand euros in 2021) and 40,217 thousand euros at over five years (32,825 thousand euros in 2021).

- Unaccrued interest income totalled 21,922 thousand euros in 2022 (20,008 thousand euros in 2021).

- The residual value of these leases amounted to 33,088 thousand euros at 31 December 2022 (32,629 thousand euros at 31 December 2021).

- Impairment adjustments to finance leases amounted to 13,348 thousand euros at 31 December 2022 (13,634 thousand euros at 31 December 2021).

"Valuation adjustments" at 31 December 2022 included an amount of 13,372 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 (22,317 million euros at 31 December 2021).

The average effective interest rate on debt instruments classified in this portfolio during 2022 was 1.27% (1.09% during 2021).

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 2022 and 2021, 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
31 December 2022	111,778	43,024	30,467	25,201	282,257	**492,727**
31 December 2021	118,042	51,965	29,675	29,100	487,561	**716,343**

The detail of the impaired assets by counterparty classes is as follows:

	Thousands of euros	
	2022	2021
Resident public administrations	178	178
Other resident sectors	484,233	712,870
Other non-resident sectors	8,316	3,295
	492,727	**716,343**

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 at 31 December 2022 and 2021 is as follows:

	Thousands of euros			
	2022			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	-	-	-	-
Other resident sectors	17,095	3,454	6,209	26,758
Other non-resident sectors	48	5	11	64
	17,143	**3,459**	**6,220**	**26,822**

	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**

11.5 Credit risk hedges and others

The changes in the gross balance of financial assets included in this category in 2022 and 2021 are presented below:

	Thousands of euros			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**39,252,404**	**1,559,842**	**716,343**	**41,528,589**
Transfers:	(136,058)	55,557	80,501	-
from stage 1 to stage 2:	*(677,943)*	*677,943*	-	-
from stage 1 to stage 3	*(55,540)*	-	*55,540*	-
from stage 2 to stage 3	-	*(86,613)*	*86,613*	-
from stage 3 to stage 2	-	*61,515*	*(61,515)*	-
from stage 2 to stage 1	*597,288*	*(597,288)*	-	-
from stage 3 to stage 1	*137*	-	*(137)*	-
Increases	10,865,710	177,471	25,052	11,068,233
Decreases	(8,739,514)	(316,649)	(208,870)	(9,265,033)
Transfers to write-offs	-	-	(120,299)	(120,299)
Other movements	-	-	-	-
Gross balance at 31 December	**41,242,542**	**1,476,221**	**492,727**	**43,211,490**

	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**

The changes in impairment losses recognised to cover the credit risk of financial assets included in this category in 2022 and 2021 are presented below:

	Thousands of euros			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**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*
Changes through profit or loss:	**(55,865)**	**85,517**	**42,427**	**72,079**
Increases in origination	*33,774*	*677*	*7*	*34,458*
Changes due to changes in credit risk	*(61,407)*	*86,537*	*54,391*	*79,521*
Changes in calculation method	*-*	*-*	*-*	*-*
Other	(28,232)	(1,697)	(11,971)	(41,900)
Changes other than through profit or loss:	**96,788**	**(91,957)**	**(173,036)**	**(168,205)**
Transfers:	96,788	(91,957)	(4,831)	-
from stage 1 to stage 2:	*(13,530)*	*13,530*	*-*	*-*
from stage 1 to stage 3:	*(506)*	*-*	*506*	*-*
from stage 2 to stage 3:	*-*	*(14,045)*	*14,045*	*-*
from stage 3 to stage 2	*-*	*19,342*	*(19,342)*	*-*
from stage 2 to stage 1	*110,784*	*(110,784)*	*-*	*-*
from stage 3 to stage 1	*40*	*-*	*(40)*	*-*
Existing provisions utilised	-	-	*(148,798)*	*(148,798)*
Other movements	-	-	*(19,407)*	*(19,407)*
Balance at 31 December	***86,972***	***104,840***	***251,251***	***443,063***
Of which:				
Individually determined	*-*	*14,212*	*72,689*	*86,901*
Collectively determined	*86,972*	*90,628*	*178,562*	*356,162*

	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*

On 23 December 2022, Ibercaja Banco, S.A. entered into a contract for the sale of a loan book of non-performing loans, with a nominal value of 36,980 thousand euros, to Promontoria Poseidón B DAC and Precise Credit Solutions 5 SV S.a.r.l. The negative impact of the operation, 2,678 thousand euros, is registered under heading “Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss” of the consolidated income statement (Note 34).

On 23 December 2021, Ibercaja Banco, S.A, formalised a sale contract for a non-performing 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, was 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 2022 relates mainly to provisions covering transactions derecognised from the consolidated balance sheet amounting to 120,299 thousand euros (150,943 thousand euros in 2021). In addition, in 2022 it includes the provisions derecognised from the balance sheet of the loan book mentioned in the previous paragraph amounting to 19,235 thousand euros (31 December 2021: 17,117 thousand euros).

“Other” includes releases generated by the write-downs of provisions for operations cancelled due to collections during the period.

“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	
	2022	**2021**
Resident public administrations	2	180
Other resident sectors	441,040	536,460
Other non-resident sectors	2,021	2,549
	443,063	**539,189**

The various items recognised in 2022 and 2021 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	
	2022	**2021**
Impairment losses credited to allowances for assets	72,079	88,270
Recovery of written-off assets	(6,983)	(8,375)
	65,096	**79,895**

The movement of the consolidated Loans and receivables derecognised in 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Balances at the start of the year	**747,775**	**631,126**
Use of the Accumulated impairment balance	101,687	134,702
Contractually required interests	17,446	17,480
Direct write-down to the income statement	-	7,698
Main cash payment to the counterparties	(3,285)	(8,126)
Interest cash payment to the counterparties	(346)	(248)
Forgiveness	(55,231)	(30,456)
Limitation period	(21)	(777)
Foreclosure of tangible assets	-	-
Debt refinancing or restructuring	-	-
Sales	(381,655)	(3,624)
Other items	-	-
Balance at the close of the year	**426,370**	**747,775**

“Sales” in 2022 mainly includes the impact of the sale of a portfolio of non-performing loans with a nominal value of 365 million euros, which the Group sold to Promontoria Poseidón DAC. The transaction resulted in a positive result of 9,997 thousand euros.

The accrued interest pending payment, registered in memorandum accounts, associated with impaired financial assets, amounted to 30,711 thousand euros at 31 December 2022 (41,507 thousand euros at 31 December 2021).

11.6 Impact of Covid-19 and the Russia-Ukraine conflict on the classification and impairment of financial instruments and the impacts of rising interest rates

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 in the form of both legal moratoriums (from legislative packages) and sectoral moratoriums (from sectoral agreements of the Spanish Confederation of Savings Banks) on existing loans, and the granting of new financing operations to cover liquidity and investment needs with a public guarantee, in order to reach a larger number of those affected by the health crisis.

With regard to the measures that are still in force and which correspond, in their entirety, to the ICO Covid-19 financing lines, it should be noted that since 2020 and up to the date of authorisation for issue of these financial statements, the maturity dates, initial grace periods and application deadlines have been extended at several meetings of the Council of Ministers, to the point of approving a Code of Good Practices, to which the Bank has adhered. The Agreement of the Council of Ministers of 21 June 2022 enabled the possibility of extending the maturity of the guarantees managed on behalf of the State. The guarantee will be extended when, at the request of the debtor, the financial institution decides to extend the maturity of the financing granted, complying at all times with the European Temporary Framework for State Aid. These applications may be made from 30 June 2022 onwards.

The detail of these transactions at 31 December 2022 and 2021 is as follows:

	Thousands of euros								
	2022								
	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	Out-standing balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,253	622,703	539,297	220,174	622,703	-	-	-	-
Consumer finance	285	2,610	2,421	1,041	2,610	-	-	-	-
Other operations	814	36,465	30,495	12,871	36,465	-	-	-	-
Total	**8,352**	**661,778**	**572,213**	**234,086**	**661,778**	**-**	**-**	**-**	**-**

	Thousands of euros								
	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	Out-standing 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						
	2022						
	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	**19,450**	**2,188,302**	**1,112,000**	**1,448,817**	**1,122,839**	**277,881**	**48,097**
Self-employed	3,574	82,819	43,535	54,430	41,218	9,161	4,051
SMEs	14,584	1,644,661	853,232	1,083,913	847,010	200,001	36,902
Other companies	1,292	460,822	215,233	310,474	234,611	68,719	7,144

	Thousands of euros						
	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 companies	1,195	422,950	229,338	329,222	262,235	62,057	4,930

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 Bank may not demand payment of the mortgage instalment, nor of any of the items comprising it (write down of the capital or payment of interest), either in full or as a percentage. In accordance with Circular 4/2017, 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 income statement. In any case, the effect of the changes on the income statement in 2022 and 2021 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.

- **Covid-19 ICO Lines:** guarantees for financing granted a SMEs and the self-employed 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.

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 Circular 4/2017: (i) the fee paid by the Bank 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 Bank strengthened procedures, both when granting moratoriums and for monitoring credit risk, during the lifetime of the moratoriums and upon maturity. Transactions were 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 Bank 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 was 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.

In 2022, given the complex international context, marked by a sharp rise in global prices, driven by the energy and food components, inflationary pressures have led to a rapid turnaround in monetary policies, starting a cycle of hikes in their benchmark interest rates that have been rapidly transferred to the money and debt markets. The tightening of monetary policy has led to an upward dynamic in the Euribor, which is causing a sharp increase in families' monthly mortgage payments that will continue over the coming months as the corresponding periodic reviews take place. Therefore, through Royal Decree-Law 19/2022, which lays down a Code of Good Practices to alleviate the rise in interest rates on mortgage loans on primary residences, urgent measures are adopted for mortgage debtors at risk of vulnerability, which, among others, include the following: the extension of repayment periods, the establishment of temporary fixed instalments or a special interest rate regime and the provision of offers for the conversion of fixed-rate loans. The Bank has adhered to this Code of Best Practices, so that affected customers will be able to make their applications at January 2023.

11.6.2. Impact on credit risk impairment hedges

In this context, the Group, in its process of recalibrating the credit risk models in 2022, has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment coverage models.

The main projected variables considered at 31 December 2022 and 2021 are as follows:

	2022	2023	2024
GDP growth			
Base Scenario	3.9%	0.4%	2.8%
Best-case scenario	5.2%	3.4%	3.2%
Pessimistic scenario	3.6%	(1.4%)	1.3%
Unemployment rate			
Base Scenario	12.8%	14.0%	14.7%
Best-case scenario	12.7%	12.7%	11.9%
Pessimistic scenario	12.9%	14.7%	16.0%
House price growth			
Base Scenario	5.4%	2.5%	2.9%
Best-case scenario	5.7%	3.0%	3.5%
Pessimistic scenario	4.0%	(2.0%)	(1.0%)

	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%
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%

The weighting of the scenarios for 2022 and 2021 is as follows:

	2022	2021
Best-case scenario	10%	10%
Base Scenario	60%	60%
Pessimistic scenario	30%	30%

The Group has analysed its loan portfolio taking into account the different types and segmentation of customers affected by the economic situation, their characteristics (companies, individuals, self-employed, etc.) and the sector to which each borrower belongs (NACE). Following this analysis, it has been concluded that there are economic sectors particularly impacted by the current macroeconomic situation, such as road freight transport, catering, preparation, manufacturing and marketing of textile products and tourism, for which the Group has to be particularly prudent in determining credit risk coverage.

In addition, given the high degree of uncertainty that persists in the current macroeconomic context, largely due to the armed conflict, whose effects, among others, have generated an increase in the volatility already existing in the markets, an increase in inflation not seen in decades and the start of more restrictive economic policies, the Group supplements the expected loss estimated by its credit risk models to include the effects that might not be included in them, either because of the consideration of additional risk indicators, the incorporation of sectoral particularities or that might affect a set of transactions or borrowers. In 2022, the Bank made a provision of 51.8 million euros in this connection to cover the exposures of customers for whom a significant increase in credit risk is expected in the short to medium term as a result of the aforementioned macroeconomic outlook and its potential social and economic effects on the Bank's customer portfolio.

The breakdown by stage and by purpose of the Group's post-model adjustments is presented below:

	Thousands of euros			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Companies and self-employed	11,260	9,197	118	20,575
Mortgages to individuals	24,728	6,069	110	30,907
Other segments	300	14	9	323
Total	**36,288**	**15,280**	**237**	**51,805**

This post-model adjustment has a temporary nature until the reasons for the post-model adjustment disappear or materialise. This fund has been set up in accordance with the guidelines issued by supervisors and regulators and, by its nature, its constitution and monitoring has duly documented processes subject to strict governance.

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 2022 and 2021 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2022	2021	2022	2021
Interest rate swaps (IRSs)	190,897	68,497	609,795	275,690
Forward Rate Agreements (FRA´s)	8,137	3,369	-	-
	199,034	**71,866**	**609,795**	**275,690**

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 non-payment 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.

Under “Derivatives - hedge accounting”, a net credit balance of 139,275 thousand euros at 31 December 2022 (debit balance of 25,449 thousand euros at 31 December 2021) is recognised for macro hedges on mortgage bonds and demand deposits.

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.	
	2022	**2021**
Derivative assets	2,372	250,311
Derivative liabilities	312,466	4,227

	Thousands of euros	
	Deposits subject to derivative offset arrangements	
	2022	**2021**
Deposits recognised under assets	313,797	4,150
Deposits recognised under liabilities	2,430	252,752

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 the interest margin 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 2022 and 2021 is shown below:

	Thousands of euros					
	2022					
	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	**125,000**	**130,000**	**658,057**	**3,558,824**	**1,083,600**	**5,555,481**
Interest rate swaps (IRSs)	-	-	658,057	3,558,824	1,083,600	5,300,481
Forward Rate Agreements (FRA´s)	125,000	130,000	-	-	-	255,000
Average interest rate	-	-	-	-	0.57%	0.11%
Cash flow hedges	**-**	**-**	**-**	**350,000**	**453,500**	**803,500**
Interest rate swaps (IRSs)	-	-	-	350,000	453,500	803,500
Average interest rate	-	-	-	-	-	-

	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	**231,000**	**950,000**	**705,128**	**1,372,650**	**365,000**	**3,623,778**
Interest rate swaps (IRSs)	21,000	950,000	705,128	1,372,650	365,000	3,413,778
Forward Rate Agreements (FRA´s)	210,000	-	-	-	-	210,000
Average interest rate	-	-	-	-	0.03%	0.04%
Cash flow hedges	**-**	**-**	**300,000**	**0**	**503,500**	**803,500**
Interest rate swaps (IRSs)	-	-	300,000	0	503,500	803,500
Average interest rate	-	-	-	-	-	-

A breakdown of the hedging instruments used by the Group at 31 December 2022 and 2021 is shown below:

	Thousands of euros			
	2022			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**5,555,481**	**182,609**	**274,672**	**(129,517)**
Interest rate swaps (IRSs)	5,300,481	174,472	274,672	(146,724)
Forward Rate Agreements (FRA´s)	255,000	8,137	-	17,207
Cash flow hedges	**803,500**	**16,425**	**335,123**	**(1,087)**
Interest rate swaps (IRSs)	803,500	16,425	335,123	(1,087)

	Thousands of euros			
	2021			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**3,623,778**	**67,362**	**(7,295)**	**(34,427)**
Interest rate swaps (IRSs)	3,413,778	63,993	(7,295)	(34,427)
Forward Rate Agreements (FRA´s)	210,000	3,369	-	-
Cash flow hedges	**803,500**	**4,504**	**(268,395)**	**(24,973)**
Interest rate swaps (IRSs)	803,500	4,504	(268,395)	(24,973)

A breakdown of the items hedged the Group at 31 December 2022 and 2021 is shown below:

	Thousands of euros					
	2022					
	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	**948,314**	**3,947,717**	**(143,316)**	**(136,621)**	**130,462**	**-**
Transactions with clients	-	132,117	-	(3,738)	5,448	-
Loans	-	2,315,600	-	(132,883)	157,374	-
Fixed Income	948,314	-	(143,316)	-	(151,385)	-
Savings demand deposit hedge	-	1,500,000	-	-	119,025	-
Cash flow hedges	**1,128,239**	**-**	**-**	**-**	**-**	**(1,087)**
Fixed Income	1,128,239	-	-	-	-	(1,087)

	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	-	(29,556)	44,503	-
Fixed Income	220,699	-	(4,370)	-	(20,188)	-
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)

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 2022 and 2021:

	Thousands of euros			
	2022			
	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	**-**	**945**	**-**	**-**
Transactions with clients	-	198	-	-
Loans	-	248	-	-
Fixed Income	-	499	-	-
Cash flow hedges	**23,886**	**-**	**-**	**(94,886)**
Fixed Income	23,886	-	-	(94,886)

	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)	-	-
Cash flow hedges	**(29,572)**	**-**	**-**	**(25,465)**
Fixed Income	(29,572)	-	-	(25,465)

At 31 December 2022 and 2021, 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 2022 and 2021 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2022	2021	2022	2021
Mortgage loans	-	-	-	-
Financial liabilities	-	-	(140,313)	17,758
	-	**-**	**(140,313)**	**17,758**

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 2022, the adjustment pending accrual amounted to 13.4 million euros (22.3 million euros at 31 December 2021) 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, transactions and deposits with customers, covered by interest rate swaps (IRSs), amounted to 1,875,897 thousand euros at 31 December 2022 (31 December 2021: 1,325,897 thousand euros).

At 31 December 2022 and 2021, 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 at 31 December 2022 and 2021 is broken down as follows:

	Thousands of euros	
	2022	2021
Equity instruments	60,696	75,976
Impairment losses	(128)	(128)
Total net amount	**60,568**	**75,848**

The balance of "Investments in subsidiaries, joint ventures and associates – Associates" of the consolidated balance sheets at 31 December 2022 and 2021 included goodwill associated with these investments. The breakdown of this goodwill, based on the Bank in which they originated, is shown below:

	Thousands of euros	
	2022	2021
Henneo	11,149	11,149
	11,149	**11,149**

The movement of the impairment losses of the associated entities in 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Opening balance	**128**	**-**
Transfers	**-**	**128**
Transfer charged to profit for the year	-	128
Recovered amount credited to the profit for the year	-	-
Recovered amount credited to profit for the previous years	**-**	**-**
Amounts used	**-**	**-**
Other movements	**-**	**-**
Closing balance	**128**	**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 2022 and 2021, 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 2022 and 2021, 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 2022 and 2021 is as follows:

	Thousands of euros
Balances at 31 December 2020	**429**
Transfers	(39)
Balances at 31 December 2021	**390**
Transfers	772
Balances at 31 December 2022	**1,162**

15. Tangible assets

Movements in this consolidated balance sheet heading in 2022 and 2021 are as follows:

	Thousands of euros			
	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances at 1 January 2021	**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 at 31 December 2021	**1,363,320**	**378,931**	**107,485**	**1,849,736**
Additions	48,994	7,571	52,073	108,638
Disposals due to sales or through other means	(56,374)	(30,128)	(39,525)	(126,027)
Other transfers and other movements	(3,341)	3,594	3,600	3,853
Balances at 31 December 2022	**1,352,599**	**359,968**	**123,633**	**1,836,200**
Accumulated depreciation				
Balances at 1 January 2021	**(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 at 31 December 2021	**(691,843)**	**(91,649)**	**(16,028)**	**(799,520)**
Disposals due to sales or through other means	48,454	4,637	7,040	60,131
Allowances recognised in profit or loss	(43,693)	(6,016)	(10,388)	(60,097)
Other transfers and other movements	169	(862)	-	(693)
Balances at 31 December 2022	**(686,913)**	**(93,890)**	**(19,376)**	**(800,179)**
Impairment losses				
Balances at 1 January 2021	**(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 at 31 December 2021	**(14,796)**	**(31,329)**	**-**	**(46,125)**
Transfer charged to profit for the year (Note 40)	(549)	(15,841)	-	(16,390)
Recovered amount credited to profits (Note 40)	-	-	-	-
Applications and other movements	549	4,095	-	4,644
Balances at 31 December 2022	**(14,796)**	**(43,075)**	**-**	**(57,871)**
Net tangible assets				
Balances at 31 December 2021	**656,681**	**255,953**	**91,457**	**1,004,091**
Balances at 31 December 2022	**650,890**	**223,003**	**104,257**	**978,150**

At 31 December 2022, fully-amortised assets still in use amounted to 407,331 million euros (431,570 million at 31 December 2021).

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 million 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 million euros, generating a share of 5% to be paid for this update, for an amount of 1,805 million 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 at 31 December 2022 and 2021 is the following:

	Thousands of euros			
	Cost	Accumulated depreciation	Impairment losses	Net balance
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 at 31 December 2021	**1,363,320**	**(691,843)**	**(14,796)**	**656,681**
Computer equipment and installations	189,198	(136,345)	-	52,853
Furniture, vehicles and other installations	381,054	(319,925)	-	61,129
Buildings	636,900	(169,774)	(14,796)	452,330
Construction in progress	7,283	-	-	7,283
Use rights under lease	138,164	(60,869)	-	77,295
Of which: Branch offices	*103,901*	*(47,391)*	-	*56,510*
Of which: Sale & lease-back	*28,223*	*(10,996)*	-	*17,227*
Of which: Other	*6,040*	*(2,482)*	-	*3,558*
Balances at 31 December 2022	**1,352,599**	**(686,913)**	**(14,796)**	**650,890**

No third party termination benefits were received in 2022 for asset impairment, and there were no pending termination benefits to be received at 31 December 2021.

There are no significant material asset acquisition commitments for its own use or restrictions on its ownership at 31 December 2022 and 2021.

15.2 Investment property

In 2022, rental income from investment property owned by the Group amounted to 4,192 thousand euros (2021: 3,905 thousand euros) (Note 36), other related expenses amounted to 1,209 thousand euros (2021: 1,079 thousand euros) (Note 37) and operating expenses for depreciation were incurred in 2022 amounting to 6,016 thousand euros (2021: 6,420 thousand euros) (Note 15).

69% of the net carrying amount of the investment properties (88% in 2021) 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 appraisals of these properties were performed out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, Gesvalt, Gevasa, Valum, Tecnitasa 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	
	2022	2021	2022	2021
Investment property	**266,078**	**287,465**	**182,553**	**254,985**
Residential	105,722	110,741	69,777	107,992
Commercial and industrial	160,351	175,043	112,771	145,312
Agricultural	5	1,681	5	1,681

The fair value calculated by independent appraisals for the assets amounted to 214,505 thousand euros at 31 December 2022 (31 December 2021: 261,565 thousand euros).

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 at 31 December 2022 and 2021.

15.3 Property, plant and equipment assigned under operating lease

The Group includes the assets associated with renting contracts under this heading, which amounted to 104,257 thousand euros at 31 December 2022 (91,457 thousand euros at 31 December 2021). In 2022, the rental income coming from these assets amounted to 18,478 thousand euros (16,475 thousand euros in 2021) (Note 36) and operating expenses due to depreciation amounted to 10,388 thousand euros (9,386 thousand euros in 2021) (Note 15).

15.4 Impairment losses

In 2022, 549 thousand euros of impairment losses on property, plant and equipment for own use and 15,841 thousand euros of impairment losses on investment property were recognised (impairment losses of 1,765 thousand euros and 2,649 thousand euros in 2021, 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 at 31 December 2022 and 2021 is the following:

	Thousands of euros	
Company	**2022**	**2021**
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 interest margin recovered as a result of the steepening of the yield curve.
  - Reduction in asset management fees (investment funds and pension plans) as a result of the increased marketing of fixed income funds as opposed to mixed income or equity funds, which means a lower management fee on the volume marketed.
  - Increase in bank fees, mainly those related to means of payment.
  - Improvement in the cost/income ratio, despite higher personnel and overhead costs, as a result of the expected increase in the gross margin.
  - Rise in the cost of risk and the NPL ratio due to the worsening of the macroeconomic scenario and the end of the easing measures granted in the last two years to mitigate the effects 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 Bank'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 Bank, so that it follows a continuous and clearly defined path.

In addition, the worsening of the macroeconomic situation adds further uncertainty to the projections of distributable cash flows, due to doubts about the future development of the main macroeconomic variables, and the Group has therefore been extremely prudent in its estimates.

- 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 3.59% (3.24% in 2021), which has been estimated based on the IRR of the Spanish 10-year bond obtained from Bloomberg; a beta adjusted by the Blume methodology of comparable listed companies taking the average monthly data of the last 5 years of 1.12 (1.27 in 2021), a market risk premium of 5.6% (4.9% in 2021), and a risk premium estimated as the spread of the IRR of Ibercaja's preference shares with respect to the average and median of the IRRs of comparable companies at 31 December 2022, the central value of which amounts to 0.86%. Taking these factors into consideration, the discount rate calculated on the basis of profit after tax is 10.7% (9.5% in 2021), while the discount rate calculated on the basis of profit before tax is 15.6% (13% in 2021).

- Rate of growth in perpetuity of the cash flow starting in 2025.

  The rate has been set at 1.7% (1.8% in 2021), 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 354 bp (418 bp in 2021) 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	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 at 31 December 2021	**290,294**	**(165,388)**	**(673)**	**124,233**
Computer software	286,575	(129,305)	(815)	156,455
Trade mark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatrés, S.A.U.	45,031	(43,470)	-	1,561
Other	-	-	-	-
Balances at 31 December 2022	**339,106**	**(180,275)**	**(815)**	**158,016**

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 2022 and 2021 are as follows:

	Thousands of euros			
	Computer software	Trade mark	Customer relationships of Banco Grupo Cajatres	Total
Cost				
Balances at 1 January 2021	**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 at 31 December 2021	**237,763**	**7,500**	**45,031**	**290,294**
Additions	49,260	-	-	49,260
Disposals due to sales or through other means	(448)	-	-	(448)
Other transfers and other movements	-	-	-	-
Balances at 31 December 2022	**286,575**	**7,500**	**45,031**	**339,106**
Accumulated depreciation				
Balances at 1 January 2021	**(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 at 31 December 2021	**(117,539)**	**(7,500)**	**(40,349)**	**(165,388)**
Disposals due to sales or through other means	13	-	-	13
Allowances recognised in profit or loss	(11,779)	-	(3,121)	(14,900)
Other transfers and other movements	-	-	-	-
Balances at 31 December 2022	**(129,305)**	**(7,500)**	**(43,470)**	**(180,275)**
Impairment losses				
Balances at 1 January 2021	**(673)**	**-**	**-**	**(673)**
Transfer charged to profit for the year (Note 40)	-	-	-	-
Recovered amount credited to profit for the year (Note 40)	-	-	-	-
Applications and other movements	-	-	-	-
Balances at 31 December 2021	**(673)**	**-**	**-**	**(673)**
Transfer charged to profit for the year (Note 40)	(142)	-	-	(142)
Recovered amount credited to profit for the year (Note 40)	-	-	-	-
Applications and other movements	-	-	-	-
Balances at 31 December 2022	**(815)**	**-**	**-**	**(815)**
Net intangible assets				
Balances at 31 December 2021	**119,551**	**-**	**4,682**	**124,233**
Balances at 31 December 2022	**156,455**	**-**	**1,561**	**158,016**

At 31 December 2022, fully-amortised intangible assets still in use amounted to 118,066 thousand euros (113,642 thousand euros at 31 December 2021).

17. Other assets

This heading in the consolidated balance sheets at 31 December 2022 and 2021 breaks down as follows:

	Thousands of euros	
	2022	**2021**
Accruals and deferred income	37,050	49,341
Inventories	123,793	197,903
Transactions in transit	3,182	2,292
Other	18,706	7,011
Total gross amount	**182,731**	**256,547**
(Impairment losses)	(54,658)	(108,250)
Total net amount	**128,073**	**148,297**

Impairment analysed in the above table relates entirely to Inventories.

Movements in Inventories during 2022 and 2021 are as follows:

	Thousands of euros		
	Foreclosed assets	**Other assets**	**Total**
Cost			
Balances at 1 January 2021	**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	-	413	413
Balances at 31 December 2021	**116,771**	**81,132**	**197,903**
Additions	153		153
Disposals due to sales or through other means	(67,083)	(7,180)	(74,263)
Other transfers and other movements	-	-	-
Balances at 31 December 2022	**49,841**	**73,952**	**123,793**
Impairment losses			
Balances at 1 January 2021	**(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 at 31 December 2021	**(87,756)**	**(20,494)**	**(108,250)**
Transfer charged to profit for the year (Note 40)	(623)	(1,126)	(1,749)
Recovered amount credited to profits (Note 40)	-	-	-
Applications and other movements	51,669	3,672	55,341
Balances at 31 December 2022	**(36,710)**	**(17,948)**	**(54,658)**
Net inventories			
Balances at 31 December 2021	**29,015**	**60,638**	**89,653**
Balances at 31 December 2022	**13,131**	**56,004**	**69,135**

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, Valum, Tecnitasa 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 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Costs to sell inventories sold during the year	22,594	6,961
Impairment losses on inventories (Note 40)	1,749	7,513
Impairment write-downs	*1,749*	*7,513*
Reversals of impairment write-downs	-	-
Total net amount	**24,343**	**14,474**

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

At 31 December 2022 and 2021, this consolidated balance sheet item breaks down as follows:

	Thousands of euros	
	2022	**2021**
Foreclosed assets	**233,210**	**271,339**
Residential	207,279	230,889
Industrial	24,114	28,997
Agricultural	1,817	11,453
Other assets	**37,257**	**38,898**
Residential	30,775	30,728
Industrial	133	1,821
Agricultural	6,349	6,349
Total gross amount	**270,467**	**310,237**
(Impairment losses)	(94,175)	(98,809)
Total net amount	**176,292**	**211,428**

Movements in this consolidated balance sheet heading in 2022 and 2021 are as follows:

	Thousands of euros		
	Foreclosed assets	Other assets	Total
Cost			
Balances at 1 January 2021	**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 at 31 December 2021	**271,339**	**38,898**	**310,237**
Additions	37,309	1,085	38,394
Disposals due to sales or through other means	(75,802)	(2,072)	(77,874)
Other transfers and other movements	364	(654)	(290)
Balances at 31 December 2022	**233,210**	**37,257**	**270,467**
Impairment losses			
Balances at 1 January 2021	**(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 at 31 December 2021	**(93,066)**	**(5,743)**	**(98,809)**
Net transfer charged to profit for the year (Note 42)	(25,623)	(200)	(25,823)
Applications and other movements	30,239	218	30,457
Balances at 31 December 2022	**(88,450)**	**(5,725)**	**(94,175)**
Net non-current assets held for sale			
Balances at 31 December 2021	**178,273**	**33,155**	**211,428**
Balances at 31 December 2022	**144,760**	**31,532**	**176,292**

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 real 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 2022, the Group financed 8.28% of sales (19.70% in 2021). Loans granted during the year to finance sales of this type of assets amounted to 5,589 thousand euros (31 December 2021: 14,097 thousand euros) and the accumulated amount of loans granted was 586,799 thousand euros (31 December 2021: 581,210 thousand euros).

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	
	2022	2021	2022	2021
Non-current assets held for sale	**270,467**	**310,237**	**252,367**	**301,255**
Residential	238,054	261,617	220,783	255,566
Industrial	24,247	30,818	24,278	28,748
Agricultural	8,166	17,802	7,306	16,941

The fair value calculated by independent appraisals for the assets amounts to 322,531 thousand euros at 31 December 2022 (31 December 2021: 365,117 thousand euros).

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 item at 31 December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Deposits	**40,855,197**	**44,884,582**
Central banks (Note 19.1)	-	*5,871,128*
Credit institutions (Note 19.2)	*2,013,412*	*745,174*
Customers (Note 19.3)	*38,841,785*	*38,268,280*
Debt securities issued (Note 19.4)	**1,715,207**	**1,316,321**
Other financial liabilities (Note 19.5)	**1,153,818**	**1,084,210**
	43,724,222	**47,285,113**

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 2022 and 2021 is shown below:

	Thousands of euros	
	2022	2021
European Central Bank	-	5,959,000
Valuation adjustments	-	(87,872)
	-	**5,871,128**

On 30 April 2020, the Governing Council of the European Central Bank made a number of changes to the terms and conditions of the targeted longer-term refinancing operations (TLTROs) in order to further support lending to households and businesses to mitigate the economic effects of the Covid-19 health crisis. The Bank participated in the fourth auction of the TLTRO III programme for an amount of 5,400,000 thousand euros maturing in 2023, which was recorded under the heading “Financial liabilities at amortised cost - Deposits at Central Banks” in the consolidated balance sheet. In addition, on 24 June 2021, the Bank 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 was 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. These longer-term refinancing operations with a specific objective (TLTRO) were repaid in full in November of this year.

The Group has accrued the interest associated with this financing considering the specific periods of adjustment to market rates and the existing time windows to renew or cancel this financing, taking into consideration point B5.4.4. of IFRS 9 which indicates that, for the recording of amortised cost, the entity shall use a shorter period when fees, basis points paid or received, transaction costs, premiums or discounts relate to it, this being the case when the variable to which the fees, basis points paid or received, transaction costs, discounts or premiums relate is adjusted to market rates before the expected maturity of the financial instrument. In this case, the appropriate amortisation period is the period until the next adjustment date.

The heading “Interest and similar income – Interest on liabilities” in the consolidated income statement for the period from June 2020 to June 2022 showed the interest for the period from June 2020 to June 2022 (i.e. -1%), 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 Bank 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. Since 25 June 2022, in accordance with the accounting standards, the interest accrued on this funding has been calculated as the average of the marginal deposit facility over the entire life of each TLTRO, using rates already known at that time and rates estimated on the basis of market expectations up to the maturity date of each TLTRO.

In addition, the Group has monitored monthly the formalisations carried out to ensure compliance with the assumptions assumed, having until the maturity date of the bonus remuneration period a comfortable margin over the limits established by the ECB, which endorses the assumptions assumed by the Bank for the recognition of the accrual of interest generated by these liquidity auctions.
The amount of this positive remuneration amounted to 37,511 thousand euros and 59,064 thousand euros at 31 December 2022 and 2021, respectively (Note 28).

The average effective interest rate on debt instruments classified in this item during 2022 was -0.73% (1.01% at 31 December 2021).

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 2022 and 2021 is shown below:

	Thousands of euros	
	2022	**2021**
On demand:	**10,823**	**21,365**
Other accounts	10,823	21,365
Time or at notice:	**2,000,855**	**723,969**
Fixed-term deposits	97,071	113,807
Assets sold under repurchase agreements	1,893,900	600,972
Other accounts	9,884	9,190
Valuation adjustments	**1,734**	**(160)**
	2,013,412	**745,174**

The average effective interest rate on debt instruments classified in this item during 2022 was 0.41% (0.19% during 2021).

19.3 Deposits - Customer

The breakdown of the balance under this heading in the consolidated balance sheets at 31 December 2022 and 2021, based on the geographical location, nature and counterparties of the transaction concerned, is indicated below:

	Thousands of euros	
	2022	**2021**
Geographic location		
Spain	38,719,547	38,141,024
Other	122,238	127,256
	38,841,785	**38,268,280**
By nature		
Demand deposits	35,575,488	34,673,081
Current accounts	*27,997,244*	*26,879,849*
Savings accounts	*7,531,508*	*7,748,700*
Other demand deposits	*46,736*	*44,532*
Term deposits	2,813,720	3,485,694
Fixed-term deposits	*1,705,122*	*2,349,119*
Non-marketable mortgage covered bonds and bonds issued (Note 44.1)	*1,081,026*	*1,100,470*
Hybrid deposits	-	-
Other term deposits	*27,572*	*36,105*
Assets sold under repurchase agreements	*405,733*	-
Valuation adjustments	46,844	109,505
	38,841,785	**38,268,280**
By counterparties		
Resident public administrations	1,441,471	1,606,262
Other resident sectors	37,278,076	36,534,762
Non-resident public administrations	13	13
Other non-resident sectors	122,225	127,243
	38,841,785	**38,268,280**

The average effective interest rate on debt instruments classified in this item during 2022 was 0.07% (0.04% during 2021).

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 1,081,026 thousand euros (1,100,470 thousand euros at 31 December 2021). 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 2022 and 2021 breaks down as follows:

	Thousands of euros	
	2022	2021
Nominal value of mortgage covered bonds (Note 44.1)	2,250,000	3,000,000
Treasury shares	(1,750,000)	(2,500,000)
Nominal value of other securities linked to transferred financial assets	217,993	258,354
Nominal value of preferred ordinary bonds	550,000	50,000
Nominal value of subordinated bonds	500,000	500,030
Valuation adjustments	(52,786)	7,937
	1,715,207	**1,316,321**

In 2022, mortgage bonds with a nominal amount of 750 million euros matured (note 44.1).

Details regarding each issue of preferred ordinary bonds are as follows:

			Thousands of euros Nominal amount	
Issue	Nominal interest	Maturity	2022	2021
2 December 2021	Mixed	2 December 2027	50,000	50,000
9 June 2022	Mixed	15 June 2025	500,000	-
			550,000	**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%.

On 15 June 2022, Ibercaja Banco, S.A. issued preferred ordinary bonds worth 500 million euros and maturing on 15 June 2025. The issue price was 99.862% and the issue will pay a fixed annual coupon of 3.75% until 15 June 2024. From that date, they will pay fixed interest at the swap rate of 1 year plus a spread of 2.5%.

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	2022	2021
TDA2 securitisation bonds	Variable	13/10/2005	(*)	904,500	43,521	48,162
TDA3 securitisation bonds	Variable	12/05/2006	(*)	1,007,000	43,371	51,359
TDA4 securitisation bonds	Variable	18/10/2006	(*)	1,410,500	50,973	60,415
TDA5 securitisation bonds	Variable	11/05/2007	(*)	1,207,000	29,902	34,647
TDA6 securitisation bonds	Variable	25/06/2008	(*)	1,521,000	11,015	12,388
TDA ICO-FTVPO securitisation bonds	Variable	15/07/2009	(*)	447,200	39,211	51,383
TDA7 securitisation bonds	Variable	18/12/2009	(*)	2,070,000	-	-
					217,993	**258,354**

(*) 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 item during 2022 was 0.95% (-0.14% during 2021).

Details regarding each issue of subordinated bonds are as follows:

			Thousands of euros	
			Nominal amount	
Issue	Nominal interest	Maturity	2022	2021
15 June 2007	Mixed	15 June 2022	-	30
23 January 2020	Fixed	23 July 2030 (*)	500,000	500,000
			500,000	**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.

The bonds of the 2020 issue qualify as Tier 2 capital instruments (Tier 2) 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 subordinated liabilities during the financial year 2022 amounted to 14,392 thousand euros (14,392 thousand euros in 2021).

The average effective interest rate on debt instruments classified in this item during 2022 was 2.79% (2.85% during 2021).

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	
	2022	2021
Opening balance	**552,752**	**510,326**
Cash flows	499,970	50,000
Simple bond issuance	*500,000*	*50,000*
Subordinated bond issuance by Ibercaja Banco, S.A.	-	-
Redemption of subordinate bonds issued by Ibercaja Banco, S.A.	*(30)*	-
Redemption of preference shares	-	-
No impact on cash flows	(40,068)	(7,574)
Valuation adjustments	*(40,068)*	*(7,574)*
Closing balance	**1,012,654**	**552,752**

19.5 Other financial liabilities

This heading in the consolidated balance sheets at 31 December 2022 and 2021 breaks down as follows:

	Thousands of euros	
	2022	2021
Bonds payable	68,623	55,288
Guarantees received	7,701	50,458
Collection accounts	600,911	711,450
Special accounts	45,542	41,167
Financial guarantees	2,292	2,136
Other items	428,749	223,711
Total net amount	**1,153,818**	**1,084,210**

“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 80,862 thousand euros (86,308 thousand euros during 2021, 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.	
	2022	2021
Assets under repos	-	-
Liabilities under repos	897	812

	Thousands of euros	
	Deposits subject to repo offset arrangements.	
	2022	2021
Deposits recognised under assets	960	310
Deposits recognised under liabilities	-	-

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 2022 and 2021 is as follows:

	2022	2021
	Days	
Average supplier payment period	26	16
Ratio of settled transactions	22	14
Ratio of transactions pending payment	181	151
	Thousands of euros	
Total payments made	807,799	747,710
Total payments outstanding	18,875	8,130
	Units	
Number of invoices paid within the legal deadline (*)	95,401	94,859
Percentage of total paid invoices	83.4%	86.9%
Payments made within the legal deadline (*)	567,489	543,725
Percentage of total payments made	87.1%	91.2%

(*) The Second Transitional Provision of Law 15/2010 of 5 July, which contains measures to combat late payment in commercial transactions, sets out that the maximum legal period for payments between companies is 30 calendar days, although it may be extended to a maximum of 60 calendar days, provided that both parties agree.

20. Liabilities under insurance or reinsurance contracts

At 31 December 2022 and 2021, the balances in this consolidated balance sheet heading were as follows:

	Thousands of euros	
	2021	2021
Technical reserves for:		
Unearned premium reserves (non-life)	-	-
Life insurance:	4,747,269	5,326,263
Unearned premium reserve and current risks	*24,219*	*23,260*
Mathematical reserves	*4,723,050*	*5,303,003*
Benefits pending payment	91,859	96,055
Profit sharing and returned premiums	6,630	5,470
Life insurance in which the investment risk is borne by the policyholders	1,557,689	1,693,706
	6,403,447	**7,121,494**

There is no accepted reinsurance at 31 December 2022 or 31 December 2021.

The reconciliation between the opening and closing balances under this heading in 2022 and 2021 is as follows:

	Thousands of euros
Balances at 31 December 2020	**7,521,167**
Transfers	*7,121,494*
Reversals	*(7,521,167)*
Balances at 31 December 2021	**7,121,494**
Transfers	*6,403,447*
Reversals	*(7,121,494)*
Balances at 31 December 2022	**6,403,447**

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 respect to survivors' insurance, this resolution envisaged that institutions could choose between full adaptation to the tables in 2021 or progressive adaptation over time, complying with a timetable established 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 8,837 thousand euros, coming entirely from the survival insurance of its portfolio. At the end of 2022 an accumulated provision for this item amounting to 6,628 thousand euros had been recorded. Therefore, at the end of 2022 75% of the impact of the change of tables in its accounts has been included, which is higher than the minimum percentage established in the Resolution of the Directorate General for Insurance and Pension Funds for 2022 (50%), in the case of 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 2022 and 2021, 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:

2022

	Products	Actual Claims	Realistic Mortality Table	Estimated Claims	%
Death Risk Insurance	Life-savings insurance Risk insurance	836	PASS M/F 2020 2nd Order	1,277	65.49%
Insurance with Survival Risk	Rent Insurance (Individual and Group)	1,804	PER M/F 2020 Ind 2nd Order PER M/F 2020 Gr 2nd Order	1,804	99.98%

2021

	Products	Actual Claims	Realistic Mortality Table	Estimated Claims	%
Death Risk Insurance	Life-savings insurance Risk insurance	1,074	PASS M/F 2020 2nd Order	1,412	76.07%
Insurance with Survival Risk	Rent Insurance (Individual and Group)	1,802	PER M/F 2020 Ind 2nd Order PER M/F 2020 Gr 2nd Order	1,903	94.70%

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 65.49% (76.07% in 2021) of the behaviour obtained with the realistic mortality tables (second order). In other words, the company's mortality rate is significantly 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 99.98% of the realistic longevity tables (second order), practically that which would be indicated by the 2nd order PER2020 table.

However, as explained above, the provision booked at year-end 2022 and 2021 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 Bank 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 2022 and 2021 are detailed below:

	2022						
	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	0.46%
Savings-investment	Mixed	GK80/GK95/PASEM2010/PASEM2019R1º	No profit sharing	-	Individual	Single premium	1.22%
Life annuities	Mixed	GR95/PER2000P/ PER2020I1º	No profit sharing	-	Individual	Single premium	2.04%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010/PASEM2019R1º	No profit sharing	-	Individual	Regular premiums	1.23%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010/PASEM2019R1º	No profit sharing	-	Individual	Single premium	1.04%
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	-	Group	Single premium	3.97%
Other groups	Mixed	GK80/GK95	With profit sharing	20.54	Group	Regular/single premium	0.80%
Individual life-risk	Risk	GK80/GK95/PASEM2010/PASEM2019R1º/PASEM2019NR1º	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Risk	GK80/GK95/PASEM2010/PASEM2019R1º	With profit sharing	887.35	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	25.79	Group	Regular premiums	-

	2021						
	Coverage type	Tables used	Profit sharing: With or without profit sharing	Profit sharing: Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
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	Risk	GK80/GK95/PASEM2010/ PASEM2019R1º/ PASEM2019NR1º PASEM2019R1º/	No profit sharing	-	Individual	Regular/ single premium	-
Group life-risk	Risk	GK80/GK95/PASEM2010/ PASEM2019R1º	With profit sharing	1,366	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	28.17	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	
	2022	**2021**
Life insurance premiums	79,516	75,549
Savings insurance premiums	1,035,210	825,974
	1,114,726	**901,523**
Premiums under individual policies	946,897	894,543
Premiums under group policies	167,829	6,980
	1,114,726	**901,523**
Regular premiums	324,299	356,739
Single premiums	790,427	544,784
	1,114,726	**901,523**
Premiums for policies with no profit-sharing	865,348	289,735
Premiums for policies with profit-sharing	3,840	6,561
Premiums for policies where the investment risk is assumed by the policyholder	245,538	605,227
	1,114,726	**901,523**

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 1,117,710 thousand euros at 31 December 2022 (31 December 2021: 904,463 thousand euros). This heading also reflects income from reinsurance amounting to 2,984 thousand euros at 31 December 2022 (2,940 thousand euros at 31 December 2021).

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 2022 amounting to 1,117,974 thousand euros (904,756 thousand euros in 2021) 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 190% at 31 December 2022 (265% at 31 December 2021), 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 at 31 December 2022 are as follows:

- A progressive decrease of -50 basis points in the discount curve would generate a 3% increase in the economic value and a 0.8% 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 6% and a reduction in one-year earnings of 1.7%.

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 2022 and 2021 indicating the purpose of the provisions recognised in the consolidated balance sheet at 31 December 2022 and 2021 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 2021	**119,125**	**122**	**7,780**	**19,477**	**246,596**
Allowances charged to income					
Interest expense	3	-	-	-	-
Allowances to provisions and other	-	562	1,019	7,887	8,611
Staff costs (Note 34)	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 at 31 December 2021	**89,239**	**1,544**	**7,163**	**16,707**	**154,290**
Allowances charged to income					
Interest expense	5	-	-	-	-
Allowances to provisions and other	-	680	4,445	13,870	30,490
Staff costs (Note 34)	2,017	1,544	-	-	669
Reversal of provisions taken to income statement	-	-	-	(10,657)	(16,933)
Provisions utilised	(312)	(680)	(980)	-	(48,212)
Other movements	(25,915)	-		81	-
31 December 2022	**65,034**	**3,088**	**10,628**	**20,001**	**120,304**

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 costs”. 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 item “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 2022 and 2021, are analysed below:

	Thousands of euros	
	2022	2021
Liabilities		
Externalised post-employment benefits	60,410	82,720
Non-externalised post-employment benefits	4,624	6,519
Fund for labour-related costs of the restructuring plan	-	-
Long-term incentive plan (Note 2.13.5)	3,088	1,544
	68,122	**90,783**

The net balance in the consolidated balance sheet for defined benefit plans breaks down as follows:

	Thousands of euros	
	2022	2021
Commitments relating to:		
Post-employment benefits (Note 38.2)	17,936	(4,361)
Other long-term remuneration - pre-retirement (Note 38.3)	(3,088)	(1,544)
(Shortfall)/Surplus	**14,848**	**(5,905)**
Impact of limit on assets	(28)	(473)
Net asset (liability) on balance sheet:	**14,820**	**(6,378)**
Assets linked to pensions (*)	66,690	78,998
Net pension assets (**)	16,252	5,407
Net pension (provision)	(68,122)	(90,783)

(*) 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	
	2022	2021
Defined benefit plans (Note 38)	(2,017)	(2,254)
Contributions to defined contribution plans (Note 38)	(13,699)	(15,413)
Interest expense and similar charges (net)	2	-
Transfers to provisions (*)	(680)	(561)
Actuarial gains (-) losses on long-term employee benefits	-	(1)
	(16,394)	**(18,229)**

(*) 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	
	2022	2021
Actuarial gains or (-) losses on post-employment benefits	23,979	14,635
Limitation on assets	(445)	(165)
	23,534	**14,470**

The main financial and actuarial assumptions used in measuring the commitments are as follows:

	2022	2021
Technical interest rate	3.31% - 3.45%	0.68% - 1.12%
Expected return on assets	3.31% - 3.45%	0.68% - 1.12%
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	PER 2020
Life expectancy		
Employees retiring in FY 2022/2021		
Men	24.32	24.18
Women	28.05	27.91
Employees retiring in FY 2042/2041		
Men	26.87	26.75
Women	30.41	30.30

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 9.28 years and the weighted average discount rate was 3.32%.

Other provisions

Below is the detail and movement during the nine months of 2022 in “Provisions - Other provisions” in the consolidated balance sheet:

	Thousands of euros					
	Balances at 31 December 2021	Transfers	Reversals	Amounts used	Other movements	Balances at 31 December 2022
Interest rate floor clauses	10,169	8,501	-	(8,808)	-	9,862
Provisions ERE (temporary redundancy plan)	133,819	-	(16,933)	(29,221)	669	88,334
Mortgage expenses	2,465	5,986	-	(3,066)	-	5,385
Delivery demands on account of home purchases (purchasers with or without	5,431	2	-	(1,965)	-	3,468
Other provisions	2,406	16,001	-	(5,152)	-	13,255
Total	**154,290**	**30,490**	**(16,933)**	**(48,212)**	**669**	**120,304**

Costs of the workforce downsizing plan

At 31 December 2022, the “Provisions -remaining provisions” heading related to the labour cost of the redundancy plans in 2017 and 2020, pending payment in the amount of 88,333 thousand euros (133,818 thousand euros at 31 December 2021). In 2022, payments were made in the amount of 29,221 thousand euros. During 2022, the funds associated with this item were released for 16,933 thousand euros, due to the expiry of a contingency linked to these labour costs

Interest rate floor clauses

As regards the possible impact of having to refund the amounts received under the so-called interest rate floor clauses, whether as a result of the hypothetical voiding by the courts of the floor clauses, or by virtue of Royal Decree Law 1/2018 of 20 January, on measures to protect consumers regarding floor clauses, the Company has allocated reserves to cover a hypothetical legal risk deriving from the potential elimination of the floor clauses in mortgages. These provisions would be sufficient to cover a maximum estimated amount of 9,862 thousand euros at 31 December 2022.

The IRPH clause in mortgage loans.

On 14 December 2017, the Spanish Supreme Court, in a bid to unify to various approaches followed by the provincial courts, ruled that the Mortgage Loan Reference Index (known as the IRPH) was valid and not abusive, given that it is an official index and as such should not undergo a transparency analysis.

On 3 March 2020, the CJEU delivered a ruling under 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 Consumer Directive 93/13, and therefore, a national judge may 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 Spain, with the subsidised mortgage loans.

Following this ruling, the various Spanish provincial courts continued to apply different criteria.

Through the order of 17 November 2021, the CJEU confirmed what it had previously 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.

As all the final decisions delivered at the date of authorisation for issue of these financial statements have been favourable for the Group and given also that current case law on this matter generally treats the IRPH as a non-abusive clause, the Group has decided not to provision any amount for this legal risk, as it considers that the probability of the Group having to disburse funds 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.

Based on the foregoing and in view of how these contingencies are panning out, the Bank has estimated that the risk to be covered in relation to this contingency amounted to 5,386 thousand euros at 31 December 2022.

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 2022, the Bank had recognised a provision in the amount of 3,468 thousand euros to cover amounts received on account for home purchases, whether or not they have been subject to judicial recovery proceedings.

Other provisions

The remainder of the balance relates to the coverage of other ordinary business risks of the Group.

22. Other liabilities

This heading in the consolidated balance sheets at 31 December 2022 and 2021 breaks down as follows:

	Thousands of euros	
	2022	**2021**
Personnel expense apportionment	18,586	13,964
Transactions in transit	1,727	1,417
Contribution to Deposit Guarantee Fund (Note 1.8.2)	50,397	44,786
Other	147,016	162,847
	217,726	**223,014**

At 31 December 2022 and 2021, “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 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Capital	214,428	214,428
Equity instruments issued other than capital	350,000	350,000
Retained earnings	678,673	621,589
Legal reserve	*59,215*	*59,215*
Goodwill reserve	*12,807*	*12,807*
Voluntary reserves	*582,342*	*527,083*
Capitalisation reserves	*24,309*	*22,484*
Revaluation reserves	3,280	3,288
Other reserves	1,940,826	1,960,567
Legal reserve	*13,671*	*13,671*
Accumulated reserves or losses on investments in jointly-controlled entities and	*(36,159)*	*(35,848)*
Other reserves	*1,963,314*	*1,982,744*
Of which: from the application of IFRS 9	*(115,872)*	*(115,872)*
Of which: from the issue of equity instruments other than capital	*(84,170)*	*(67,020)*
Profit/(loss) for the year	202,120	150,985
Interim dividends	(101,072)	(47,000)
Total	**3,288,255**	**3,253,857**

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 2022, 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 2021).

In 2021, there were 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 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 on the consolidated balance sheet amounted to 22,484 thousand euros at 31 December 2021.

The Group has increased the capitalisation reserves by 1,825 thousand euros, in accordance with the provisions of the aforementioned article of the Corporate Income Tax Law, so that the carrying amount of the capitalisation reserves in the consolidated balance sheet totals 24,309 thousand euros. (Note 4,1)

In accordance with the definition of distributable items in the CRR regulations, in article 4, section 1, paragraph; the balance thereof, at 31 December 2022, amounted to 490,326 thousand euros (380,146 thousand euros at 31 December 2021).

“Interm dividends” includes the interim dividend out of 2022 profit, distributed among the shareholders in 2022 (Note 4.1).

23.1.1 Capital

Share capital at 31 December 2022 consisted of 214,427,597 shares (31 December 2021: 214,427,597 shares), 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:

	2022	2021
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%

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 depreciated.

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 2022 or 2021.

24. Accumulated other comprehensive income

24.1 Actuarial gains/(losses) on defined benefit pension plans

As at 31 December 2022 the amount of accumulated actuarial gains on defined benefit pension plans was 2,863 thousand euros (actuarial losses of 13,612 thousand euros at 31 December 2021).

24.2 Hedging derivatives. Cash flow hedge reserve (effective portion)

At 31 December 2022, the amount of losses taken to equity for cash flow hedges amounted to 1,087 thousand euros (31 December 2021: losses of 24,973 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				
	2022				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	(15,598)	157,426	147,763	9,663	-
Unlisted equity instruments	42,641	141,481	-	113,717	27,764
Listed fixed income	(139,131)	5,019,226	4,924,982	94,244	-
Total	**(112,088)**	**5,318,133**	**5,072,745**	**217,624**	**27,764**

	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**

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 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 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 Corporate Income Tax for 2018 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2018 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the Corporate Income 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 audits were completed in June 2022 and became final and non-appealable following the signing of the settlement acceptance certificates.

Furthermore, in relation to the Corporate Income Tax of the tax consolidation group of Banco Grupo Cajatrés (a company absorbed by Ibercaja Banco in 2013) and 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 actions were completed in June 2022, acquiring the status of firm following the signing of the acts of conformity.

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 2022 and 2021 and corporation tax expense is as follows:

	Thousands of euros	
	2022	**2021**
Consolidated profit/(loss) before tax	**283,220**	**214,773**
Corporation tax at the 30% tax rate	84,966	64,432
Effect of permanent differences	3,979	6,165
Other adjustments on consolidation	155	(1,677)
Tax deductions and tax credits	(359)	(2,143)
Write-off of deferred tax assets	1,354	-
Corporation tax expense for the year	**90,095**	**66,777**
Adjustments to prior-year tax expense	(8,995)	(2,989)
Total corporation tax expense	**81,100**	**63,788**
Of which: current tax expense	*(10,932)*	*15,955*
Of which: deferred tax expense	*92,032*	*47,833*

Corporate Income Tax expense increased by 65,497 thousand euros in 2022 due to the deferred taxes related to the origination and reversal of temporary differences (increase of 25,737 thousand euros in 2021).

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 2022 and 2021 are as follows:

	Thousands of euros	
	Deferred tax liabilities	**Deferred tax assets**
Balances 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)
Balances at 31 December 2021	**1,292,152**	**159,449**
Prior-year restatement and other	(21,936)	(7,684)
Generated during the year	34,862	(897)
Applied during the year	(120,133)	(6,594)
Change in deferred tax assets and liabilities applied to equity	42,669	(11,090)
Balances at 31 December 2022	**1,227,614**	**133,184**

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	
	2022	2021	2022	2021
Impairment of financial assets	656,014	694,726	2,530	631
Pension commitments and other provisions	66,388	89,180	-	-
Fixed assets	38,268	15,770	119,482	109,468
Foreclosed assets	410	38	-	-
Other adjustments	11,865	53,903	6,356	33,444
Total temporary differences with a balancing item in income statement	**772,945**	**853,617**	**128,368**	**143,543**
Temporary differences with a balancing item in equity	**70,201**	**27,532**	**4,816**	**15,906**
Tax credit for tax-loss carryforwards	379,899	407,274	-	-
Tax credit for deductions pending application	4,569	3,729	-	-
Total tax credits	**384,468**	**411,003**	**-**	-
	1,227,614	**1,292,152**	**133,184**	**159,449**

Below follows a breakdown of corporation tax relating to each item included in the statement of recognised income and expense:

	Thousands of euros	
	2022	2021
Actuarial losses and gains on defined benefit pension plans	(7,060)	(4,341)
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	4,405	(7,684)
Items that will not be reclassified to profit or loss	**(2,655)**	**(12,025)**
Debt instruments at fair value through other comprehensive income	66,651	9,730
Valuation gains/(losses) taken to equity	*67,660*	*7,478*
Transferred to the income statement	*(1,009)*	*2,252*
Reversal of deferred tax liabilities	-	-
Cash flow hedges	(10,237)	14,367
Other recognised income and expenses	-	-
Items that may be reclassified to profit or loss	**56,414**	**24,097**
	53,759	**12,072**

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 2022, the net amount of deferred tax assets and liabilities related to temporary differences amounted to 709,962 thousand euros (721,700 thousand euros at 31 December 2021).

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. At 31 December 2022, deferred tax assets amounted to 634 million euros (634 million euros at 31 December 2021).

In addition, at 31 December 2022 there are deferred tax assets for tax-loss carryforwards and for unused tax credits amounting to 384,468 thousand euros (31 December 2021: 411,003 thousand euros). 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.

In accordance with Ibercaja Banco's business plan, approved by the Bank's Board of Directors on 26 January 2023, and with the management projections that have served as the basis for the goodwill impairment test and other regulatory reporting, sufficient future taxable profits will be generated to allow 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 2022 the estimated period for recovering these deferred tax assets is no more than 15 years.

26. Fair value of financial assets and liabilities

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2022 and 2021 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				
	2022				
	Total balance	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	1,582,223	1,582,223	-	1,582,223	-
Financial assets held for trading	25,177	25,177	-	25,177	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	1,547,710	1,547,710	1,546,214	-	1,496
Financial assets at fair value through profit or loss	5,530	5,530	5,530	-	-
Financial assets at fair value through other comprehensive income	5,318,133	5,318,133	5,072,745	217,624	27,764
Financial assets at amortised cost	42,768,427	43,759,819	8,027,646	3,640,451	32,091,722
Derivatives - Hedge accounting	199,034	199,034	8,137	190,897	-
Total financial assets	**51,446,234**	**52,437,626**	**14,660,272**	**5,656,372**	**32,120,982**
Financial liabilities held for trading	14,589	14,589	-	14,212	377
Financial liabilities at amortised cost	43,724,222	39,602,541	-	39,602,541	-
Derivatives - Hedge accounting	609,795	609,795	-	609,795	-
Total financial liabilities	**44,348,606**	**40,226,925**	**-**	**40,226,548**	**377**

	Thousands of euros				
	2021				
	Total balance	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	32,091,722
Derivatives - Hedge accounting	71,866	71,866	-	71,866	-
Total financial assets	**55,592,676**	**58,363,095**	**15,882,912**	**10,358,549**	**32,121,634**
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**

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 1.36% 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 -1.85% 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 2022 and 2021 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 financial assets not held for trading 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	
	2022	**2021**
Level 1	18,157	7,114
Level 2	(137,809)	(40,897)
Level 3	(1,516)	103
	(121,168)	**(33,680)**

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**
Balances at 1 January 2022	**-**	**1,496**	**28,416**	**377**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(1,516)	(145)	-
Purchases	-	-	-	-
Sales	-	-	(344)	-
Issues	-	1,516	-	-
Settlements and maturities	-	-	(163)	-
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balances at 31 December 2022	**-**	**1,496**	**27,764**	**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**
Balances 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	-	(28,163)	-	-
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balances at 31 December 2021	**-**	**1,496**	**28,416**	**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 and 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.

27. Other significant information

27.1 Contingent risks

The following table breaks down financial guarantees granted at 31 December 2022 and 2021 in accordance with the maximum risk assumed by the Group:

	Thousands of euros	
	2022	**2021**
Guarantees and other sureties	**760,126**	**768,106**
Financial guarantees	98,854	97,630
Guarantees and other sureties	661,272	670,476
Irrevocable letters of credit	**25,642**	**41,725**
Irrevocable documents issued	25,642	41,725
Irrevocable documents confirmed	-	-
Assets associated with third-party obligations	**234**	**234**
	786,002	**810,065**

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 2022 and 2021, 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	
	2022	**2021**
Assets under repos	2,577,199	598,062
Assets associated with Bank of Spain policy (*)	3,124,707	3,215,603
	5,701,906	**3,813,665**

(*) There is an additional 2,671,358 thousand euros (3,580,615 thousand euros in 2021) 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 2022 and 2021, the limits on financing contracts granted and the undrawn balances were as follows:

	Thousands of euros			
	2022		2021	
	Limit granted	Undrawn balance	Limit granted	Undrawn balance
Drawable by third parties	**6,410,116**	**3,180,128**	**6,423,437**	**3,220,412**
Available immediately	3,886,310	2,051,985	3,761,680	2,178,988
Available subject to conditions	2,523,806	1,128,143	2,661,757	1,041,424
Securities subscribed pending disbursement	**-**	**1,268**	**-**	**1,268**
Documents in clearing houses	**-**	**118,815**	**-**	**106,917**
	6,410,116	**3,300,211**	**6,423,437**	**3,328,597**

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 item "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 2022 and 2021 are indicated in the following table:

	Thousands of euros	
	2022	2021
Collective Investment Institutions	19,064,189	19,600,522
Pension funds	5,790,240	6,562,703
Insurance products	79,933	91,987
Discretionary portfolio management (*)	4,067,203	4,922,073
	29,001,565	**31,177,285**
Of which: managed by the Group	*27,990,910*	*29,937,857*

(*) 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 2022 and 2021:

	Thousands of euros	
	2022	2021
Fixed Income	1,755,573	1,147,598
Equities	2,676,125	2,793,202
	4,431,698	**3,940,800**

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	
	2022	2021
Assets transferred to TDA Ibercaja 2, FTA in 2005	91,267	112,351
Assets transferred to TDA Ibercaja 3, FTA in 2006	141,066	167,066
Assets transferred to TDA Ibercaja 4, FTA in 2006	219,705	259,640
Assets transferred to TDA Ibercaja 5, FTA in 2007	230,387	268,203
Assets transferred to TDA Ibercaja 6, FTA in 2008	373,744	432,015
Assets transferred to TDA Ibercaja ICO-FTVPO, FTH in 2009	55,574	72,088
Assets transferred to TDA Ibercaja 7, FTA in 2009	713,003	803,971
	1,824,746	**2,115,334**

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 2022 and 2021, which are backed by the transferred assets mentioned above, is as follows:

	Thousands of euros	
	2022	2021
Liabilities issued by TDA Ibercaja 2, FTA in 2005	91,249	112,407
Liabilities issued by TDA Ibercaja 3, FTA in 2006	138,894	165,529
Liabilities issued by TDA Ibercaja 4, FTA in 2006	216,871	258,198
Liabilities issued by TDA Ibercaja 5, FTA in 2007	228,152	268,835
Liabilities issued by TDA Ibercaja 6, FTA in 2008	363,615	420,383
Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009	55,024	70,965
Liabilities issued by TDA Ibercaja 7, FTA in 2009	669,082	749,904
	1,762,887	**2,046,221**

27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2022 amounted to 5,384 thousand euros (5,384 thousand euros at 31 December 2021). 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 2022 and 2021, 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	
	2022	2021	2022	2021
Banking	1,049,475	994,570	841,640	799,046
Insurance	1,238,396	1,012,016	121,410	105,995
	2,287,871	**2,006,586**	**963,050**	**905,041**

The reconciliation between total ordinary income and gross income excluding gains and losses on financial transactions is shown below:

	Thousands of euros	
	2022	2021
Ordinary revenue from third-party customers	**2,287,871**	**2,006,586**
(Interest expense)	83,666	57,097
Share of profit/(loss) of equity-accounted entities	(516)	5,589
(Fee and commission expenses)	19,236	19,509
(Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss)	4,519	46,108
(Net gains or (-) losses on financial assets and liabilities held for trading)	9,843	645
(Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss)	(1,516)	103
(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)	22	-
(Net gains or (-) losses from hedge accounting)	945	(194)
(Net exchange differences)	(274)	557
(Other operating expenses)	89,890	78,553
(Liability expenses covered by insurance or reinsurance contracts)	1,117,974	904,756
Gross margin excl. gains on financial assets and liabilities	**963,050**	**905,041**

28. Interest income

The breakdown of the balance under this consolidated income statement heading in 2022 and 2021, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2022	2021
Financial assets held for trading	-	-
Non-trading financial assets mandatorily valued at fair value through profit or loss	125	85
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	87,135	95,251
Financial assets at amortised cost	580,010	423,097
Interest rate hedging derivatives	(103,841)	(37,378)
Other assets	4,097	516
Interest income from liabilities	74,384	68,352
	641,910	**549,923**

"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 37,511 thousand euros (31 December 2021: 59,074 thousand euros; Note 19.1).

29. Interest expense

The breakdown of the balance under this consolidated income statement heading in 2022 and 2021, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2022	2021
Financial liabilities at amortised cost	88,278	81,055
Interest rate hedging derivatives	(28,321)	(50,108)
Insurance contracts	5,183	1,704
Other liabilities	5,795	1,572
Interest expense from assets	12,731	22,874
	83,666	**57,097**

"Other liabilities" includes interest expenses arising from the contribution made to the Deposit Guarantee Fund amounting to 39 thousand euros (275 thousand euros at 31 December 2021) (Note 1.8). In addition, at 31 December 2022, it also includes 1,505 thousand euros in interest expenses on lease liabilities (Note 2.10) (1,207 thousand euros at 31 December 2021).

30. Dividend income

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 10,365 thousand euros at 31 December 2022 (9,542 thousand euros at 31 December 2021).

31. Share of profit/(loss) of equity-accounted entities

Appendix II provides a breakdown by company of the balance under this consolidated income statement heading in 2022 and 2021.

32. Fee and commission income

Fee and commission income accrued in 2022 and 2021, classified in accordance with the item generating the fees and commissions, is reflected in the following table:

	Thousands of euros	
	2022	2021
Contingent risk fees	8,684	8,643
Contingent commitment fees	2,721	2,723
Foreign currency exchange fees	195	107
Collection and payment services fees	137,171	123,161
Securities services fees	34,244	49,581
Non-bank financial product marketing fees	257,785	254,860
Other fees	16,775	18,420
	457,575	**457,495**

33. Fee and commission expenses

Expenses for fees and commissions accrued in 2022 and 2021, classified in accordance with the item generating the fees and commissions, are reflected in the following table:

	Thousands of euros	
	2022	2021
Fees and commissions assigned to other entities	8,299	6,809
Fees and commissions paid for securities transactions	1,581	2,442
Other fees	9,356	10,258
	19,236	**19,509**

34. Gains/(losses) on financial transactions

The breakdown of the balance under this consolidated income statement heading in 2022 and 2021, based on the financial instrument portfolios from which the balances originate, is as follows:

	Thousands of euros	
	2022	2021
Net gains/(-)losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**4,519**	**46,108**
Financial assets at fair value with changes in OCI	(3,362)	7,508
Financial assets at amortised cost	7,881	40,779
Financial liabilities at amortised cost	-	(2,179)
Net gains/(losses) on financial assets and liabilities held for trading	**9,843**	**645**
Gains/losses on non-trading financial assets mandatorily valued at NAV with changes in PL, net	**(1,516)**	**103**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**22**	**-**
Net gain/(loss) from hedge accounting	**945**	**(194)**
Adjustments to hedged instruments (fair value hedge)	130,462	34,233
Hedge derivative (fair value hedge)	(129,517)	(34,427)
	13,813	**46,662**

At 31 December 2022, the heading “Gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost” includes both the impact of the sale of a portfolio of non-performing loans arranged at the end of 2022 (Note 11.5), which had a negative impact of 2,678 thousand euros, and the impact of the sale of a portfolio of non-performing loans (Note 11.5), which had a positive impact of 9,997 thousand 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.

35. Exchange differences

This consolidated income statement heading is analysed below for 2022 and 2021:

	Thousands of euros	
	2022	2021
Translation into euro of monetary items denominated in foreign currency	2,231	389
Foreign currency trading	(2,505)	168
	(274)	**557**

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 2022 and 2021:

	Thousands of euros	
	2022	2021
Income from investment property (Note 15.2)	4,192	3,905
Income from other operating leases (Note 15.3)	18,478	16,475
Sales and income from provision of services	4,445	4,187
Other items	19,657	13,377
	46,772	**37,944**

37. Other operating expenses

This consolidated income statement heading is analysed below for 2022 and 2021:

	Thousands of euros	
	2022	2021
Operating expenses on investment properties (Note 15.2)	1,209	1,079
Contribution to National Resolution Fund (Note 1.8.1)	16,095	13,794
Contribution to Deposit Guarantee Fund (Note 1.8.2)	57,434	51,819
Other items	15,152	11,861
	89,890	**78,553**

At 31 December 2022, “Other items” includes the charge of 5,652 thousand euros (2,744 thousand euros at 31 December 2021) for converting deferred tax assets into debt claims against the Spanish tax administration (Note 25.4).

38. Staff costs

This consolidated income statement heading is analysed below for 2022 and 2021:

	Thousands of euros	
	2022	2021
Wages and salaries	250,981	270,847
Social security contributions	62,873	68,638
Defined benefit plans	2,017	2,254
Contributions to defined contribution plans (Note 2.13.2)	13,699	15,413
Severance payments	669	16,333
Other staff costs	1,630	1,698
	331,869	**375,183**

At 31 December 2022 the Bank has recognised an expense of 1,544 thousand euros (31 December 2021: 1,544 thousand euros) under “Wages and salaries” corresponding to the accrual of the multi-year management incentive plan (Note 2.13.5).

In 2021, an expense of 16,333 thousand euros was recorded under the heading “Severance payments” due to changes in the departure dates of some employees who joined the redundancy programme approved in 2020.

38.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2022 and 2021 is as follows:

	31/12/2022			31/12/2021		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
GR. 1 Senior Management	9	3	12	9	3	12
GR. 1 Levels I to V	1,175	713	1,888	1,227	716	1,943
GR. 1 Levels VI to X	967	1,451	2,418	1,030	1,494	2,524
GR. 1 Levels XI to XIII	210	253	463	176	209	385
GR. 2 and Cleaning service	12	1	13	14	2	16
	2,373	**2,421**	**4,794**	**2,456**	**2,424**	**4,880**

At 31 December 2022 and 2021, the entire workforce is based in Spain.

The average number of Group employees in 2022 and 2021 is as follows:

	2022	2021
GR. 1 Senior Management	12	12
GR. 1 Levels I to V	1,892	2,082
GR. 1 Levels VI to X	2,461	2,688
GR. 1 Levels XI to XIII	435	394
GR. 2 and Cleaners	14	23
	4,814	**5,199**

At 31 December 2022, the average number of Group employees with a disability of 33% or more is 48 (50 employees at 31 December 2021).

38.2 Staff costs - post-employment benefits

Net figures recognised in the balance sheet for defined benefit post-employment plans at December 2022 and 2021 are as follows:

	Thousands of euros	
	2022	**2021**
Present value of obligations financed	(164,336)	(229,644)
Fair value of plan assets	182,272	225,283
(Shortfall)/Surplus	**17,936**	**(4,361)**
Impact of limit on assets	(28)	(473)
Net asset (liability) on balance sheet:	**17,908**	**(4,834)**
Assets linked to pensions (*)	66,690	78,998
Net pension assets (**)	16,252	5,407
Net pension (provision)	(65,034)	(89,239)

(*) 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 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Initial value of obligations financed	**(229,644)**	**(254,922)**
Cost of services for the current year	(2,017)	(2,254)
Interest expense	(333)	(157)
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	50,134	12,433
Gains/(losses) due to experience	1,106	4,425
Benefits paid	16,418	17,425
Other increases or (-) decreases	-	-
Final present value of obligations	**(164,336)**	**(229,644)**

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan assets during 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Initial fair value of plan assets	**224,810**	**224,970**
Interest income	335	157
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	(11,500)	(3,443)
Gains/(losses) due to experience	(16,654)	7,483
Change in asset limit, excluding interest expense	448	166
Employer contributions	912	12,594
Member contributions	-	-
Benefits paid	(16,107)	(17,117)
Transfers and other	-	-
Final fair value of plan assets	**182,244**	**224,810**

The breakdown of the main types of plan assets at 31 December 2022 and 2021 is as follows:

	2022	**2021**
Shares	15.20%	15.90%
Debt instruments	77.03%	79.19%
Constructions	-	-
Demand deposits	7.77%	4.91%
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:

	2023	**2024**	**2025**	**2026**	**2027**	**2028-2032**
Probable post-employment benefits	14,614	14,099	13,569	13,012	12,429	54,343

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	(4.38%)	4.99%
Pension increase rate	50 bp	4.99%	(4.43%)
Salary increase rate	50 bp	0.15%	(0.14%)

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:

	2022	2021	2020	2019	2018
Present value of obligations financed	(164,336)	(229,644)	(254,922)	(265,205)	(256,700)
Fair value of plan assets	182,272	225,283	225,608	235,064	230,652
Surplus/(Shortfall)	**17,936**	**(4,361)**	**(29,314)**	**(30,141)**	**(26,048)**
Impact of limit on assets	(28)	(473)	(638)	(568)	(388)
Asset (liability) on balance sheet:	**17,908**	**(4,834)**	**(29,952)**	**(30,709)**	**(26,436)**
Insurance contracts related to pensions	66,690	78,998	84,845	89,215	93,264
Net pension assets	16,252	5,407	4,328	3,686	4,565
Net pension assets (Provision)	(65,034)	(89,239)	(119,125)	(123,610)	(124,265)

38.3 Staff costs - 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 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
Present value of obligations financed	(3,088)	(1,544)
Fair value of plan assets	-	-
Net liability on balance sheet:	**(3,088)**	**(1,544)**
Assets linked to pensions	-	-
Net pension assets	-	-
Net pension assets (Provision)	(3,088)	(1,544)

The reconciliation of opening and closing balances reflecting the present value of obligations under defined benefit plans for early retirees during 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Initial value of obligations financed	**(1,544)**	**(122)**
Cost of services for the current year	(1,544)	(1,544)
Interest expense	-	-
Past service cost	(680)	(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)
Benefits paid	680	684
Final present value of obligations	**(3,088)**	**(1,544)**

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					
	2023	2024	2025	2026	2027	2028-2032
Probable post-employment benefits	—	618	618	618	618	618

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 2022 and 2021:

	Thousands of euros	
	2022	2021
Buildings, installations and office equipment	30,051	27,668
Equipment maintenance, licences, works and computer software	22,661	21,879
Communications	12,080	12,154
Advertising and publicity	5,656	5,771
Charges and taxes	18,248	18,170
Other management and administration expenses	77,346	83,424
	166,042	169,066

The item “Charges and taxes” includes the Tax on Deposits in Credit Institutions amounting to 11,906 thousand euros at 31 December 2022 (10,685 thousand euros in 2021).

- Other information

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 2022 and 2021 are as follows:

	Thousands of euros	
	2022	2021
From audit services to the Group	1,027	862
From other assurance services	774	703
From other services	51	83
	1,852	**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 2022 and 2021, no services have been provided by other companies that use the Ernst & Young brand.

40. Impairment or (-) reversal of impairment on non-financial assets

This consolidated income statement heading is analysed below for 2022 and 2021:

	Thousands of euros	
	2022	2021
Tangible assets (Note 15)	**16,390**	**4,414**
Property, plant and equipment	549	1,765
Investment property	15,841	2,649
Intangible assets (Note 16)	**142**	**-**
Goodwill	-	-
Other intangible assets	142	-
Other (Note 17)	**1,749**	**7,513**
	18,281	**11,927**

41. Net gains/(losses) on derecognition of non-financial assets

This consolidated income statement heading is analysed below for 2022 and 2021:

	Thousands of euros	
	2022	2021
Gains on disposal of assets not classified as non-current assets held for sale	(4,432)	(5,594)
Gains/(losses) on disposal of shareholdings	10,152	395
	5,720	**(5,199)**

The result on disposal of shareholdings mainly includes the purchase and sale agreement on the shareholding in the company Solavanti, S.L. This agreement generated a gain of 10,167 thousand euros, the remaining transactions being immaterial.

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 2022 and 2021:

	Thousands of euros	
	2022	2021
Impairment losses on other non-current assets for sale (Note 18)	(25,823)	(31,166)
Gains/(losses) on disposal of other non-current assets for sale	2,152	5,885
	(23,671)	**(25,281)**

43. Related parties

The balances recorded on the consolidated balance sheets at 31 December 2022 and 2021 and in the consolidated income statements for 2022 and 2021 are as follows:

	Thousands of euros									
	2022					2021				
	Shareholder	Associates	Jointly cont. entities	Other related parties (*)	Related individuals (**)	Shareholder	Associates	Jointly cont. entities	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and receivables	196,058	1,921	-	-	9,591	155,773	2,058	-	-	9,160
Counterparties under insurance contracts	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Deposits	199,435	4,995	4,478	340,784	16,340	195,014	10,750	1,319	123,096	20,393
Liabilities under insurance contracts linked to pensions	-	-	-	-	-		-	-	-	-
Provisions	-	2	-	-	-	-	1	-	-	-
PROFIT / (LOSS)										
Expenses										
Interest expense	-	-	-	-	-	81	-	-	-	4
Fees, commissions and other expenses	1,105	-	-	-	-	1,063	-	-	-	2
Income										
Interest income	-	-	28	944	89	-	-	80	53	60
Fees, commissions and other income	246	-	-	-	1	241	-	-	-	4
Dividends	**152,212**	**-**	**-**	**-**	**-**	**50,849**	**-**	**-**	**-**	**-**
OTHER										
Contingent liabilities	-	1,233	-	-	-	-	1,242	-	-	-
Commitments	-	-	6,011	-	309	-	-	6,007	-	800

(*) 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 operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable uncontrolled price method.

44. <u>Other disclosure requirements</u>

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.

Royal Decree-Law 24/2021 of 2 November has transposed Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issuance and public supervision of covered bonds. This new regulation sets out that the volume of covered bonds issued by an institution is covered, at all times, by the credit rights linked to the assets that form part of the cover pool (a pool of assets whose purpose is to fully guarantee the institution's obligations to the holders of the covered bonds throughout the life of the bonds). This cover pool must have a minimum overcollateralisation level of 5% of the principal amount of the issues. However, the bank approved a more restrictive limit, setting the minimum voluntary over-collateralisation at 20%.

At 31 December 2022, the degree of overcollateralisation of the cover pool of covered bonds was 41.29% (43.33% if the liquidity buffer established at that date is taken into account).

At that date, 99.59% of transactions in the mortgage portfolio have been formalised through loans (31 December 2021: 99.56%). Of these, instalments are collected on a monthly basis for 98.09% (31 December 2021: 97.94%). The operations formalised at variable interest rates are 84.94% of the total (31 December 2021: 99.38%) and of these, 87.51% are tied to Euribor (31 December 2021: 78.32%).

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 securitizations written off the balance sheet):

	Thousands of euros	
	Nominal value	
	2022	2021
Total loans	**20,214,524**	**20,950,696**
Mortgage participations issued	**710,597**	**851,069**
Of which: loans recognised on asset side of balance sheet	710,597	851,069
Mortgage transfer certificates issued	**1,114,149**	**1,288,009**
Of which: loans recognised on asset side of balance sheet	1,114,149	1,288,009
Mortgage loans pledged in guarantee for financing received	**-**	**-**
Loans backing mortgage bonds issues and covered bond issues	**18,389,778**	**18,811,618**
Non-eligible loans	7,668,657	3,253,653
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	7,504,874	2,997,474
Other non-eligible loans	163,783	256,179
Eligible loans	10,721,121	15,557,965
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	10,721,121	15,557,965
Non-computable amounts	-	10,963
Computable amounts	10,721,121	15,547,002
Memorandum items		
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:

	Thousands of euros				
	2022				
	Loan to value based on latest available appraisal				
	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%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**10,721,121**
Residential	1,940,069	3,462,399	4,978,875	-	10,381,343
Other properties	162,522	165,231	12,025		339,778

	Thousands of euros				
	2021				
	Loan to value based on latest available appraisal				
	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%	
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15,557,965**
Residential	4,351,484	6,027,579	4,349,849	-	14,728,912
Other properties	455,589	346,286	27,178		829,053

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

	Thousands of euros			
	2022		2021	
	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	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Origin of operations	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Originated by the Bank	12,963,353	8,026,896	13,055,673	10,392,629
Subrogated from other entities	295,113	269,360	308,761	298,974
Other	5,131,312	2,424,865	5,447,184	4,866,362
Currency	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Euro	18,389,299	10,721,121	18,810,650	15,557,965
Other currencies	479	-	968	-
Payment status	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Payment normality	18,088,169	10,721,121	18,352,058	15,473,797
Other situations	301,609	-	459,560	84,168
Average residual period to maturity	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Up to 10 years	2,153,342	839,651	2,347,150	1,769,443
More than 10 years and up to 20 years	6,947,517	3,942,594	7,207,578	6,226,128
More than 20 years and up to 30 years	8,976,218	5,933,223	8,833,180	7,352,301
More than 30 years	312,701	5,653	423,710	210,093
Interest rate	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Fixed interest rate	5,196,982	4,362,535	214,865	112,431
Variable interest rate	12,042,325	5,951,688	16,413,490	13,877,263
Mixed interest rate	1,150,471	406,898	2,183,263	1,568,271
Holders	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Legal entities and individual entrepreneurs (business activities)	2,173,008	413,592	2,486,212	1,209,015
Of which: real estate construction and development (including land)	1,000,956	-	1,107,242	299,529
Other households	16,216,770	10,307,529	16,325,406	14,348,950
Type of collateral	**18,389,778**	**10,721,121**	**18,811,618**	**15,557,965**
Finished assets/buildings	17,823,473	10,668,475	18,168,111	15,243,624
Homes	17,340,013	10,432,175	17,588,933	14,851,272
Of which: state-subsidised housing	*918,561*	*342,717*	*1,065,425*	*994,586*
Offices and commercial premises	233,921	114,503	281,042	206,706
Other buildings and constructions	249,539	121,797	298,136	185,646
Assets/buildings under construction	345,083	28,712	337,723	201,196
Homes	78,643	13,436	62,480	18,162
Of which: state-subsidised housing	*1,446*	*52*	*1,750*	*902*
Offices and commercial premises	714	261	671	488
Other buildings and constructions	265,726	15,015	274,572	182,546
Land	221,222	23,934	305,784	113,145
Consolidated urban land	80,975	-	127,838	3,971
Other land	140,247	23,934	177,946	109,174

• Nominal value of mortgage covered bonds issued by the Company:

	Thousands of euros	
	Nominal value of assets subject to	
	2022	2021
	Mortgage covered bonds issued	Mortgage covered bonds issued
Mortgage covered bonds (Note 19.4)	**2,250,000**	**3,000,000**
Ibercaja October 2016	500,000	500,000
Ibercaja September 2018 I	-	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)	**581,026**	**600,470**
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	-	-
AYT Global 2022 Single Covered Bond Series III	-	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**	**500,000**
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000

• Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	2022		2021	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	**-**	**-**	**-**	**-**
Of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**3,331,026**	**-**	**4,100,470**	**-**
Of which: recognised under liabilities	*1,581,026*	-	*1,600,470*	-
Debt securities Issued through public offering	-	-	-	-
Debt securities Other issues	2,250,000	-	3,000,000	-
Residual maturity up to one year	500,000	-	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	-	-	1,250,000	-
Residual maturity greater than three years and up to five	-	-	-	-
Residual maturity greater than five years and up to ten years	1,000,000	-	1,000,000	-
Residual maturity greater than ten years	-	-	-	-
Deposits	1,081,026	-	1,100,470	-
Residual maturity up to one year	75,000	-	19,444	-
Residual maturity greater than one year and up to two years	-	-	75,000	-
Residual maturity greater than two years and up to three	841,026	-	-	-
Residual maturity greater than three years and up to five	165,000	-	841,026	-
Residual maturity greater than five years and up to ten years	-	-	165,000	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**710,597**	**90**	**851,069**	**86**
Issued through public offering	-	-	-	-
Other issues	710,597	90	851,069	86
Mortgage transfer certificates issued	**1,114,149**	**102**	**1,288,009**	**99**
Issued through public offering	-	-	-	-
Other issues	1,114,149	102	1,288,009	99

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			
	2022		2021	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance at 1 January	**15,557,965**	**3,253,653**	**15,672,324**	**3,842,758**
Write-offs in the year	**6,450,502**	**1,196,980**	**1,366,079**	**1,029,627**
Due principal received in cash	367,433	892,447	771,624	743,198
Repaid early	698,542	235,465	526,846	230,068
Subrogated by other entities	20,266	3,904	10,649	1,242
Other write-offs	5,364,261	65,164	56,960	55,119
Additions in the year	**1,613,658**	**5,611,984**	**1,251,720**	**440,522**
Originated by the Bank	1,211,415	444,037	966,893	400,366
Subrogated from other entities	34,479	619	6,943	-
Other additions	367,764	5,167,328	277,884	40,156
Closing balance at 31 December	**10,721,121**	**7,668,657**	**15,557,965**	**3,253,653**

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias). Available balances:

	Thousands of euros	
	2022	2021
Total	**876,106**	**562,383**
Potentially eligible	864,914	548,712
Non-eligible	11,192	13,671

At 31 December 2022 and 2021, 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 article 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 Bank's internal policies and procedures, together with a unit favouring the prudent business conduct of the Ibercaja Group.

New this year, the CCS report will consist of two parts: a first part analysing data from the first half of the year and a second part analysing data from the second half of the year. The main reason is the entry into force on 4 July of Banco de España Circular 4/2021 of 25 November on model confidential statements on market conduct, transparency and customer protection, and on the register of complaints. The full integration of this new standard has changed the CCS's procedures for classifying, investigating and resolving complaints and grievances that reach the department.

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 aforementioned provisions, the Board of Directors of Ibercaja Banco, S.A. will submit for its consideration the two statistical reports of the Ibercaja Group's Customer Service Department, comprising the complaints and claims handled, the decisions issued and the general criteria contained in the decisions and recommendations or suggestions, as well as the changes implemented with a view to better achieving the aims that inform its actions, the summary of which is as follows:

a. Claims processed

In 2022, the Customer Care Service (CCS) of the Ibercaja Group managed a total of 17,315 cases, which can be classified into two groups:

- Claims and grievances regarding mortgage arrangement costs and other clauses included in mortgage loan contracts: 3,705.

- Other claims, grievances and suggestions: 12,942, divided into 8,381 claims, 4,515 complaints and 46 suggestions.

- The average time taken to resolve these procedures is around 14 days (slightly less), which is practically 13 days less than the previous year.

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 2022, a total of 668 complaints were handled, about 39% 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 interest rate 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 2022 is around 26 days for the Suelo resolution procedure, which is within the current regulations, as the Royal Decree stipulates 90 days as the maximum period for replying.

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 2022 and 2021

Set out below are the balance sheets at 31 December 2022 and 2021, 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 2022 and 2021, all such statements drawn up in accordance with Bank of Spain Circular 4/2017, as discussed in Note 1.2 to the individual financial statements of Ibercaja Banco at 31 December 2022.

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Thousands of euros)

ASSETS	2022	2021 (*)
Cash and cash balances at central banks and other demand deposits	**1,411,903**	**6,218,527**
Financial assets held for trading	**15,980**	**2,589**
Derivatives	15,980	2,589
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**	**1,496**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	1,496	1,496
Customers	*1,496*	*1,496*
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	**754,301**	**932,907**
Equity instruments	263,976	299,508
Debt securities	490,325	633,399
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*183,196*	*190,604*
Financial assets at amortised cost	**42,694,314**	**41,087,817**
Debt securities	10,947,159	9,891,699
Loans and advances	31,747,155	31,196,118
Credit institutions	*656,230*	*357,311*
Customers	*31,090,925*	*30,838,807*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*5,518,710*	*3,623,061*
Derivatives - Hedge accounting	**199,034**	**71,866**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**810,875**	**835,206**
Subsidiaries	721,562	744,120
Joint ventures	38,226	38,226
Associates	51,087	52,860
Tangible assets	**753,950**	**790,782**
Property, plant and equipment	573,768	581,067
For own use	*573,768*	*581,067*
Assigned under operating lease	-	-
Investment property	180,182	209,715
Of which: assigned under operating lease	*75,787*	*39,065*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**166,720**	**146,988**
Goodwill	12,806	25,613
Other intangible assets	153,914	121,375
Tax assets	**1,209,120**	**1,284,460**
Current tax assets	5,643	6,481
Deferred tax assets	1,203,477	1,277,979
Other assets	**142,403**	**195,323**
Insurance contracts linked to pensions	60,410	82,720
Inventories	31	247
Remainder of other assets	81,962	112,356
Non-current assets and disposal groups classified as held for sale	**30,850**	**37,001**
TOTAL ASSETS	**48,190,946**	**51,604,962**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Thousands of euros)

LIABILITIES	2022	2021 (*)
Financial liabilities held for trading	**7,843**	**2,210**
Derivatives	7,843	2,210
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**43,961,591**	**47,542,061**
Deposits	41,322,481	45,413,788
Central banks	-	5,871,128
Credit institutions	*2,013,383*	*745,173*
Customers	*39,309,098*	*38,797,487*
Debt securities issued	1,497,112	1,057,849
Other financial liabilities	1,141,998	1,070,424
Memorandum items: subordinated liabilities	*462,654*	*502,752*
Derivatives - Hedge accounting	**609,795**	**275,690**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**(140,313)**	**17,758**
Provisions	**218,165**	**265,573**
Pensions and other post-employment defined benefit obligations	66,103	89,239
Other long-term employee remuneration	3,088	1,544
Lawsuits and litigation for outstanding taxes	9,083	5,617
Commitments and guarantees given	20,151	16,789
Other provisions	119,740	152,384
Tax liabilities	**122,436**	**142,266**
Current tax liabilities	-	-
Deferred tax liabilities	122,436	142,266
Other liabilities	**175,927**	**173,200**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**44,955,444**	**48,418,758**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Thousands of euros)

EQUITY	2022	2021 (*)
Shareholders' equity	**3,297,687**	**3,187,507**
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	592,815	566,640
Revaluation reserves	2,327	2,327
Other reserves	1,957,105	1,976,797
(Treasury shares)	-	-
Profit/(loss) for the year	282,084	124,315
(Interim dividends)	(101,072)	(47,000)
Accumulated other comprehensive income	**(62,185)**	**(1,303)**
Items that will not be reclassified to profit or loss	12,282	25,970
Actuarial gains/(losses) on defined benefit pension plans	*(12,860)*	*(7,558)*
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*25,142*	*33,528*
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 in the fair value of equity instruments measured at fair value through other comprehensive income (hedging 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	(74,467)	(27,273)
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*(1,087)*	*(24,973)*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*(73,380)*	*(2,300)*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,235,502**	**3,186,204**
TOTAL EQUITY AND LIABILITIES	**48,190,946**	**51,604,962**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,436,336**	**3,443,229**
Financial guarantees granted	**99,507**	**98,283**
Other commitments given	**808,608**	**822,121**

IBERCAJA BANCO, S.A.

INCOME STATEMENTS FOR
YEARS ENDED 31 DECEMBER 2022 AND 2021
(Thousands of euros)

	2022	2021 (*)
Interest income	**517,189**	**448,109**
Financial assets at fair value through other comprehensive income	3,662	2,592
Financial assets at amortised cost	564,281	406,918
Other	(50,754)	38,599
(Interest expense)	**87,503**	**69,766**
(Expenses on share capital repayable on demand)	**-**	**-**
INTEREST MARGIN	**429,686**	**378,343**
Dividend income	**241,566**	**171,881**
Fee and commission income	**304,697**	**306,376**
(Fee and commission expenses)	**11,874**	**10,759**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**10,605**	**43,986**
Financial assets at amortised cost	7,881	40,779
Other financial assets and liabilities	2,724	3,207
Net gains or (-) losses on financial assets and liabilities held for trading	**9,843**	**644**
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or (-) losses	9,843	644
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**(1,516)**	**103**
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or (-) losses	(1,516)	103
Gains/(losses) on financial assets and liabilities at fair value through profit or loss, net	-	-
Net gains or (-) losses) from hedge accounting	**945**	**(193)**
Net exchange differences	**(274)**	**557**
Other operating income	**56,384**	**49,310**
(Other operating expenses)	**84,926**	**71,886**
GROSS INCOME	**955,136**	**868,362**
(Administration expenses)	**471,598**	**517,298**
(Staff costs)	317,587	361,547
(Other administration expenses)	154,011	155,751
(Amortisation/depreciation)	**79,601**	**71,908**
(Provisions or (-) reversal of provisions)	**19,059**	**5,748**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)	**65,274**	**78,240**
(Financial assets at fair value through other comprehensive income)	81	1
(Financial assets at amortised cost)	65,193	78,239
(Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures and associates)	**8,330**	**31,930**
(Impairment or (-) reversal of impairment on non-financial assets)	**14,953**	**2,946**
(Tangible assets)	14,727	2,957
(Intangible assets)	142	-
(Other)	84	(11)
Net gains/(losses) on derecognition of non-financial assets	**(5,445)**	**(282)**
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	**(2,730)**	**(3,390)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**288,146**	**156,620**
Expense or (-) income from taxes on income from continuing operations	**6,062**	**32,305**
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**282,084**	**124,315**
Profit/(loss) after tax from discontinued activities	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**282,084**	**124,315**

IBERCAJA BANCO, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR YEARS ENDED 31 DECEMBER 2022 AND 2021
(Thousands of euros)

	2022	2021 (*)
PROFIT/(LOSS) FOR THE YEAR	**282,084**	**124,315**
OTHER COMPREHENSIVE INCOME	**(63,425)**	**(31,036)**
Items that will not be reclassified to profit or loss	**(16,231)**	**6,423**
Actuarial gains/(losses) on defined benefit pension plans	(7,574)	(2,510)
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	(15,613)	11,642
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in 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	6,956	(2,709)
Items that may be reclassified to profit or loss	**(47,194)**	**(37,460)**
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)	34,123	(47,891)
Valuation gains/(losses) taken to equity	*34,123*	*(42,246)*
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	(101,543)	(5,623)
Valuation gains/(losses) taken to equity	*(98,819)*	*(237)*
Transferred to the income statement	*(2,724)*	*(5,386)*
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	20,226	16,054
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**218,659**	**93,279**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022
(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 (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 21)	Total (Note 20)
I. 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**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**566,640**	**2,327**	**1,976,797**	**-**	**124,315**	**(47,000)**	**(1,303)**	**3,186,204**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**282,084**	**-**	**(63,425)**	**218,659**
Other changes in equity	**-**	**-**	**-**	**-**	**26,175**	**-**	**(19,692)**	**-**	**(124,315)**	**(54,072)**	**2,543**	**(169,361)**
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)	-	-	-	-	(51,140)	-	-	-	-	(101,072)	-	(152,212)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	77,315	-	(2,543)	-	(124,315)	47,000	2,543	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,149)	-	-	-	-	(17,149)
	-	-	-	-	-	-	-	-	-	-	-	-
III. Closing balance at 31/12/2022	**214,428**	**-**	**350,000**	**-**	**592,815**	**2,327**	**1,957,105**	**-**	**282,084**	**(101,072)**	**(62,185)**	**3,235,502**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN 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 (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 21)	Total (Note 20)
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**	**-**	**(12,125)**	**-**	**(7,971)**	**(47,000)**	**(5,025)**	**(67,999)**
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)
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.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021
(Thousands of euros)

	2022	2021 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	**(5,057,858)**	**(1,063,961)**
Profit/(loss) for the year	**282,084**	**124,315**
Adjustments to obtain cash flows from operating activities	**324,347**	**357,372**
Amortisation/Depreciation	79,601	71,908
Other adjustments	244,746	285,464
Net increase/decrease in operating assets	**(1,688,406)**	**(1,862,417)**
Financial assets held for trading	(13,391)	2,364
Financial assets not held for trading mandatorily measured at fair value through profit or loss	-	46
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	60,154	(498,679)
Financial assets at amortised cost	(1,674,752)	(1,393,035)
Other operating assets	(60,417)	26,887
Net increase/(decrease) in operating liabilities	**(3,988,165)**	**336,363**
Financial liabilities held for trading	5,633	(1,519)
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(4,106,769)	431,427
Other operating liabilities	112,971	(93,545)
Corporation tax credit/(payments)	**12,282**	**(19,594)**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(72,024)**	**(69,639)**
Payments	**(92,774)**	**(84,525)**
Tangible assets	(38,625)	(43,691)
Intangible assets	(47,364)	(40,082)
Investments in subsidiaries, joint ventures and associates	(6,063)	(597)
Other business units	-	-
Non-current assets and liabilities classified as held for sale	(722)	(155)
Other payments related to investing activities	-	-
Receipts	**20,750**	**14,886**
Tangible assets	15,962	10,489
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	22	834
Other business units	-	-
Non-current assets and liabilities classified as held for sale	4,766	3,563
Other receipts related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**323,258**	**(25,349)**
Payments	**(176,742)**	**(75,349)**
Dividends	(152,212)	(50,849)
Subordinated liabilities	(30)	-
Write down of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(24,500)	(24,500)
Receipts	**500,000**	**50,000**
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other receipts related to financing activities	500,000	50,000
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(4,806,624)**	**(1,158,949)**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**6,218,527**	**7,377,476**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,411,903**	**6,218,527**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	232,516	221,484
Cash equivalents at central banks	1,119,464	5,961,332
Other financial assets	59,923	35,711
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 (%)			
			2022		2021	
			Direct	Indirect	Direct	Indirect
Badajoz Siglo XXI, S.A.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
CAI Inmuebles, S.A. (*)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	-	100.00%	-
Cerro Goya, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.69%	0.31%	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	100.00%	-	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,	C/ Bari, 49, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%

(*) Write-offs due to dissolution and/or liquidation.

Joint ventures:

Company	Address	Country of residence	Shareholding (%)			
			2022		2021	
			Direct	Indirect	Direct	Indirect
Aramón Montañas de Aragón, S.A.	Pza. Aragón, 1, Zaragoza	Spain	50%	-	50%	-
Corredor del Iregua, S.L. (*)	Avda. Pío XXI, 1, Bajo, Logroño	Spain	-	-	-	50%

(*) Write-offs due to dissolution and/or liquidation.

Associates:

Company	Address	Country of residence	Shareholding (%)			
			2022		2021	
			Direct	Indirect	Direct	Indirect
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%	-
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%
Viacajas, S.L.	C/ Alcalá, 27, Madrid	Spain	20.59%	-	20.59%	-

(*) Write-offs due to dissolution and/or liquidation.
(**) Write-offs due to sale of shareholding

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	
		2022	2021	2022	2021	2022	2021
Badajoz Siglo XXI	Dec-22	(894)	(991)	(19,810)	(18,819)	-	-
CAI Inmuebles, S.A.	Dec-22	-	129	-	(10,630)	-	-
Cerro Goya, S.L.	Dec-22	(5,246)	(1,162)	(2,032)	(870)	-	-
Cerro Murillo, S.A.	Dec-22	(82,202)	(61,751)	121,394	183,496	-	-
Ibercaja Cajaragón, S.A.U.	Dec-22	9,886	(18)	10,326	6,606	-	-
Ibercaja Banco, S.A.	Dec-22	151,460	78,074	2,338,450	2,132,378	-	-
Ibercaja Gestión, S.A.	Dec-22	47,678	45,973	10,410	10,414	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec-22	70	95	382	287	-	-
Ibercaja Leasing y Financiación, S.A.	Dec-22	6,976	5,067	24,976	24,596	-	-
Ibercaja Mediación de Seguros, S.A.	Dec-22	29,222	27,989	2,206	2,210	-	-
Ibercaja Pensión, S.A.	Dec-22	10,810	10,891	9,381	9,383	-	-
Ibercaja Vida, S.A.	Dec-22	66,901	63,588	110,207	207,290	-	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-22	1,352	314	37,562	36,911	-	-
Residencial Murillo, S.A.	Dec-22	(33,617)	(22,832)	15,352	37,937	-	-
Ibercaja Connect, S.L.	Dec-22	240	31	134	103	-	-

Company	Date of financial statements	Financial information					
		2022			2021		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val.	Profit/(loss)
Badajoz Siglo XXI	Dec-22	40,950	(6,159)	(893)	40,950	(5,168)	(991)
CAI Inmuebles, S.A.	Dec-22	-	-	-	64	(10,628)	129
Cerro Goya, S.L.	Dec-22	7,912	(838)	(2,100)	1,912	(3)	(835)
Cerro Murillo, S.A.	Dec-22	146,566	(64,834)	(15,045)	146,566	(33,044)	(31,790)
Ibercaja Cajaragón, S.A.U.	Dec-22	58,041	7,964	12,134	58,041	5,946	2,018
Ibercaja Banco, S.A.	Dec-22	214,428	2,388,990	282,084	214,428	2,497,461	124,315
Ibercaja Gestión, S.A.	Dec-22	2,705	(22,826)	47,661	2,705	(30,243)	45,976
Ibercaja Gestión de Inmuebles, S.A.	Dec-22	120	385	71	120	290	95
Ibercaja Leasing y Financiación, S.A.	Dec-22	5,006	22,724	4,096	5,006	21,024	5,222
Ibercaja Mediación de Seguros, S.A.	Dec-22	60	(16,669)	29,231	60	(23,216)	27,992
Ibercaja Pensión, S.A.	Dec-22	11,010	1,603	10,807	11,010	(197)	10,894
Ibercaja Vida, S.A.	Dec-22	135,065	(20,849)	70,160	135,065	160,945	65,056
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-22	40,051	31,243	1,197	40,051	30,125	1,118
Residencial Murillo, S.A.	Dec-22	182,817	(47,936)	(30,521)	182,817	(22,400)	(25,536)
Ibercaja Connect, S.L.	Dec-22	480	134	241	480	103	31

Joint ventures:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2022	2021	2022	2021	2022	2021
Aramón Montañas de Aragón, S.A. (*)	3,848	(4,230)	(29,536)	(27,449)	29,242	25,480
Other companies	-	-	-	-	-	-

The most significant information relating to joint ventures is shown below:

	Thousands of euros	
	Financial information	
	2022	2021
Company	**Aramon, Montañas de Aragón, S.A. (*)**	**Aramon, Montañas de Aragón, S.A. (*)**
Current assets	5,727	4,332
Non-current assets	117,072	124,926
Cash and cash equivalents	3,200	385
Current liabilities	16,847	20,509
Non-current liabilities	37,354	45,749
Current financial liabilities	15,467	15,749
Non-current financial liabilities	34,855	42,992
Ordinary income	61,604	1,300
Dividends paid	-	-
Total recognised income and expense	*7,504*	(20,987)
Profit/(loss) from ordinary activities	*7,504*	*(20,987)*
Profit/(loss) after tax from discontinued operations	-	-
Other recognised income and expense	-	-
Depreciation	1,591	-
Amortisation/Depreciation	10,600	10,089
Interest income	-	1,730
Interest expense	(1,130)	2,928
Income tax expense/(income)	-	(2,066)

(*) Financial information at 30 September of the year under way.

Associates:

The most significant information relating to associates is shown below:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2022	2021	2022	2021	2022	2021
Concessia Cartera y Gestión de Infraestructuras, S.A. (*)	(887)	(44)	17	61	4,209	5,096
Henneo (formerly Grupo Heraldo) (*)	1,681	(112)	(3,443)	(3,317)	29,657	27,991
Rioja nueva economía (*)	(12)	8,305	2,007	2,131	6,230	7,515
Northwind Finco, S.L (*)	(5,427)	(770)	(2,539)	(1,769)	9,305	14,732
Other companies	281	2,439	(2,665)	(5,504)	11,167	20,514

(*) 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.

	Thousands of euros							
	Financial information							
	2022				2021			
Company	**Concessia Cartera y Gestión de Infra., S.A. (*)**	**Henneo (formerly Grupo Heraldo) (*)**	**Rioja Nueva Economía, S.A. (*)**	**Northwind Finco, S.L (*)**	**Concessia Cartera y Gestión de Infra., S.A. (*)**	**Henneo (formerly Grupo Heraldo) (*)**	**Rioja Nueva Economía, S.A. (*)**	**Northwind Finco, S.L (*)**
Current assets	11,621	75,738	23,374	6,988	12,823	65,570	18,392	7,183
Non-current assets	2,858	48,894	22,532	105,265	5,461	50,123	29,858	151,865
Current liabilities	23	48,634	17,873	65,710	1,716	41,509	12,709	88,456
Non-current liabilities	68	20,058	4,932	-	68	18,524	11,981	-
Ordinary income	-	140,716	57,959	-	12	113,611	96,375	-
Dividends paid	-	-	-	-	-	-	-	-
Total recognised income and expense	(2,112)	2,775	(1,432)	*(24,036)*	(312)	173	20,984	(6,900)
Profit/(loss) from ordinary activities	*(2,112)*	*2,775*	*(1,432)*	*(24,036)*	*(312)*	*173*	*20,984*	*(6,900)*
Profit/(loss) after tax from discontinued operations	*(2,112)*	*995*	-	*(24,036)*	*12,823*	*(854)*	-	*(6,951)*
Other recognised income and expense	(249)	-	-	(262)	5,461	144	-	(232)

(*) 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 (%)			
	2022		2021	
	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	-	13.32%	-	10.61%
IBERCAJA BOLSA ESPAÑA FI	-	7.29%	-	10.58%
IBERCAJA BOLSA EUROPA FI	-	2.25%	1.12%	2.08%
IBERCAJA BOLSA INTERNACIONAL FI	0.01%	18.05%	0.02%	46.29%
IBERCAJA BOLSA USA FI	-	5.20%	-	2.24%
IBERCAJA AHORRO RENTA FIJA FI	-	28.85%	-	28.61%
IBERCAJA CAPITAL GARANTIZADO FI	-	-	-	1.61%
IBERCAJA COLECTIVOS FONDO DE PENSIONES	-	-	-	0.74%
IBERCAJA CORTO PLAZO EMPRESAS FI	1.05%	-	-	-
IBERCAJA DEUDA CORPORATIVA 2024 FI	-	0.48%	-	-
IBERCAJA DEUDA CORPORATIVA 2025 FI	0.01%	18.84%	0.10%	0.89%
IBERCAJA DIVIDENDO GLOBAL FI	0.52%	0.44%	-	0.12%
IBERCAJA EMERGENTES FI	-	12.13%	-	28.18%
IBERCAJA ESPAÑA-ITALIA 2026 FI	0.48%	-	-	-
IBERCAJA ESPAÑA-ITALIA 2023 FI	0.04%	-	-	-
IBERCAJA EUROPA STAR FI	0.03%	-	0.02%	-
IBERCAJA DYNAMIC STRATEGY IF	-	9.26%	-	11.14%
IBERCAJA FINANCIERO FI	-	-	-	0.59%
IBERCAJA GLOBAL BRANDS FI	0.18%	16.01%	0.33%	15.52%
IBERCAJA HIGH YIELD FI	-	11.16%	-	14.79%
IBERCAJA HORIZONTE FI	-	1.95%	-	1.90%
IBERCAJA RF HORIZONTE 2024 FI	0.08%	-	-	-
IBERCAJA INFRAESTRUCTURAS FI	-	4.03%	-	-
IBERCAJA JAPON FI	-	9.38%	-	2.13%
IBERCAJA MEGATRENDS FI	-	10.22%	0.44%	11.07%
IBERCAJA OBJETIVO 2024 FI	-	5.52%	-	-
IBERCAJA OBJETIVO 2026 FI	0.01%	-	0.01%	-
IBERCAJA OBJETIVO 2028 FI	0.05%	-	0.04%	-
IBERCAJA OPORTUNIDAD RENTA FIJA FI	-	48.01%	-	39.80%
IBERCAJA PERFILADO 30 ASG FI	96.15%	-	-	-
IBERCAJA PLUS FI	-	0.37%	-	0.38%
IBERCAJA RENTA FIJA 2025 FI CLASE B	-	1.92%	-	-
IBERCAJA RENTA FIJA 2026 FI	-	9.11%	-	9.07%
IBERCAJA RENTA FIJA 2027 FI	-	-	0.02%	-
IBERCAJA SUSTAINABLE FIXED INCOME IF	0.01%	-	0.01%	-
IBERCAJA SANIDAD FI	0.26%	10.81%	0.30%	9.16%
IBERCAJA SELECCION RENTA FIJA FI	-	2.60%	-	0.81%
IBERCAJA SMALL CAPS FI	0.01%	19.10%	0.01%	16.16%
IBERCAJA SUSTAINABLE AND SOLIDARITY IF	0.42%	0.10%	-	0.04%
IBERCAJA TECNOLOGICO FI	-	12.05%	0.24%	11.40%
PRIVATE BANKING SELECTION 60 IF	-	-	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) Corporate income 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 Articles of Association 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 dependent 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 2022.

	Thousands of euros
	31/12/2022
Spain	976,589
	976,589

c) Number of equivalent full-time employees

Equivalent full time employees by country were as follows at year-end 2022:

	Thousands of euros
	31/12/2022
Spain	4,794
	4,794

d) Gross profit/(loss) before tax

	Thousands of euros
	31/12/2022
Spain	283,220
	283,220

e) Corporate income tax

	Thousands of euros
	31/12/2022
Spain	81,100
	81,100

f) Grants and public aid received

No grants or public aid were received by Ibercaja Banco, S.A. or any Group company in 2022.

Other information

The return on the Group's assets during the year, calculated as net profit divided by the total balance sheet, was 0.37%.

iberCaja

2022

Consolidated Directors' Report

EL BANCO DEL vamos

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED MANAGEMENT **REPORT 2022**

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Letter from the Chairman and Chief Executive Officer

1. Letter from the Chairman and Chief Executive Officer

2-1, 2-6, 2-22, 3-3

The 2022 financial year has seen a continuation of the **global economic recovery** that began after the abrupt recession caused by the pandemic in 2020. However, the illegal and bloody invasion of Ukraine by Russia in February, in addition to posing a serious humanitarian crisis, created a geopolitical context characterised by uncertainty, accelerated and amplified the tensions in energy and commodity prices that had already begun at the end of 2021 and, as a result, led to a sharp slowdown in global activity in the second half of the year.

Therefore, the international economy is chaining together, practically consecutively, two major shocks; the first, the pandemic, which was eminently demand-driven, and the current one, with a special effect on the cost of energy that is being passed on to the entire productive fabric, that is to say, it is being supply-driven.

In any case, the exogenous nature of both crises (health and geopolitical) has had a lesser impact in terms of declining economic activity and job destruction, compared for example to the Great Recession between 2008 and 2012, which was caused by the huge imbalances accumulated in the functioning of the economy itself and in the real estate and financial markets.

In these **inflationary circumstances**, with price rises unprecedented so far in the 21st century, the main central banks have carried out a **marked tightening of monetary policy**, acting both on the money supply in circulation and, above all, on intervention interest rates.

After an anomalous environment of zero or even negative interest rates over the past five years, the major central banks have tended to normalise monetary policy, perhaps at a faster pace than initially expected; thus, in 2022, the Federal Reserve raised its benchmark interest rate to 4.25% while the European Central Bank raised it to 2.5%. At the beginning of 2023, both central banks have continued to tighten monetary policy with hikes of 25 bp and 50 bp respectively. **Analysts expect further increases in the first half of 2023.**

In this turbulent global context, the Spanish economy is proving remarkably resilient, unlike during the Great Recession and the pandemic. Our country's productive specialisation in services and its relatively lesser dependence on energy sources from Russia are allowing, on this occasion, the penalty, in terms of growth and job destruction, to be less in comparison with other European powers such as Germany.

In addition, over the last few years, the Spanish economy has improved very important structural factors: greater internationalisation, more capitalisation and less leverage of companies; greater efficiency and effectiveness of labour regulations; more soundness (solvency, liquidity and credit risk quality) of banks; absence of price bubbles in financial and real estate assets; and, finally, a higher volume of accumulated financial savings and lower household indebtedness.

Against this backdrop, **the Spanish banking sector has preserved its financial robustness** and has continued the positive business dynamics it already experienced in 2021, with significant strength in credit production, both in financing for house purchases by households and in loans and credit for the self-employed, SMEs and large companies.

With regard to the development of resources, household saving rates have declined compared to the previous two years, as consumption has remained high in an inflationary environment that has drained disposable income. In addition, the volatility and downward trend in equity markets, and the significant falls in bond prices in public and private fixed income, triggered by the vertical rise in short, medium and long-term interest rates, have had a negative impact on the valuations of savers' investments channelled through investment funds, pension plans and savings insurance. In the first weeks of 2023, the performance of the equity markets has improved, but not in fixed income markets, where the rise in interest rates has continued.

The sector's operating expenses, as in the other branches of activity, have suffered from the impact of generalised inflation, although the restructuring efforts made in the recent past continue to support the improvement in the institutions' operating efficiency ratios.

Non-performing loan ratios in the sector remain at the lowest levels in the last fifteen years, in line with the resilience to crises that Spanish companies and households are currently showing, as well as thanks to the effectiveness of labour flexibility measures (ERTEs - temporarily laid off workers) and liquidity supply (ICO loans) implemented by the Public Administrations.

Finally, the sector ended 2022 with higher after-tax profits than in previous years, as a result of the trends described above, and still with a limited impact of rising interest rates on the performance of loan portfolios. Thus, after the “crossing of the desert” of a historical cycle of negative interest rates, banks are now at least close to covering their cost of capital, an essential milestone for them to continue to fulfil their social function of financially supporting the investment projects of individuals, companies and institutions.

In this scenario, in 2022 Ibercaja has continued to promote its strategic transformation “roadmap”, contained in the **Challenge 2023 Plan** in its second year of validity, while managing to meet its business objectives for the year, continuing the significant commercial dynamism exhibited in 2021, especially in the priority customer segments: corporate banking, personal and private banking and risk insurance. corporate banking, personal and private banking and risk insurance.

The Bank has achieved a profit of 202 million euros, 34% more than the previous year, which is equivalent to a ROTE of 7.6%, based entirely on recurring activity, which is already close to covering the cost of capital and is firmly on track to meet the 9% target that Ibercaja has pledged to exceed in the medium term.

At the same time, the Bank preserved the financial strength of its balance sheet, with a CET 1 fully loaded capital ratio of 12.4%, a very comfortable liquidity position, an NPL ratio of 1.6%, clearly below the sector average, and NPL coverage of 90%.

It is precisely this renewed capacity to generate results that has allowed the Ibercaja Banking Foundation, with a charge to the dividends it receives from Ibercaja Banco and once it has obtained the required validation from the Bank of Spain, to constitute the **Reserve Fund** in order to comply with one of the regulatory channels established by the Law on Savings Banks and Banking Foundations.

The Reserve Fund required of the Ibercaja Foundation by the regulations amounted, at the end of December 2021, to 316 million euros and must be covered before the end of 2025. In December 2022, 155 million euros were already endowed, i.e. 49% of the total required. This alternative will enable Ibercaja Banco's IPO to be carried out in the most favourable market conditions, without the constraint of the deadline.

The **transformation of the operating, technological, commercial and customer relationship model** continued to develop in 2022, with digitalisation as the main lever. At the end of the year, the number of the Bank's digital customers stood at 914,000 and the number of users of the mobile banking app stood at 676,000 customers.

This year, Ibercaja has once again demonstrated its special social sensitivity, inherent to its distinctive corporate DNA forged throughout its almost 150 years of history. To cite two of the most noteworthy actions in this regard, in March a decalogue of specific measures was launched to strengthen the financial service and care for the elderly, and in December the Bank adhered to the new Code of Good Mortgage Practices to help mitigate the impact of rising interest rates on the ability of the most vulnerable mortgage customers to repay their debts.

The Bank has also supported institutions and public and private associations through collaboration agreements and sponsorship agreements, initiatives such as "Tu dinero con corazón" (Your money with a heart), thereby contributing to the development of the praiseworthy and commendable actions they carry out to promote social cohesion.

In the social aspect, Ibercaja adhered one more year to the 'Programa Funcas de Estímulo de la Educación Financiera' (Funcas Financial Education Stimulus Programme) - 'Programa Funcas Educa', giving continuity to the collaboration that both institutions have maintained since 2018 in order to promote the development of activities aimed at increasing the financial culture of Spaniards.

Ibercaja's commitment to sustainability is firm and consistent with the principles and management philosophy it has developed throughout its almost one and a half centuries of financial activity. In 2022, the **progressive integration of sustainability into its business model** continued, highlighting progress in various areas. Thus, in the field of corporate governance, the Bank appointed three new female directors this year, reaching the 40% ratio of female representation in non-executive director positions.

On environmental issues, the ECB categorised the Bank's climate stress test framework as "medium-advanced", higher than the average score of the banks analysed in the first significant European bank climate risk stress test. Also in this area, and as a **founding signatory of the Net Zero Banking Alliance**, this year Ibercaja defined the intermediate decarbonisation targets for its credit portfolio for 2030.

It also renewed its certification as a family-friendly company, under the EFR seal awarded by the Masfamilia Foundation, which reinforces its commitment to the well-being of all its employees, who can benefit from different measures that contribute to the balance of their personal, family and working life.

In short, in 2022 the Bank reaffirmed its **corporate purpose**, **"help people build their life story because it will be our story"**, which always guides all strategic decisions and also the day-to-day actions of the governing bodies, the management team and each and every one of the Bank's employees.

The economic and financial environment in 2023 is marked by uncertainty, but even so, Ibercaja will continue to promote its commercial dynamism and the transformation of its business, technological and operational model, as well as contributing to the economic development, social cohesion and environmental balance of Spain.

Francisco Serrano Gill de Albornoz
CHAIRMAN

Víctor Iglesias Ruiz
CEO

02

Main figures: economic and sustainable impact

ibercaja

Economic Impact 2022

Relevant figures resulting from the bank's performance

Capital adequacy and liquidity

12.4% (-34 bp)
cet1 fully loaded

17.1% (-34 bp)
capital total fully loaded

306.5%
LCR

4.7%
MDA distance

Asset Quality

-30.9%
non-performing assets

1.6% (-72 bp)
Loan NPL ratio

2.9% (-110bp)
Problem asset index

76.4% (+7.6 p.p.)
coverage of problem assets

National Dimension

> €54,361 million
Total assets

€98,235 million
Retail business volume

894
branch offices

1,172
ATMs

4,794 (4,465 parent)
employees

1.6 million
cards

914,418
digital customers

74.0%
digital transactions

40.5%
digital sales

3 POSITION — 12.0% employment pension plans

4 POSITION — 6.1% pension plans

6 POSITION — 5.9% investment funds

6 POSITION — 3.5% individual pension plans

7 POSITION — 3.5% life insurance

Commercial activity

€5,988 million
loans and credit arranged

+4.3%
performing loans to company

+8bp
market share of non-financial corporations

-1,70% (+2.4% ex. market decline)
retail funds

+9.4%
new insurance origination

Results

€202 million
net profit

€996 million (+7.0%)
recurrent revenues

€96 million (-15.8%)
write-downs of loans and properties

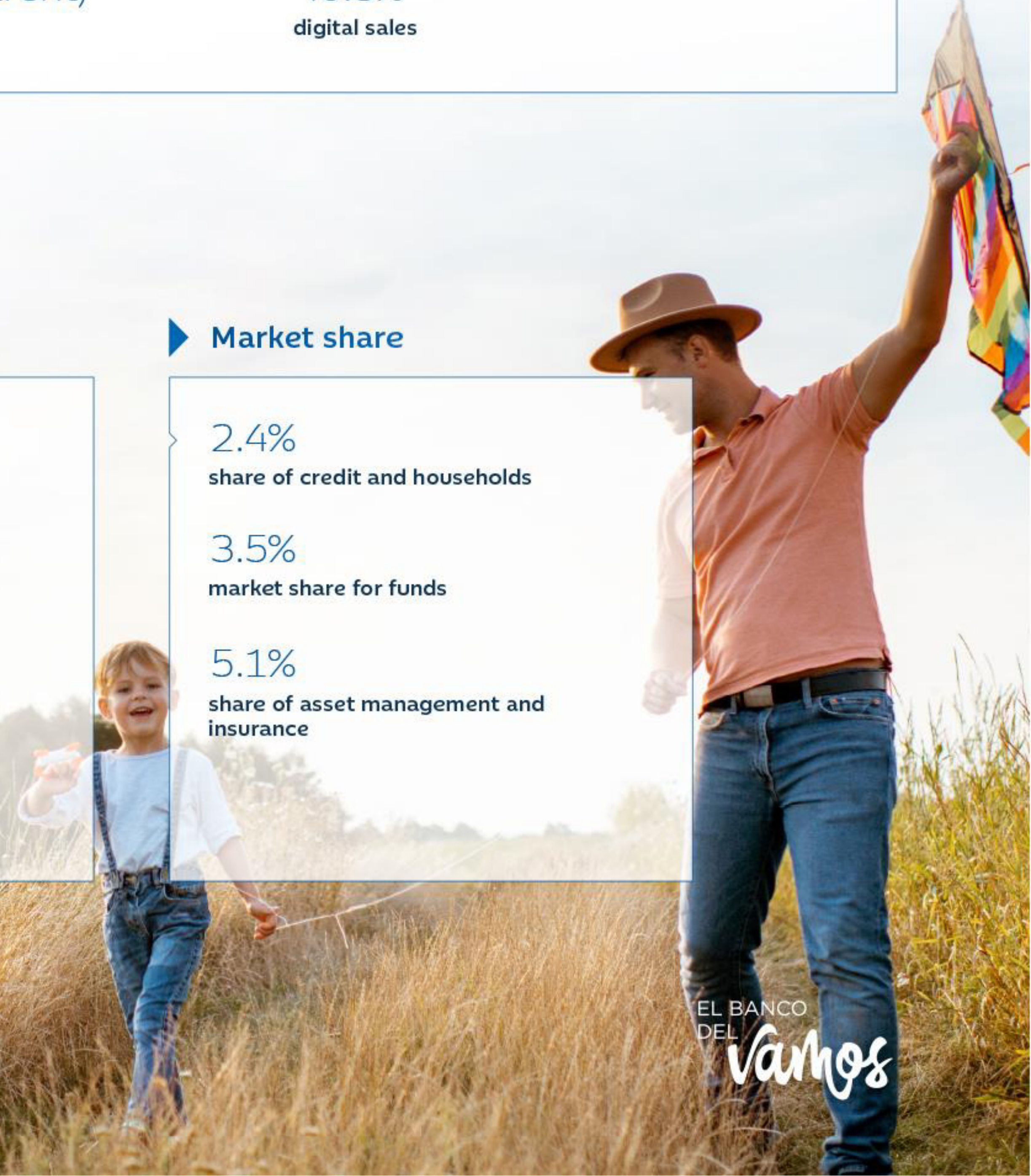
60%
pay-out

Market share

2.4%
share of credit and households

3.5%
market share for funds

5.1%
share of asset management and insurance



Recognitions

AENOR Excelencia en el servicio

AENOR Asesoramiento patrimonio personal

RSA 2023

efr Ibercaja Banco

AENOR Gestión Ambiental

Excelencia Innovación Sostenibilidad 500

EL BANCO DEL Vamos

iberCaja

Our purpose:
Help people build their life story because it will be our story.

Sustainable Impact 2022

We contribute to society and to our environment

+€16 million
investment in social action by Fundación Ibercaja

+1 million
beneficiaries of social action

100
towns served as the only bank present there

€1,190,000
delivered to worthy causes by customers of the Investment Fund and the Sustainable and Solidarity Pension Plan

We accompany our people

4,794 (4,465 parent)
people work at the Ibercaja Group

34.4%
management positions held by women

202
young university students carried out internships at Ibercaja Banco centres

91
work-life balance measures, making us a family-responsible company

Our commitment to sustainability

€3,938 million
managed in sustainable investment (as per art. 8)

Adherence to TCFD recommendations

Family-friendly business (efr) certification

2nd Ibercaja Planet Week Held

Signatory to:

UN Global Compact

UN Principles for Responsible Banking

Net Zero Banking Alliance

We advance innovation and digitisation

More than 74%
of transactions carried out through digital banking

100%
of Bank employees with mobility equipment

We accompany our customers: families and businesses

894
branches across Spain

+340,000
SME and self-employed customers place their trust in Ibercaja

23%
branches in towns or villages with fewer than 1,000 inhabitants

210
managers specialising in companies, rated by clients with a score of **9.7/10**

We look after the environment

Carbon
Neutral (Scope 1 and 2)

445,000
cards purchased with recycled plastic

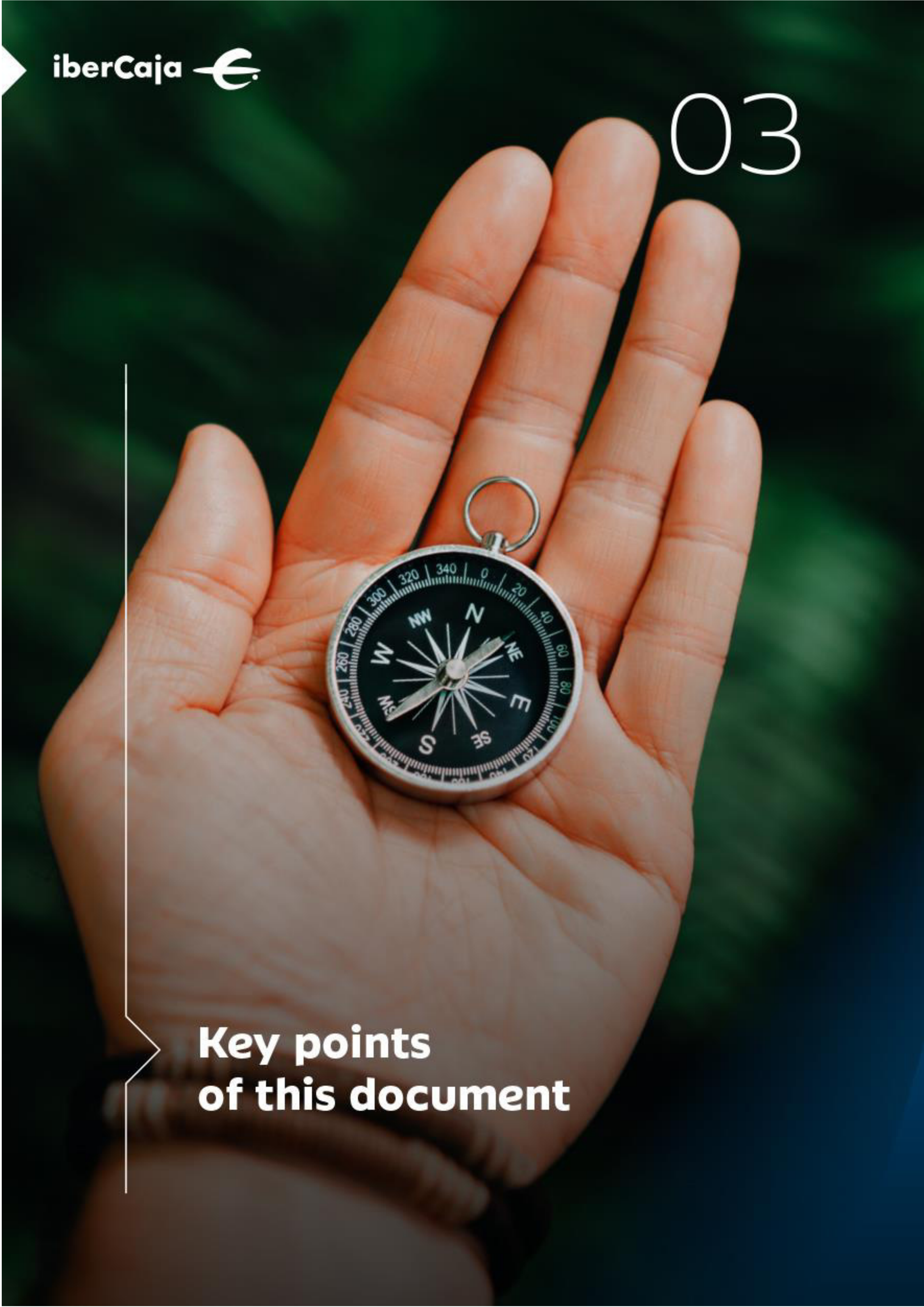
100%
green energy

ISO 14001
Certification in environmental management

6,721.29 tn
of CO2 avoided by purchasing green energy

Recognitions

We drive forward the SUSTAINABLE DEVELOPMENT GOALS



03

Key points of this document

3. Key points of this document

2-2, 2-5, 2-13, 2-14, 2-25, 2-29, 3-1, 3-2, 3-3

This 2022 Consolidated Directors' Report contains the most relevant economic and sustainability information on Ibercaja Banco and its subsidiaries.

Scope

The Consolidated Directors' Report brings together in a **single document all the relevant financial and sustainability information of the Ibercaja Group**. The aim is to make the best and most complete information available to all stakeholders in a transparent manner. This report as a whole 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**, with the aim of making it accessible to all interested parties. This report is reviewed and approved by the highest governing body, including the analysis of materiality and the organisation's material issues, as part of the process of reviewing and approving the company's consolidated financial statements.

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.

Ibercaja has prepared the report **with reference to the GRI Standards** for the period from **1 January 2022 to 31 December 2022**.

Ibercaja is a national banking institution belonging to the Finance sector and with its head office in Plaza Paraíso 2, Zaragoza. More information on Ibercaja's shareholding and organisational structure is detailed in chapter 4.1 of this Report.

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 relevant companies that make up the consolidation perimeter of Ibercaja Banco are: Ibercaja Mediación de Seguros, S.A., Ibercaja Vida Cía. de Seguros y Reaseguros, S.A.U., Ibercaja Gestión SGIIC, S.A., Ibercaja Pensión EGFP, S.A. and Ibercaja Leasing y Financiación E.F.C., S.A.

In addition, this annual report communicates the progress of the implementation of the 10 Principles of the **Global Compact**, which responds to the reporting requirements of the United Nations Global Compact for the preparation of the **"Progress Report"**. It also includes the information that responds to the commitments acquired with the **United Nations Principles for Responsible Banking**, signed by the Bank in 2019, as well as the progress made in the reporting of **climate-related information** following the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures), which Ibercaja Banco joined in August 2019.

In compliance with the agreement signed between Ibercaja and the **Net Zero Banking Alliance (NZBA)**, in April 2021, by which Ibercaja signed the initiative promoted by the United Nations that promotes the commitment of the banking sector worldwide to achieve neutrality of its own CO_2 emissions and those of its portfolio by 2050, this report also presents Ibercaja's progress in fulfilling this commitment and includes the decarbonisation targets for 2030 in three GHG-intensive sectors of the Bank's credit portfolio.

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 in an equitable way, by defining those economic activities that can be considered environmentally sustainable.

Materiality

In 2021 Ibercaja carried out its **materiality study** coinciding with the new strategic cycle and with the aim of identifying the financial, economic, social and environmental matters that are priorities for its stakeholders and for its business, and thus determining what information should 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 at the business and in the valuations and decisions of the stakeholders. In this regard, during 2022 Ibercaja has updated the 2021 financial year, advancing in the **requirements of the new GRI 3** – Material issues 2021[1], for which it has carried out an **analysis and assessment of the importance of the impacts of the Bank.**

> ### Objective
>
> **Identify and prioritise issues with relevant impact** ensuring alignment with the Bank's current Strategic Plan 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), the requirements of stakeholders and the best practices in the market. These 4 phases are:

[1] https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-spanish-translations/

1. Definition of key stakeholders for the materiality study.

Ibercaja has identified its priority stakeholders on which the materiality study has been based. For each of them, the method of participation has been defined, the channels of communication and dialogue that the Bank has established to identify expectations and interests have been identified, as well as 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 has been developed for materiality analysis and rating surveys, meetings, etc. are conducted.
- **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 on a regular basis and external experts are consulted.

2. Identification and assessment of relevant issues:

In order to **identify and define the key ESG issues** that should potentially guide Ibercaja's strategy and actions and information reporting, an **exhaustive internal and external analysis has been carried out**.

Internal analysis, where they have been evaluated:

- The **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 aspects and Sustainable Finance.
- **Best practices and trends** in sustainability, with a focus on sector-related aspects and the relevant issues gained in the financial industry.
- **External requirements and demands,** in the media, rating agency requirements, analysts and investors, among others.
- **Initiatives, Partnerships and Standards,** such as the Global Reporting Initiative, WEF-IBC, Sustainable Development Goals, TCFD, among others.

The analysis of internal and external information 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,** which were grouped into 15 **relevant topics**, all of them aligned with industry expectations and which respond to the programmes and initiatives included in the Bank's Challenge 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, with the aim of determining 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

Corporate Divisions	Financial group
Business Divisions	Fundación Ibercaja

IMPORTANCE FOR STAKEHOLDERS

Customers	Suppliers
Shareholders and Investors	Society at large
Employees	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

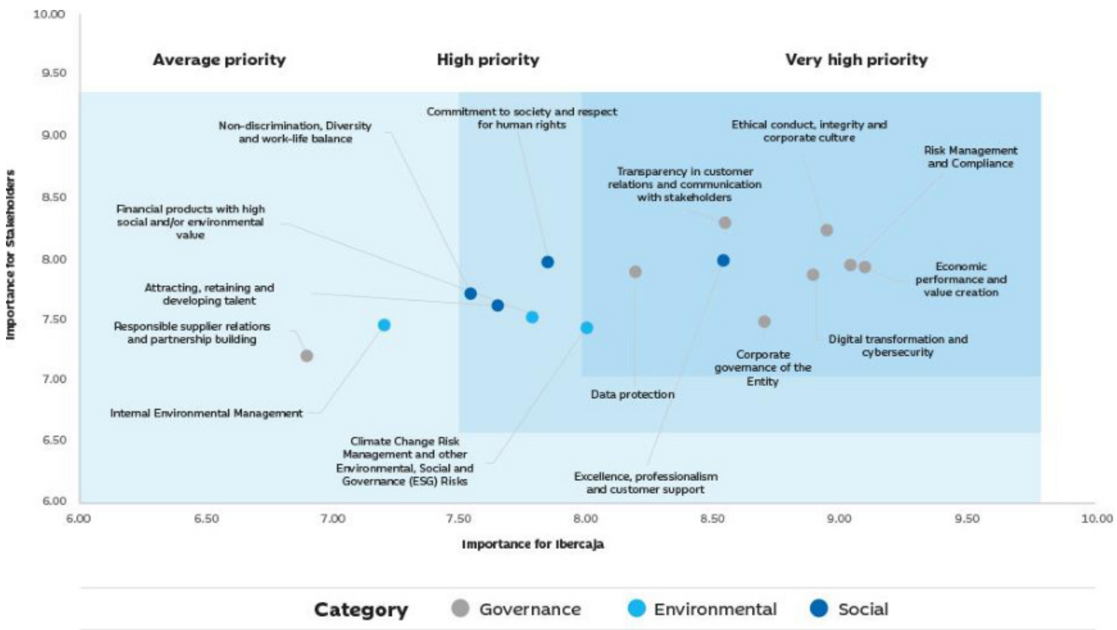
- Strategic aspects related to generating value for customers and shareholders and increased transparency towards all stakeholders.
- High standards of regulatory compliance and risk management.
- Highest standards of corporate culture, ethics and integrity.
- Digital transformation and cybersecurity
- Excellence, professionalism and support in excellent customer service.
- Compliance with Corporate Governance best practices and standards.
- Ensuring absolute data privacy.
- Integrating 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

- Internal environmental management.
- Conveying Ibercaja's commitments along its value chain.



The materiality matrix shows that all of Ibercaja's material issues are characterised by their **high importance for both the Bank and its stakeholders**. Compared to the last materiality analysis in 2018, the relevant issues evolved in 2021. These are strongly influenced by the regulatory environment and the current socio-economic context, including the Covid-19 pandemic. As a result of this analysis, the themes classified as "very high" priority in 2021 are in line 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 the full guarantee of data privacy.
- The integration of ESG aspects into business and risk management, in particular 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

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:

Main material issues and definition	Main environmental impacts on Ibercaja	Ibercaja's impact on the environment	SDGs related
Ethical conduct, integrity and corporate culture Compliance with ethical principles, as well as with the specific commitments subscribed to voluntarily by the organisation and actions aimed at improving 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 Bank 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 stakeholders. This results in increased investment security and increased job stability as the risk of regulatory non-compliance is reduced. This behaviour has a positive impact on stakeholders, who are favoured in this way. By demanding that they behave in the same way, they transfer these principles to the other groups.	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Risk Management and Regulatory Compliance 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, as well as 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 makes a direct contribution to SDG 16.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
Economic performance and value creation 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.	The creation of 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. Adequate economic performance and the creation of value for its shareholders enables the improvement of shareholders and society in general, through the social action of its shareholder foundations.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS

Main material issues and definition	Main environmental impacts on Ibercaja	Ibercaja's impact on the environment	SDGs related
Transparency in customer relations and communication with stakeholders 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 in the relationship with stakeholders, which translates into better communication with simpler 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	Generating trust for all stakeholders, including customers, as the management of this aspect improves accessibility to the Bank's information. Likewise, the management of this aspect improves communication with stakeholders and therefore the identification of 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 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
The Bank's Corporate Governance policy 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 Bank, which translates into greater stability, reduced reputational risk and improved process efficiency. These aspects are directly related to attracting customers and investors. The governance structure must meet the objective of oversight, validation and control, without impacting on 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 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

Main material issues and definition	Main environmental impacts on Ibercaja	Ibercaja's impact on the environment	SDGs related
Digital transformation and cybersecurity 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. apps such as Ibercaja Pay).	Customers benefit from a more accessible, immediate and efficient service (e.g. My manager), which in turn can be a difficulty for customers less familiar with digital services, who will receive the necessary support. 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. In a common way for all stakeholders, digitalisation and cybersecurity improve relations with Ibercaja, resulting in a more agile, traceable and secure relationship.	
Excellence, professionalism and support for the customer Operations implemented by the Bank 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. 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 managed to improve 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 level of demand for suppliers and employees. Proper management of this aspect translates into greater confidence, stability and value creation for all stakeholders.	

Main material issues and definition	Main environmental impacts on Ibercaja	Ibercaja's impact on the environment	SDGs related
Data protection 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 in order 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 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 Identification and management of ESG risks (including risks associated with climate change) and their integration into Ibercaja's risk model.	Ibercaja's management of these types of risks results in less exposure of Ibercaja's business to them, greater alignment with regulation and with stakeholder expectations. The current focus is on climate change risks. 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 in 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.	

In 2022 Ibercaja has carried out a **qualitative analysis of its impacts,** taking into account the **dual materiality** approach in order to assess the potential and real 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. In addition, this analysis identifies the type of management that Ibercaja is implementing to contribute to the remediation of these negative impacts. This year, for the highest priority issues, the Bank has made progress in analysing impacts in terms of significance (for positive impacts), severity (for negative impacts) and likelihood:

- **Importance**:
    - **Positive impacts**: The significance of positive impacts is determined by their scale and scope, as well as the likelihood of their occurrence. In the case of positive impacts, scale refers to how beneficial the impact is or could be, and scope implies how widespread the positive impact is or could be (e.g. the number of individuals or the amount of natural resources that are or could be positively affected).
    - **Negative impacts**: The importance of negative impacts is determined by their severity and the likelihood of their occurrence. The **severity** of an actual or potential negative impact is determined by its **scale,** such as the level of severity of the impact, and **scope**, which refers to the extent of the impact (e.g. the number of individuals affected or the magnitude of environmental damage).
- The **probability** of a potential positive or negative impact refers to the likelihood of the impact occurring.

Ibercaja has assessed the importance of impacts on very high priority issues:

Main material issues and definition	Scope: Positive impact	Scope: Negative impact	Likelihood: Positive impact	Likelihood: Negative impact	Likelihood: Positive impact	Likelihood: Negative impact	Main actions
Ethical conduct, integrity and corporate culture Compliance with ethical principles and specific commitments subscribed to on a voluntary basis and actions aimed at improving and promoting the image of the Corporate Culture.	High	High	High	Low	High	High	The main actions of the Group are described in chapter 4 of this document.
Transparency in customer relations and communication with stakeholders Mechanisms to ensure adequate, clear and transparent communication with stakeholders to manage expectations and identify and respond to their requirements.	Very high	High	Very high	Low	Very high	High	The main actions of the Group are described in chapter 6 of this document
Excellence, professionalism and support for the customer Operations implemented by the Bank 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.	Very high	High	Very high	Low	Very high	High	The main actions of the Group are described in chapters 3, 4 and 6 of this document.

Low Average High Very high

Main material issues and definition	Scope: Positive impact	Scope: Negative impact	Likelihood: Positive impact	Likelihood: Negative impact	Likelihood: Positive impact	Likelihood: Negative impact	Main actions
Risk Management and Regulatory Compliance Risk management model and compliance with applicable legislation, policies and other corporate commitments.	Very high	High	Very high	Low	Very high	High	The main actions of the Group are described in chapters 3, 4, 6 and 7 of this document.
Digital transformation and cybersecurity 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.	High	High	High	Low	High	High	The main actions of the Group are described in chapter 4 of this document.
Economic performance and value creation Maintain adequate economic performance to ensure profitability, solvency and value creation for shareholders and investors.	High	High	High	Low	High	High	The main actions of the Group are described in chapters 4 and 6 of this document.

Low | Average | High | Very high

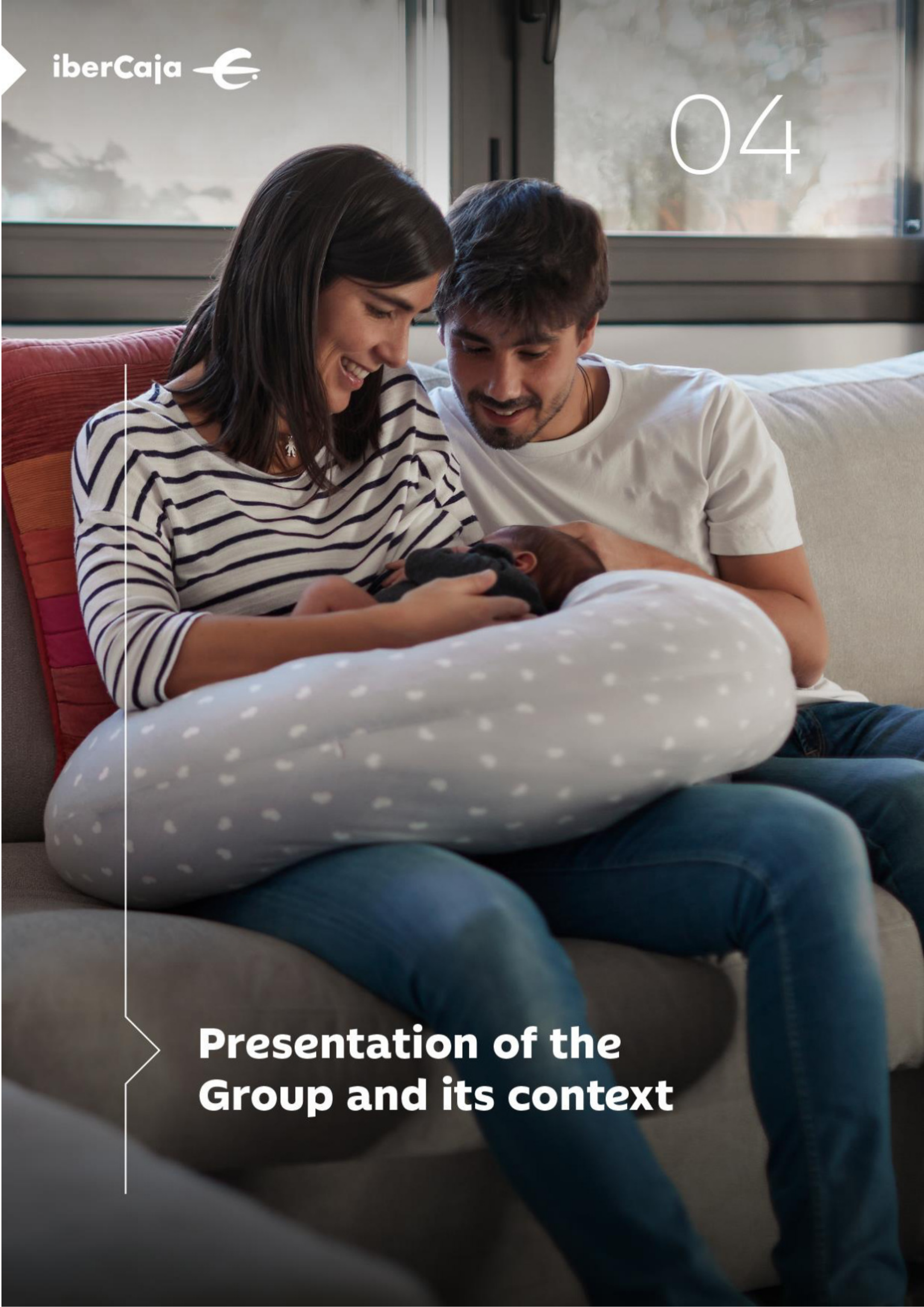
Main material issues and definition	Scope Positive impact	Scope Negative impact	Likelihood Positive impact	Likelihood Negative impact	Likelihood Positive impact	Likelihood Negative impact	Main actions
Data protection Management model that guarantees maximum protection of stakeholder data.	Very high	High	High	Low	Very high	High	The main actions of the Group are described in chapter 4 of this document.
The Bank's Corporate Governance policy Compliance with best practices in good corporate governance (including those aspects related to ESG governance).	Very high	High	High	Low	Very high	High	The main actions of the Group are described in chapters 4 and 6 of this document.
Climate Change Risk Management and other Environmental, Social and Governance (ESG) Risks Identification and management of ESG risks (including risks associated with climate change) and their integration into Ibercaja's risk model.	Very high	Very high	High	Low	Very high	High	The main actions of the Group are described in chapter 6 of this document.

Low Average High Very high

External audit review

Ernst & Young, S.L. has issued an independent assurance report, with limited assurance scope in accordance with ISAE Standard 3000 (Revised), on the non-financial information and diversity indicators that respond to Law 11/2018, on the indicators that follow, as a reference, the criteria of the GRI standards, as well as those other criteria, including the Financial Services Sector Supplement to the GRI G4 Guidelines, as well as 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 investment (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



04

Presentation of the Group and its context

4.1. Description, shareholding and organisational structure

2-1, 2-2, 2-6

> **Ibercaja is a national banking entity specialised in the business of individuals and companies, whose objective is to generate value for its customers, shareholders and society at large.**

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 the provision of 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 took over 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**, the most notable of which (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, pension plans, bancassurance and leasing-renting.

Organisational structure

The most relevant companies within the scope of consolidation are as follows:

4.2 Purpose, mission, vision, values and Code of Ethics

2-6, 2-16, 2-23, 2-29

> 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 customers, employees, investors and society at large.

Corporate purpose

Ibercaja's Corporate Purpose is "**To people build their life story because it will be our story**". It is the Bank's raison d'être, that which gives meaning to the daily work of its professionals and which 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.

In order 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 **Challenge 2023 Strategic Plan**.

This transformation process is carried out through one of the Challenges of the Purpose and Sustainability Initiative. 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, the **Culture and Purpose project** has been launched, defining the Bank's relationship model based on the axes of Purpose and clear internal and external communication, proactively and systematically.

Internally, the 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 Bank'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

> 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.

Ibercaja's mission reflects how the Institution should act in order to achieve its Purpose: **to improve the life of families and businesses**, helping them manage their finances with the aim of giving the customer efficient service and a personalised and quality advice, which will help the bank achieve its 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 stronger and more sustainable. Therefore, it accepts the triple challenge of generating business, social and environmental benefits so as to drive the transition towards a more sustainable economy.

Vision

The **vision** sets the path for the Bank 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 Bank’s ethical commitments, which are reflected in its **Code of Ethics**.

Ibercaja Code of Ethics

The Bank 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, so as to make its corporate values tangible.

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 Bank'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 2022, a **training pill** on **Corporate Culture and Ethics** has been incorporated for all Ibercaja employees, the purpose of which is to strengthen and consolidate these principles, as well as the protection of human rights and 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 **whistle-blowing channel** 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 www.ibercaja.com is an **e-mail address** (rsc@ibercaja.es) to which anyone can send **queries about the Bank's Code of Ethics**.

To ensure the correct functioning and use of this channel, periodic reviews are carried out by Internal Audit. Employees also have an 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.

The **"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 communication style. It helps us to 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 2022, within the framework of the Strategic Plan, 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 to the process of commercial attraction and loyalty, defining how it will be applied 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

3-3

> The world economy is suffering from inflation problems not seen in decades.

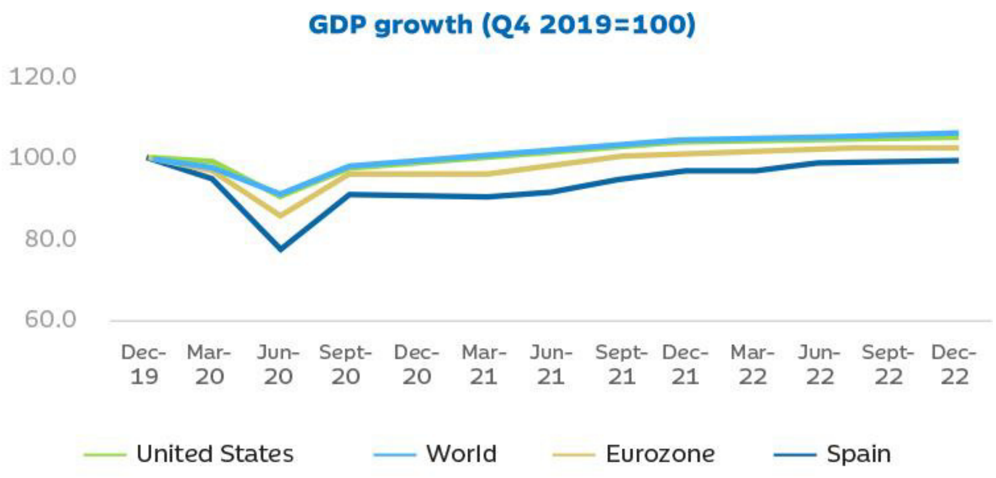
World economic scenario

The **global economy** was severely affected in 2022 by the **war in Ukraine** and by **inflationary pressures that have been unknown for decades**. The sharp rise in prices was largely due to higher commodity prices, especially for energy, and a strong **recovery in demand**, faster than supply, **after the most severe periods of the covid pandemic**. The IMF estimates that **global GDP growth reached 3.4%**, decelerating after a strong rebound in 2021 to an increase of 6.2%.

According to these estimates, the expansion would have been more dynamic in **emerging countries (3.9%)** than in **developed countries (2.7%)**, although the difference would be smaller than in other periods due to the moderate growth in **China (3.0%)** and the fall in **Russia's GDP (-2.2%)**, while in advanced countries some regions such as the **Euro Zone (3.5%)** presented notable data due to the somewhat later rebound in activity.

China's economy, which was the first to emerge from the pandemic crisis in 2020 and 2021, was hit by successive waves of covid and a zero-tolerance policy that resulted in periods of relapsing activity. Moreover, the problems in the construction and real estate sectors continued and had the usual knock-on effect on the economy as a whole.

The US economy continued to show remarkable strength despite two quarters of falling GDP. These declines were due to the negative contribution of inventories and external demand, while domestic demand, in particular private consumption, continued to show expansionary data, and relevant variables such as industrial production reached record highs



For the year as a whole, US GDP would have grown by 2.0% after 5.9% in 2021. The labour market performed well as employment lost during the pandemic recovered and the unemployment rate fell to a low of 3.5%, matching the lowest level since 1969. On the negative side, price pressures were severe throughout the year. The CPI rose by 9.1% year-on-year in June, a rate not seen in four decades. The underlying figure reached 6.7% year-on-year.

The more severe restrictions in the face of the arrival of the various pandemic waves delayed the recovery of the **Eurozone** compared to other regions, resulting in a still high dynamism in 2022: **GDP growth was 3.5%** after 5.3% in 2021. The labour market recovery continued and the year ended with an unemployment rate of 6.6%, down from 7.4% before the pandemic. Furthermore, the Eurozone was particularly affected by the war in Ukraine and the sanctions applied, given its dependence on energy supplies from Russia. In summer, gas prices reached a level of over 300 euros per MWh, which was ten times the maximum of previous cycles. Rising gas and electricity prices were passed on in the production and consumption chains, causing serious inflation problems. The CPI accelerated to 10.6% year-on-year in October and the underlying rate to 5.2% in December. Energy prices grew by 44.3% year-on-year.

Monetary policy and financial markets

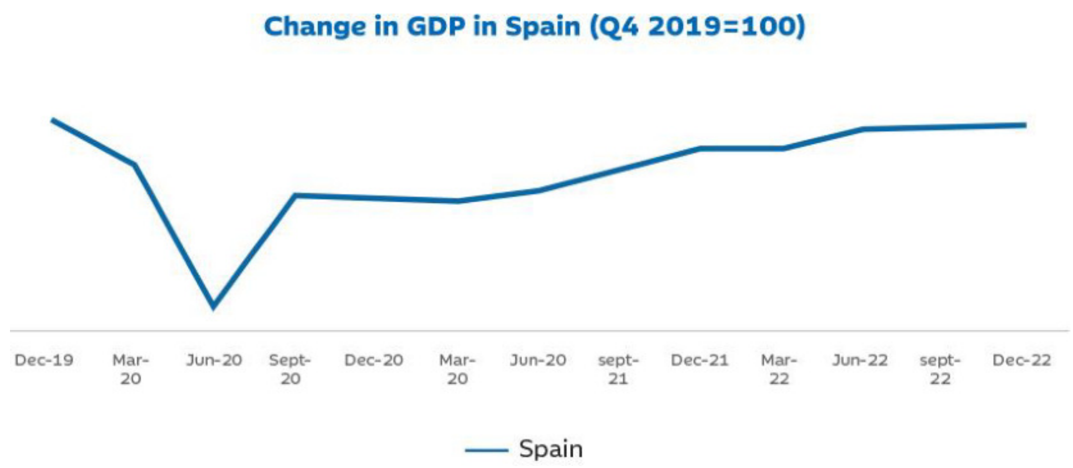
In response to inflationary pressures, major central banks made a U-turn in their policies after years of fighting deflation. Intervention rates were raised at an unprecedented pace and 75 bp movements, unusual in other cycles (unknown in the case of the European Central Bank's previous history), were used. The US base rate, which had started the year at 0.25%, had risen in December to 4.5%. In the case of the European Central Bank, the increase was 0% to 2.5%. Moreover, after years of expansionary quantitative policies, mainly through government bond purchases, balance sheet expansion ceased. After stabilising them, the Federal Reserve started to reduce their size and the European Central Bank announced that it will do so from March 2023.

Rising short-term interest rates and lower demand for government bonds by central banks were two of the main reasons that drove **long-term rates** to levels not seen in the last decade. Ten-year US sovereign bond yields started the year at 1.5% and reached 4.25% at the end of October and 3.85% at the end of the year. In the case of German bonds for the same maturity, the increase was -0.1% to 2.55% at the end of the year, while Spain's ten-year rate rose from 0.6% to 3.65%. This is a significant change after a long cycle of negative real interest rates, which were very favourable for business and household investment but distorted financial markets by encouraging high risk-taking and punishing savings in the absence of positive real returns on the safest assets.

2022 was an extremely negative year for most **stock markets**, which suffered from rising interest rates and uncertainty stemming from the war in Ukraine and inflation. The US S&P 500 fell by 19.4% and the European Stoxx 600 by 12.9%. The Ibex, which had performed less well in previous years, fell somewhat less: -5.6%. Only two Stoxx 600 sectors closed 2022 higher, significantly oil (24.4%) and commodities (4.3%). The biggest falls were in technology (-28.4%), distribution (-32.6%) and real estate (-40.1%).

The Spanish economy

The recovery of Spanish GDP continued thanks to the definitive reopening of the sectors most affected by the pandemic. However, it was also one of the economies hardest hit by rising prices. In 2022 as a whole, GDP grew by 5.5% according to INE's first estimate, the same rate as in 2021, which was insufficient to recover the pre-pandemic volume of activity, as GDP had fallen by -11.3% in 2020. GDP in 2022 was still -1.3% lower than in 2019, with a negative performance of its main component, private consumption, as it was -3.0% below that recorded in 2019.



Inflation performance reflected the rise in energy prices more immediately than in other European countries. The CPI accelerated to a peak of 10.8% year-on-year in July before decelerating to 5.7% in December, also due to a rapid pass-through of the easing of tensions in electricity and gas prices. However, food prices continued to accelerate throughout the year, reaching a peak of 15.7% year-on-year in December. The impact of these price increases hit lower-income households, who spend a larger share of their income on housing and food, and who had saved less during the years most distorted by the pandemic restrictions, the hardest.

> The economic recovery was remarkable in 2022 thanks to the revival of the sectors most affected by the pandemic. However, the production and consumption levels of 2019 were not reached due to inflation-related problems, which affected all households and in particular lower-income households. The best news was the good performance of the labour market.

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 persons in 2022 was 3.1% higher than in 2019, which represents a creation of more than 600,000 jobs according to EPA data. The unemployment rate was reduced to 12.9 per cent on average per year from 14.8 per cent in 2021, 15.5 per cent in 2020 and 14.1 per cent in 2019.

The **real estate market** remained strong in 2022 thanks to pent-up demand in the pandemic, changing preferences and purchases as an investment with real rates still negative and in a context of high uncertainty.

Prospects and foreseeable business developments

Macroeconomic scenario

In 2023, the slowdown in growth suggested by the data for the second half of 2022 is expected to be confirmed. In addition to inflation-induced damage to household disposable income, there is the impact of tighter monetary policy and the maturity of the US cycle. **IMF expects a 2.9% increase in global GDP in 2023**, five tenths of a percentage point less than in 2022. The slowdown would come from advanced countries (1.2% from 2.7%), while there would be greater stability in the expansion of emerging countries (4.0% from 3.9%). Within the advanced economies, data would be particularly weak in Europe, with growth of 0.7% in the Eurozone and a fall of -0.6% in the UK. For the United States, the IMF forecasts an increase of 1.4%.

The slowdown in economic dynamism was already noticeable in **Spain** in the second half of 2022 as the momentum from the reopening of the economic sectors most affected by the pandemic runs out and the effects of inflation on consumption in real terms worsen. In 2023 this inertia may become more acute and we could see some negative data, although for the year as a whole the **IMF forecasts GDP growth of 1.1%**, higher than the 0.7% of the Eurozone. The performance of the labour market will be key, which was resilient in 2022 but is often late to react to cyclical downturns. Once this period of sluggishness is over, as inflationary pressures ease (a process which, if there are no further negative surprises in the gas market, seems to have already started), the economy may experience a rapid recovery, helped by improved confidence, the availability of excess savings and cash generated by households and companies in recent years, investment projects linked to European funds and the revival of long-term trends that have been reflected in the strong expansion of sectors such as information and communications, business services, healthcare, logistics and the energy sector, which will require new investments to increase reliability and independence of supply.

4.4 Corporate governance

2-11, 2-12, 2-13, 2-14, 2-19, 2-20, 2-23, 2-26, 3-3

> 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 45.5% of the members of the Board of Directors.
3. The Audit and Compliance Committee, the Major Risks and Solvency Committee, the Remuneration Committee and the Appointments Committee are chaired 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 Articles of Association. The functioning of the General Shareholders' Meeting is regulated in section 5 of the Articles of Association, which are accessible through the **corporate website** in the **Shareholders and Investors section**, 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 Company** 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 at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Francisco Serrano Gill de Albornoz	Proprietary
CEO	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Mr Vicente Evelio Condor López	Independent
Member	Mr Jesús Tejel Giménez	Independent
Member	Ms María Pilar Segura Bas	Independent
Member	Mr Luis Enrique Arrufat Guerra	Proprietary
Member	Mr José Miguel Echarri Porta	Proprietary
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Ms María López Valdés	Independent
Member	Ms Natividad Blasco de las Heras	Proprietary
Member	Ms María Luisa García Blanco	Proprietary

9.00	**45.5**	**45.5**	**26**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

All appointments of the members of the Board of Directors have been endorsed by the Nomination 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 evaluation of suitability and diversity of the members of the Board of Directors of Ibercaja Banco, S.A., as required by current legislation.

The search and selection processes for advisors are based on the following general principles:

a. They ensure compliance with the applicable regulations, the Articles of Association, the Regulations of the Board of Directors and the Policy on the suitability and diversity of the members of the Bank's Board of Directors, in force from time to time.

b. The selection processes for directors are based on an analysis of the Bank's needs. This analysis will be carried out by the Board of Directors with the advice of the Nomination Committee.
c. They encourage the number of independent directors to be at least 40% of the total number of external directors on the Board of Directors, ensuring that there is an appropriate balance between proprietary and independent directors.
d. They strive for diversity in the composition of the Board of Directors, both in terms of gender, age and experience, with the objective that the least represented gender should represent at least 33 per cent of the total number of directors (currently 36 per cent of the total number of directors) and 40 per cent of the total number of external directors (currently 50 per cent of the total number of external directors), and encouraging the Board to be composed of members with different profiles, not only with expertise in finance, but also in other areas, such as law, sustainability, technology, auditing, etc., so that the Board as a whole is enriched in its decision-making by different points of view.
e. They ensure that the process of searching for, selecting, appointing, re-electing or replacing members of the Board of Directors does not affect the normal functioning of the Board of Directors or the management of the Bank.
f. The Nomination Committee proposes the appointment or replacement of independent directors and the Board of Directors proposes the appointment or replacement of proprietary and executive directors. Proprietary directors are proposed in advance, at the request of the shareholder the candidate is to represent.
g. All candidates, in addition to what is set out in the Policy on Suitability and Diversity of the members of the Bank's Board of Directors, must obtain the suitability of the European Central Bank, to which a complete dossier with extensive and complete information on the candidate is sent, such as, for example: education, professional experience and, if applicable, current professional situation, competences, membership of different boards of directors, among other information.

The academic background, experience and professional career of the directors is available on the **Bank's corporate website.**

According to article 28 of the current Articles of Association, 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 financial statements of the previous financial year has elapsed.

During the year, Francisco Serrano Gill de Albornoz was appointed Chairman of the Bank's Board of Directors to replace José Luis Aguirre Loaso, who had already announced his wish to step down for reasons of age at the end of 2021. In addition, for the same reasons, Mr Jesús Bueno Arrese, Mr Jesús Solchaga Loitegui and Ms Gabriela Gonzalez-Bueno have resigned from their posts as directors of the Bank and have been replaced by Ms María Luisa García Blanco, Ms Natividad Blasco de las Heras and Ms María López Valdés appointed by the General Meeting held on 27 October 2022. The four new members were deemed suitable by the Bank's governing bodies and by the European Central Bank.

At 31 December 2022, the average term of office of directors was three years and 10 months, taking into account that this year there has been a significant renewal of directors, starting with the appointment of a new Chairman in March and the appointment of three new female directors in October, replacing four members of the Board of Directors, bringing the number of directors to eleven.

Executive Committee

The **powers vested** by the Board of Directors in 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 which, under the Policies and Procedures Manual to manage lending risk approved by the Board of Directors, fall within its competencies. It will also hear and adopt resolutions regarding proposals to acquire assets by the Bank 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.
- Hear and adopt resolutions regarding matters relating to the Bank's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its scrutiny in accordance with internal policies and manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.
- When appropriate, shall grant the authority that is necessary or advisable to execute the resolutions adopted.

The composition of the Executive Committee at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Francisco José Serrano Gill de Albornoz	Proprietary
Member	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Mr Vicente Cóndor López	Independent
Member	Mr Enrique Arrufat Guerra	Proprietary
Member	Mr Jesús Tejel Giménez	Independent

20.00	**40.00**	**40.00**	**24**
% 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 Bank 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 at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Ms Maria Pilar Segura Bas	Independent
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Ms Maria López Valdés	Independent
Member	Ms María Luisa García Blanco	Proprietary

% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings
0.00	**25.00**	**75.00**	**4**

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 Staff, i.e. the persons whose professional activity has a significant impact on the Bank's risk profile.

The composition of the Remuneration Committee at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Ms Maria Pilar Segura Bas	Independent
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Ms Maria López Valdés	Independent
Member	Ms María Luisa García Blanco	Proprietary

% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings
0.00	**25.00**	**75.00**	**4**

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 (in particular overseeing the Compliance function including procedures for the prevention of money laundering and terrorist financing) and, 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 at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Jesús Tejel Giménez	Independent
Member	Ms Natividad Blasco de las Heras	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	12
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Large Exposures and Capital Adequacy 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 capital adequacy levels and proposing any action deemed appropriate for improvement.

The composition of the Large Exposures and Solvency Committee at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Vicente Cóndor López	Independent
Member	Mr Jesús Tejel Giménez	Independent
Member	Ms Natividad Blasco de las Heras	Proprietary
Member	Ms Maria Pilar Segura Bas	Independent
Member	Mr Luis Enrique Arrufat Guerra	Proprietary

0.00	**40.00**	**60.00**	**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 has **periodically 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, together with the **capital scorecard**, as well as the **quarterly monitoring of budgetary developments**, in accordance with the mandates contained in the aforementioned Strategic Plan, and has reported 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 at 31 December 2022 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Francisco José Serrano Gill de Albornoz	Proprietary
Member	Ms María López Valdés	Independent
Member	Ms María Luisa García Blanco	Proprietary
Member	Mr Luis Enrique Arrufat Guerra	Proprietary
Member	Mr José Miguel Echarri Porta	Proprietary

0.00	**80.00**	**20.00**	**8**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Information on the **composition of the different governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and is also available on the Bank's corporate website, www.ibercaja.com under "Shareholders and investors – Corporate governance and Remuneration policy".

Management team

At its meeting on 1 April 2022, the Board of Directors, at the proposal of the Chief Executive Officer, resolved to **modify the structure of the Bank's senior management**. As a result of the appointment of Francisco Serrano as non-executive Chairman of the Bank, the functions of the former "General Secretary's Office and Control Department" area were divided into two large blocks: firstly, the classic functions of a General Secretary's Office to provide ongoing support for the development of the banking business and the management of its associated financial risks, and bringing together under its management both the Legal Advisory Division and the Tax Advisory Division. Secondly, the functions of a complete second line of defence in risk management and control, integrated in a Control Directorate (CRO), with the Risk Control Directorate, the Regulatory Compliance Division and the Customer Service Unit under its command; the Security Unit, which previously reported to the former General Secretary's Office and Control Division, now reports to the current Media Division. It was also agreed that the CEO's Deputy Director would take over the management of the People Area. As a result, the Bank's senior management structure consisted of 10 Area Divisions and two Staff Divisions reporting directly to the Chief Executive Officer.

CEO | Victor Iglesias

AREA MANAGEMENT

General Secretary | Jesús Sierra	Deputy Manager
Control Manager | Ana Jesús Sangrás	Deputy General Manager
Branch Network Area Manager | José Ignacio Oto	Deputy General Manager
Financial Area Manager | Antonio Martínez	Deputy General Manager
Credit Risk Area Manager | Raquel Martínez	Deputy General Manager
Media Area Manager | José Palma	Deputy General Manager
People Area Manager | Rodrigo Galán	Deputy General Manager
Marketing and Digital Strategy Area Manager | Ignacio Torre	Deputy Manager
Financial Group Area Manager | Luis Miguel Carrasco	Assistant General Manager
Corporate Banking Area Manager | María Teresa Fernández	Deputy General Manager

INTERNAL AUDIT DIVISION
Reports to the Audit and Compliance Committee

Ángel Carlos Serrano	Deputy General Manager

Suitability of the members of the Board of Directors

All members of the Board of Directors must **meet**, in order to be appointed and hold the position of director, requirements in the terms required by current regulations and those included in the **Bank's internal governance rules**.

Ibercaja has a **policy for assessing the suitability and diversity** of the members of the Bank's Board of Directors adapted to the EBA/GL/2017/12 Guidelines and the European Central Bank (ECB) Guidelines for assessing suitability, which establish the criteria and systems to be taken into account for assessing the suitability of the members of the Bank's Board of Directors individually and as a whole.

This Policy shall apply to the members of the Board of Directors of Ibercaja Banco when there are relevant changes in its composition and on an ongoing basis when, in the light of any new relevant event, situations arise that make it advisable to reassess the suitability of the directors either individually or as a whole. For example, it will be reassessed, if necessary, whether the time commitment of a member of the Board of Directors is sufficient if he or she takes up an additional position or starts new relevant activities, including in the political field.

To **assess the suitability of the aforementioned key posts**, which, in any case, must take place prior to their appointment, the following will be taken into account:

A. They must be of sufficiently good repute;

B. They must possess sufficient knowledge, skills and experience for the performance of their duties;

C. They must be able to act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the Board of Directors in its management function and other relevant management decisions, when necessary, as well as to effectively supervise and monitor management decision-making;

D. They must be able to devote sufficient time to the performance of their duties in the Bank.

Likewise, it shall be ensured that the selection criteria take into **account the diversity** of knowledge, training, professional experience, age and gender, and that they do not include implicit biases that could imply any discrimination (in particular, on grounds of gender, race, skin colour, ethnic or social origin, genetic characteristics, religion or convictions, belonging to a national minority, heritage, birth, disability, age or sexual orientation). In particular, the Bank will ensure that the selection processes are not implicitly biased so as to hinder the selection of women aimed at including women that meet the sought-after professional profiles among the potential candidates.

The Bank periodically promotes **training sessions** aimed at the members of the Board of Directors, the content of which on various matters 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 annually prepare a self-assessment report of its performance 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 Articles of Association.

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 (sector comparables 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 Bank.
- **Alignment with business strategy**: the Policy is linked to the achievement of the Bank's business strategy, objectives, values and long-term interests.
- **Decision-making**: avoid conflicts of interest by setting performance targets to be achieved to which remuneration can be linked, avoiding the risk of such conflicts of interest.

- **Sustainability over time**, so as not to encourage excessive or undue assumption of risk, and should be aligned with the Bank'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 Bank, 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 take into account 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 in a clear and concise manner, 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, in order 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” and “clawback” 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 the individual performance** of beneficiaries and the results of the Bank, considering the impact of the underlying economic cycle and the present and future risks.
- **Flexibility and alignment with the Bank's strategic interests,** without limiting its ability to reinforce its solvency.
- **Setting of certain upper and lower limits** that clearly mitigate risks associated with their potential impact on the income statement and on the Bank's own funds.

Without prejudice to the foregoing, the Bank 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 Bank'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 Bank 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 was approved, with the objective of aligning 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: percentage of female managers, CO_2 emissions and achievement of the major sustainability milestones contained in the Challenge 2023 Strategic Plan.

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Articles of Association.

Only the Chief Executive Officer and the Chairman receive a salary for the performance of their duties, in addition to the remuneration they receive as members of the Board of Directors in accordance with the provisions of the Articles of Association.

The remuneration of the members of the board of directors in their capacity as such, **until 30 June of this financial year**, consisted 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). And **as from 1 July 2022**, the remuneration of directors in their capacity as such shall consist of: (a) fixed annual allowances for their membership of the Board of Directors and, where appropriate, its committees and (b) a fixed annual allowance to be determined by the board for those directors who have special dedication and duties and (c) such remuneration in kind and insurance as may be established from time to time, all in accordance with Article 34 of the Articles of Association in force.

Thus, the average annual remuneration of the directors, considering that the composition of the Board throughout the year has always been 11 members, including the CEO and the Chairman (9 directors and 2 female directors until 27 October 2022, and 7 directors and 4 female directors after that date), amounts to 161 thousand euros. Furthermore, the average annual remuneration of the directors in their capacity as such, also considering that the composition of the Board throughout the year has been 11 members, is 77 thousand euros (the average remuneration up to 27 October of the directors is 63.4 thousand euros and that of the female directors is 38.9 thousand euros, and from that date until 31 December it is 25.6 thousand euros for the directors and 18.1 thousand euros for the female directors). This difference is due to the fact that the least represented gender has two more members as from the last quarter of the year and to the chairmanship of committees, the number of committees of which it is a member and the number of meetings held by each of them, until 30 June 2022, since as from that date, by resolution adopted at the General Shareholders' Meeting of 30 June, the remuneration policy for directors was changed, replacing the payment of attendance fees with a fixed annual allowance.

Quantitative data on directors' remuneration are provided in the annual directors' remuneration report disclosed on the **Bank's corporate website** and both directors' and senior management remuneration in the Annual Corporate Governance Report (sections C.1.6 and C.1.7), also available on the **corporate website.**

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 Bank.

The members of the Board have the obligation adopt the measures that are necessary to avoid situations in which there may be a conflict of interest with the business and their duties to the Bank, as is stipulated in the Board of Directors' Regulations.

No conflicts of interest of the Bank'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 in which 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.

In accordance with article 36 of the current Regulations of the Board of Directors, the situations of conflict of interest in which directors are involved shall be disclosed in the annual report, which is available to all stakeholders on the Bank's corporate website.

Internal Rules and Control Bodies

3-3, 417-1

Ibercaja has established internal rules and control bodies to ensure full and rigorous compliance with the Bank'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 Bank 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 Bank.
- **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 in accordance with MiFID regulations, whose purpose is 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 **Control area** brings together the **second line of defence**, formed by the Risk Control department, the Compliance department and the Customer Service Unit. The Director of this Area is also the CRO of the Bank.

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 Control Division (CRO) reports regularly to the Major Risks and Solvency Committee, while the head of the Regulatory Compliance Division (which reports to the CRO) and the head of the Internal Audit Division report regularly to the Audit and Compliance Committee. The chairpersons of these committees, as well as the CRO directly, report to the plenary meeting of the Board of Directors on all matters within the scope of their respective competences.

Commitment to privacy

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 aimed at anticipating future obligations. Over the course of 2022, a number of aspects have been reviewed, such as:

- **Improvement of internal rules and criteria** so as to achieve maximum effectiveness in the protection of 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

4.5.1 Business positioning and markets in which it operates

2-1, 2-6, 3-3

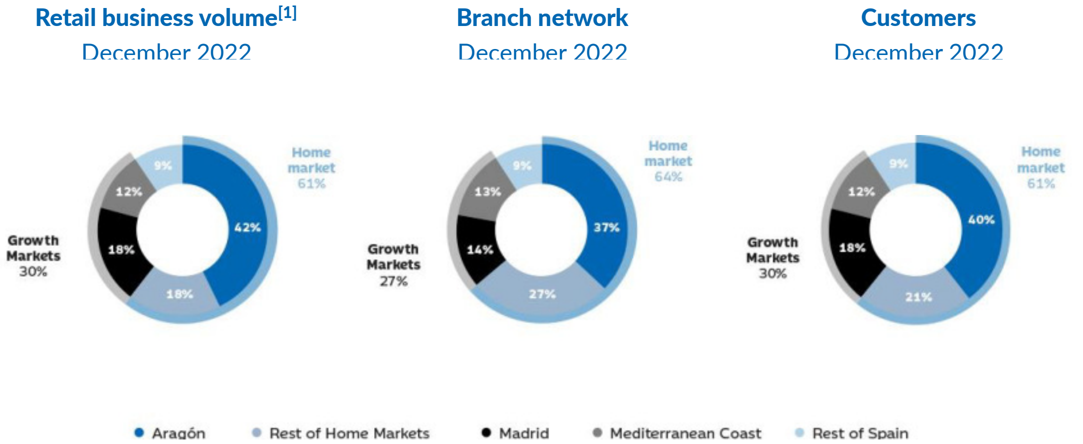
The Ibercaja Group, with a balance of **54,361 million euros**, is the **tenth largest in terms of asset volume in the Spanish banking system**. The Bank is developing a "universal banking" model to meet all the financial needs of its customers. It has a wide range of banking and financial products and services, with a particular focus 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. Housing loans account for 61.1% of normal lending (excluding repos) and retail deposits for 87.1% of borrowed funds.

At the national level, it has a market share of **2.4% in lending to households and non-financial corporations**, **3.5% 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 31,641 million euros in assets under management and technical provisions, reaching an aggregate market share in this range of products of **5.1% at 31 December 2022**.

The Bank 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**. The market share in this territory, **31%** in private sector deposits and **21%** in credit, reaches 43% and 28% in Aragon, respectively, according to the latest statistics published by the Bank of Spain. It also has a **significant presence in other areas of major economic significance such as Madrid and the Mediterranean Coast** (includes the Autonomous Communities of Catalonia and the Community of Valencia), which account for 18% and 12% of the Bank's customers and 18% and 12% of its turnover.



1 Retail business volume in normal course of business: loans and advances to customers ex reverse repos of assets and non-performing assets + retail deposits + asset management and insurances

At December 2022, the **network** totalled **894 branches**, of which 285 were rural. Within the framework of the ERE agreement signed in 2020, **137 centres were closed**. Their closure, in line with a policy of economic streamlining, 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: 330 points of sale in Aragón, 129 in the Community of Madrid, 84 in Extremadura, 70 in Castilla y León, 69 in Catalonia, 56 in La Rioja, 56 in Castilla-La Mancha, 45 in the Community of Valencia, 27 in Andalusia and 28 in other Autonomous Communities.

The **number of employees** in the Group totals **4,794 (4,465 at the parent)**. In December 2020, 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 total of 750 employees, establishing voluntary participation as a preferential selection criteria, either due to age or due to the closure of the centre of employment. At December 2022, all planned departures had already taken place.

Commercial efficiency is being increased by **specialising more employees** to serve different types of customers and their specific needs. Supporting the branch network, providing a high value-added service, are **210 managers specialised in corporate banking, 444 in personal banking and 77 in private banking**. Additionally, there are **126 digital managers** (67 digital personal banking managers and 59 digital customer managers) advising digital customers who need to engage with financial experts through channels other than the traditional branch.

The trend towards greater digitalisation in the banking sector has accelerated in the wake of the Covid-19 pandemic, and this trend has been further consolidated in 2021 and 2022. Customers are more demanding in terms of being able to conduct their transactions in a more convenient and user-friendly environment, and the use of cash as a means of payment is decreasing. Ibercaja is facing this challenge with a **digitalisation strategy** that focuses on responding to the greater demands of our customers in the face of the demand for online services, but without losing the quality of customer service. The number of **digital customers** reached 60.7%, compared to 48.1% before the start of Covid-19, and the number of transactions carried out by remote banking in the year accounted for 74.0% of total transactions. The number of **digital banking users** who have used any of the different channels in the last month reached **914,418** compared to 765,585 in 2019, with notable advances in mobile banking users (+12.0% year-on-year) and mobile payment (+20.4% year-on-year). **Digital sales** accounted for **40.5%** of total sales.

Section **4.5.4** of the **2022 Management Report** provides further details of the **Ibercaja Group's progress in digital transformation**.

4.5.2 Goals and Strategies

2-6, 3-3

The **Strategic Plan 2021–2023**, under the motto "**Challenge 2023** ", is the Bank's roadmap for the three-year period. The **main objectives** of this plan are to improve the Bank's recurrent profitability, reinforce Ibercaja's leadership in customer experience as a differential value and accelerate its transformation to ensure that it remains competitive moving forwards while maintaining its own independent and sustainable project.

The main objective of the new Strategic Plan is to improve profitability, guaranteeing the long-term sustainability of the Bank. The medium-term objective is to achieve a return of over 9%.

The Bank will continue, in parallel, to reinforce its financial strength, while maintaining its Fully Loaded CET 1 Ratio above 12.5%.

These levels of profitability and solvency will allow us to pay a "pay out" (percentage of profit distribution in the form of dividends) of 60%, making Ibercaja an attractive project for our shareholder foundations.

The plan is articulated in two Programmes and two blocks of Initiatives that allow this ambitious approach to be undertaken. These are:

- The Customers and Profitable Growth Programme;
- The Productivity and Efficiency Programme and the Value Initiatives Block
- And finally, the Enabling Initiatives block.

CUSTOMERS AND PROFITABLE GROWTH PROGRAMME

In-depth knowledge of the customer is key to **achieving a differential offer that makes us an attractive Bank in terms of the value offered to our customers and very effective commercially**.

Challenge 2023 is based on the premise that **the entire organisation must focus on the customer and on fully satisfying their needs**, even in advance, with a personalised proposal of value and global service that is in some way differential. In this way, an equitable and fair monetisation of the value and utility offered to customers will be achieved.

- **Generating omnichannel business** in a relevant, sustained, differential and growing way.
- Increasing **our presence in the corporate world** thus improving the diversification of our business, through a truly differential value proposition for the customer, which has a direct impact on profitable business growth.
- Working towards **excellence in Personal Banking**
- Being a **leading reference in bancassurance** in Spain, providing a differential experience to our private and corporate customers
- **Redefining the way we design financial products and services**, as well as the way they are offered to our customers, in order to maximise collections for them

So far in the Strategic Plan, the main milestones achieved in this Programme are as follows:

- Deployment of the **Personal Non Face-to-Face Model** to achieve excellence in omnichannel customer service. Customer experience continues to be a basic pillar in management and we have achieved **TOP3 in the BMKS ranking** that measures the quality perceived by our customers; in addition, our app continues to occupy the highest positions in the rating rankings of platforms such as Apple Store or Google Play.
- Development of **Business Intelligence** applied to propensity modelling to achieve greater efficiency in commercial activity.

- In **Corporate Banking**, the positive development of business in formalisations, loan portfolio and market share was accompanied by the implementation of a series of significant milestones:
    - the deployment of the **ICAR** (risk-adjusted commercial intelligence) model, which enables a personalised commercial proposal for our corporate customers,
    - and the implementation of the **Eureka Plan**, the main objective of which is to improve the efficiency of specialised company management figures by reducing low-value tasks to enable them to focus more on the customer.
- Roll-out of the **new Personal Banking model,** which entails multiple improvements in the area of personalised and quality service and aims to continue improving on a playing field where we are recognised as a benchmark institution.
- **Digitalisation in contracting processes**, launch of **new products and personalisation** of the **Insurance Banking offer.**

PRODUCTIVITY, EFFICIENCY AND VALUE INITIATIVES PROGRAMME

With an "ambidextrous" approach, it is based on **cutting unproductive operating costs "deep"** so that we can **invest those "savings"** in accelerating transformation with a focus on improving our efficiency and boosting productivity.

EFFICIENCY AND PRODUCTIVITY PROGRAMME

We will implement a **new budgeting methodology that makes the most efficient possible allocation of available resources**, knowing in advance the real costs assigned to each task and process. We will approach this challenge with the mentality of a start-up, of a newly created company that rethinks every year the need and the return on each recurring expense.

As regards efficiency improvements, we are maintaining the **four main lines of work (efficiency; self-service; outsourcing; and robotisation)**, which have freed up a large amount of capacity to devote to the Bank's transformation and to increase commercial efficiency.

So far in the Strategic Plan, the main milestones achieved in this Programme are as follows:

- In the area of the new budgeting methodology, progress has been made in the elaboration of the **cost matrix** and in the analysis of **profitability by product/business line**.
- Within the Operating Model Development Initiative, work has been carried out on various lines of work, but of particular note is the **mechanisation and robotisation of processes** using **artificial intelligence** tools linked to document analysis and processes linked to credit and risk investments.

HIGH-VALUE INITIATIVES

In order to consolidate the Bank's value orientation, **risk awareness must be improved and overall risk management must be** more advanced. **The risk-adjusted return approach is the basic criterion for decision-making** and for guiding business growth.

Accordingly, we are improving our understanding of risk and strengthening the pricing of that risk with three key objectives: **gain agility, obtain a risk-adjusted return, and strengthen our creditworthiness**.

So far in the Strategic Plan, the main milestones achieved in this Programme are as follows:

- The **capital policy** has been defined as an orderly management model, with clear roles and responsibilities for integrated capital management. This policy facilitates value-oriented decision-making (efficiency, profitability and solvency). The **capital scorecard** has also been developed by allocating capital on a customer/product basis.
- In addition, **pricing based on RAROC** (risk-adjusted return on capital) methodology has been implemented.
- The **most relevant credit risk data** addressing financial, supervisory, regulatory, management and strategic needs have been governed and an action plan has been designed to maximise the value of the Data.

ENABLING INITIATIVES

Technology, people and our corporate purpose are the cornerstones of becoming a leaner, more innovative and flexible organisation, with an organisational culture aligned around creating value for customers and shareholders.

We are working on **developing the technological model** to respond to business requirements, **improving efficiency and agility, as well as risk management and control**. Technology is a decisive factor underpinning the competitive advantages of our business and operating model.

The key and differential factor in achieving our ambitious goals is undoubtedly **people. Internal talent** is being leveraged to scale the speed and scope of transformation, with a **new development model to empower it**, an intensive **education and training programme**, and the **recruitment of external talent** in needed and unmet skills.

Ibercaja is a Bank with a social DNA, with a marked commitment to the development of the territories where we operate and with an exemplary corporate governance model. We want to continue to be a **recognised and recognisable Bank** for the way we do retail banking, as well as for our contribution to society and the environment, **fully integrating sustainability into the core of our business model**.

So far in the Strategic Plan, the main milestones achieved in this Programme are as follows:

- **Digital Challenge** Project within the framework of the “development of the technological model” initiative, equipping the entire workforce with new mobile devices with the Windows 365 collaborative platform, which has allowed us to modernise and standardise all the equipment, increasing our technological capacity and facilitating collaborative work with our colleagues and the relationship with our customers.
- Implementation of an **advanced cybersecurity threat detection and response system**, an issue of great relevance due to the increase in the number of customers and transactions executed through digital channels.
- The **New People Management Model** has been developed with a talent map that will ensure that each person is in the right place at the right time. Furthermore, training, internal functional mobility, the external search for profiles needed to address future challenges and the reduction of the wage gap are some of the lines of work being developed within this Initiative.

- **Integrating Sustainability into Business**. We have doubled the percentage of customers with sustainable investments in Ibercaja and the same is true for the volume of sustainable investment under management. In this line of work, the sustainability business strategy has already been defined and an action plan has been defined on the basis of the ECB's published expectations guide on climate and environmental risks.

Likewise, **the carbon footprint strategy for the loan portfolio** has been defined in such a way that:

- The Bank's Carbon Footprint has been measured.
- The decarbonisation pathways of those sectors with the greatest impact in terms of emissions have been analysed.
- Decarbonisation targets for 2030 have been set for the Power Generation, Iron and Steel Production and Residential Real Estate Development sectors and have been approved by the Management Committee.

Medium-term objectives

	DEC- 2022	MEDIUM-TERM OBJECTIVES
SOLVENCY		
Ratio CET1 (fully loaded)	12.4%	12.5%
Total capital ratio (fully loaded)	17.1%	17.0%
Pay-out ratio	60%	60%
PROFITABILITY		
ROTE	7.6%	c. 9%
Recurring cost-to-income ratio	57.4%	≈55%
ASSET QUALITY		
Cost of risk	30 bp	30 bp
NPL ratio	1.6%	c. 2.5%
Distressed asset ratio	2.9%	c. 4%
Coverage rate of distressed assets	76.3%	>65%

4.5.3 Ukraine

The global economy was severely affected in 2022 by the **war in Ukraine that started in February**, and inflationary pressure was added to by double-digit inflationary readings in the face of bottlenecks caused by the exit from the Covid-19 crisis. In view of this situation, the Group analysed its loan portfolio, taking into account the different typology and segmentation of the customers affected by the economic situation, by the characteristics and sector to which each of them belong.

According to the Group's assessment, the **main sectors affected** by the economic uncertainty are the transport of goods by road, catering, preparation, manufacture and marketing of textile products, as well as tourism, raising the levels of credit risk coverage to mitigate the possible effects suffered by these groups.

Highlights of the main recommendations made by regulators and supervisors when it comes to managing credit risk in an environment of uncertainty include the following two, which are a continuation of the previous crisis suffered by the Covid-19 pandemic:

- *IASB Communication of 27 March on adapting IFRS 9 to the situation arising from Covid-19 (“IFRS9 and Covid-19: Accounting for expected credit losses applying IFRS9 Financial Instruments in the light of current uncertainty resulting from the Covid-19 pandemic”), which encouraged institutions to make “overlays” or post-model adjustments to reflect factors that were not captured by credit risk models*

- *ECB Communication of 1 April, which also refers to the use of these post-model adjustments to capture the effects that the extraordinary situation was producing, and which were not captured by the “ordinary” credit risk models of financial institutions.*

- *ECB Communication of 1 April, which also refers to the use of these post-model adjustments to capture the effects that the extraordinary situation was producing, and which were not captured by the “ordinary” credit risk models of financial institutions.*

4.5.4 Lines of the Group's Business Model

2-1, 2-6, 3-3, 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.

Ibercaja pledges for a **universal banking model**, focused on the retail business and based on advisory services, service quality and innovation. It serves a **stable base of 1.8 million customers (management units)**: comprising households, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services, other complements, such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group, whose companies it owns in full.

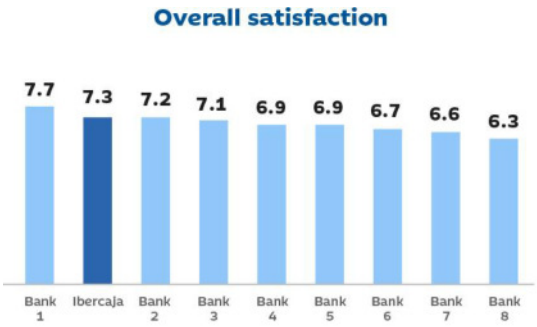
Ibercaja's commercial strategy is based on:

1. **Specialisation**: aims to meet the customer's financial needs and expectations through specifically qualified managers specialised in personal banking, private banking 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's Personal Wealth Management Advisory Certificate, which it has been renewing on a recurring basis, including in 2022, in addition to the Excellence in Service in the Personal Banking segment certificate, which it has held since 2020, making it the only financial institution in the sector with this recognition. Since 2007, it has also held the European Seal of Excellence 500+, awarded by the European Foundation for Quality Management (EFQM), which it renewed for the last time in 2021, 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 omni-channel system provides the customer with a unique and recognisable experience so that they can rely on personal interaction for their advisory needs while using digital channels for carrying out their 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.

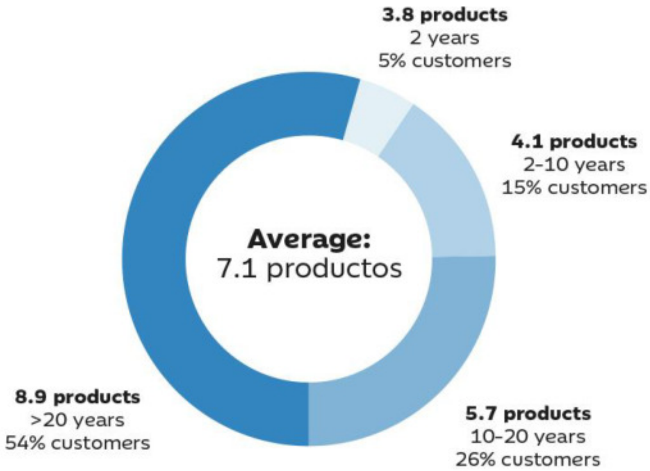
4. **Personalised product offer**: The Financial Group's subsidiaries enjoys a solid reputation and enables a customised offer tailored to each type of customer, their personal and financial circumstances and the level of risk they are willing to take.

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 Bank, 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.

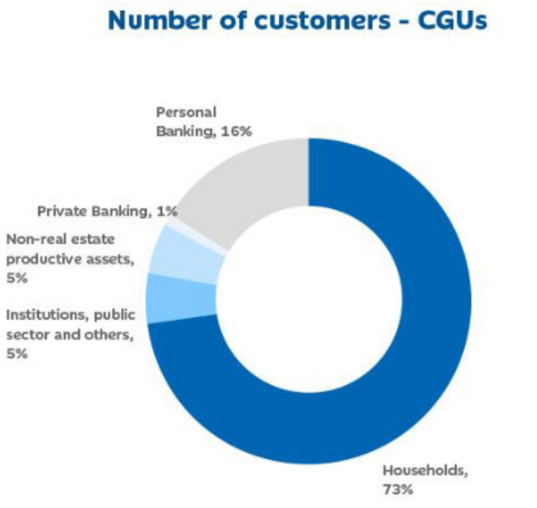


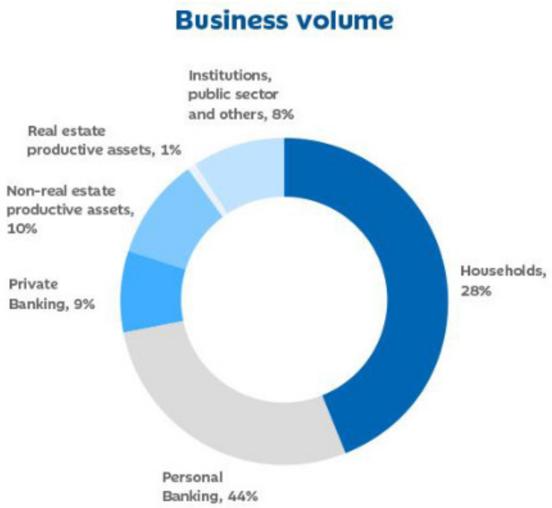
The level of customer satisfaction is translated in terms of **commitment** *and* **engagement** *with the Bank.*

Average number of products and services -



The distribution by segment of the number of customers and retail business volume at the end of 2022 is shown in the following charts:





In Ibercaja's business model, there are **three main areas** depending on the commercial strategy defined for each type of customer:

PRIVATE BANKING	BUSINESSES AND INSTITUTIONS	OTHER LINES OF BUSINESS
Households	Companies business	Financial markets
Personal banking	Stores	Business shares
Private banking	Institutions	

The most relevant segments are described below:

PRIVATE BANKING

Private Banking manages 1.6 million customers who contribute more than 80% of the retail turnover. It concentrates 68% of credit and 86% of retail customer loans. Their high level of engagement with the Bank can be seen in the average age of 20 years, and in the average number of products or services arranged, 7.1. **Retail banking includes the household, personal and private banking segments.**

Households

Households **provide the largest number of customers, 1.3 million, and account for 19% of customer funds and 50% of financing**. The management of the branch network in this segment 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.

The change in customers' habits and the notable increase in remote operations and digitalisation has continued, the bank has responded by reinforcing remote operations and also by increasing the number of digital managers, which now stands at **59 digital customer managers and serving 54,000 customers**. This year, new digital mortgage brokers have become particularly important, facilitating the entire process of providing information and contracting housing financing remotely. Digital mortgage sales account for 28% of the total.

The Bank continued to enjoy the confidence of customers in the management of their financial assets and, despite the difficult market situation caused by the war in Ukraine, managed to maintain a good pace of contributions to intermediation.

The Bank maintained its commitment to housing financing for individuals, a sector in which it has historically specialised, adapting its offer to the needs of different types of customers, in the case of the youngest, financing up to 95% to facilitate their emancipation and access to home ownership. The main campaigns of the year focused on housing finance to meet the needs of our customers and also to attract new customers at the time of buying a home. With the same objective in mind, the My first home agreement has been signed with the Autonomous Community of Madrid to provide young people with access to housing.

Personal banking

Personal banking encompasses over **302,000** customers with a **savings balance of more than 100,000 euros or 75,000 euros outside the Traditional Area**. **This segment contributes more than 65% of the investment savings balance of Individuals with an average linkage that is double that of the household segment.**

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 444 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.

The new **digital personal banking** model continues to expand, a new way of working whereby the customer, through a digital banking manager, receives the same service provided by the branch in a non-face-to-face manner. **The current team of 67 managers, which serves almost 42,000 customers**, and given the good reception, we will continue to expand this model over the coming years.

In 2022, Ibercaja renewed the **Excellence in Service Management certification for the Personal Banking** segment awarded by Aenor, becoming in 2020 the first Spanish financial institution to receive it. This seal 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.

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).

Private Banking

Private banking is aimed at **customers, household management units or companies with financial wealth in excess of 500,000 euros**. The over **17,000 customers** are 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 very wide: securities listed on Spanish and foreign markets, investment funds both of Ibercaja and of external suppliers, SICAVs, structured deposits, **with the most relevant service being Discretionary Portfolio Management.**

The work team assigned to the private banking services is made up of **77 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.

In a context of economic uncertainty and great market turmoil, emphasis was placed on **improving the information to help the customer to take decisions**. In this regard, we have the daily market report, the weekly analysis of the performance of different assets and the investment keys, the monthly funds, plans and markets report and the new services related with tax optimisation and inheritance planning.

BUSINESSES AND INSTITUTIONS

Companies business

This segment consists of more than **77,000 customer companies** with a **turnover** of around **12 billion euros.**

One of the **objectives** of Ibercaja's current Strategic Plan, Challenge 2023 Plan, is to **reinforce its positioning in the business world,** thus advancing in asset diversification and improving risk-adjusted profitability.

To achieve this objective, we have a specialised commercial network made up of 212 Managers who offer professional advice based on proximity, quality of service and individualised attention, 40 Technical Managers who offer technical support in order to guarantee agility in the service provided to customers, 8 Business Centres for Companies and 14 Company Spaces in the main Spanish cities. Also a Corporate and Syndicated Banking Financing unit. The service to companies with a turnover of less than 2 million euros has been reinforced by increasing the number of commercial business managers in branches to a total of 160.

Strategic Impetus

The positive development of the business has been accompanied by the implementation of a series of relevant actions to continue promoting and consolidating Ibercaja's business banking in the medium and short term, among which the following stand out:

a. **Launch of new Risk-Adjusted Business Intelligence model**: whose objective is to drive growth by identifying linkage opportunities based on the customer's profile and business stage,

b. **Eureka Plan**: As part of the Challenge 2023 Strategic Plan, this project aims to improve the commercial efficiency of the specialised management figures of companies and businesses to enable them to focus more on the customer. The actions being carried out fall into two main groups:

    - Improving **Corporate Banking** processes and procedures
    - Improvement and development of **new products and services.**

In 2022 we passed the halfway point of the Challenge 2023 Strategic Plan, in which Banca de Empresas continued to face the challenges set to evolve the commercial management and expert advice model. In addition, the new Ibercaja Family Business Service has been created to inform and accompany this group, which is so representative of our productive fabric. And the new Digital Business Banking platform was deployed, with new technological and functional core adapted to the current needs of companies.

All of this, with the aim of reinforcing the main lines of action aimed at offering our customers proximity and excellent service quality, a differential experience, and more agile and digital processes.

Development and constant improvement of our commercial offer

During 2022, we have continued to improve and expand our commercial offering of products and services, adapting it to the needs of the market.

The new **Servicio Plan Empresa y Futuro** (Business and Future Plan Service) has been launched, with the aim of boosting the marketing of occupational pension plans. These plans are becoming increasingly important as an instrument for channelling retirement savings as a result of recent regulatory changes that incorporate new types of employment plans (notably plans for the self-employed) and important tax incentives. With the launch of the new service, the aim is to publicise the advantages that these future savings instruments offer companies and workers, as well as the global service that Ibercaja loans to companies through advice and support not only in the process of setting up the employment plan, but also throughout its life.

In terms of investment products, the **range of investment funds** specially designed **for companies has been consolidated**, focusing on products that enable companies to make the most of their short-term liquidity surpluses.

Also noteworthy was the **boost in working capital financing**, incorporating products especially aimed at the liquidity needs of small companies, micro-enterprises and the self-employed, such as the new commercial financing with SGR guarantee or the new SGR Multi-product.

Lastly, the range of international business products and services has been improved in order to respond to the companies that are showing the most dynamism and drive in the Spanish economy.

Strengthening the commitment to sustainability

Ibercaja has reinforced its commitment to accompanying companies in their process of adaptation and transition to becoming more sustainable. The **Vamos juntos hacia la sostenibilidad** (Let's go together towards sustainability) service has been launched by the Ibercaja Foundation, which provides companies with training, support and projects to adapt to the 2030 SDG roadmap.

Bringing Next Generation Funds closer to companies

The Next Generation Funds have continued to play a leading role in the business world, especially in the last quarter of 2022, when PERTES and calls for interest began to materialise. Throughout the year, we have developed an action plan to make it easier for companies to access the opportunities offered by the Next Generation Funds, as accelerators of the transformation of our economy and our productive fabric. To succeed in this task, the **Ibercaja NEXT** Assistant has now been launched. The assistant consists of standard functionalities available to all users (general information, profiling to find out about calls tailored to the customer's profile, news, videos and list of calls) and an exclusive premium access for Ibercaja customers that allows them to access the details and complete monitoring of each call with all the associated documentation, see the probability of success indicator, find out the analyst's keys to each call, receive alerts and automated updates with calls and news of interest to them. The assistant complements the **collaboration agreement with the companies Mazars and Silo** to offer specialised consultancy services to companies interested in accessing the Funds. Thanks to this combination of support, we have advised more than 2,400 companies on how to access these funds for their projects. In addition, based on our strategic alliance with Microsoft, a collaboration agreement was signed with several partners specialising in digitisation, to help micro, SMEs and the self-employed to access and take advantage of the aid from the Kit Digital.

During the two years of the Strategic Plan, Ibercaja's corporate business has been growing at a much faster rate than the market, increasing its market share and increasing its activity with companies in all territories, with notable growth in Madrid and the Mediterranean Coast.

Businesses, professionals, farmers and the self-employed

Businesses, professionals, the agricultural sector and the self-employed in general are strategic customers for Ibercaja due to the important business opportunities they generate in the field of financing, insurance and collection and payment services related to their professional activity, as well as the other financial needs we can help them with.

One of the Bank's main objectives during 2022 has been to facilitate the dissemination and access of these customers to the **Next Generation EU Funds**, promoting the digitisation and growth of businesses with the implementation of new projects framed in the initiatives promoted by these funds.

Specifically, we have made available a new service to facilitate access to the **Digital Kit** grants, through an alliance with top-level technological partners, as well as the **Ibercaja Next Assistant**, a free service that allows you to be promptly informed of grants, tenders, subsidies and financing in accordance with the needs and preferences of each company or professional.

Through **alliances with Professional Associations of Property Administrators** from different territories and other groups, we have disseminated a comprehensive solution that includes the provision of a **complete service of efficiency diagnosis**, aid management, financing and execution of adaptations, to promote energy refurbishment in homes and buildings of communities of owners, which is provided in collaboration with Acierta Asistencia, a Caser group company.

To facilitate the approach of **new customers**, we offer them a **welcome offer** during the first 12 months that allows them to start their relationship with the Bank **without commissions and without conditions for 12 months**, including account, card, digital banking and a free orientation and legal assistance service.

Throughout the year **various actions** have been implemented to provide our customers with information and news on financing products, insurance, cards and payment and collection solutions, mainly.

In the case of customers in the agricultural sector, the **CAP management service** has been provided once again this year in several Autonomous Communities, enabling us to continue supporting these customers at one of the most important times for them. Our commitment to the sector is demonstrated through our collaboration in different conferences and events, including **FIMA 2022**, in which we are the main sponsor.

The **main strategic challenges and trends** that will mark the activity of Business and Institutions in the near future are:

- **Value proposition:** Promote the **integral management** of these customers, specifically Personal Banking and Wealth Management customers with professional activity on their own account, who have professional needs to which we must respond by providing them with personalised advice and content to help them in their decision-making.
- **Financing solutions:** Continue to provide **financing products and services** both for day-to-day business and to facilitate and enhance the growth of businesses by launching new projects.

PROGRESS IN DIGITAL TRANSFORMATION AND MULTICHANNELLING

The **Digital Transformatio**n project is a key pillar in **Challenge 2023**, focusing on continuing to transform Ibercaja's customer relationship model and business generation capabilities through **the most advanced technological solutions.**

Ibercaja's **objective** is to lead the rankings of customer satisfaction with our digital assets, and to implement new digital innovations and capabilities aligned with the bank's positioning and business objectives. This greater satisfaction, together with digital innovations, will allow us to accelerate transactions, thereby increasing the weight of **digital sales** in the Bank as a whole.

In 2022, Ibercaja has continued to make progress in the integration of the necessary tools to achieve greater knowledge of the customer and a much more personalised commercial proposal. The year also saw the completion of the transition from the old digital banking system to the new version, which brings major improvements in terms of usability, security, new functionalities and technological innovation. All these advances have enabled Ibercaja to consolidate its leadership in digital channel satisfaction, as demonstrated by the fact that the Ibercaja app is one of the best rated in the Spanish financial sector according to the rankings of the main app stores. As for the trend in digital sales, this has reached 40%.

In 2021, a major innovation step was highlighted with the entry of the transformative “Pension by Consumption” project into the **Financial Sandbox.** In 2022, the testing phase has been completed jointly with Fintech Pensumo and the Directorate General for Insurance and Pension Funds. The regulatory framework is currently being defined with the aim of being able to launch the project on the market in the coming months. The digital service Pension by Consumption “Pensumo”, based on the Open Banking philosophy and with the possibility of being available in a mobile application, aims to modify the mechanisms that have been established until now for contributions for future savings, with the objective of converting the Pension by Consumption into the Fourth Pension Pillar, and therefore proposes several alternative ways to make them. For example, one of these is the promotion of agreements with third parties so that the establishments and companies themselves apply a percentage of the purchase to the future savings plan, while another is based on the user's own choice, who will be able to allocate a certain percentage of the savings.

Mobile and digital banking

- **Customer satisfaction** with the app is maintained. The app has been the best rated at various times during the year in the Play Store and Apple Store.
- Simulators have been integrated into both the app and digital banking and other simulators have been developed, such as the card sales simulator.
- New goals functionality in mobile banking that will allow customers to generate savings with a specific objective.
- The look&feel of the app has been revamped to make it much more in line with the new digital banking.
- Implementation of new Risk Insurance consultation and service functionalities in collaboration with our ally Caser.
- All digital channels have been integrated with the new digital analytics tool, which allows us to have clear, specific information on the customer's steps both on the web and in the app and to be able to act accordingly, supporting the customer in their decisions in a personal but remote way.
- Digital banking has been improved by incorporating in the new version some advantages such as: new design, multi-signature, improved information on investment funds, file generator, personalisation options, direct information channel with the fund manager, etc.

Commercial portal and omnichannel sales

The commercial portal has to become the **sales channel of the branches**, for this it is necessary to incorporate additional functionalities to those of the commercial system, the objective is that it becomes another channel of communication with the customer, aligned in form and substance with the digital channels of the web and app

In 2022, the focus has been placed on the customer file that allows the manager to have all the customer's information in the same place and progress is being made in the customer knowledge model. Furthermore, functionalities have been added to My manager, simulators and telesubscription have been included.

A study has begun on the steps to be taken to have an omnichannel sales process that makes the customer's relationship with the Bank even easier by focusing on personalised assistance at key moments of the non-face-to-face sale.

Relationship management

In 2022, focus has been placed on the use of digital capabilities in face-to-face channels, i.e. promoting non-face-to-face tools in the branches, mainly My Manager, deferred signature and video calls with customers, and training has been provided through use cases on how to use each of these tools and in which cases.

Digital managers: they provide a service to digital customers that must have dealings with financial experts. We currently have around 130 digital managers.

New channels in the Contact Centre: In 2021 the new tool was deployed to all Ibercaja Connect agents based on Microsoft Dynamics Servicing, and in 2022 we worked on the integration of other channels such as email, WhatsApp and Facebook.

Personalisation of commercial actions: through greater knowledge of the customer, with sources such as digital analytics, and with the definition of journeys in the new marketing automation tool, much more personalised commercial actions will begin to be carried out in 2022, which will considerably improve the relationship with the customer and simplify the work of managers.

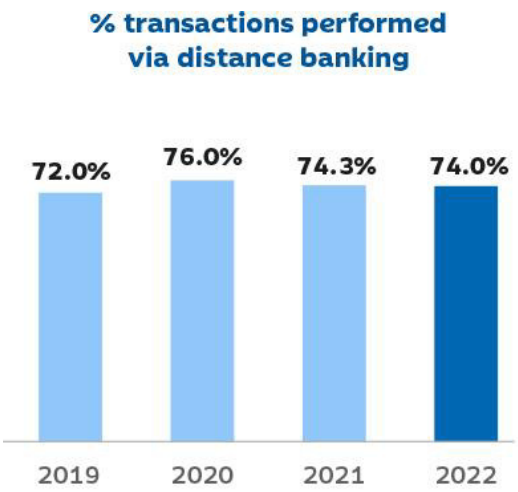
Promotion of virtual sales

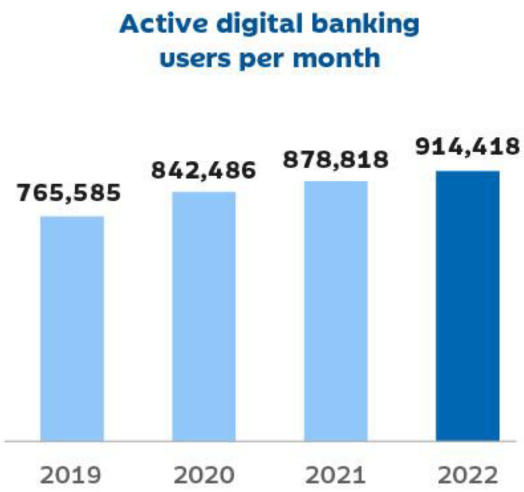
In Challenge 2023, one of the **Bank's main objectives is to reach 45% of digital sales in 2023** with respect to the Bank's total sales in the main products. In 2022, 40.5% was achieved.

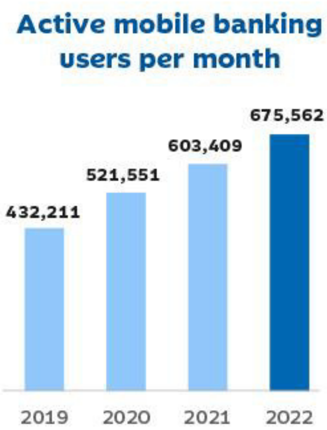
The improvement in virtual sales processes has meant they are made through digital channels:

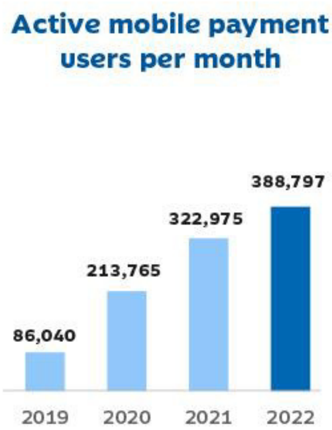
- 28.0% of **non-subrogated mortgage loans taken out since April**.
- 90.8% of **pre-classified loan transactions**.
- 9.0% of **arrangement of non-life risk insurance**.
- 96.7% of **sales of securities.**

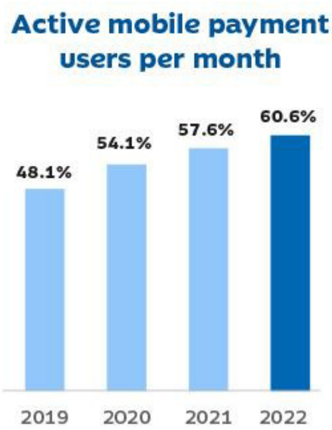
In addition to the new digital capabilities implemented in the non-face-to-face channels, the successful implementation of the new Marketing Automation system, **Adobe Campaign**, a world leader, has enabled optimal integration between the Bank's Business Intelligence and the different communication and relationship channels.











BUSINESS MODEL AND SUSTAINABILITY

Since it was formed 150 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 offering** which contribute to achieving sustainable development by reducing the carbon footprint and by mitigating the effects of economic activity on the climate. Ibercaja has a wide range of financing and investment products.

In the business segment, these products focus on supporting accessibility and energy efficiency improvements in housing, sustainable mobility and access to EU Next Generation funds. In the line of sustainable consumption, customers are offered various ECO and Zero Emission vehicle alternatives.

In addition, Ibercaja focuses its efforts on young people, supporting them in their first expenses through its membership of the My First Home programme of the Community of Madrid and the offer of financing products for educational purposes, and on senior citizens, ranking first and second among its peers in the overall satisfaction indicator for people over 65 years of age. Ibercaja has an independent financing strategy for senior citizens and, among other services, has defined a decalogue of measures for their personalised attention through different channels.

- Environmental care in **energy and property management**: central headquarters recognised as a green building in line with ISO 14001.

- **The organisation is committed to the Sustainable Development Goals** of the 2030 Agenda, is a signatory to the UN Global Compact and the UN **Principles for Responsible Banking**, follows the recommendations of the **Task Force for Climate Related Financial Disclosures (TCFD)**, is a founding member of the **Net Zero Banking Alliance (NZBA)** and is a member of the **New Deal for Europe "CEO´s call to action"** initiative.
- **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.

Chapters 2 and 6 of this report explain in further depth and quantify the aspects related to **sustainability**.

4.5.5 Financial Group

2-1, 2-2, 3-3, FS6

The Financial Group's activity provides customers with investment solutions of recognised prestige, as well as expert support to strengthen their relationship with Ibercaja. It also allows diversifying the business and generating recurring income.

Created in 1988 and 100% owned by Ibercaja, the Financial Group is made up of **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 100% owned by Ibercaja.[2]

IBERCAJA BANCO

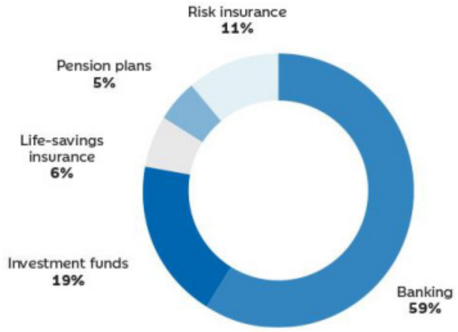
IBERCAJA GESTIÓN	Fund management company	Equity	17,941	#5
IBERCAJA PENSIÓN	Pension plan management company	Equity	6,993	#4
IBERCAJA VIDA	Life insurance broker	Technical provisions	6,707	#7
IBERCAJA LEASING	Leasing & Renting	Outstanding investment	495	#9
IBERCAJA MEDIACIÓN	Insurance brokers	Premiums	303	

(Figures expressed in millions of euros)

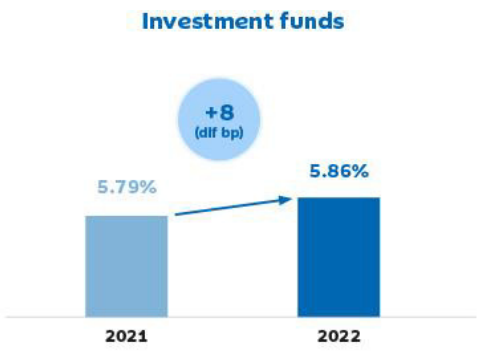
[2] Source: Inverco and ICEA at December 2022. Ibercaja Gestión includes the Ibercaja management company and other companies.

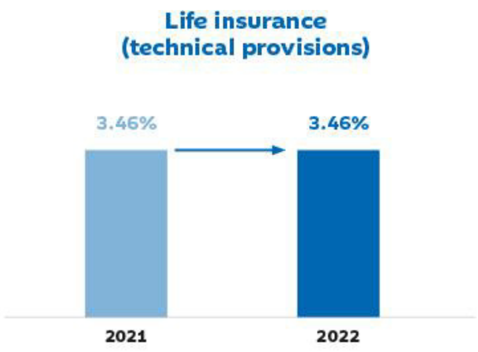
Contribution to recurrent revenues:

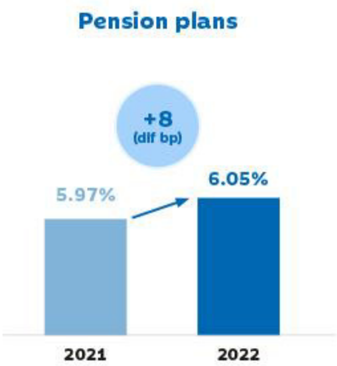
Assets under management and insurance account for **40% of the Group's recurrent revenues** and **46% of the retail customer funds** managed by the Bank, giving rise to one of the most diversified mix of savings and income generation in the Spanish banking system.

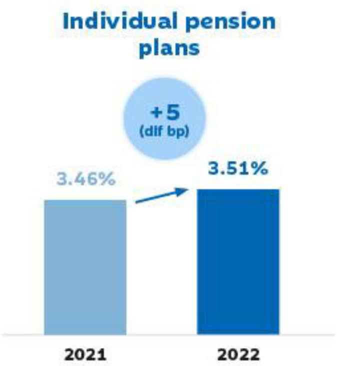


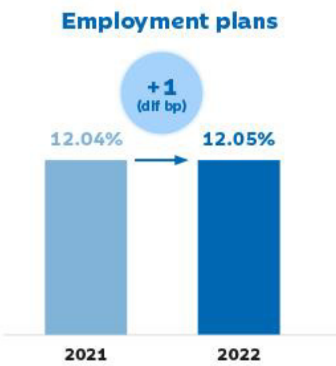
Ibercaja has a **market share**[3] in these products that is **much higher** than in traditional banking products. In 2022, the gain in market share in investment funds and individual pension plans is noteworthy:











[3] Source: Inverco and ICEA at December 2022. 5.87% if Ibercaja Gestión includes the Ibercaja management company and other companies.

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 member companies. In this way, the Financial Group promotes different actions related to governance, regulatory adaptation, risk management and the development of the sustainable products business, having achieved the following sustainability achievements in 2022:

Governance:

- Review and development of new policies and procedures with ESG criteria.
- "Engagement, involvement and active dialogue with companies.
    - During 2022, the Financial Group has continued to collaborate with engagement platforms such as Climate Action 100+, Access to Medicine Foundation and Carbon Disclosure Project.
    - In addition, dialogue and voting activities are carried out in line with our Engagement Policy. Dialogue is an integral part of the circular process of integrating ESG risks into investment analysis and management with a focus on medium to long-term engagement. In 2022, 65 shareholder meetings of both domestic and international companies were attended with the support of a proxy advisor with ESG criteria.
    - Since 2021, the management companies of the Financial Group, under the name of Ibercaja Asset Management[4], have subscribed to the United Nations Principles for Socially Responsible Investment.

ESG risk management:

- Acquisition and implementation of ESG data provision tools for cross-cutting use by all companies and the Bank, facilitating investment decision-making and regulatory reporting.

[4] Ibercaja Pensión had previously subscribed to them at their level, in 2011.

Business development:

- Design and development of new sustainable products in accordance with the strategy. Thus, Ibercaja already provides sustainable investment solutions worth 3,938 million euros at the end of 2022:

Investment performance:

Millions of euros and number		EQUITY	EQUITY INCR.	UNIT HOLDERS
PENSION PLANS		717	47	71,065
Sustainable Confidence	Mixed fixed income	257	(46)	26,089
Sustainable and Solidarity	Mixed equities	285	(26.00)	19,509
Sustainable Europe	Equities	39	(5.00)	2,486
Megatrends	Equities	29	16	2,908
Savings Fixed income (*)	Fixed income	108	108	20,073
INVESTMENT FUNDS		3,217	(208)	152,663
Savings Fixed income (*)	Fixed income	929	(201)	34,302
Sustainable fixed income	Fixed income	37	(12)	686
Sustainable Confidence (*)	Mixed fixed income	135	(15)	6,421
Sustainable and Solidarity	Mixed equities	673	(152)	34,775
Global dividend (*)	Equities	286	112	9,905
Infrastructure (*)	Equities	17	3	2,113
Megatrends	Equities	477	(26)	31,780
New Energy	Equities	47	(7)	2,861
Health (*)	Equities	615	89	29,814
Profiling 30 ESG (*)	Mixed fixed income	—	—	6
SICAV		4	(1)	162
Asguard		4	(1)	162

(*) Incorporated into sustainable supply during 2022.

Regulatory adaptation:

During 2022 it has been produced:

- Adaptation to the Disclosure Regulation - SFDR: Periodic information.
- Adaptation to the Taxonomy Regulation: Assessment of alignment with climate objectives (mitigation and adaptation).
- Adaptation to the SRD II Directive: Annual reporting on the Engagement Policy.
- Entry into force of “Green MiFID/IDD”: Suitability test and sustainability preferences.
- Adaptation to Level 2 RTS (SFDR): Disclosure to customers of pre-contractual and web information.
- Consideration of major adverse events (MIAs) at product level.

Solidarity activity:

The Financial Group's solidarity activity is implemented through initiatives such as “Tu Dinero con Corazón” (Your Money with Heart) supported by Sustainable and Solidarity products (investment fund and pension plan). The initiative:

- This is governed by a Steering Committee and a Technical Committee which direct and oversee the distribution of funds and the internal and external communication of the initiative.
- It has a website at Ibercaja.es (“Tu Dinero con Corazón”), with the aim of keeping participants informed of the initiatives it supports, as well as informing potential customers and society about the project and the products that currently constitute a truly differential investment alternative in the market.
- The 1st Solidarity Dinner “Tu dinero con Corazón” (Your money with Heart) was held to raise funds to help the Hijas de la Caridad de San Vicente de Paul soup kitchen in the Aragonese capital. During the event, 810,000 euros in grants were awarded to nine projects of associations and non-profit organisations.

In addition, the proceeds from the dinner, amounting to 6,925 euros, have been donated to the Hijas de la Caridad de San Vicente de Paúl soup kitchen in Zaragoza, which will be able to offer 860 breakfasts and meals with the donation. Around 250 people from different Aragonese companies and institutions took part in the solidarity event, organised by Ibercaja and Fundación Ibercaja.

- During 2022 it has distributed 1,190,000 euros:

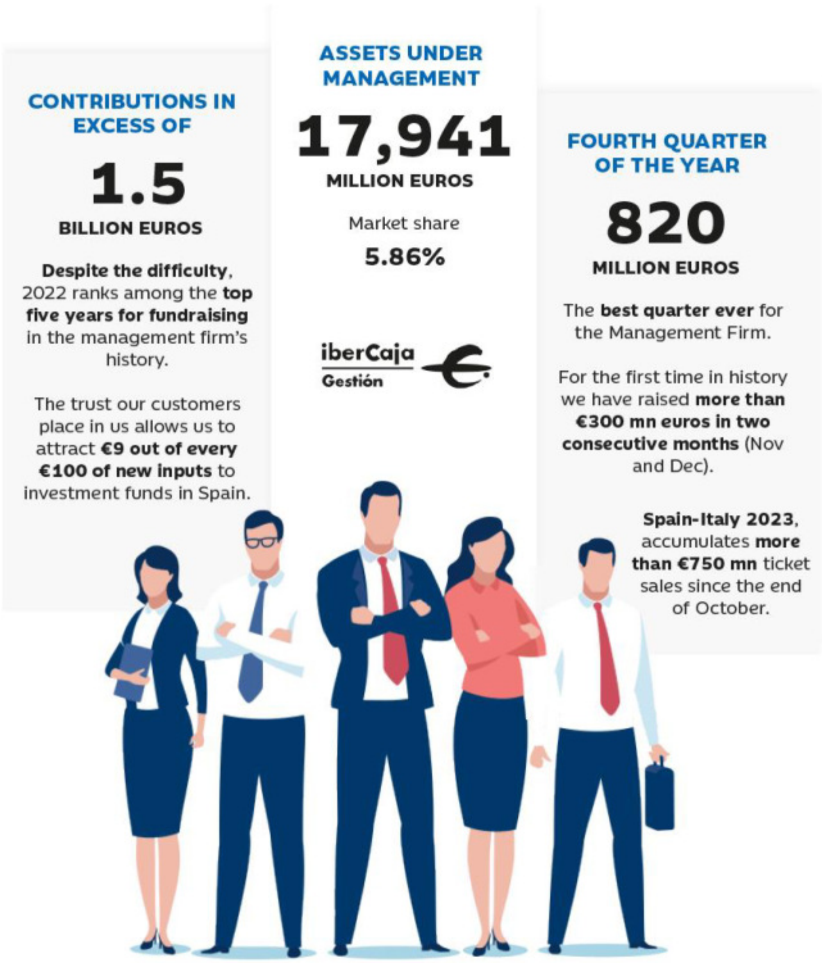
- The Emergency Committee's "Help Ukraine", which brings together Children's Villages, Educo, Médecins du Monde, Oxfam Intermón, Plan International and World Vision.
- Nipace Foundation's "Atlas 2030 exoskeleton for children with cerebral palsy".
- "Solar power supply to a school in Cameroon" by Energy Without Borders.
- Lares Foundation's "Prevention of unwanted loneliness in the elderly".
- Cruz Blanca Foundation's "Comprehensive assistance for victims of trafficking".
- Adecco Foundation's "Programme to improve the employability of people with disabilities".
- "Emergency social support for families at risk of social exclusion due to cancer" by the Spanish Association Against Cancer (AECC).
- "Study of paediatric liquid biopsy with extracranial tumours" by the Foundation for Biomedical Research of the Hospital Infantil Universitario Niño Jesús.
- The University Clinic of Navarra's "Children against cancer".
- "Attention to homeless people in Zaragoza" by the Charity-Coordinator of organisations for homeless people in Zaragoza.
- Nuevo Futuro's "Educational and digital divide in sheltered homes in Burgos and Aranda".
- "Social and labour market integration of vulnerable migrants in Burgos" by Atalaya Intercultural-Hijas de la Caridad.
- "Social and labour insertion of vulnerable adolescents in Badajoz" by Fundación Maimona.
- Children's Villages to respond to emergencies arising from the humanitarian crisis caused by the war in Ukraine.

– 14 soup kitchens in Zaragoza, Huesca, Teruel, Guadalajara, Rioja, Burgos, Badajoz, Madrid, Barcelona, Lleida, Valencia and Seville.

– Within the "Impulso Solidario" project, grants will soon be awarded to six projects of small organisations working in the fields of disability, illness, social exclusion and environmental protection.

INVESTMENT FUNDS

Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's collective investment undertakings (CIUs).



Major milestones of 2022: "Year of extraordinary events

- **A volatile, complex and uncertain year. 2022 has been a very uncertain year from a macroeconomic point of view and especially vulnerable for the financial markets**, where there has been a **clear loser: fixed income**, and as a maximum exponent, its volatility, which has even surpassed that of the equity market.
- However, thanks to the trust of our customers and the excellent work of our distribution network, **accumulated contributions** to investment funds amounted to **1,539 million euros**.
- **9 out of every 100 euros of new** investment fund inflows in Spain have been made by our customers in Ibercaja Group investment funds. This high percentage of new inflows registered in 2022 is not new; in the last 3 and 5 years, in cumulative terms**, Ibercaja Gestión has been able to capture 11% of new fund inflows in Spain.**
- **Anticipating the needs of our customers has been key. In a year of enormous complexity, we have opted for simple and safe solutions**, with government bonds and short-term high credit quality private fixed income being our main bets this year.
- Thanks to new fund inflows and despite the negative developments in the financial markets, **we were able to maintain the volumes under management**. The volume of investment funds at the end of December was 17,941 million euros. €
- **Market share of 5.86%[5] (growth of 8 bp in the year)**, consolidating Ibercaja's position as **the fifth largest Spanish financial group** by volume managed in investment funds.
- The **Ibercaja Group's asset management** has once again been **recognised at the Expansión-AllFunds Bank Awards**, where it received the award for best National Fixed Income Manager in 2021. Ibercaja Gestión was also a finalist in the Best National Investment Fund Manager category for the fifth consecutive year and in the Best Asset Allocation Manager category.
- The Manager continues to make progress towards its goal of becoming a leader and benchmark in ESG matters. During 2022, it has continued to collaborate with engagement platforms such as Climate Action 100+, Access to Medicine Foundation and Carbon Disclosure Project.

[5] Source: Inverco and ICEA at December 2022. 5.87% if Ibercaja Gestión includes the Ibercaja management company and other companies.

- Ibercaja Gestión carries out dialogue and voting activities in line with Ibercaja Gestión's Involvement Policy. The dialogue is an integral part of the circular process of integrating ESG risks into the investment analysis and management of the Manager's investments and, in this respect, is based on a medium to long-term ownership context and is aligned with the investment thesis based on fundamental analysis. In 2022, we have participated in 56 shareholder meetings of both national and international companies.

Fund range and commercial strategy

Ibercaja Gestión has 67 investment funds adapted to any market situation and to different investor profiles. In addition, it manages 2 SICAVs in Spain with an aggregate volume of more than 8 million euros and has a management agreement with a Luxembourg-based SICAV, Ibercaja Global International, which has assets of 52.5 million euros.

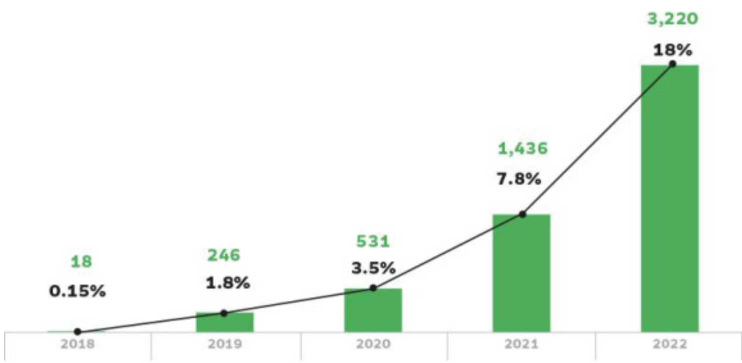
The **key** to explaining the good dynamics of the contributions has been **to anticipate the needs of our customers**. **2022** was a year in which **six new investment funds were launched**. The positivisation of the curves means that **government bonds have become more attractive after a long period of time**.

NEW FUNDS	DATE OF INCORPORATIO	INVESTMENT POLICY
Ibercaja España-Italia 2026, FI	27/04/2022	Spanish and Italian government bond fund
Ibercaja Renta Fija Horizonte 2024, FI	27/04/2022	Euro corporate bond fund maturing in late 2024
Ibercaja España-Italia 2023, FI	28/09/2022	Spanish and Italian government bond fund with one-year maturity
Ibercaja España-Italia 2024, FI	10/10/2022	Spanish and Italian government bond fund with two-year maturity
Ibercaja Perfilado ASG 30, FI	29/08/2022	ESG international mixed bond fund
Ibercaja Corto Plazo Empresas, FI	21/11/2022	European corporate bond fund

Following the positive response to the range of funds we launched in 2021 aimed at channelling the surplus liquidity of companies and institutions, we have continued to reinforce it with the fund **Ibercaja Corto Plazo Empresas.**

Funds managed with extra-financial criteria (ESG) in addition to the traditional purely financial approach exceeded **3.22 billion euros** at year-end, multiplying by 2.3 times the assets at the end of 2021.

Quarterly interest margin
€Mn



% Equity sustainable funds on AUM

	Product type	Equity (€Thousands)	Unit Holders at 31/12/2022
Ib. Sostenible y Solidario, FI	Mixed Equity	673,176	34,775
Ib. Ahorro Renta Fija, A FI	Fixed Income	344,167	8,742
Ib. Ahorro Renta Fila, B FI	Fixed Income	584,491	25,560
Ib. Sanidad, A FI	Equity	129,047	7,398
Ib. Sanidad, B FI	Equity	486,145	22,416
Ib. Megatrends, A FI	Equity	210,312	15,773
Ib. Megatrends, B FI	Equity	266,739	16,007
Ib. Dividendo Global, A FI	Equity	69,808	4,547
Ib. Dividendo Global, B FI	Equity	215,870	5,358
Ib. Confianza Sostenible, A FI	Mixed Fixed Income	134,680	6,420
Ib. Confianza Sostenible, B FI	Mixed Fixed Income	26	1
Ib. New Energy, A FI	Equity	27,243	2,854
Ib. New Energy, B FI	Equity	20,228	7
Ib. Renta Fija Sostenible, A FI	Fixed Income	13,194	680
Ib. Renta Fija Sostenible, B FI	Fixed Income	24,160	6
Ib. Infraestructuras, A FI	Equity	15,414	1,561
Ib. Infraestructuras, B FI	Equity	1,825	552
Perfilado 30 ASG	Mixed Fixed Income	0	6
Asguard Sicav	Mixed Equity	3,548	162

€3,220
mn

152,825
Unit holders

20.07%
Total unit holders

Within the range of sustainable solutions, **Ibercaja Sostenible y Solidario stands out** as **one of the manager's largest funds**. There are already more than **34,989 participants** who trust in our mixed fund, Ibercaja Sostenible y Solidario, a way of saving and investing that helps to build a better world. Its **698 million euros in assets** will enable us to donate 750,000 euros to social and environmental projects in 2022.

Acknowledgements and awards

In the 2022 edition of the Expansión-AllFunds Bank awards, Ibercaja Gestión was recognised as the Best Fixed Income Manager.

The solid track record of the Ibercaja Group's management companies is demonstrated by their presence in each and every one of the 33 editions of the Expansión awards. These awards take place in an environment of uncertainty and volatility in the markets, in which Ibercaja is once again highlighting its ability to adapt, both in management and in the advice it provides to its customers.

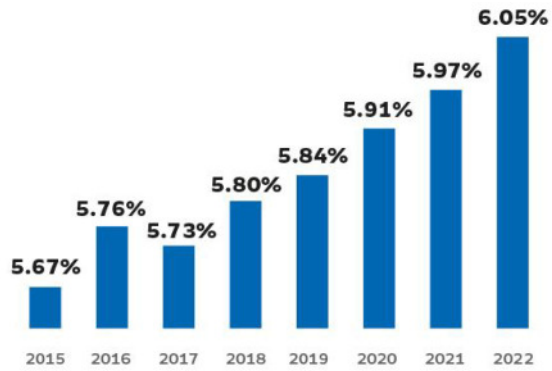
PENSION FUNDS

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.

Assets under management were penalised in 2022 by the poor performance of both bond and equity markets. At the end of the year, assets under management amounted to **6,993 million euros**, -8.5% lower than in 2021, but performing better than the sector (-9.7%).

Despite this unfavourable environment, Ibercaja Pensión's better performance compared to the market enabled the company to reach its **highest ever market share** in global terms and also in the subsector of individual plans and employment plans. In global terms, this **share rose 8 basis points to 6.05%,** and the management company remains in fourth place in the sector ranking (source: INVERCO).

Trend in pension plan market share:

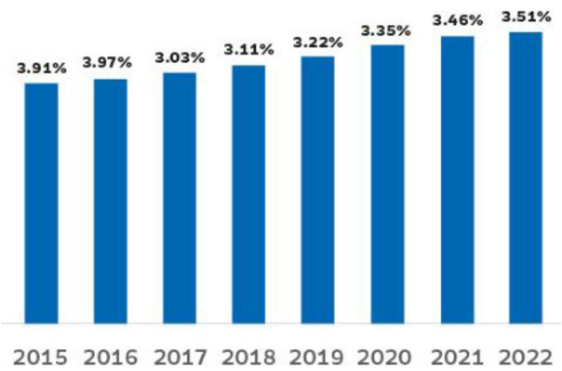


Savings managed in individual pension plans affected by the poor performance of bond and equity markets declined by -8.75% to 2,821 million euros, better than the sector as a whole (-10.2%). **Customer contribution**s amounted to **82 million euros** in a context marked by the reduction of the legal limit for tax deductible annual contributions. **Market share rose 5 b.p.** to an all-time high of 3.51%, keeping the company in sixth position in the sector ranking (source: Inverco). The number of customers with individual plans increased by 1,043, reaching 245,208 by the end of 2022.

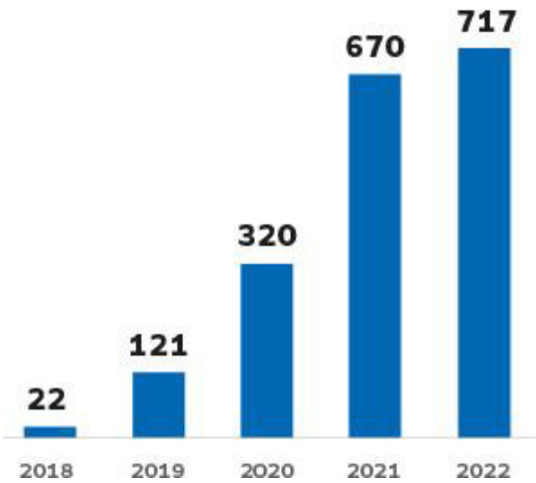
In the distribution of individual pension plans by type, there was a strong expansion of products with a sustainable profile, which now account for 26% (717 million euros) of total assets, compared to 22% in 2022.

The active management range consolidated with 53% of the volume and the weight of fixed income and guaranteed plans continued to fall from 12% a year ago to 8%.

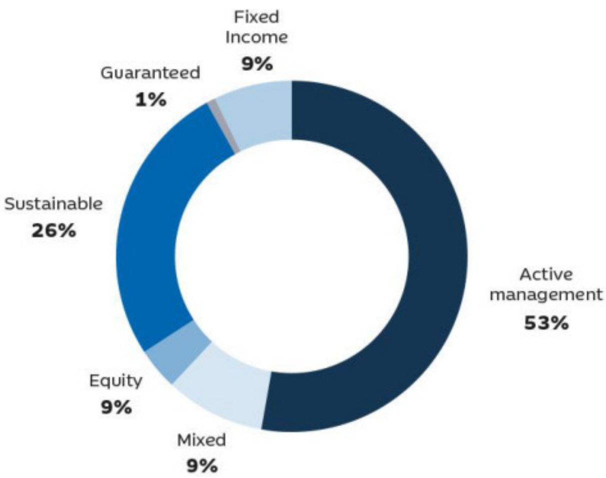
Trend in personal pension plan market share:



Assets of individual sustainable plans (€m)

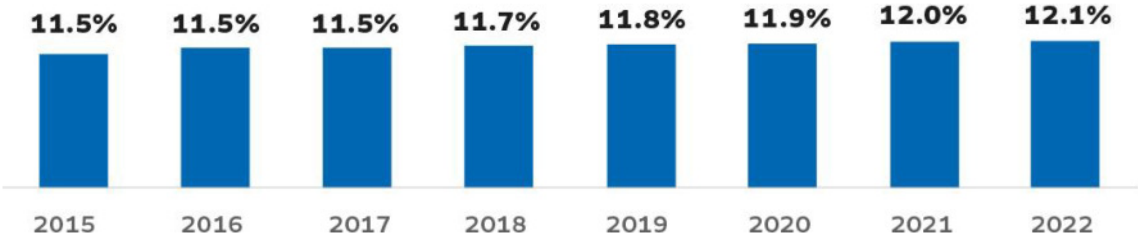


Equity PIP 2022
2,821 million euros



Assets under management in employment plans amounted to 4,172 million euros, -8.3% lower than in 2021 (sector -8.4%) due to the fall in the markets. The company's market share rose 1 b.p. to 12.05%, an all-time high, consolidating its position as the third largest Spanish fund manager (source: INVERCO). This system comprises 69,334 unitholders through 15 plans. Ibercaja Pensión administers two of the ten largest employment plans in the country.

Work pension plan market share trend:



Acknowledgements and awards

In the 2022 edition of the Expansión All Funds awards, **Ibercaja Pensiones Bolsa USA** was awarded as the **best pension plan** in the quantitative awards in the **Global Equity category**. It is one of the most profitable pension plans in Spain in 2021 in the short, medium and long term.

XXXIII Premios Fondos 2022 Expansión allfunds

Ibercaja Pensión

33RD FUND AWARDS 2022 EXPANSION-ALLFUNDS BANK

Finalist Best National Pension Fund Manager 2021.

Finalist for the seventh consecutive time, winning the award on four of these occasions.

XXXIII Premios Fondos 2022 Expansión allfunds

Plan Ibercaja Bolsa USA

33RD FUND AWARDS 2022 EXPANSION-ALLFUNDS BANK

Best Global Equity Pension Plan in 2021.

Ibercaja Pensión, for its part, was a finalist as Best Pension Fund Manager of 2021, the seventh consecutive time it has been nominated in this category, winning the award on four of these occasions (2020, 2018, 2017 and 2016). This is a very significant milestone given the importance of these awards given by the industry itself and shows the positive assessment that our competitors have of Ibercaja's pension business.

Initiatives

The company promoted holding the "8th Conference on Pension Plans in Spain" in Madrid in November under the title **"Values of the present for a better future: sustainability and profitability in the world to come"**. The conference brought back the face-to-face formula for the 2019 edition, which coexisted with a streaming broadcast.

The company once again organised an event in Zaragoza as part of Spainsif's Socially Responsible Investment week entitled "Voting in Boards as an Instrument for Sustainable Investment". This year's event was once again held in person and was broadcast via streaming.

Ibercaja has launched the **Business and Future Plan** service for companies to promote workplace pension plans.

These plans are becoming increasingly important as an instrument for channelling retirement savings, as a result of the changes introduced in the new Law for the Promotion of Workplace Pension Plans.

With this service, Ibercaja aims to raise awareness of the advantages that these future savings instruments offer both companies and workers.

For workers who are participants in a workplace plan, Ibercaja has designed a **simulation tool to calculate the tax impact** on their customers' tax returns of the contributions they can make to their individual pension plan, as well as, as of this year, to their workplace pension plan.

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** and **Ibercaja Mediación de Seguros.**

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 Bank 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 insurer's technical provisions amounted to 6,707 million euros at the end of 2022. The solvency ratio is well above the legal limit of 100%, reaching 190% in December 2022.

Ibercaja Vida has an extensive range of life savings products: **systematic savings insurance, investment savings** (life annuities, temporary annuities, fixed savings and insured pension plans) and **unit linked.**

The amount of premiums and the number of policies are shown in the table below:

	2022	2021	2020
No. Policies	414,791	446,418	489,335
Savings insurance premiums (€ million)	1,035	826	884

Mathematical provisions for life insurance savings, 6,573 million euros, decreased by 1.1% in the last financial year. The new market context, with higher interest rates, has enabled the marketing of guaranteed insurance products to be reactivated, particularly medium and long-term investment savings insurance, giving a twist to the business strategy of the last few years, which has been more focused on unit linked.

Distribution of mathematical provisions for life insurance savings:

	2022		2021		2020	
	€Mn	%	€Mn	%	€Mn	%
Systematic savings insurance	2,139	32.5	2,531	38.1	3,425	49.8
Savings and investment insurance	2,543	38.7	2,235	33.6	2,404	35.0
Unit Linked	1,553	23.6	1,690	25.5	850	12.3
Group insurance	337	5.2	187	2.8	199	2.9
Total	**6,573**	**100.0**	**6,643**	**100.0**	**6,878**	**100.0**

In the individual risk life business, Ibercaja Vida is the **7th largest company in Spain in terms of premiums collected**, with a significant growth trend from 73 million euros in premiums collected in 2021 to 77 million euros at the end of the 2022 financial year. It is worth highlighting the increase in new production that has been observed since 2020 and, in particular, the increase in single premium business that provides stability and assurance of future profit.

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.

The risk insurance premiums brokered by Ibercaja Mediación, 303 million euros, grew by 6.5% compared to the previous year and policies totalled 958,707.

- **Life insurance premiums increased by 5.2% to 82 million euros.** Ibercaja Vida, with 77 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.

(€ million)	2022	2021	2020	2019
Life insurance premiums	82	78	76	76
Of which: Ibercaja Vida	77	73	71	71

- **Non-life insurance premiums, 221 million euros, increased 7%**. The boost in activity is the result of the commercial effort and the alliance with Caser for the distribution of this type of insurance through the branch network. The most notable advances were in the death (10.3%), health (6.4%) and multi-risk (5.9%) lines. The market share in non-life insurance premiums, 0.53% at December 2022, remains at similar levels compared to 2021 (source: in-house creation based on data published by ICEA).

(€ million)	2022	2021	2020	2019
Non-life insurance premiums	221	206	200	198
Of which: Agreement with Caser	195	183	172	170

Ibercaja Mediación has promoted various actions throughout 2022 to boost the non-life insurance business:

- Launch of the Vamos Insurance Account, which allows customers to group the payment of insurance bills from Caser and Ibercaja Vida in order to pay them conveniently month by month in a single fixed monthly instalment.
- Caser Pyme Multiproduct, insurance improvement by updating new coverages.

- Extension of Caser Comercio insurance coverage.
- Boosting the supply of life and non-life insurance through digital channels.
- Seguro Caser Auto Bancaseguros. Inclusion of new coverage for electric cars.
- The new digital service Selfie Health has been incorporated into Caser's healthcare policies and the top and telemedicine services offered by the insurer have been updated.
- Extension of the major service for newly produced home policies, which includes, in addition to the services already included, a door-opening sensor for the fridge.

LEASING AND RENTING

Ibercaja Leasing y Financiación S.A.U., E.F.C. specialises in financing productive **activities through leasing and renting.**

It offers solutions for SMEs and professionals to finance their investments in fixed assets, as well as renting services to companies, the self-employed and individuals.

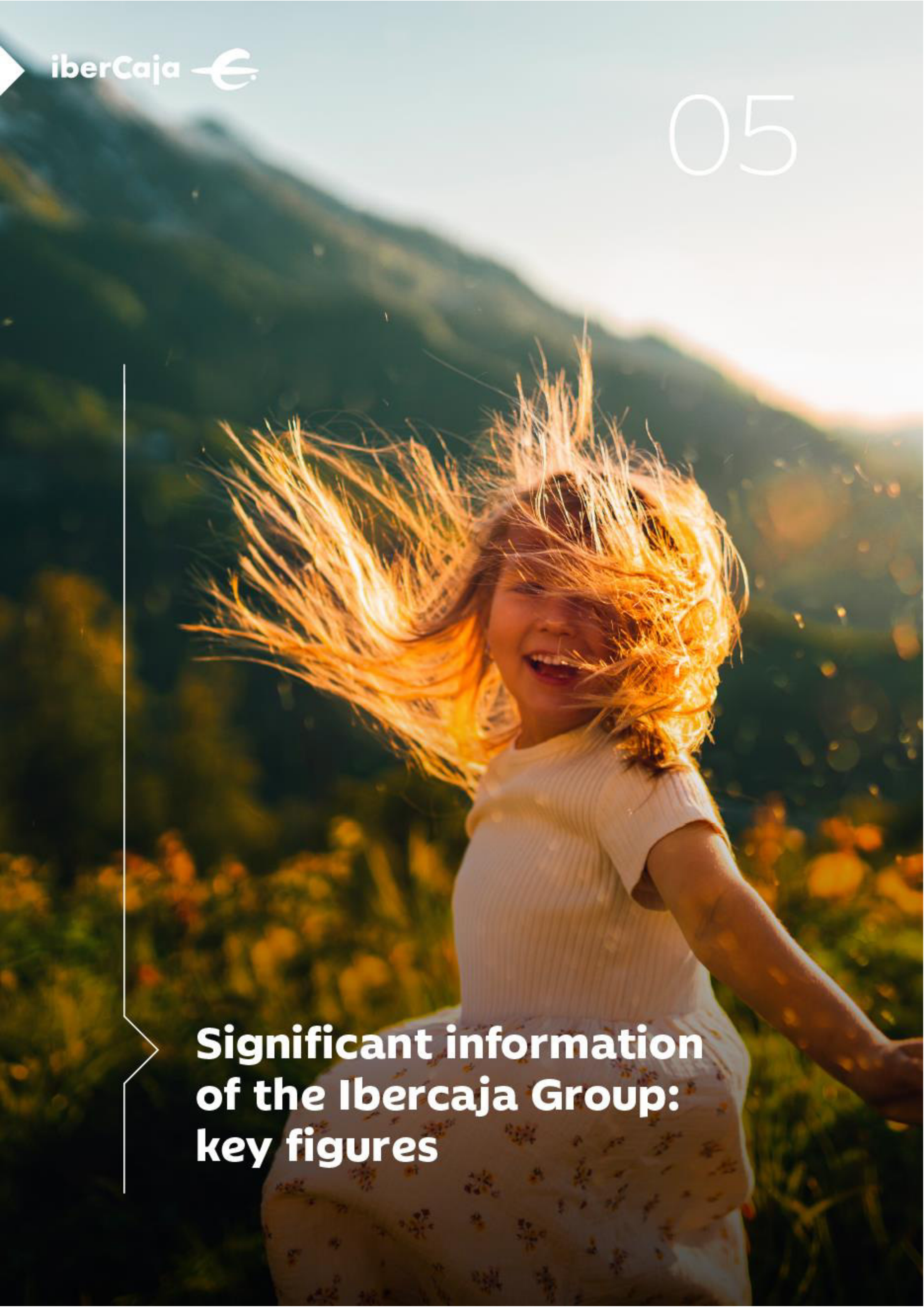
In 2022, the company's outstanding risk exceeded **600 million euros,** with **new formalisations amounting to 292 million euros.** Of the global volume of new transactions, 51.4% were earmarked to the financing of non-industrial vehicles, 26.1% to industrial vehicles, 17.9% to machinery, 1.8% to IT equipment and the remainder (2.8%) to real estate, medical equipment, graphic arts and other goods and 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 renting vehicles now totals 5,171 units.

The default ratio of Ibercaja Leasing y Financiación S.A.U., E.F.C., is 1.4%, significantly lower than the average for financial credit institutions (6.4% at November 2022). In turn, the coverage ratio stood at 66% of non-performing balances.

Over the last few years, the Company has demonstrated its **commitment to environmental protection**. Thus, during 2022, leasing operations were carried out to finance solar panels and photovoltaic installations, and commercial campaigns were also developed for the leasing of vehicles with the ECO label. For the first time, campaigns have been launched for the purchase of plug-in hybrid vehicles and for the purchase of electric motorbikes

Ibercaja Leasing has twice **won** the prize awarded monthly by the Spanish Leasing and Renting Association for the **most sustainable operation carried out each month,** for the financing of photovoltaic panels to Communities of Owners in August, and a solar power plant in November.



05

Significant information of the Ibercaja Group: key figures

5.1 Highlights for the period at the Ibercaja Group

2-6, 3-3

In a context of uncertainty, Ibercaja maintains a high level of commercial dynamism, continues to improve asset quality and shows significant progress in profitability.

Strong **dynamism** in the year in the main segments of the **"Challenge 2023"** Plan: **Personal and Private Banking, Business Banking and Risk Insurance**, driving **market share growth** in Ibercaja's key products.

- Good development in **new loan and credit formalisations,** which totalled **5,988** million euros, **10.4% more** than the previous year. Also noteworthy was the **strong dynamism** of the volume of **current loans**, with an **increase** of **25.3%** in the year to **9,680** million euros. The balance of **loans and advances under reverse repurchase agreements** increased by **1.3%** to **29,237** million euros.
- **Corporate loans** amounted to **8,358** million euros, an **increase of 4.3%** over 2021, resulting in an increase in the market share of lending to non-financial companies of 8 basis points in the year. Of note was the growth in **non-real estate productive activities**, which increased by **5.1% year-on-year**.
- **Retail deposits** declined **1.6%** year-on-year to 69,016 million euros. Excluding the negative impact of the fall in the markets (2,796 million euros), retail customer funds **increased 2.4%**.
- The Bank focused **its commercial approach on transfers to intermediation products** and achieved **advances in market shares** in the main segments. The **market share in investment funds** continued to grow, **rising 8 b.p.** to **5.9%** and **contributions** amounted to **1,513** million euros, **8.8% of the total** net contributions for the Entities as a whole.
- The market share in **pension plans** was **6.1% (+8 b.p. in the year)**, of note was the rise in the market share in **individual pension plans** to **3.5%** (+5 b.p. in the year).

- **New life and non-life premium income rose 7.7%** year-on-year to **71.5 million euros**. Of note was the **new production of life-risk products**, which increased 30.2% year-on-year thanks to the high volume of mortgages formalised.
- **Investment of a sustainable and supportive** nature amounted to **3,938 million euros in 2022**. During the year, six investment funds and one pension plan were incorporated on a sustainable basis.

> **Ibercaja achieved a net profit of 202 million euros** thanks to the good performance of the **interest margin** and the **fall in operating costs and the cost of risk** in an environment of rising interest rates, market volatility and inflationary pressures.

- The **interest margin** increased **13.3%** year-on-year to **558** million euros, thanks to higher interest income from lending, the improved profitability of the fixed income portfolio and a greater contribution from the Group's insurance activity**. Net fees and exchange rate differences** amounted to **438** million euros, virtually unchanged from 2021 (-0.1% y-o-y).
- As a result, **total recurrent revenues increased 7.0% y-o-y to 996m euros**. In the fourth quarter, recurrent revenues increased **22.0% y-o-y**.
- **Operating expenses declined 6.3%** in the year to **573** million euros. The cost base already takes into account the effect of the 2020 Redundancy Proceedings. **The recurrent efficiency ratio was 57.5%.**
- **Writedowns of loans and foreclosed real estate** amounted to 96 million euros compared to 114 million euros because of the good performance of non-performing loans in the year. The **cost of risk** was **30 b.p.**, in line with the Bank's medium-term objective.
- Thus, Ibercaja achieved a **net profit of 202 million euros,** a **year-on-year increase** of **33.9%** and a **ROTE** of **7.6%** for the year.
- The dividend distribution amounted to 121 million euros, of which 101 million euros have already been paid out on account and 20 million euros are pending approval and distribution. This amount is a **60% pay-out**.

One of the soundest balance sheets in the Spanish financial system: asset quality indicators continue to improve and Ibercaja maintains **high levels of solvency and liquidity**.

- Non-performing loans declined **30.9%, a significantly larger contraction than the sector's 17.9%** (latest information as at December). **The NPL ratio falls 72 basis points to 1.6%** and Ibercaja closes with a positive gap compared to all credit institutions of 196 basis points[6]. The **coverage ratio** of non-performing loans was 90.0%, an increase of 15 p.p. compared to 2021.
- Total problematic exposure, non-performing loans and foreclosed assets, declined 347 million euros to **913 million euros**. The **problem asset ratio, at 2.9%**, declined by 110 basis points over the year and the **coverage ratio** increased by 7.6 p.p. to **76.4%.**
- The Group has a solid funding structure and retail customer deposits account for **87.1%** of customer financing. The ratio of credit to retail financing (LTD) was 78.4%. The LCR ratio amply meets the minimum requirements and stands at **306.5%**.
- The CET1 fully loaded ratio declined **34 b.p. to 12.4%**, in line with the Bank's medium-term strategic objective of 12.5%. The total capital ratio was 17.1%, one of the highest in the Spanish banking system after completing its AT1 and T2 buffers. The MDA, which measures the distance of total capital from the ECB's requirements, was **4.7%**, one of the highest in the Spanish financial system.

[6] Source: Bank of Spain, latest available information at December 2022.

Key indicators

BALANCE SHEET	31/12/2022	31/12/2021	Change (%)
Total assets	54,361	58,631	(7.3)
Gross loans and advances to customers	31,346	31,195	0.5
Performing loan portfolio exc. reverse repurchase agreements	29,237	28,862	1.3
Total retail resources	69,016	70,163	(1.6)
Equity	3,178	3,270	(2.8)
Retail business volume	98,253	99,025	(0.8)

PROFITS (thousands of euros)	31/12/2022	31/12/2021	Change (%)
Interest margin	558,244	492,826	13.3
Gross Income	976,589	952,260	2.6
Profit/(loss) before write-downs	403,681	341,038	18.4
Profit/(loss) attributed to the parent	202,120	150,985	33.9

EFFICIENCY AND PROFITABILITY	31/12/2022	31/12/2021	Change (%)
Recurring efficiency ratio (ordinary expenses/recurrent revenues)	57.5%	64.2%	(10.5)
ROA (profit attributable to the parent company/total average assets)	0.3%	0.3%	33.0
RORWA (profit attributable to the parent company/APRs)	1.1%	0.8%	33.9
ROE (profit attributable to the parent company/average own funds)	6.9%	5.2%	32.4
ROTE (profit attributable to the parent company/average tangible own	7.6%	5.7%	33.9

RISK MANAGEMENT	31/12/2022	31/12/2021	Change (%)
Non-performing balances (loans and advances to customers)	496	718	(30.9)
Non-performance rate of loans and advances to customers (%)	1.6%	2.3%	(31.3)
Ratio of problem assets (%)	2.9%	4.0%	(27.6)
Coverage of non-performing exposures	446	540	(17.5)
Coverage of non-performing exposures (%)	90.0%	75.3%	19.5
Coverage of exposure to distressed assets (%)	76.4%	68.8%	11.0

LIQUIDITY	31/12/2022	31/12/2021	Change (%)
Liquid assets / Total assets (%)	24.5%	26.0%	(5.6)
Loan-to-deposit ratio (LtD)	78.4%	78.2%	0.2
LCR ratio (%)	306.5%	452%	(32.2)
NSFR ratio (%)	152.7%	152.2%	0.3

SOLVENCY	31/12/2022	31/12/2021	Change (%)
CET1, phase-in (%)	12.9%	13.4%	(4.0)
Solvency ratio, phase-in (%)	17.6%	18.1%	(3.0)
Leverage ratio, phase-in (%)	5.5%	6.0%	(7.9)
CET1, fully loaded (%)	12.4%	12.7%	(2.6)
Total capital, fully loaded (%)	17.1%	17.4%	(1.9)
Leverage ratio, fully loaded (%)	5.4%	5.8%	(7.0)

ADDITIONAL INFORMATION	31/12/2022	31/12/2021	Change (%)
No. Group employees	4,794	4,880	(1.8)
No. of branches	894	914	(2.2)

Figures rounded to million euros and%

5.2 Analysis of the main balance sheet figures

2-6

> One of the soundest balance sheets in the Spanish financial system thanks to excellent asset quality performance

Key figures on the consolidated balance sheet:

	31/12/2022	31/12/2021	Change	Change (%)
Cash and credit institutions	2,242,423	6,749,981	(4,507,558)	(66.8)
Loans and advances to customers	30,900,520	30,655,026	245,494	0.8
Securities portfolio	18,168,890	18,214,267	(45,377)	(0.2)
Tangible assets	978,150	1,004,091	(25,941)	(2.6)
Intangible assets	302,950	269,167	33,783	12.6
Other assets	1,767,773	1,738,877	28,896	1.7
Total assets	**54,360,706**	**58,631,409**	**(4,270,703)**	**(7.3)**
Deposits from credit institutions and central banks	2,013,412	6,616,302	(4,602,890)	(69.6)
Customer deposits	38,841,785	38,268,280	573,505	1.5
Debt securities issued	1,715,207	1,316,321	398,886	30.3
Liabilities under insurance contracts	6,403,447	7,121,494	(718,047)	(10.1)
Provisions	219,055	268,943	(49,888)	(18.5)
Other liabilities	1,989,857	1,769,668	220,189	12.4
Total liabilities	**51,182,763**	**55,361,008**	**(4,178,245)**	**(7.5)**
Equity	**3,177,943**	**3,270,401**	**(92,458)**	**(2.8)**
Total equity and liabilities	**54,360,706**	**58,631,409**	**(4,270,703)**	**(7.3)**

Assets

Total assets on the consolidated balance sheet amounted to **54,361 million euros**, compared to 58,631 million euros in December 2021; the 7.3% decrease in the year was mainly due to the decrease in cash and credit institutions, following the early repayment of TLTRO III financing.

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 **30,901 million euros**, 0.8% higher at year-end 2021. In gross terms, i.e. without value adjustments for asset impairment, the loan portfolio amounted to 31,346 million euros. "Sound" credit, 29,237 million euros, excluding non-performing assets and reverse repos, increased by **375 million euros or 1.3% y-o-y**. The growth in lending is explained by the **good performance of loans and credits** totalling **5,988 million euros**, 10.4% higher than in the previous year. In terms of **geographic markets**, Madrid and the Mediterranean Coast accounted for 53% of the total amount granted in the year, while 33% corresponded to the Traditional Area. The Bank maintains a low risk profile, **specialising in home purchase loans**, which account for 61% of total "healthy" credit. Without losing this specialisation, **Ibercaja is progressively increasing its focus on lending to non-real estate productive assets,** which now represents 25% of the normal credit balance.

Distribution of loans and advances to customers by purpose:

	31/12/2022	31/12/2021	Change	Change (%)
Loans to households	19,535,074	19,818,759	(283,685)	(1.4)
Housing	17,874,737	18,100,029	(225,292)	(1.2)
Consumer loans and other	1,660,337	1,718,730	(58,393)	(3.4)
Corporate loans	8,357,698	8,015,693	342,005	4.3
Non-real estate productive activities	7,399,348	7,042,292	357,056	5.1
Real estate development	958,350	973,401	(15,051)	(1.5)
Public sector and other	1,344,669	1,027,984	316,685	30.8
Gross loans, ex impairment and reverse repos	**29,237,441**	**28,862,436**	**375,005**	**1.3**
Reverse repurchase agreements	1,613,345	1,615,394	(2,049)	(0.1)
Impaired assets	495,623	717,621	(221,998)	(30.9)
Gross loans and advances to customers	**31,346,410**	**31,195,451**	**150,959**	**0.5**
Impairment losses and others	(445,891)	(540,467)	94,576	(17.5)
Loans and advances to customers	**30,900,519**	**30,654,984**	**245,535**	**0.8**

Figures in thousands of euros

Lending to households declined 1.4% year-on-year. Its main component, **home loans**, dipped by 1.2%. The greater dynamism in new mortgages, which amounted to 2,022 million euros, 41.2% more than the previous year, was offset by the increase in early repayments and cancellations. **Consumer credit and other financing to households**, with a weight of 5.7% of the total, fell by 3.4%, as a result of a 6.2% decline in consumer credit.

Lending to corporates amounted to 8,358 million euros, an increase of 4.3% over 2021. This growth translated into an increase in the market share of lending to non-financial corporations of 8 b.p. in the year. The focus of growth is **financing to non-real estate productive activities,** which increased by 5.1%. This was due to the high dynamism of loans and credits, which rose 6.4%, as well as the excellent performance of working capital lending, which increased 25.3% to 9,680 million euros. Exposure to **real estate development**, which represents only 3% of healthy loans, was reduced by 1.5% in the year.

Asset quality indicators (NPL ratio, foreclosed assets and coverage)

	31/12/2022	31/12/2021
Non-performing loans and advances to customers	495,623	717,621
Gross loans and advances to customers	31,346,410	31,195,451
Non-performance rate of loans and advances to customers (%)	**1.58%**	**2.30%**
Distressed assets (non-performing loans and advances to customers + repossessions)	912,547	1,259,862
Exposure (loans and advances to customers + foreclosed assets)	31,763,334	31,737,692
Distressed asset ratio	**2.87%**	**3.97%**

Non-performing loans and advances to customers	495,623	717,621
Coverage of non-performing exposures	445,959	540,467
Coverage of non-performing exposures (%)	**89.98%**	**75.31%**
Foreclosed assets (gross carrying amount)	416,924	542,241
Coverage of foreclosed assets	250,804	326,197
Coverage of foreclosed assets (%)	**60.16%**	**60.16%**
Distressed assets (non-performing loans and advances to customers + repossessions)	912,547	1,259,862
Coverage of Problem assets (%)	696,763	866,664
Coverage rate of Problem assets (%)	**76.35%**	**68.79%**

Asset quality indicators continue to improve in the year despite the uncertain environment with interest rate hikes and higher inflationary pressures resulting in a deterioration of household purchasing power. **Non-performing assets (loans and advances to customers), 496 million euros at the end of 2022, declined 30.9% in the year**. Of note was the exceptional performance of recoveries, which were 7 million euros higher than in 2021 and accounted for 32.0% of the total initial balance of non-performing assets. The contraction of impaired assets in Ibercaja has been significantly higher than that of the sector (-17.9% according to the latest statistical information from the Bank of Spain at the end of December).

The NPL ratio, 1.6%, is one of the lowest in the Spanish banking system. This ratio fell by 72 basis points compared to the end of 2021, to 196 basis points below that of all lending institutions[7]. The coverage ratio of non-performing loans was 90.0%, an increase of 15 p.p. compared to 2021. In 2022, the Bank made a provision of 51.8 million euros to cover the exposures of customers for whom a significant increase in credit risk is expected in the short to medium term as a result of the aforementioned macroeconomic outlook and its potential social and economic effects on the Bank's customer portfolio, due to the high degree of uncertainty that persists in the current macroeconomic context.

The **portfolio of foreclosed properties**, recorded under the balance sheet items "investment property", "inventories" and "non-current assets held for sale" amounted to **417 million euros gross**, **23.1% lower than in December 2021**. This decline is the result of a more favourable performance of inflows, down 38.9% compared to 2021, as well as an increase in foreclosure sales, 187 million euros in the year, accounting for 34.4% of the initial foreclosure stock. Land sales accounted for 65.5% of total sales, amounting to 123 million euros. The coverage of all real estate was 60.2%, with coverage of land assets reaching 68.9%. The net value of foreclosed assets, 166 million euros, decreased by 7.8% and represented only 0.3% of total assets.

Problem assets, the sum of non-performing loans and advances to customers and foreclosed real estate, fell by 347 million euros or 27.6% year-on-year to **913 million euros at the end of 2022**. The problem asset ratio, at 2.9%, declined by 110 basis points over the year. The coverage ratio for all problem assets stood at 76.4%, 7.6 percentage points higher than at the end of 2021. As a result of the reduction in the balance of gross problem assets and the increase in coverage, net problem assets, net of hedging, stood at 216 million euros, down 45.1% year-on-year and representing 0.4% of the Bank's total assets, one of the lowest in the Spanish financial system.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. **Refinanced loans** amounted to **403 million euros**, **25.3% on year-end 2021** and accounting for only 1.3% of gross loans and advances to customers. 68.1% of refinanced loans are classified as non-performing and their coverage is 34.8%.

[7] Source: Bank of Spain, latest available information at December 2022.

As regards the **distribution of the loan portfolio by stages**, Ibercaja has classified as Stage 2 4.7% of gross lending vs 5.0% in 2021. This improvement is explained by the good performance of the loan portfolio during the year despite the greater macroeconomic uncertainty. The level of coverage stands at 6.8%.

The **Group's portfolio of fixed-income securities, shares and equity interests in companies** amounts to **18,169 million euros**, of which 6,387 million euros corresponds to the insurance business.

The **portfolio affected by banking activity, 11,781** million euros, increased by 881 million euros in the year.

- The **ALCO portfolio** managed by the parent company increased by 922 million euros to 11,384 million euros, due to purchases of government bonds in the euro area. This portfolio is composed of low-risk bonds, mainly Spanish government bonds (67.3%) and Sareb bonds (13.8%), with an average duration, including hedges, of 4.3 years and an average portfolio yield of 0.45% (vs 0.35% in 2021). 95.7% of these financial assets are classified at amortised cost. 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.
- **Equity**, at 366 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 38 million euros.

The portfolio assigned to insurance activity, 6,387 million euros, declined by 926 million euros.

- **Fixed income**, 4,819 million euros, down 784 million euros in the year mainly due to the decrease of 480 million euros in Spanish public debt. These assets are mainly classified as "Financial assets at fair value through other comprehensive income".
- **Equity**, 1,569 million euros, down 142 million euros, explained by the decrease in Unit Links of 131 million euros in the year.

Breakdown of the securities portfolio

	31/12/2022	31/12/2021	Change	Change (%)
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**1,546,214**	**1,666,941**	**(120,727)**	**(7.2)**
Debt securities	1,546,214	1,666,941	(120,727)	(7.2)
Equity instruments	0	0	0	
Financial assets at fair value through profit or loss	**5,530**	**7,451**	**(1,921)**	**(25.8)**
Debt securities	5,530	7,451	(1,921)	(25.8)
Financial assets at fair value through other comprehensive income	**5,318,133**	**6,464,034**	**(1,145,901)**	**(17.7)**
Debt securities	5,019,226	6,118,358	(1,099,132)	(18.0)
Equity instruments	298,907	345,676	(46,769)	(13.5)
Financial assets at amortised cost	**11,209,203**	**9,974,513**	**1,234,690**	**12.4**
Debt securities	11,209,203	9,974,513	1,234,690	12.4
Investments in joint ventures and associates	**89,810**	**101,328**	**(11,518)**	**(11.4)**
Total securities portfolio	**18,168,890**	**18,214,267**	**(45,377)**	**(0.2)**

Figures in thousands of euros

BY ACTIVITY AREA	31/12/2022	31/12/2021	Change	Change (%)
Banking business	**11,781,433**	**10,900,580**	**880,853**	**8.1**
Of which: fixed income - ALCO portfolio	11,384,236	10,462,235	922,001	8.8
Of which: fixed income - subsidiary portfolio	30,880	34,932	(4,052)	(11.6)
Of which: equities	366,317	403,413	(37,096)	(9.2)
Insurance business	**6,387,456**	**7,313,687**	**(926,231)**	**(12.7)**
Of which: fixed income	4,818,842	5,603,155	(784,313)	(14.0)
Of which: equity (Unit Linked)	1,568,614	1,710,532	(141,918)	(8.3)
Total securities portfolio	**18,168,890**	**18,214,267**	**(45,377)**	**(0.2)**

The **asset balance with central banks, credit institutions and cash** is **2,242 million euros**. The decrease in the year, 4,508 million euros, is entirely concentrated in "cash balances at central banks", following the early repayment of the TLTRO III financing.

Liabilities to central banks and credit institutions amounted to **2,013 million euros**, **69.6% less** than in December **2021**. The decrease is due to the heading "deposits with central banks" which is at 0 due to the early redemption of the entire TLTRO (5,959 million euros) in November 2022.

Breakdown of cash and assets at credit institutions and deposits from credit institutions and central banks

	31/12/2022	31/12/2021	Change	Change (%)
Cash and cash balances at central banks and other demand deposits	1,582,223	6,388,624	(4,806,401)	(75.2)
Credit institutions (financial assets at amortised cost)	660,200	361,357	298,843	82.7
Cash and credit institutions	**2,242,423**	**6,749,981**	**(4,507,558)**	**(66.8)**
Central bank deposits	–	5,871,128	(5,871,128)	(100.0)
Deposits from credit entities	2,013,412	745,174	1,268,238	170.2
Deposits from central banks and credit institutions	**2,013,412**	**6,616,302**	**(4,602,890)**	**(69.6)**

Figures in thousands of euros

Tangible assets amounted to **978 million euros**, a decrease of 26 million euros since December 2021. This is because the increase in assets leased out under operating leases by 12 million is offset by higher write-downs in property, plant and equipment for own use as well as in investment property by 6 million and 33 million respectively. **Intangibles assets**, **303 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 49 million in this heading.

Tax assets, **1,238 million euros, decreased by 5.1%**, due to a 5.5% decrease in deferred tax assets, because of their offset in the Corporate Income Tax for 2022.

Equity and liabilities

Customer deposits, which include demand deposits, time deposits, covered bonds and repos, ended the year with a balance of **38,842 million euros**, **1.5%** higher than at the end of 2021. The change was due to the 0.6% rise in retail deposits (demand savings and traditional term deposits without covered bonds) and the increase in repos during the year. The Bank's strategic focus was on transferring deposits to intermediation products, particularly investment funds, pension plans and savings insurance, products with higher expected returns for the customer.

Retail funds managed on and off-balance sheet, **69,016 million euros**, declined 1.6% because of the fall in asset management and insurance, which declined 4.2% to 31,641 million euros, impacted by volatility and falls in the markets.

Details of total retail customer funds

	31/12/2022	31/12/2021	Change	Change (%)
Retail deposits	37,374,772	37,131,170	243,602	0.7
Demand deposits	35,575,488	34,673,081	902,407	2.6
Term deposits (exc. mortgage-backed bonds)	1,799,284	2,458,089	(658,805)	(26.8)
Asset management and insurance	31,641,130	33,031,334	(1,390,204)	(4.2)
Total retail funds	**69,015,902**	**70,162,504**	**(1,146,602)**	**(1.6)**

Figures in thousands of euros

Debt securities issued, **at 1,715 million euros**, were up 399 million euros due to the combined effect of the maturity of securitisation liabilities and the issuance of senior preferred debt in June 2022, eligible for MREL requirements, totalling 500 million euros.

Liabilities under insurance or reinsurance contracts, **6,403 million euros**, fell 10.1% as a result of the decline in the valuation of insurance business assets.

Provisions on the liability side of the balance sheet, **219 million euros**, comprise funds for pensions and similar commitments, outstanding labour costs and other provisions. The net change of 18 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 **3,178 million euros**, 92 million euros less than at the end of 2021. The increase of 34 million euros in shareholders' equity was offset by a decrease of 126 million euros in "Accumulated other comprehensive income" as a result of the decline in the valuation of financial assets.

5.3 Income statement

3-3

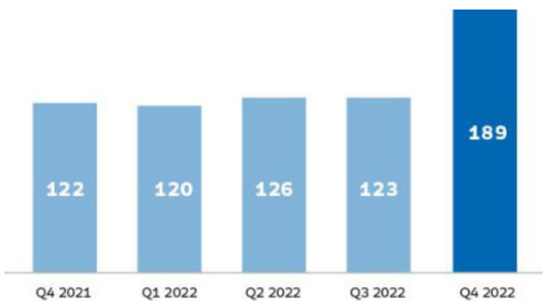
Ibercaja's net profit was 202 million euros (+33.9% y-o-y) and its ROTE was 7.6%.

Main headings of the income statement:

	31/12/2022	31/12/2021	Change	Change (%)
Interest margin	558,244	492,826	65,418	13.3%
Net fees and commissions and exchange differences	438,065	438,543	(478)	(0.1)%
Recurrent revenues	**996,309**	**931,369**	**64,940**	**7.0%**
Gains/(losses) on financial assets and liabilities	13,791	46,662	(32,871)	(70.4)%
Other operating profit/(loss)	(33,533)	(25,771)	(7,762)	30.1%
Other operating income and expense	(43,382)	(40,902)	(2,480)	6.1%
Dividends	10,365	9,542	823	8.6%
Earnings at equity-accounted entities	(516)	5,589	(6,105)	(109.2)%
Gross income	**976,589**	**952,260**	**24,329**	**2.6%**
Operating expenses	(572,908)	(611,222)	38,314	(6.3)%
Profit/(loss) before write-downs	**403,681**	**341,038**	**62,643**	**18.4%**
Provisions, impairment and other write-downs	(128,333)	(126,953)	(1,381)	1.1%
Other gains/(losses)	7,872	686	7,186	1047.4%
Pre-tax income	**283,220**	**214,773**	**68,447**	**31.9%**
Taxes	(81,100)	(63,788)	(17,312)	27.1%
Consolidated profit/(loss) for the year	**202,120**	**150,985**	**51,135**	**33.9%**
Profit/(loss) attributable to the Parent	**202,120**	**150,985**	**51,135**	**33.9%**

The **interest margin** amounted to **558 million euros**, noting an **year-on-year increase of 13.3%**, mainly due to higher financial income from lending, improved profitability of the fixed income portfolio and a higher contribution from the Group's insurance business. Part of these positive impacts have been offset by a higher cost of wholesale funding as a result of higher interest rates. The interest margin in the fourth quarter was 54.8% higher than in the same quarter of the previous year.

Quarterly interest margin
m€



Lending revenues increased 16.7% year-on-year due to the improved profitability of the portfolio. The average rate of 1.39% was 20 b.p. higher than the average in 2021. The loan portfolio is gradually reflecting, especially in the second half of the year, the rise in interest rates.

The **cost of retail savings** increased slightly due to the absence of the negative interest rate charge.

The **customer spread**, measured as the difference between loans and advances to customers and retail deposits, stood at 1.40%, 19 basis points higher than the average of 1.21% in 2021.

The **yield on the fixed income portfolio** is 51 million euros and represents 8.0% of interest income. The year-on-year increase of 17 million was mainly due to an improvement in the average return on the portfolio (0.45% vs 0.34% in 2021) with no volume increases.

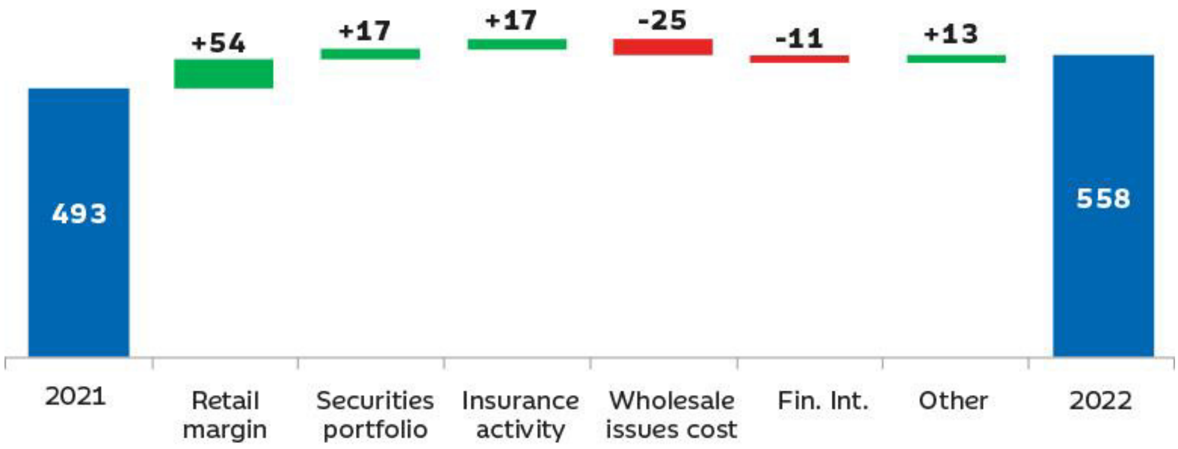
The **cost of wholesale issues** is 58 million euros, 76.6% higher than in 2021, due to the progressive repricing of wholesale issues and the cost of the 500 million euros senior preferred debt issue last June at a rate of 3.75%.

Insurance revenues increased by 19.1% to 125 million euros while insurance costs reached 5 million euros compared to 2 million euros in 2023.

The **Group's balance sheet spread** was 0.96% at the end of 2022, 11 basis points higher than in the previous year.

Year-on-year change in the interest margin

m€



Breakdown of interest margin:

	2022			2021			Change 22/21		
	Average balance	Cost Perfor	Cost Perfor	Average balance	Cost Perfor	Cost Perfor (%)	Volume effect	Effect rate	Net change
(figures rounded to millions of euros)									
Financial intermediaries	7,694	45	0.58	7,912	67	0.85	(2)	(21)	(22)
Loans and advances to customers (a)	28,756	400	1.39	28,862	343	1.19	(1)	59	57
Fixed income portfolio	11,517	51	0.44	9,969	34	0.34	5	11	17
Income from insurance activity	6,700	125	1.87	7,519	105	1.40	(11)	35	20
Other assets	3,560	20	0.56	3,603	1	0.02	—	20	19
ASSETS (c)	**58,227**	**642**	**1.10**	**57,865**	**550**	**0.95**	**3**	**88**	**92**
Financial intermediaries	6,414	13	0.20	6,792	24	0.35	(1)	(10)	(11)
Retail deposits (b)	37,319	(3)	(0.01)	35,924	(7)	(0.02)	—	3	3
Wholesale issues	2,641	58	2.20	2,588	33	1.26	1	24	25
Costs of insurance activity	6,554	5	0.08	7,291	2	0.02	—	4	3
Other liabilities	5,299	11	0.21	5,270	6	0.10	—	6	6
LIABILITIES (d)	**58,227**	**84**	**0.14**	**57,865**	**57**	**0.10**	**—**	**26**	**27**
Customer spread (a-b)			1.40			1.21			
Balance sheet spread (c-d)			0.96			0.85			

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 includes negative interest on the balances of financial intermediaries on the assets side.

Net fees and exchange rate differences amounted to **438 million euros, virtually unchanged from 2021 (-0.1% y-o-y)**. Trading and asset management declined 3.7%, due to the poor performance of the financial markets in the year. Fees and commissions from banking activity increased 6.9%, mainly driven by growth in fees and commissions from collection and payment services (+11.4% y-o-y), supported by an improvement in economic activity and the update of fees that the Bank carried out at the end of 2021.

Net fees and commissions:

	31/12/2022	31/12/2021	Change	Change (%)
Fees for contingent liabilities and commitments	11,405	11,366	39	0.3
Collection and payment services fees	137,171	123,161	14,009	11.4
Securities services fees	34,244	49,581	(15,337)	(30.9)
Administration, custody and trading of securities	7,829	7,954	(125)	(1.6)
Asset management	26,415	41,627	(15,212)	(36.5)
Non-bank financial product marketing fees	257,785	254,860	2,925	1.1
Other fees	16,971	18,527	(1,556)	(8.4)
Fees received	**457,575**	**457,495**	**80**	**–**
Fees paid	**(19,236)**	**(19,509)**	**274**	**(1.4)**
Exchange differences	**(274)**	**557**	**(831)**	**(149.2)**
Net fees and commissions and exchange differences	**438,066**	**438,543**	**(477)**	**(0.1)**
Fees for marketing and asset management	278,103	288,925	(10,821)	(3.7)
Banking fees and commissions	159,962	149,618	10,344	6.9

Recurrent revenues, the aggregate of the interest margin and net fees and commissions, increased **7.0% y-o-y to 996m euros**. The good performance of the interest margin, driven by the progressive repricing of the loan portfolio and the increase in banking fees, offset the negative impact of the markets on the increase in fees linked to asset management. In the fourth quarter, recurrent revenues amounted to 297m euros, 22.1% higher than in the same quarter of 2021, thanks to the positive contribution from the interest margin.

Dividend income amounted to **10 million euros**, in line with the previous year.

Gains from lending transactions stood at **14 million euros**. The decrease compared to last year is mainly explained by the fact that no capital gains from sales of forward transactions have been realised this year as in 2021.

The **net of other operating income and expenses** in the income statement includes, inter alia, income and expenses from non-financial activities and contributions to the Deposit Guarantee Fund (57 million euros), to the National Resolution Fund (16 million euros) and the expense of the asset benefit from the conversion of deferred tax assets into a receivable from the Spanish tax authorities (6 million euros). In 2022, this heading shows an **expenditure of 43 million euros, compared to 41 million euros a year earlier**.

The **results of entities accounted for using the equity method** amounted to **1 million euros**. The decrease of 6 million compared to last year is mainly explained by the absence of extraordinary results in contrast to the previous year.

Gross income was **977 million euros, 2.6% higher than at the end of 2021**. The better performance was due to the good performance of recurrent revenues, which offset the lower net trading income and the lower results of entities accounted for using the equity method.

Operating expenses, **573 million euros**, fell by 6.3% in the year. Discounting the impact of the additional costs in 2021 resulting from the Redundancy Proceedings (12.8 million euros), the **recurring expenses**, fell by 4.3%.

Staff costs excluding one-offs are down 8.4% as a result of savings from the redundancy programme completed in June.

Other administrative expenses decreased by 1.8% while **depreciation and amortisation** increased by 12.0%, mainly due to intangible assets. Other administrative expenses and depreciation grew by 2.1%, below inflation during the year.

Breakdown of operating expenses:

	31/12/2022	31/12/2021	Change	Change (%)
Wages and salaries	(250,981)	(270,847)	19,866	(7.3)
Social security contributions	(62,873)	(68,638)	5,765	(8.4)
Contribution to pension funds and insurance policies	(15,716)	(17,667)	1,951	(11.0)
Severance payments	(669)	(16,333)	15,664	(95.9)
Other staff costs	(1,631)	(1,698)	67	(3.9)
Staff costs	**(331,869)**	**(375,182)**	**43,314**	**(11.5)**
Buildings, installations and office equipment	(30,051)	(27,668)	(2,383)	8.6
Systems maintenance, licences, IT development and software	(22,661)	(21,879)	(782)	3.6
Communications	(12,080)	(12,154)	75	(0.6)
Advertising and publicity	(5,656)	(5,771)	115	(2.0)
Charges and taxes	(18,248)	(18,170)	(78)	0.4
Other management and administration expenses	(77,347)	(83,424)	6,077	(7.3)
Other general administrative expenses	**(166,042)**	**(169,066)**	**3,024**	**(1.8)**
Depreciation and amortisation	**(74,997)**	**(66,973)**	**(8,024)**	**12.0**
Operating expenses	**(572,908)**	**(611,221)**	**38,313**	**(6.3)**
Recurring operating expenses	**(572,908)**	**(598,379)**	**25,471**	**(4.3)**
Staff costs ex WAP costs	(331,869)	(362,341)	30,472	(8.4)
Other general administrative expenses + amortisation	(241,039)	(236,039)	(5,000)	2.1

Figures in thousands of euros

Recurrent efficiency ratio, measured as recurring expenses over recurrent revenues, improved to **57.5%.**

Recurrent revenues before write-downs totalled 423 million euros, **27.2% higher than in the same period of the previous year,** due to the sharp rise in recurrent revenues and lower operating expenses. In the fourth quarter, recurring profit before provisions amounted to 149 million euros (83 million euros in the same quarter of the previous year).

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, **128 million** euros, increased by 1.1% compared to 2021.

Loan and real estate writedowns were 96 million euros, 18 million euros lower than in 2021. The Group's cost of risk, calculated as the percentage of credit and real estate impairment losses relative to average exposure, was **30 b.p.** lower than the 35 b.p. recorded in 2021 and in line with the Bank's medium-term objective.

The heading **Provisions** includes provisions for pensions, lawsuits, pending tax litigation, commitments and guarantees given and other provisions. At December 2022, it recorded a net provision of 19 million euros, due to a reversal of a provision of 16 million euros for the lapse of a contingency linked to labour costs and a provision of 32 million euros related to interest rate floor clauses and other legal contingencies.

"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 showed **income of 7.9 million euros**, compared to 0.7 million in 2021. The improvement is mainly due to the capital gain obtained on the disposal of the Bank's stake in the capital of the company Solavanti S.L.

The Group's **pre-tax profit** amounted to **283 million euros**. After deducting the amount paid in corporate income tax, the **net profit attributable to the parent company** is **202 million euros**, 51 million more than in 2021, which represents an annual increase of 34%.

The **ROTE** (ratio of net income to average tangible equity) reached 7.6%, compared to 5.7% in 2021.

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 sources of financing are balanced and well-diversified, anticipating fund needs so as to honour its obligations as these fall due without conditioning its investment activity to the climate of wholesale financing markets.

The basic principles governing its **strategy** are documented in the Liquidity Risk Management Manual, in particular:

- Actively managing through **continuous monitoring of the Funding Plan** with a focus on both the sources and applications of liquidity (EOAF) and the composition and quality of available liquid assets.
- Setting a **Liquidity Objective** that provides a cushion of liquid assets to cover outflows of funding, non-renewal of wholesale funding or a fall in the valuation of liquid assets in such a way as to ensure the viability of the Bank in the face of adverse scenarios.
- Having a **monitoring system** based on internal limits and indicators, establishing **measures and actions in the event of crisis scenarios** (Contingency Plan), considering the different **alternatives offered by the market** to diversify investment both in terms and in instruments of maximum liquidity and maintaining a significant **cushion of collateral at the ECB** to deal with possible tensions.

The **liquidity risk measurement** considers:

- The estimated **cash flows** from assets and liabilities, as well as any additional collateral or instruments that may be needed so as to ensure alternative sources of liquidity.
- The **forecasts made through the business plan**, so that the financing plan takes into account the expected growth of the various balance sheet items depending on the macroeconomic environment and the ambition of the Bank.

Note 3.8. to the **Financial Statements for 2022** 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 amounted to **37,375 million euros** and are the **main source of borrowed funds, accounting for 87.1% of the total**. This percentage increases from 79.8% in 2021 as a result of the full repayment of TLTRO III financing during the year. The loan to deposit ratio (LTD) stands at 78.4%. In 2022, this ratio has remained virtually unchanged.

Customer deposits, which in addition to retail deposits include multi-cedent covered bonds, repos and others, account for 90.5% of total funding (82.2% in December 2021).

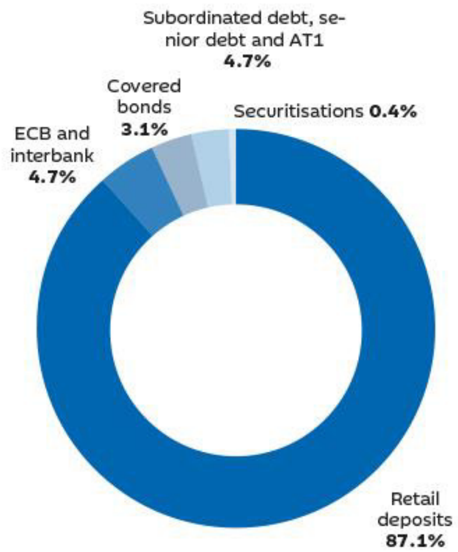
Wholesale funding supplements the funding obtained from individuals and companies. It is focused on the medium and long term and includes positions taken in interbank markets and ECB auctions, covered bonds, securitisations, subordinated liabilities and other issues.

Central bank deposits decreased to 0 million euros compared to 5,871 million euros from the TLTRO III auction at the end of 2021. In November, the Bank repaid this financing in full and early.

Deposits from credit institutions, **at 2,013 million euros**, accounted for 4.7% of borrowed funds, compared with 1.6% at the end of 2021. The increase, 1,268 million euros, is the result of the higher volumes taken by the Bank in the interbank market.

Debt securities issued, which include covered bonds, senior debt, Tier 2 subordinated debt and securitisations, amounted to **1,715 million euros**, up 399 million euros, representing 4.0% of borrowed funds, compared to 2.8% in 2021. The increase was mainly due to the 500 million euros senior preferred debt issue, eligible for compliance with MREL requirements, which the Bank carried out in June and which offset the maturities of securitisation liabilities.

Breakdown of funding structure



Composition of external funding:

	31/12/2022		31/12/2021		Change	
	Balance	%	Balance	%	Balance	%
Central bank deposits	–	–	5,871,128	12.6	(5,871,128)	-100.0
Deposits from credit entities	2,013,412	4.7	745,174	1.6	1,268,238	170.2
Customer deposits	38,841,785	90.5	38,268,280	82.2	573,504	1.5
Of which: retail deposits	37,374,772	87.1	37,131,171	79.8	243,602	0.7
Debt securities issued	1,715,207	4.0	1,316,321	2.8	398,887	30.3
AT1 issue	350,000	0.8	350,000	0.8	–	0.0
EXTERNAL FUNDING	**42,920,404**	**100.0**	**46,550,903**	**100.0**	**(3,630,499)**	**-7.8**
Retail financing	37,374,772	87.1	37,131,171	79.8	243,602	0.7
Wholesale financing	5,545,632	12.9	9,419,733	20.2	(3,874,101)	-41.1

Available liquidity totalled, **13,345 million euros**, representing 24.5% of total assets. Counting the issuance capacity for mortgage-covered bonds and regional covered bonds, of 6,880 million euros, **total liquidity available** came to **20,225 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 **306.5%**, well clear of the 100% regulatory requirement. The **NSFR** ratio is **152.7%**. 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:

	31/12/2022	31/12/2021	Change	Change (%)
Cash and central banks	1,351,694	6,183,416	(4,831,722)	(78.1)
Available in policy	5,798,903	1,050,679	4,748,224	451.9
Eligible assets not included in the policy	5,838,121	7,590,280	(1,752,159)	(23.1)
Other assets not eligible for ECB	356,274	425,796	(69,522)	(16.3)
AVAILABLE LIQUIDITY	**13,344,992**	**15,250,171**	**(1,905,179)**	**(12.5)**

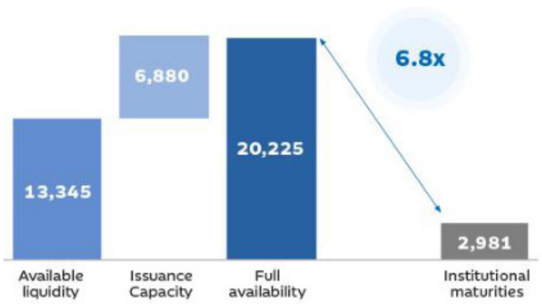
Issuance capacity for mortgage covered and public sector covered bonds	6,880,460	8,776,402	(1,895,942)	(21.6)
TOTAL AVAILABLE LIQUIDITY	**20,225,452**	**24,026,573**	**(3,801,121)**	**(15.8)**

Available liquidity/total assets (%)	24.5%	26.0%
Loan-to-deposit ratio (%)	78.4%	78.2%
LCR (%)	306.5%	452.0%
NSFR (%)	152.7%	152.2%

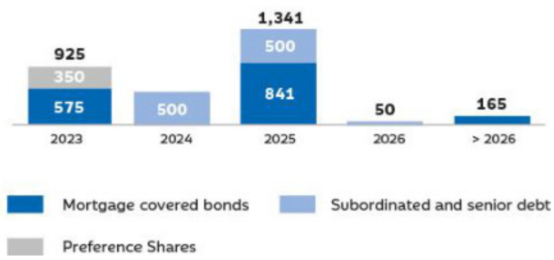
The collateral policy with the ECB includes pledged assets with a discountable value of 6,938 million euros, of which Ibercaja has drawn down 5,959 million, and therefore maintains an **available balance** de **1,051 million euros**, which the Bank can access to meet its liquidity needs.

The **maturities of wholesale market issuances** present a staggered redemption schedule through to 2027. The total liquidity available, 20,225 million euros, covers 6.8 times the debt maturities.

Liquid assets and funding capacity
€Mn - December 2022



Institutional maturities
€Mn - December 2022



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

Ibercaja's solvency levels are among the highest in the Spanish financial system

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. As a result of this process, a capital target is set with adequate slack in terms of both actual needs and minimum capital requirements, and projections of capital sources and consumption are made on the basis of activity and expected results in the medium term.

The expected changes in Ibercaja Banco's capital and solvency ratios shows **the Bank's ability to cope with potential stress situations in the current macroeconomic and financial environment.** In addition, the Bank has a recovery plan in place to guarantee its ability to react to potential situations of deterioration in its solvency.

Key solvency ratios

The **phased-in** **CET1**ratio, which measures the relationship between Tier 1 capital and risk-weighted assets, was **12.9%**. Having fully completed the hybrid capital buffers with the AT1 and T2 issues, Ibercaja maintains an efficient capital structure and the total capital at 31 December 2022 amounted to 3,173 million euros, representing a **total capital ratio** of **17.6%**.

In **fully loaded** terms, **CET1** was **12.4%** and **total capital** amounted to **17.1%**, both ratios in line with the Bank's medium-term objective (12.5% and 17.0%, respectively). The decrease in CET1 of 34 basis points in the year was mainly due to the negative impact of the valuation of the Group's financial asset portfolios, which detracted approximately 90 basis points of capital and offset the positive capital generation from the accumulation of profits in the year.

The **Ibercaja Group's leverage ratio**, which shows the relationship between the capital and assets of a credit institution regardless of the degree of risk of those assets, stood at 5.5% at the end of 2022. In fully loaded terms, the **Ibercaja Group's leverage ratio** is 5.4%

It should be noted that the calculation of weighted assets for Ibercaja's solvency ratios is based entirely on **standard models**, which results in a higher valuation of assets at risk than that considered in advanced models.

According to the definition of Distributable Items in the CRR, the balance of Distributable Items, at the individual level of Ibercaja Banco at 31 December 2022, amounted to **490 million euros**.

Developments in the main solvency ratios

	Phased in		Fully loaded	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Tier 1 capital	2,673	2,770	2,579	2,640
Common Equity Tier 1	2,323	2,420	2,229	2,290
Additional Tier 1 capital	350	350	350	350
Tier 2 capital	500	500	500	500
Total Capital	3,173	3,270	3,079	3,140
Risk-weighted assets	18,045	18,052	18,012	18,014
RWA density (RWAs/total assets)	33.2%	30.8%		
Tier I (%)	14.8%	15.3%	14.3%	14.7%
CET1 (%)	12.9%	13.4%	12.4%	12.7%
AT1 (%)	1.9%	1.9%	1.9%	1.9%
Tier 2 (%)	2.8%	2.8%	2.8%	2.8%
Total capital ratio (%)	17.6%	18.1%	17.1%	17.4%
Leverage ratio (%)	5.5%	6.0%	5.4%	5.8%
MREL ratio based on RWA (%)	20.6%	18.4%		
MREL ratio based on LRE (%)	7.7%	7.2%		

PRES and MREL requirements

In December 2022 the European Central Bank communicated to Ibercaja the decision regarding the new minimum prudential capital requirements for 2023, once the results of the Supervisory Review and Evaluation Process (SREP) were known.

These requirements have remained unchanged with respect to those required for 2022. Thus, Ibercaja Banco must maintain, **at 1 January 2023, 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%).

Ibercaja has an **MDA distance** (excess capital over current SREP requirements taking into account potential shortfalls or excesses in AT1 and T2 buffers) of **466** basis points, one of the highest in the Spanish financial system.

Furthermore, and in accordance with the Bank Recovery and Resolution Directive (BRRD2), Ibercaja must comply with the **MREL requirements** on 1 January 2024. According to the Bank of Spain's notification of the latest decision of the Single Resolution Board, **at 1 January 2024** the Group must have a ratio of own funds and eligible liabilities of **18.59%** of risk-weighted assets (21.09% including the combined requirement of capital buffers). The leverage ratio requirement is **5.21%**.

The MREL requirements set for 1 January 2024 are aligned with the Bank's funding and capital plan. In June 2022, Ibercaja issued senior preferred debt for an amount of 500 million euros, which has given a very significant boost to the strategy of setting up MREL financing. Thus, the Ibercaja Group's MREL ratio at December 2022 amounts **to 20.6% of risk-weighted assets, levels very close to those required for January 2024**. In terms of leverage ratio, at 7.7%, **Ibercaja already amply exceeds the requirements**.

Dividend policy

The Bank is no currently subject to any restrictions or limitations on the payment of dividends. 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.

The distribution of dividends is determined at the General Meeting of Shareholders on the basis of the proposal made by the Board of Directors. Taking into account current capital adequacy levels, projected earnings for the coming years and the capacity for organic generation of capital, the **pay-out ratio in 2022**, once the last dividend of the year has been approved, will be **60%, in line with the Bank's medium-term strategic objective**.

At its meeting of 12 May 2022, the Board of Directors of Ibercaja Banco resolved, in accordance with Article 277 of the Spanish Companies Act, to distribute an interim dividend of **37,681 thousand euros** from the results of the first quarter in favour of the partners, in proportion to their respective shareholdings. Subsequently, the Board of Directors approved the payment of an interim dividend of 31,272 thousand euros and 32,119 thousand euros against second and third quarter results, respectively. Thus, in **2022** the Bank distributed a **total interim dividend of 101,072 thousand euros** to shareholders.

The Board of Directors will propose to the General Meeting of Shareholders to approve the distribution of a dividend against 2022 results in the amount of 121,272 thousand euros; taking into account that an interim dividend of 101,072 thousand euros has already been paid to shareholders in 2022, 20,200 thousand euros remains to be approved and distributed in 2023.

Information regarding treasury shares

There were no transactions involving Treasury shares in 2022

5.6. Credit ratings

Ibercaja achieved investment grade status with all three credit rating agencies in 2022. Thus:

- On 13 July 2022, **Fitch Ratings** upgraded the rating to "BBB-" with a "stable" outlook. Fitch justifies this decision by the substantial improvement in the financial profile in recent years, reflected in higher asset quality and a strengthening of the bank's capitalisation. The Agency also positively assesses Ibercaja's organic capacity to generate profits on a sustainable basis thanks to its diversified business model, a more efficient operating structure and a reduced level of provisions going forward following the completion of the balance sheet strengthening.
- On 25 November 2022, **Standard & Poor's** upgraded Ibercaja's credit rating to "BBB-" and affirmed the outlook at "stable". This decision is based on the successful execution of Ibercaja's Business Plan and, in particular, on the improvement of its profitability.
- On 22 December 2022, **Moody's** upgraded the Bank's rating to "Baa3" and set the outlook at "positive". Moody's justifies the change in rating to investment grade by an improvement in solvency thanks to the provisioning of the Reserve Fund by the Ibercaja Banking Foundation, the main shareholder of the Bank. The agency also assessed the gradual strengthening of the Bank's asset quality and profitability.

Credit ratings:

	LONG TERM	SHORT TERM	OUTLOOK
Standard & Poor´s	BBB-	A-3	Stable
Moody's (rating for deposits)	Baa3	NP	Positive
Fitch Ratings	BBB-	F3	Stable

06

Commitment to sustainability: management progress. Statement of Non-Financial Information (NFS)

6.1 Sustainability strategy

2-12, 2-23, 2-24, 3-3, 201-2

> Ibercaja is committed to ensuring that its business objectives promote sustainable development, integrating environmental, social and good governance aspects into its strategy, business decisions and risk management.

The need for a shift towards a low-carbon and sustainable economy, the challenges of post-pandemic growth and the geopolitical and economic situation, marked by the rising cost of living, are the major challenges facing society.

Ibercaja is aware of its role as a key player in the economy, supporting and influencing change towards a more sustainable society. In this regard, the Bank considers the impact of its operations on the environment, social and economic situation in its strategic decisions. At Ibercaja, we are not only moving towards sustainability, we are actively promoting it.

Since the start, Ibercaja has been a Bank 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.

> 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.**

In carrying out its financial activity, Ibercaja is very mindful of its Corporate Purpose: "Help people build their life story" and is aware that its actions must promote a balance between economic growth, social cohesion and the preservation of the environment. Ibercaja is therefore a signatory to the 10 principles of the Global Compact[8], is firmly committed to the Sustainable Development Goals of the 2030 Agenda[9] and is a signatory to the United Nations Principles for Responsible Banking[10] to advance in the configuration of a sustainable banking system.

> **Corporate purpose**
>
> "Help people build their life story because it will be our story"

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 reflects this commitment and establishes the **global framework** for action in the area of sustainability. It contains the commitments voluntarily assumed by Ibercaja with its stakeholders to promote long-term sustainable, inclusive and environmentally-friendly growth.

[8] For more information, see Appendix B of this report.
[9] For more information, see chapter 6.2 of this report.
[10] For more information, see chapter 6.11 of this report.

Ibercaja's sustainability strategy is based on five cornerstones:

ESG RISKS: identification and management for its gradual integration into the Bank's global risk analysis.

SUSTAINABLE BUSINESS: analysing needs and identifying opportunities for business development that accompanies customers in the transition to a sustainable economy, including climate change.

PEOPLE: comprehensive development of employees, training them with the necessary training for the new context and promoting work, personal and family balance.

TRANSPARENCY for all its stakeholders, promoting communication of both financial and non-financial aspects of the business.

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 and promotion of **ethics and good governance**.
- Prudent and global management of all **financial and non-financial risks**.
- Promotion of the **Sustainable Development Goals of the 2030 Agenda**, promoting the goals they pursue through its business activity.
- Defence of **transparency**, promoting clear, complete and truthful communication.
- **Defence of human rights** in line with the UN Global Compact.
- Contribution to **social integration**.
- Promotion of the **personal and professional development** and the European Green Pact.
- **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 adequately manage sustainability

Board of Directors	Approve and promote the Sustainability Policy.
Strategy Committee	Oversee the Sustainability Policy. Report to the Board.
Reputation and Sustainability Committee	Approve the Sustainability Strategy and Policy. Approve and Promote the Roadmap. Track deployment.
Brand, Reputation and Sustainability Department	Define, develop, coordinate and propose Sustainability Policy and Strategy to the R&S Committee. Support departments in launching.

All areas of the Bank

It works to implement the Sustainability Strategy aligned with the UNEF FI Principles of Responsible Banking signed by Ibercaja Banco and which responds to supervisory expectations.

ESG Committee

Monitoring of ESG investment mandate.

Promoting SRI.

Environment committee

Cross-cutting committee that oversees compliance with Ibercaja's Environmental Policy. For more information, see chapter 6.5 of this report.

Additionally, the following **Committees and Working Groups have been set up**:

- **Editorial Committee,** with a cross-cutting nature, aims to define messages, plan contents and channels, in order to achieve greater reach and effectiveness of communication, including everything related to sustainability.

- **EFR Committee**, responsible for implementing the EFR plan to ensure a healthy balance between the personal, family and working lives of employees. Ibercaja has earned the EFR (Family-Responsible Company) seal, which certifies the Bank's 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: IN02 Purpose and Sustainability

Given the importance of sustainability for the Bank, within the Strategic Plan defined for 2021-23, it has established the **Purpose and Sustainability Initiative**.

desafío 2023

transversal enabling line of work, with the **Management Committee** as a sponsor, to integrate the Corporate Purpose into the corporate culture and sustainability into the organisation's strategy. The sustainability project is deployed with transversal and multidisciplinary teams in the following lines of action:

1. **ESG Risk Management**: to identify, integrate, manage and control ESG risks, thereby advancing prudent risk management in line with supervisory expectations and commitments.

   An **Action Plan for climate 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. This Action Plan was updated in 2022, identifying new objectives and continues to work on achieving those set for the previous year.

   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. The **mapping of climate and environmental risks** was also updated, which allows for a better understanding of these risks and their transmission channels to prudential risks.

In 2022, Ibercaja participated in the climate stress test exercise as a first step towards integrating climate factors into the Bank's internal stress testing framework. The overall results obtained by Ibercaja show how the **ECB has categorised** the Bank's CST framework with a **"medium-advanced" degree of progress**, higher than the average score of the banks analysed.

In addition, the Bank, committed to achieving zero emissions by 2050, has calculated the carbon footprint financed on the loan portfolio, in order to identify carbon-intensive sectors and set appropriate sectoral decarbonisation paths to achieve Net-Zero by 2050. To this end, the Bank has defined intermediate decarbonisation targets for 2030 in three of the most carbon-intensive sectors: electricity generation, iron and steel production and residential real estate.

Likewise, as part of its commitment to achieving the decarbonisation of the economy and with the aim of limiting the Bank's exposure to climate factors, two sector concentration metrics were developed according to the exposure of Ibercaja's credit and securities portfolio in carbon-intensive sectors, based on the PCAF standard.

With regard to the management of climate risks on the mortgage portfolio, in 2022 the analysis of climate, physical and transitional factors that could have an impact on the Bank's collateral properties was updated, based on internal or external data (with the collaboration of a specialised external provider).

Ibercaja is also working on the alignment of credit risk admission procedures in accordance with the requirements of the EBA Guidelines on Loan Origination and Monitoring, based on an ESG questionnaire for the evaluation of customers and transactions; as well as on an Exclusion Policy, through general and sectorial exclusion criteria on ESG factors, previously defined, applicable to the processes of admission and monitoring of customers and transactions in credit risk and in the processes of investment in market risk.

2. **Sustainable Business Strategy**: design and evelop 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.

During 2022, the **impact analysis** prepared in 2021 was updated to identify the main risks and opportunities related to climate change. We also continue to work on the implementation of the **ESG business strategy**, designed to respond to our customers' main expectations and needs in terms of sustainability. Progress was also made in the **communication and awareness of our customers** in sustainability, with the aim of accompanying them in the transition to a decarbonised economy.

In 2022, the Bank continued to offer **ESG products**, both investment and financing. In the financing products, aimed at the business segment, there is a wide range of products aimed at supporting accessibility and improving energy efficiency in housing, sustainable mobility and access to Next Generation EU aid. Recently, the Hipoteca +Sostenible has been added to this offer, aimed at financing homes with an A or B energy rating and, therefore, further away from the climate transition risks.

In line with sustainable consumption, our customers are offered various ECO and Zero Emission vehicle alternatives. To support young people, Ibercaja Banco has been selected as one of the three financial institutions in the Community of Madrid's My First Home programme. These products complement the offer of others with a social purpose aimed at supporting young people for their first major expenses and, in particular, to support their investment in education.

According to the BMKS Fin report (Benchmarking of Customer Satisfaction in the Financial Sector) by the consultancy firm Stiga, Ibercaja is between first and second place with respect to its peers in the overall satisfaction indicator for people over 65 years of age, as well as in the levels of satisfaction received from personal managers, branches and ATMs. In response to the current social demand for the financial inclusion of senior citizens, among other services aimed at senior customers, Ibercaja has defined a business strategy aimed at the senior segment, as well as a decalogue of measures for their personalised attention through different channels. Of particular note in 2022 is the launch of PENSIUM, a new product aimed at helping the most vulnerable elderly (dependents) to pay for their care without putting their home at risk and without using up their savings, by managing the rental of their home.

In addition, with the aim of accompanying our customers on this path to sustainability, we have maintained the collaboration agreement with the Extremadura Avante Agreement, the IDAE Agreement and Acierta Asistencia, focused on the energy efficiency of buildings. In 2022, new collaboration agreements were signed with the Agencia d'Habitatge de la Generalitat de Catalunya and with the Consejería de Fomento de la Junta de Castilla-La Mancha, to promote the improvement of energy efficiency.[11]

3. **Communication and Sustainable Impact**: In order to create a permanent and ongoing communication framework with our stakeholders that reinforces the Ibercaja Group's commitment to sustainability and transparency, in 2022 the **2nd Planet Week** was organised, with the slogan "the week in which the planet and you are the winners". This initiative was carried out from 24 to 30 October, coinciding with the celebration of the **International Day for Combating Climate Change**. The aim was to accompany customers, employees and society on the road to sustainability. **In this second edition, with a focus on social aspects**, various business conferences, round tables, volunteering actions, sustainability blog publications, competitions, eco-advice, etc. were organised with a national scope, achieving wide dissemination and repercussion in the media.

   The Bank's commitment to being a benchmark in sustainability was reflected in the 57 press releases, as well as collaborations with the media, articles, events, etc. during the year, with 969 impacts in the media and 399,000 impressions in the dissemination of information on social media through the Bank's channels.

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.

[11] For more information, see chapter 6.3 of this report.

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, with the aim of accompanying them on the necessary path towards the integration of ESG aspects in their business and helping them, with training and support, to align their activity with the Sustainable Development Goals. The Ibercaja Foundation has also developed, on behalf of Fundación Ibercaja, a **specific line of sustainability training** was also prepared for both companies and individuals. In addition, a new line of work has been developed for the implementation of **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, which was further developed in 2022 with specific training[12] for certain areas (e.g. Internal Audit).

[12] For more information, see chapter 6.4 of this report.

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**", which contains 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	DISCLOSURE
Business environment	Governing bodies	Risk management framework	Disclosure policies and procedures
Business strategy	Risk appetite framework	Credit risk	
	Business structure	Operational risk	
	Information	Market risk	
		Scenario analysis and stress testing	
		Liquidity risk	

In 2022, Ibercaja informed the ECB **of the steps** taken to integrate climate risks, as well as the new **action plan** defined to respond to supervisory expectations regarding the management and communication of climate and environmental risks for 2023. This plan was approved by the Board of Directors, the Management Committee and the Reputation and Sustainability Committee of Ibercaja. Throughout the year, the Bank has held regular meetings with the supervisor to communicate the degree of progress and level of compliance with the ECB's expectations according to the plans identified in the 2022 Thematic Review. In defining these plans, Ibercaja has taken into account the reports on results and best practices published by the ECB[13], focusing the 2023 financial year on the implementation of the defined and approved processes, within the deadlines defined by the supervisor.

[13] Results of the 2022 thematic review on climate-related and environmental risk (BCE, November 2022) and Good practices for climate-related and environmental risk management (BCE, November 2022).

The availability of ESG data is relevant for the integration of climate factors in the business and in decision making, so the Bank is working with external data providers to collect non-financial information from its customers and incorporate it into its systems, as well as assessing its availability, transparency, quality and the external verifications to which it is subjected [14].

> We must act now to overcome the challenges of climate change. We are confident that together we will build a better future.

Ibercaja's commitments to sustainability

UNEP-FI

The Bank 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 generates positive impacts for people and the planet.

Net Zero Banking Alliance (NZBA)

In April 2021 Ibercaja signed, as a **founding member**, the **Net Zero Banking Alliance (NZBA)**, an initiative promoted by the United Nations that promotes the commitment of the banking sector worldwide to achieve CO_2 neutrality of its own and its portfolio by 2050.

In order to achieve zero emissions on its portfolio in 2050, Ibercaja is aware that the calculation of the carbon footprint, specifically, of the scope 3 category 15 emissions (according to the PCAF methodology) and the respective intensity metrics, are an essential input for setting its decarbonisation targets, which are based on the selected decarbonisation pathways[15] (Net Zero 2050 scenario of the IEA at global level and “Net Zero 2050” scenarios of the IEA at global level and “Global Decarbonisation Pathway 1.5°C” of CRREM for Spain). Therefore, in the 2022 financial year, the Bank has calculated its funded carbon footprint and defined interim decarbonisation targets for the year 2030 in three carbon-intensive sectors.

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[14] For more information, see chapter 6.12 of this report.
[15] For more information, see Principle 2.2 of the Principles for Responsible Banking detailed in chapter 6.11 of this report.

Also during 2021, Ibercaja Gestión and Ibercaja Pensión have subscribed to the initiative **Net Zero Asset Managers**, with a commitment to achieve CO_2 neutrality of their own and their portfolios by 2050 at the latest.

Scope 1 and 2 emissions that could not be avoided in the previous year were offset in 2022 through the Procuenca forestry project as part of the ECODES ZeroCO_2 offsetting model. Ibercaja has been carbon neutral (**scope 1 and 2**) since 2020.[16]

Principles of Responsible Banking

Ibercaja has been a signatory since 2019 of the **United Nations Principles for Responsible Banking (PRBs)**, as a framework for action for a financial system that acts as a lever for sustainable development. For this reason, the implementation of the PRBs is part of the sustainability project and is one of its main lines of action.

The principles to which we are committed are:

1. **Alignment** of our business strategy with the SDGs, the Paris Agreement and other national and regional frameworks.
2. **Impact**: increase our positive impacts and reduce negative impacts; manage ESG risks resulting from our activities, products and services.
3. **Customers**: act responsibly and promote sustainable practices and activities for current and future generations.
4. **Stakeholders**: active listening, participation and collaboration with stakeholders to achieve societal goals.
5. **Governance and Culture**: 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.

[16] For more information, see Principle 2.2 of the Principles for Responsible Banking detailed in chapter 6.11 of this report.

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 chapter 6.12. of this Directors' Report.

PCAF

In 2022, the Bank joined the **Partnership for Carbon Accounting in the Financial Industry** (PCAF) to work towards its commitment to achieve emission neutrality of its loan books and investment portfolios by 2050 or earlier. PCAF is the international benchmark to facilitate the financial industry's alignment with the Paris Agreement and to convey transparency in the calculation of greenhouse gas (GHG) emissions. This methodology has been consistently applied in the measurement of financed emissions and other indicators related to emissions intensity.

UNPRI

As a sign of the Group's commitment to sustainable investment, from 2021 **Ibercaja Gestión subscribes 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.

CDP

Ibercaja Gestión and Ibercaja Pensión join the engagement platform **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. The fund managers have continued to collaborate during 2022 with other engagement platforms such as Climate Action 100+ or Access to Medicine Foundation.

Other sustainability commitments

Ibercaja is part of, among others, the following initiatives that reflect its commitment to sustainability:

- Since 2005, Ibercaja has prepared its Annual Report following the GRI standards of the **Global Reporting Initiative**, providing true 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 works in alignment with the **Sustainable Development Goals** of the 2030 Agenda, also supporting their internal and external distribution.
- **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.
- 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.
- 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.
- It participates in the **Sectoral Sustainable Finance Group and in the Sustainability Observatory**, coordinated by CECABank, in which legislative progress and supervisory expectations in the area of sustainability are analysed to identify the applicable requirements and to provide a response through action plans.

- 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 and sustainability.

- Since 2017, Ibercaja has held the **Solidar Certificate**, awarded by the Solidarity Business Association of Aragon, for its management to promote the integration of people with disabilities into the labour market, which was renewed in 2022.

- In 2022, the Bank obtained **EFR recertification** as a **Family-Responsible Company**, awarded by Fundación Más Familia, obtained in 2019. This certification recognises companies committed to the well-being of their employees and which promote active management of work-life balance and equality.

- In line with its commitment to care for and protect the environment, in 2022 Ibercaja obtained the **Aragón Circular Seal**, "Companies" category, awarded by the Government of Aragon, which recognises the work carried out in favour of the circular economy, with the development of good practices and actions to improve circularity, within the framework of excellent, innovative and sustainable management.

- Dialogue and voting activities are carried out in line with our Engagement Policy. Dialogue is an integral part of the circular process of integrating ESG risks into investment analysis and management with a focus on medium to long-term engagement. In 2022, 65 shareholder meetings of both domestic and international companies were attended with the support of a proxy advisor with ESG criteria.

6.2 Our contribution to Sustainable Development Goals

2-28

> 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.

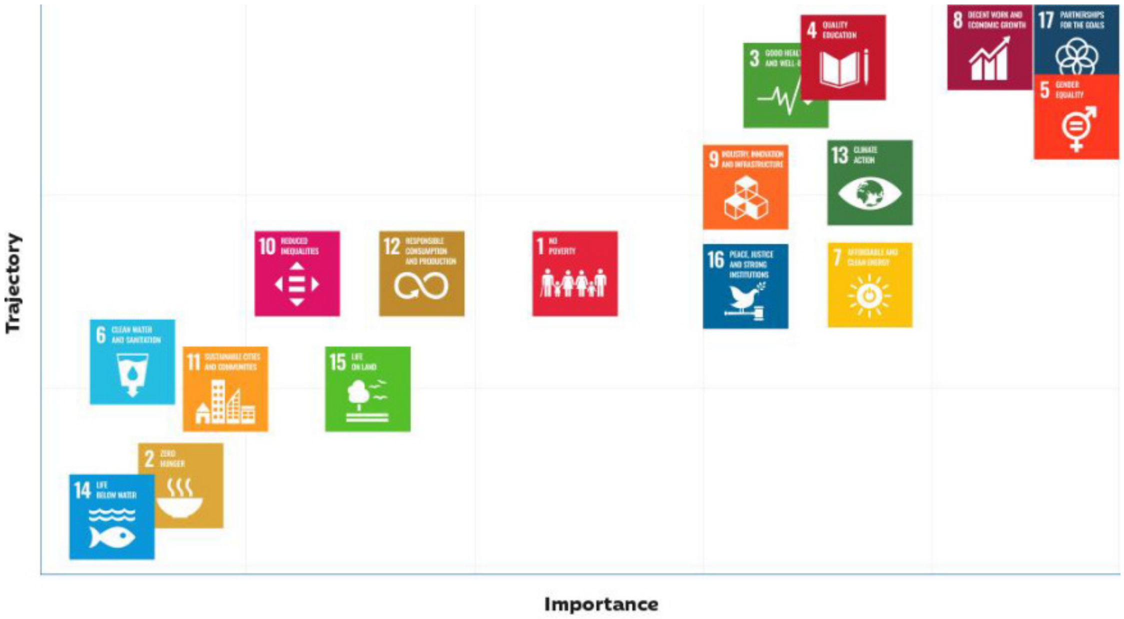
In 2015, all United Nations Member States adopted the **Agenda 2030 for Sustainable Development**. It represents the international commitment to address the social, economic and environmental challenges we face, putting people, planet, prosperity and peace at the centre, under the motto of "leaving no 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"**

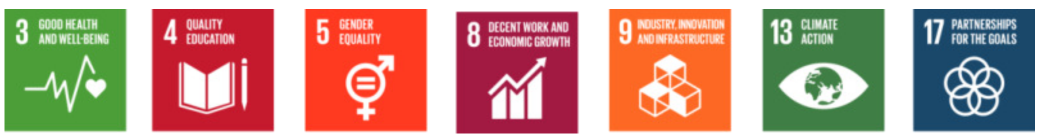
In this line, **financial institutions** have to play a very important role, among other areas, in the mobilisation of the capital flows needed to finance sustainable development

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, a **SDG materiality analysis** was carried out to identify the SDGs that Ibercaja has the greatest capacity to influence, to broaden their impact and to 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 shows the importance of the Goals and makes visible those SDGs that are most relevant to Ibercaja, in which we can make the greatest contribution.

Ibercaja prioritises the following goals

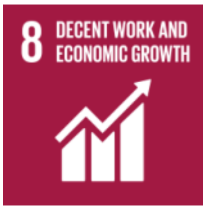


Among the main projects carried out in Ibercaja throughout 2022 that have contributed the most to achieving these SDGs are the following:

- **EFR recertification** as a family-responsible company.
- More than **90 measures for work-life balance and social benefits** for the people who make up the Bank.
- 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 new **SOMOS Portal**, an internal communication channel to promote healthy habits and information in this area.
- **Your Money with Heart** initiative, which promotes sustainable and supportive investment through donations to social and environmental projects, dedicating part of the management fee for these products.

- **In-house training** for the largest number of professionals in both 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 on-line 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.
- "**Basic Finance Programme**", aimed at people of all ages, to promote financial education.

- 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 Bank, eliminating barriers to achieving gender equality.
- **Work-life balance** measures that allow all employees to achieve a balance between 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 on the labour market** of people with disabilities or at risk of exclusion.
- 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.
- **Quality training** for companies on essential aspects for managing and integrating sustainability into business.

- **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.
- Servicio **Cash Back** Service to enable our customers to withdraw cash in shops.
- **Mobility City** project on new mobility in cities and the transformation of companies and services in the sector

- **Ibercaja's environmental policy** 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.

- **2nd 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.

- **Decarbonisation targets** for three relevant sectors of the credit portfolio due to Ibercaja's participation in the **Net Zero Banking Alliance** initiative.

17 PARTNERSHIPS FOR THE GOALS

- 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 with the aim of contributing to the necessary transition towards a more sustainable economy and positioning 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

2-6, 2-16, 2-24, 2-26, 2-29, 3-3, 201-2

> Customers are the heart of the Bank'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 business strategy with the United Nations **United Nations Principles of 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 special 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.

Climate impact analysis:

In response to the commitment to align business strategy with the Principles for Responsible Banking and to meet the ECB's climate and environmental risk management expectations, the Bank has updated in 2022 the **analysis of the impacts of climatic factors.**

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 (mortgage portfolio) and productive activities segment (corporate portfolio) of the credit portfolio.[17]

[17] For more information on the impact analysis, see chapter 6.12.5 of this report.

Commercial offer

To facilitate the improvement of the **energy efficiency of buildings**, this year we have begun to offer all our customers a service to assess the energy rating of their homes, propose solutions to improve efficiency, manage public subsidies and carry out the construction project, in collaboration with Acierta Asistencia, a CASER Group company.

This building energy efficiency assessment service, which can be completed up to a "turnkey" service so that the customer can access the most appropriate solutions for their property with the help of specialised professionals, began to be offered on a trial basis to homeowners' associations in the city of Madrid and was extended to homeowners' associations and individuals throughout Spain in 2022.

In keeping with our commitment to promote sustainability among our customers, we have continued with our communication plan by sending out new publications by means of **Newsletters focused on energy efficiency in housing**. This year, communication has focused on homeowners' associations, informing them of the services offered for the energy rating of the building, the management of public subsidies and the execution of the works required by the energy efficiency improvement project.

The supply of **specific products for financing** this type of project has remained stable, with no new needs to be covered, making up a complete offer for **sustainable mobility, accessibility and energy efficiency in housing and sustainable investment in productive activities**.

- 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

In line with sustainable consumption, Ibercaja Renting has continued to maintain throughout the year the **Sustainable Renting section** that was inaugurated in 2021, offering customers different ECO and Zero Emission vehicle alternatives.

These products complement the offer of others with a social purpose aimed at supporting young people for their first major expenses and in particular to support their investment in education.

a. University Tuition Loan

b. Erasmus grant advance loan

c. Youth Loan 2000

To support young people who want to take the step towards their first home, Ibercaja has signed up to the **Community of Madrid's My First Home programme**.

Ibercaja Banco was selected as one of the three financial institutions in the programme to promote the purchase of a first home for habitual residence by people under 35 years of age and resident in any municipality in the Autonomous Community of Madrid. This provides support to the person acquiring a property in such a way that the financing that can be obtained can be more than 80% and up to 95% of the value of the property.

This programme is aligned with the strategy deployed by Ibercaja Banco to finance housing for the young segment.

At Ibercaja, young people deserve a specific commercial strategy, but the **elderly also have a separate commercial strategy; we offer them new services and special commitments**.

Ibercaja has always been characterised by excellence in service globally and especially for the elderly. Thus, according to the BMKS Fin report (Benchmarking of Customer Satisfaction in the Financial Sector) by the independent consultancy Stiga, Ibercaja ranks between first and second place with respect to its peers both in the overall satisfaction indicator for people over 65 years of age, and in the levels of satisfaction received from personal managers, branches and ATMs.

In response to the current social demand for financial inclusion of the elderly and within the framework of the agreement recently signed by the AEB, CECA and UNACC, Ibercaja has defined a **decalogue of measures for the personalised care of senior customers** through a variety of channels.

The Decalogue includes the following measures:

1. **Individual support**: Customers over 65 years of age have a specialised personal manager on hand to help them with anything they need. Currently, 4 out of 5 customers over the age of 65 have a personal manager assigned to them.
2. **Face-to-face service**: Ibercaja's branches have an exclusive action protocol for the elderly. This protocol establishes priority attention for the over 65s, by means of a prior appointment request, to receive preferential attention, without waiting and on the day and time that is most convenient for the customer. The "Xplora in your branch" project will soon be reactivated with the capacity to carry out more than 1,000 individual training sessions per month, a pioneering initiative when it was launched in 2020, which offered educational support in digital services for the elderly and which had to be interrupted due to the pandemic.
3. **In-branch cash service**: elderly customers are guaranteed a cash service at all Ibercaja branches during all opening hours, either at the counter during opening hours or at ATMs.
4. **ATM service**: if a senior or disabled customer needs to carry out a cash transaction at the ATM, any branch employee or manager can accompany them to carry out the transaction together, in a very didactic way and with language adapted to each customer. This accompaniment is carried out as often as necessary, until the customer feels confident enough to carry out this type of operation independently. More than 95% of Ibercaja ATMs include passbook support, a service in great demand by older customers. In addition, the ATMs have a high contrast mode to improve the display for the visually impaired.
5. **Telephone banking**: For customers over the age of 65, Ibercaja has opened an exclusive free telephone line on 900 65 00 00 00, staffed by specialised managers belonging to Ibercaja Connect, a company wholly owned by the Bank.
6. **Digital banking**: Ibercaja's mobile app has a simplified version called "Initiation Mode", a pioneer in accessibility for the elderly since 2020. Its definition had the collaboration of the Bank's employees and, especially, of the Aragonese Council of Elderly People (COAPEMA), in order to adapt the application to the requirements and needs of senior users. The Bank continues to gather the contributions and suggestions of this group for any possible update to the application.

7. **Cash solutions in post office branches**: the Correos Cash service allows Ibercaja customers to operate in 2,400 Correos branches in Spain as if they were in their own bank branch, being able to request cash to be sent to their home under very advantageous conditions.

8. **Cash-Back Cash Solutions**: Ibercaja incorporates alternative cash withdrawal services in towns that do not have a bank branch, through the associated shops where they can withdraw money at the same time as they make their purchases.

9. **Pension advance**: On the 25th of each month, Ibercaja allows customers who have their pensions paid by direct debit to bring forward their pension payments in order to facilitate their financial planning.

10. **Training services**: Ibercaja and the Ibercaja Foundation have recently signed a collaboration agreement for the training of senior citizens in digitalisation. Within the framework of this agreement, together with the Bank's Retirees' Association, the “Connect with your banking” programme was launched, through which retired employees give training sessions on the use of digital online banking channels. This new programme joins the existing agreement from 2019 with COAPEMA (Aragon Council of Elderly People), through which a cycle of itinerant classrooms is facilitated in different locations to bring financial and technological education closer to the senior public.

This new decalogue responds to the corporate purpose of “helping people build their life story” and is part of Ibercaja's commitment to sustainability, demonstrating its sensitivity to the social demands of the territory where it operates and promoting financial education to promote inclusion and accessibility to financial services for those groups that may have greater difficulties.

In this vein, in the 2022 financial year, Ibercaja reached a **Pensium** collaboration agreement to provide our customers with access to a new solution that allows them to pay the expenses derived from the care of the elderly in residences or relatives' homes.

In order to obtain the extra income needed to meet these payments, it provides the resources in exchange for future rentals of the property. In this way, the homeowner does not need to sell his house or disinvest his savings. Pensium provides the necessary liquidity to pay for the residence or a carer, keeping the property in family ownership and making it possible to obtain a monthly income that is up to double the usual rent that could be obtained in the housing market.

Another of the services that Ibercaja offers with the elderly in mind is the A mayores service, which is actually a cover included in the Ibercaja Hogar insurance and which offers the following benefits:

- **Comprehensive and free telephone counselling and advice service.**

  Comprehensive information service for the whole family to provide advice and guidance on medical, legal, psychological, social and dietary-nutritional issues, completely anonymously and with no limit to the number of calls.

- **Home help service.**

  Three hours a year of free service provision anywhere in Spain where the insured need it (both at home and in hospital). Services included:

  - Physical and personal care. This specific service includes aspects such as personal hygiene, preparation and eating of meals, getting up, putting to bed, housework, control and monitoring of food and medication.
  - Accompaniment. This includes aspects such as: purchases, arrangements, our professionals, trained in psychological care, provide advice and support, as well as accompaniment.
  - Night-time assistance and supervision. Assistance, personal care and physical care during the night. Companionship and security during sleeping hours.

- **Alerts service with electronic device.**

  The service is designed for the policyholder to install a door-opening sensor on the fridge door of the elderly relative of their choice, which detects if the fridge is not opened in any of the two 12-hour intervals of the day (from midnight to noon or from noon to midnight) and sends a text message alert to the established contact telephone number, thus informing the policyholder of the lack of activity of the device.

  The door opening sensor includes an SOS button which, when pressed, generates an immediate SMS to the established contact phone number.

  This service can detect possible serious problems of the elderly person living alone. In other words, the elderly person can live at home and not with the policyholder's child or relative and enjoy this service in the same way as he/she can benefit from the three hours of home help.

This service and others especially dedicated to our older customers are part of our **senior commercial offer** in a specific section of our website: Enjoy, it's your time **Ibercaja.**

For the Bank, attending to the needs of its customers is its priority, which is why, at all times, of its own free will, it seeks the best solutions to help them in difficult situations, such as a reduction in their ability to pay their mortgage debts, as a result of the increase in interest rates.

As a result, Ibercaja has adhered to the new Code of Good Practices for urgent measures for mortgage debtors at risk of vulnerability, proposed by the Spanish Government.

Ibercaja will also continue to adhere to the Code of Good Practices on urgent measures for the protection of mortgage debtors without resources, approved by RDL 6/2012, of 9 March, with the new modifications introduced by RDL 19/2022, of 22 November, which improve the set of actions provided for in the original Code for the restructuring of debts secured by mortgages on primary residences, aimed at protecting families who as a whole receive, in general, an income of less than three times the IPREM (25,200 euros) and who are in a particularly vulnerable situation.

The Bank firmly believes in the effectiveness of public-private partnerships, as demonstrated throughout the pandemic, and also, throughout its history, in its participation in numerous projects and initiatives that have contributed to the economic and social development of the territories where it has developed its financial activity.

In this line of collaboration with public administrations and other private institutions, the **collaboration agreement was maintained with the Community of Extremadura to promote energy efficiency in buildings** and collaboration with **IDAE to disseminate its programmes among customers and offer special financing operations** in the efficiency programmes promoted by this institute. New collaboration agreements were also signed with the **Agencia d'Habitatge de la Generalitat de Catalunya** and the **Consejería de Fomento de la Junta de Castilla-La Mancha**.

Regulatory framework for sustainable finance

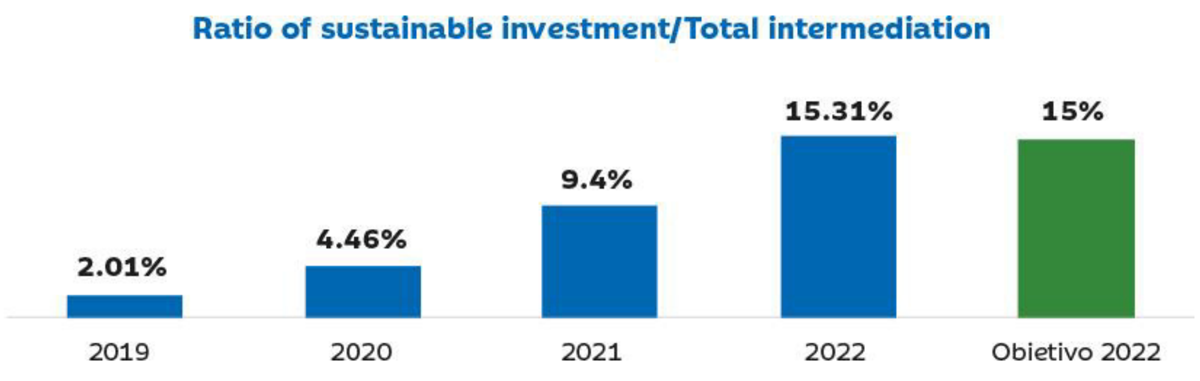
Looking at sustainable finance from the investor's point of view, it is worth noting that on 2 August 2022 the **amendments to the MiFID Regulation in relation to the integration of sustainability factors, risks and preferences in advice and delegated portfolio management**.

The MiFID Regulation maintains as its main objective the protection of investor interests in the advisory, marketing and delegated management processes. **The incorporation of the customer's sustainability preferences has given rise to the so-called Green MiFID,** which reiterates its commitment to consumer protection, adding the promotion of sustainable financial products **to encourage the channelling of private savings resources towards companies committed to protecting the environment from the three pillars of sustainability: environmental, social and good governance** (ESG).

To make it easier for customers to understand the impact their investments may have on the environment and society, and in response to the new regulations amending the MiFID Regulation on sustainable investment, a new questions module was introduced in the suitability test to identify the customer's preferences and provide an appropriate advice or delegated management proposal.

With the aim of achieving a suitable investment proposition for each customer, whatever their investment profile, five new ESG investment funds and a new sustainable pension plan were added to the product range in 2022.

These developments have resulted in investment in ESG products exceeding 2,836 million euros, increasing the sustainable investment ratio from 9.40% in 2021 to 15.53% at the end of the third quarter of 2022, thus achieving the target for the year.



Universal Accessibility

At the end of 2019, the Service for Deaf People was launched to support accessibility to financial products for people with hearing disabilities. It is available to all the Bank'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 those customers that have never used online banking to familiarise themselves with the app in an easy manner. Users of this new tool will benefit from the professional advisory services of experts, which will help them to resolve any queries. Moreover, since 2020, the My Manager functionality is also available in the new digital banking.

In 2021, with the aim of reinforcing 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 was 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 Ibercaja's app and the cash can be sent at a Correos branch or at an Ibercaja branch.

In 2022, Ibercaja continues to strive to offer the best service to its customers, reinforcing the initiatives launched in previous years and working to develop others that facilitate access to the Bank's financial services.

Customer service

The main new feature is that the CCS reports directly to the Bank's Control Department. This complies with the regulator's specific recommendation that the Customer Service Department should form part of the Bank's Second Line of Defence. It no longer depends on the General Secretary.

Ibercaja has established the **Customer Care Service** (CCS) so that customers and users of its services can submit their complaints, claims, suggestions and proposals for improvement. A total of 17,315[18] applications were submitted in 2022. Details of the figure and the variation with respect to 2020 and 2021 are included below:

No. Files Ibercaja Banco	2022	2021	Change%
Complaints	4,498	4,667	(4%)
Claim	11,677	18,329	(36%)
Mortgage expenses	3,705	11,561	(68%)
Interest Rate Floor Clauses	670	944	(29%)
Suggestions	46	55	(16%)
Total (*)	**16,891**	**23,995**	**(30)%**

*The table has been modified under the requirements of Bank of Spain Circular 4/2021 of 25 November.

This year has seen stability in the number of claims requesting the nullity of clauses and compensation for mortgage loan arrangement costs, having overcome the large influx in 2020 and 2021, which was 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 notarial costs in half between the customer and the institution and the full attribution to the lender of appraisal, registration and agency costs.

[18] Although GDPR Rights are not instructed or resolved in this service, we include the data as they are registered in our application and we report them every month.

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 in order 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 Bank in those cases in which it is unequivocally known that if the matter goes to court the decision will be unfavourable to the Bank. This procedure has been refined since 2021 and throughout 2022 by incorporating the payment of these costs also in novations and subrogations.

> Adaptation to the new guide on customer services and the new Bank of Spain circular.

As for the so-called “interest rate floor clauses”, the progress reflects the work done by the Bank in recent years in resolving this type of claim, with the continuity this year of the return of the floor in novated loans from the activation of the clause to the date of the novation. Provided there was a previous claim within the last five years. As for non-novated loans, there are fewer and fewer left, and the customer's request continues to be met, eliminating the clause and paying from the beginning or the last five years if there is no previous claim.

The **average time taken to resolve complaints and claims** has improved considerably compared to the previous year, rising from **27 days** to around **13.6 days this year**, and the time taken to admit a complaint, a new concept this year, which should not exceed 10 days, is 1.9 days. We have therefore achieved intake and resolution averages well below the limit required by the Regulator.

This year there are important new developments in procedures, which include a profound change in the way the CCS works, achieving from July onwards the complete adaptation of 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.

The production tool was adapted to the new reasons and the new families of classification of complaints and claims that appear in the Circular, and the way the CCS itself works was modified to implement new concepts and deadlines such as Admission/Inadmission before 10 days.

At the request of the Management of the Control Area, a scorecard was implemented that includes all the department's activity in terms of Discharges and Resolutions, as well as the possible repercussions that complainants may have on the Regulator.

One of the functions that has increased the most is the constant review of the criteria applied by the Regulator with respect to the CCS resolutions and the permanent interdepartmental communication should any criteria need to be changed.

The different characteristics maintained by the different Autonomous Regions in terms of deadlines and consumer complaint forms were reviewed in order to keep our entire network of branches aligned with the requirements of the territory where they are located. Promoting the publication of a quarterly reminder to all Bank staff on this particular subject.

The wording of the text on the website was modified in response to the recommendations made during the visit by the Director of the Control Area and the Head of the CCS to the Bank of Spain.

The Customer Service Department keeps a constant watch on new complaints or claims that may arise in order to alert the organisation as soon as possible and to be able to change, if necessary, any criteria on a product or procedure, as has occurred throughout the year, for example, with the elimination of commissions on cash deposits to third parties.

6.4 Commitment to our people

2-6, 2-7, 2-19, 2-20, 2-29, 3-3, 401-3, 405-1, 401-2, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 404-1, 404-2

> The dedication and professionalism of the people who work at the bank and their involvement and commitment to the project make them the best hallmark of the Ibercaja brand.

The Ibercaja Group has a **staff** of **4,794 people**, of whom 4,465 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 years. The employees of Ibercaja Banco are fully covered by the collective agreement.

IBERCAJA BANCO HAS A TEAM OF **4,465 PROFESSIONALS** (DATA AS AT DECEMBER 2022), 95.83% OF WHICH HAVE AN INDEFINITE CONTRACT.

Of these, 756 perform their work in central services, which means that 83% of the total workforce works in the branch network.

4,465 PEOPLE
IBERCAJA BANCO TEAM

96%
PERMANENT WORKFORCE

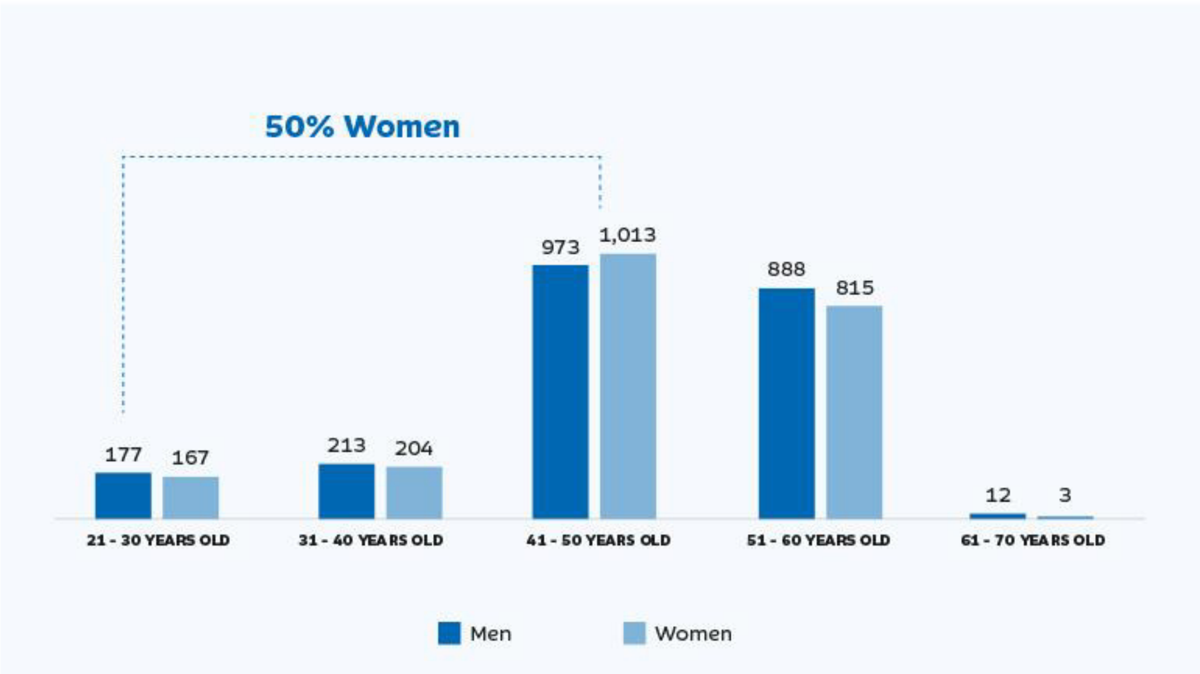
83%
EMPLOYEES IN BRANCH NETWORK

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, 49% since 2020). In the under-50 age bracket, **50%** of employees were female; this means that the percentage of women in the Bank's average age bracket is now at equal numbers.

51% MEN

49% WOMEN

	Men	Women	Total
People	2,263	2,202	4,465
Average age	47 years	46 years	47 years
Average length of service	20 years	21 years	21 years



December 2022

We are Ibercaja...

We are what we say, feel and do

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".

After positioning ourselves with a differential and recognised model in Customer Experience, we intend to go one step further by developing an **Internal Relationship Model**, based on the axes of our corporate culture, that achieves a real impact on the Employee Experience (EX), with direct implication on the Customer Experience (CX), and, therefore, on the Business Results.

Following the identification of the key elements of our culture, the second phase of the **Internal Culture Activation and Corporate Purpose** project begins in 2022.

This second phase of activating our culture began with a **consultation on the experience** of people working in the Bank at **key moments of the defined Journey**, obtaining a **response rate of 75%**, one of the highest participation rates in internal surveys.

BUILD
Identifying the Basis of Culture 2021

ACTIVATE
Our culture/purpose in action for 2022-2023

FEEL
Monitoring strong and sustainable culture 2021-2023

Following the analysis of the findings obtained in the previous diagnostic phase, in 2022 work began on defining the pillars, implications and behaviours of the **Internal Relationship Model**, the central axis of the system for activating our corporate culture and purpose.

These behaviours are defined around **5 axes** that form the mnemonic of the internal brand **SOMOS**, where each letter represents a trait that identifies us.

Based on these axes, we define a language and behaviour common to the entire organisation to ensure that our culture takes root.

2022. AT THE MIDPOINT OF THE STRATEGIC CYCLE

> **Our goal for 2023:**
>
> "To become an attractive organisation for talent".

Within the framework of the new Challenge 2023 Strategic Plan, and in Ibercaja's conviction that people are the key to success through their talent, professionalism and commitment, the People Department continued with the strategic roadmap initiated in 2021.

STRATEGIC MILESTONES IN 2022

1. **New Valuation Model**
2. **Upskilling and Reskilling Scheme for branch employees and Corporate Banking**
3. **Management by objectives and implementation of new objective measurement tool in Central Services**
4. **Systems Plan**
5. **Launch of Ibercaja SOMOS Internal Portal**
6. **Cross-skilling training**
7. **Cross-cutting training other initiatives of the Challenge 2023 Plan**
8. **Integration into Scorecard Management**

1. New valuation model

After a process of strategic reflection in 2021, in which we were able to understand the starting point and how we needed to evolve the people management model in order to achieve the strategic objective of making Ibercaja an attractive organisation for talent.

In 2022, the first step was the design of the **Map of positions**:

- Once we have identified the **type of positions**, we evaluate them under an **objective methodology** based on 7 factors (knowledge, communication, budget, complexity, decisions, impact and leadership).
- In the next step, and with the aim of facilitating talent management, we classify typical positions into **areas or groupings** with a similar nature of function and activity. In each of them we have a sheet that lists duties, job types, and the skills and abilities that the positions require to carry out their work.

The next tool of the model is the **Performance and Potential Assessment**, a process that started in September with the sessions for evaluators, continued with the communication plan and the launch of the questionnaires.

The assessment process has the following objectives:

- To contribute to the improvement of the professional skills of all the people in the Bank.
- To promote communication between line managers and their team members, jointly identifying strengths and detecting areas for improvement through the Development Conversation and the establishment of action plans.
- To facilitate the efficient planning of actions aimed at the development of its professionals.

The performance and potential assessment model evaluates/determines the professional competencies that respond to the Bank's corporate values and make it possible to achieve the strategy and the specific skills and abilities necessary for the performance of the function that help to understand the capabilities of Ibercaja's people and to focus on the development of internal talent. In addition to including mobility and motivation questions in the self-assessments, and other complementary questions such as: Is he the best in your team? Issues that will allow us to segment the workforce in some way and to be able to apply more personalised talent policies.

STRATEGIC DEVELOPMENT OF THE PEOPLE FUNCTION

> **This performance and potential assessment model will help us to improve our people decision-making at Ibercaja and to become an attractive organisation for talent**

PERFORMANCE AND POTENTIAL ASSESSMENT MODEL

PERFORMANCE

COMPETENCIES

The definition of performance identifies the **desired competencies of employees** to make it possible to **achieve the strategy** and **to encourage their development, all in line with the new relationship model we are pursuing at Ibercaja.**

SKILLS AND ABILITIES

The skills assessment gives us **visibility to focus** on developing internal talent. It helps to recognise the skills of Ibercaja's professionals, development needs and to create specific action plans to continue to evolve.

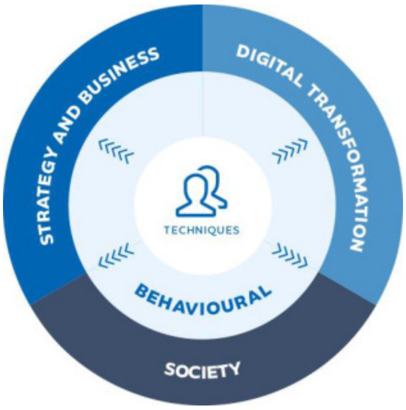
QUANTITATIVE INFORMATION

Aimed at discovering **the capacity and willingness** of our professionals to **grow and develop** at Ibercaja and, from there, to build a value proposition that helps them to achieve this.

Once the questionnaires were closed, in November, we began the analysis of coherence with the results, with the aim of achieving data dispersion. And thus build a first version of the **Talent Matrix**.

2. Definition of an upskilling and reskilling plan for branch and corporate banking employees.

We have defined at a high level different types of training actions linked to skills, or what we have called skills and abilities, and which are associated with the position we hold.



Firstly, we have begun to design a **possible itinerary with actions** to provide training in those skills that a branch employee would need to perform a position with a higher value contribution. Secondly, we have analysed the Corporate Banking segment, assessed its current level of skills and abilities, and identified the GAP with the highest level of skills and abilities.

3. Management by objectives and objective measurement tool in central services

Management by objectives in central services is integrated into management through an IT tool for **measuring objectives**, the development of which was completed in 2022, and will be made available to employees working by objectives in 2023.

The management by objectives model in central services is applied in all new appointments and salary reviews. By 2022, 30% of central services will be working to targets.

The tool allows us to carry out the process of **defining, communicating and monitoring objectives**. It was developed in Iberweb and allows us to digitalise the process, inform all those involved of the objectives, measure the overall result, minimise operational risk, among other benefits.

4. Systems plan

In 2022 we have **a report**, in which we try to identify the **main functional and technical requirements** that would support the processes and management model defined in the strategic people initiative, and which **allows us to make decisions on systems**.

The technical report states:

- A report with the AS IS of all current processes in the people area.
- A report on processes and tools:
    - Evaluation of AS IS processes
    - Main standard TO BE processes for a market tool
    - Estimated implementation timeframe
    - Estimated resources needed for implementation

5. Launch of SOMOS internal portal

After a pilot with more than 250 colleagues (transmitters of talent) in 2022 we will launch a **new internal communication and management tool**, the new internal portal SOMOS Ibercaja.

The new Portal has been and is managed using agile methodologies, which allows us to iterate it continuously and incorporate improvements. It has also allowed us to design tools with our own resources, as we have seen with the new performance assessment, without having to rely on third party tools: making resources efficient, designing everything with our own resources, centralising all the information in our database, thus facilitating decision-making and improving/facilitating the employee's relationship with the Bank.

The **objective of the portal launch** was to be more than just an employee portal, as it allows:

- To evolve the current People management, through the digitalisation of certain operational, communication and management processes, favouring the **UTILITY** of the environment.

- **To improve the Employee Experience in the workplace**, trying to transfer to the new environment the same attention paid to the customer experience, integrating this ideology in the key moments of their relationship.
- To make a positive impact through emotion and empathy generating an **Environment of Wellbeing**.
- The use of **SharePoint/office 365 technology** allows us to foster collaboration and participation through teams and other collaborative tools.
- To keep employees **connected to the company**, its culture and strategic objectives.
- Through the new Portal we must be **allies of the Business**, helping to improve results through efficiency and productivity.
- And through it, we are **activating a corporate culture** consistent with our purpose and values, which has a positive impact on the perception of the Value Proposition that Ibercaja offers its employees.

6. Cross-skilling training

Framed within the cross-skilling plan defined within the strategic people initiative with the aim of training employees who in one way or another collaborate in the strategic initiatives. In 2022, four new promotions of central service employees, around 100 employees, were trained in the "**Specialised course in project management**" taught by ESIC.

The objectives of the course are:

- To acquire the necessary knowledge of project management processes, the project life cycle and the areas of knowledge, avoiding the most frequent errors.
- To master the techniques, tools, methodologies and terminology of the nine knowledge areas based on the Project Management Institute standards.
- To ensure that projects for which it has responsibility are properly managed.
- To lay the foundations for the development of true project management in the organisation, and to establish a common language and a proven project management methodology.

7. Cross-cutting training other strategic initiatives of the Challenge 2023 plan

In 2022 the people area initiative as an enabling initiative within the Challenge 2023 Plan, we actively collaborated in the **specific training for the other strategic initiatives**.

Training has been carried out in all strategic initiatives, the most prominent ones:

1. **Purpose and sustainability:**

- Online sustainability programme at Paraninfo (all staff).
- Incorporation of sustainable finance in MiFID update training.
- Code of Ethics Pill.
- Training itinerary for the audit area.

2. **Knowledge of the customer**

- Digital skills training in NETWORK (1500 employees trained) in commercial skills by increasing the use of internal digital tools - My Manager - Telephone or Video Calling - Deferred Signature.

  In order for this training to be useful, we work through use cases with insurance products, mortgages, funds, etc. and provide tools that can be used in the workplace in the sales process.

3. **Business Banking:**

- Deployment of Risk-adjusted business intelligence training (ICAR: tool).
- Training actions in digital banking for companies.

4. Risk insurance:

- Training for Territorial Insurance Business Managers, with the aim of making them benchmarks in their areas.

5. Pricing:

- Training and cultural change, phase 1 was implemented in 2022: design of the roadmap with contents, collectives, etc. plus a pilot with management figures who already use the calculator (companies and managers, business sales people).

6. IRB Model:

- Training provided in preparation for the new IRB models with the aim of explaining the why and what for of the new IRB models and their application through the RAROC methodology to align risk management with the bank's business and capital plan.

  Participants: approx. 600 participants: branch directors with portfolio, corporate banking managers, business managers and commercial managers of business and staff companies and branch network.

8. Integration into scorecard management

There is a specialised team integrated in the People Area, whose mission is to provide the area with a **methodology and an integrated process of data analysis**, which has an impact on improving the quality of **decision-making** on people. This function is crucial to be able to carry out personalised segmented proposals, based on the needs and expectations of people.

Various internal and external data sources are being integrated and analysed on a recurring basis in order to answer business questions related to human capital, so that they can be acted upon.

In 2022, as mentioned above, a job map and a new performance and potential assessment were created and developed, which will provide us with more information and more value for the aforementioned objectives.

In addition, it has been further integrated into the management of the area, with new indicators and/or reports at all levels. The new reports and visualisers for the correct management of the target templates and, above all, the integration of the family-responsible company model in our data models, which is a very important source of information that helps us to achieve the aforementioned objectives, stand out.

A new family-responsible company Quarterly Indicator Report has been completed, which has been integrated into the Area's management of the data and is independent of those previously produced. All of this is aligned with our commitment to continuous improvement, quality of service and information. This will enable them to make better decisions based on data.

OUR EFR MANAGEMENT MODEL

Ibercaja's express desire to improve the quality of life and well-being of its employees is also reflected in the **strategic orientation** that the Bank's People Management Model gives to the element of **work-life balance**, providing a response, in the form of specific actions, to the commitments acquired.

Thus, in 2018, **Ibercaja Banco** decided to initiate the **EFR certification process, awarded by the Másfamilia Foundation**as a sign of **its commitment, responsibility and strategic nature of work-life balance**, which, firstly, accredits the efforts made to date, and secondly, guarantees its continuous development through a standardised management model.

The EFR initiative responds to a **business culture** based on **flexibility, respect and mutual commitment** towards which Ibercaja also wants and is evolving.

As a result, in 2019 Ibercaja obtains the EFR (Family-Responsible Company) certification for the employees of the Financial Institution, thus reinforcing our commitment to the people who form part of the organisation, in accordance with our corporate culture and purpose.

What does Ibercaja Conciliar mean to Ibercaja?

During this first certification cycle, which ended in 2022, the family-responsible company model in its standard 1000-1, has constituted a reference framework in the management of our human capital, as it fits perfectly with the SOMOS Relationship Model that we are currently developing.

In order to continue promoting initiatives that respond to the needs of our professionals, **Ibercaja Banco's management** has decided to initiate the **EFR recertification** process for the management of work-life balance in 2022.

Our organisational purpose, mission and values provide us with the sensitivity and vision necessary to continue moving forward in the consolidation of this people management model.

Our ultimate goal is to consolidate a **working methodology**, a dynamic management process and continuous improvement, which will allow us to continue advancing in the **systematic development of family-friendly policies and practices** in such a way that our organisation will be able to carry forward cultural change, based on the life project of each person.

Thus, in September 2022 **we renewed our certification as a family-responsible company, upgrading to the C+ scale**, highlighting as strong points the LiderA Plan, whose objective is to improve the position of women in management positions, which currently stands at 34%, also underlining the good working environment among colleagues and Ibercaja's commitment to sustainability.

In the last three years since we achieved our first family-responsible company certification, the workforce has enjoyed multiple benefits. Among them, 351 professionals have taken leave for childcare and 81 people on leave of absence have continued to enjoy the social benefits of the Bank, such as study grants, access to training or economic improvements linked to financing.

Between 2019 and 2021 (first certification cycle), 409 workers have obtained financial aid for university degree studies and other studies or languages to complement their training. In addition, study grants for children, which improve on the provisions of the Collective Bargaining Agreement, reached 10,440 beneficiaries. In terms of equality, 105 female employees were promoted to managerial positions during the same period.

During the last certification cycle, 8 new family-responsible company measures were incorporated in the field of equality, quality in employment, family support and flexible working hours and space, highlighting the negotiation of these measures with the Legal Representation of Workers.

It is worth noting the **support and active involvement of our CEO and the entire Management Committee** in this project from the outset, a sign of the leadership implemented in our Bank, with a clear focus on people.

"The people who make up Ibercaja have a key role in the Bank's future and this management model, which has the firm commitment of the Management, is allowing us to respond to the needs of our employees and to advance in a business culture based on co-responsibility, flexibility, respect and mutual commitment".

Víctor Iglesias Ruiz
Chief Executive Officer of Ibercaja

In parallel, in 2022 we updated our **Equality Plan** to guarantee equal treatment and opportunities, through 25 specific objectives and 77 measures to which Ibercaja is committed in this area.

These measures are distributed in the following areas, with specific objectives for each of the following subjects:

1. Selection and Recruitment
2. Professional Classification
3. Training
4. Professional Promotion
5. Working Conditions
6. Co-responsible exercise
7. Under-representation of women
8. and Remuneration
9. Preventing Sexual and Gender-based Harassment
10. Other: Occupational health, gender violence, non-sexist language...

EFR team

Given the importance of the EFR Model for Ibercaja's Management, it was considered necessary from the outset to have an EFR Team to assume responsibility for managing the model.

The team is made up of 9 people from different areas of the organisation, all of whom have received training accredited by the Másfamilia Foundation in Work-Life Balance Management according to the EFR Model.

EFR measures

We have a catalogue, updated in 2022, of **91 EFR measures**, which improve on existing legislation and the sectoral agreement.

Among these measures, the most valued are those related to flexible working hours, study grants and the FlexiPlan flexible remuneration scheme.

The Bank's employees are eligible for work-life balance measures such as flexible working hours, leave, reduced working hours and leave of absence. In 2022, 429 different people took advantage of these measures (309 for flexible working hours, 167 for reduced working hours, 22 for childcare leave and 7 for leave to care for family members).

In 2022, 65 people were entitled to parental leave (36 men and 29 women), all of whom took parental leave. All 65 returned to work after the end of parental leave.

EFR INDICATORS

Data as at 31 December 2022

1.1-NUMBER OF EFR MEASURES IN FORCE	
1. Quality in employment	41
2. Space and Time Flexibility	41
3. Family support	41
4. Professional and personal development	41
5. Equal opportunities	41
TOTAL EFR MEASURES	41

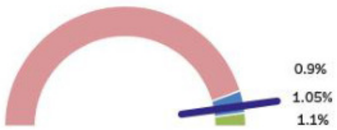
1.2-NUMBER OF NEW MEDIA REQUESTS	
RECEIVED	ACCEPTED
4	4

9-INVESTMENT IN EFR CONCILIATION IN 2022	
AMOUNT (quantified accounting)	11,593,310
% (EFR) INVESTMENT FIXED vs FIXED WAGE	5.69%

EFR INDICATORS		2021	dic/2022	
2.1 EMPLOYMENT STABILITY. % of permanent contracts as a percentage of total contracts		96.27%	95.83%	
3.1 TEMPORARY FLEXIBILITY % of companies that can take advantage of a flexibility measure. Temporary (this is independent of the position, having children under 14 years of age or family care network).		-	100.00%	
3.1 TEMPORARY FLEXIBILITY % of employers with children under 14 years of age		44.32%	42.77%	
3.2 TEMPORARY FLEXIBILITY % of companies using flex. Temporary on the number of Persons eligible for this flexibility		-	16.31%	
4.1 SPATIAL FLEXIBILITY (PILOT) % of employers in telework-optional positions		-	3.09%	
4.2 SPATIAL FLEXIBILITY (PILOT) % of employers using telework among those in telework-eligible positions		-	26.09%	
4.2 SPACE FLEXIBILITY (PILOT) % of employers using telework among those in telework-eligible positions. By job grouping	MANAGER	-	3.00%	
	MIDDLE MANAGERS	-	17.00%	
	TECHNICIANS	-	69.00%	
	CLERICAL STAFF	-	11.00%	
4.3 SPACE FLEXIBILITY (PILOT) Average % of the annual working day that is carried out in teleworking mode		-	60.00%	
4.3 SPACE FLEXIBILITY (PILOT) Average % of the annual working day that is carried out in telework modalities. By job grouping (Everyone, regardless of the position, has the		-	60.00%	
5. CON, UTI, SATIS, VAL AND APPLIC. OF MEASURES No. of Respondents and % of Respondents vs total		-	967 - 21.78%	SHEET 2
6. MATERNITY % mothers with children under 12 years of age in managerial positions out of total number of women in managerial positions		37.74%	35.24%	
7. EQUAL OPPORTUNITY BETWEEN WOMEN AND MEN % of women out of the total workforce		48.77%	49.32%	SHEET 3
8. EQUAL OPPORTUNITIES. OTHER FORMS OF DIVERSITY % of people with disabilities		1.07%	1.05%	SHEET 4

2022 EFR STRATEGIC OBJECTIVES

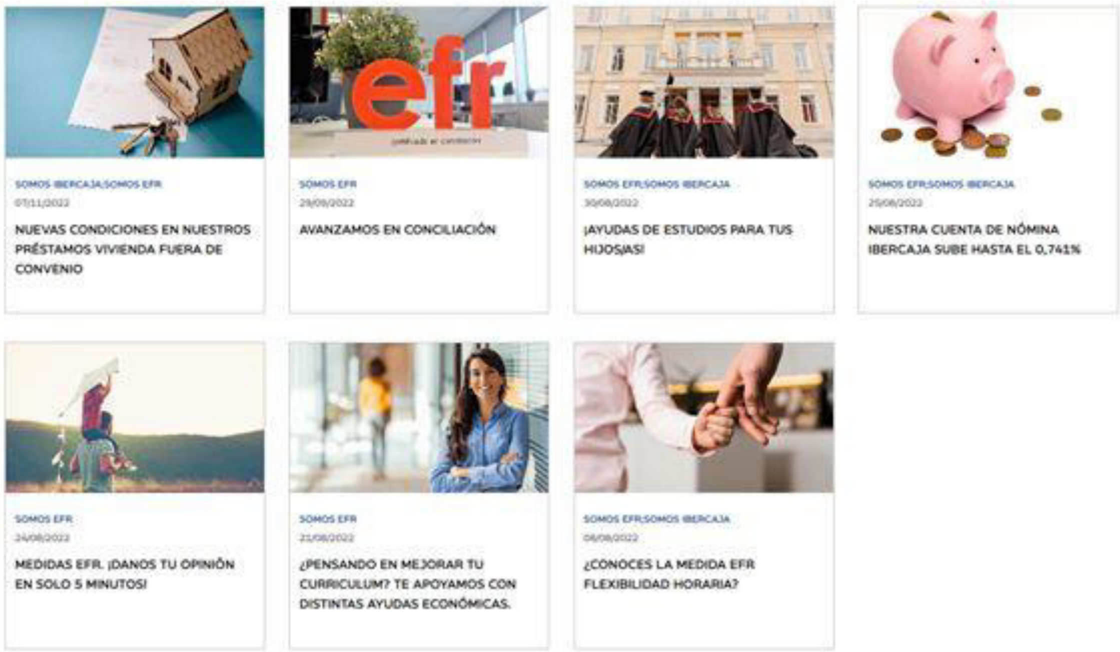
% FEMALE EXECUTIVES 2018	30%
% FEMALE EXECUTIVES TODAY	34%
% FEMALE EXECUTIVES TARGET 2023	40%



% FUNCTIONAL DIVERSITY 2018	0.99%
% FUNCTIONAL DIVERSITY TODAY	1.05%
% FUNCTIONAL DIVERSITY TARGET	1.10%

These measures are available to all Ibercaja Banco professionals through the main internal communication channels: **Regulations and Somos Ibercaja Internal Portal**.

In parallel, we regularly carry out internal marketing campaigns to promote and raise awareness of the most representative EFR measures.



(Examples of dissemination of EFR measures in SOMOS Internal Portal)

In addition, the **external dissemination** of the EFR initiatives we implement is another of the tools used to achieve a positive impact on society, strengthen our image as an employer brand and involve our stakeholders in this project.

Improvement Objectives

In line with our culture and strategy, in 2022 the EFR team defined a new three-year Action Plan, approved by our Management Committee, to make further progress in improving work-life balance at Ibercaja.

The Plan was conceived through 5 priority lines of action with the objective of strengthening the EFR principles during the second certification cycle (2022-2025).

2022-2025 LINES OF ACTION	
L1. Leader Essentials	Framework for people recognised as leaders to exert a homogeneous, coherent and aligned influence on their teams in line with our SOMOS Relationship Model.
L2. Improvement Information	Promote the mechanisation of the information derived from the monitoring of the EFR model and integration with people analytics for a better exploitation of the data.
L3. Employee Value Proposition	Advance in the implementation of new measures and work schemes that facilitate balance and well-being in people's lives.
L4. Training	Definition of the EFR training plan aimed both at people directly linked to the EFR model and at the rest of the staff.
L5. Communication and Awareness-raising	Define new internal and external communication strategies to raise awareness of EFR measures, promote their use and extend the EFR culture to other stakeholders.

Each of these five main lines is associated with an action plan for its achievement, which includes intermediate objectives, deadlines for implementation, responsible persons, etc.

Plan LiderA - 3rd enFemenino WEEK

> **Ibercaja** actively promotes **equal opportunities**, rejecting any form of discrimination, and it is committed to the work-life balance of its professionals that work at the Bank.

In recent years, a great deal of progress has been made in the incorporation and promotion of female talent at Ibercaja.

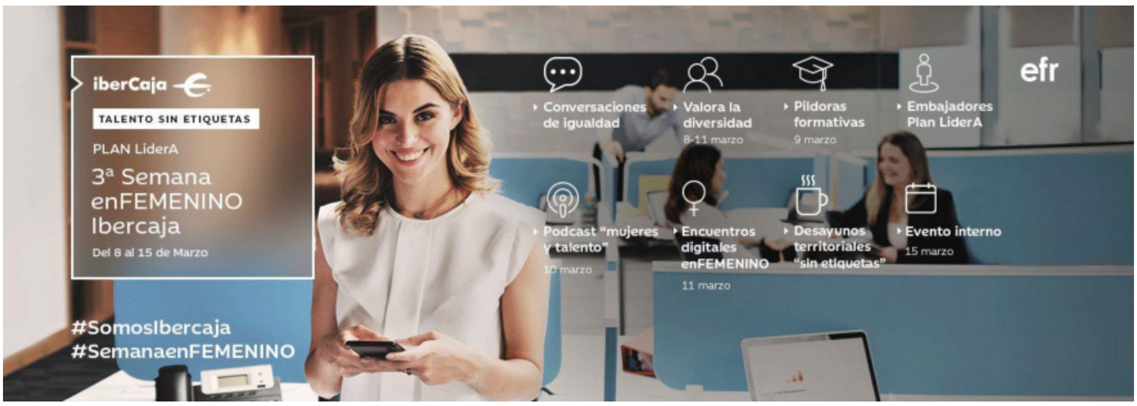
This is not an isolated event, but is part of the **EFR Action Plan**, which involves an increase in the presence of women in all areas of the organisation, including those with the greatest responsibility.

Women currently represent 49.3% of the workforce (50.4% in age brackets below 50 years) and the share of women in management positions is 34.4%.

In 2022, the number of vacancies awarded to women rose to 47%, while 46% were requested. Concessions were around 40% of the branch manager positions, 61% of the deputy manager positions and 55% of the personal banking manager positions. Women obtained 53.4% of promotions in 2022.

The LeaderA Plan forms part of our EFR Action Plan and 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



Under the slogan "**Talent without labels**", from 8 to 15 March we celebrated the "3rd enFemenino Week" at Ibercaja. An EFR initiative framed within the LiderA Plan with a double objective:

- **Encourage** people with growth potential to take a further step in their professional career.
- **Raise awareness** among those who have to make the decision to appoint new management positions so that, on an equal footing, they continue to support Female Talent.

Throughout the week, inspiring voices, ambassadors of Plan LiderA, reminded us of some of the skills that women bring to our leadership model: *focus on people, the search for cooperation, the generation of empathy and their predisposition and adaptation to change.*

(SUMMARY VIDEO THIS WAS WHAT ENFEMENINO WEEK WAS LIKE)

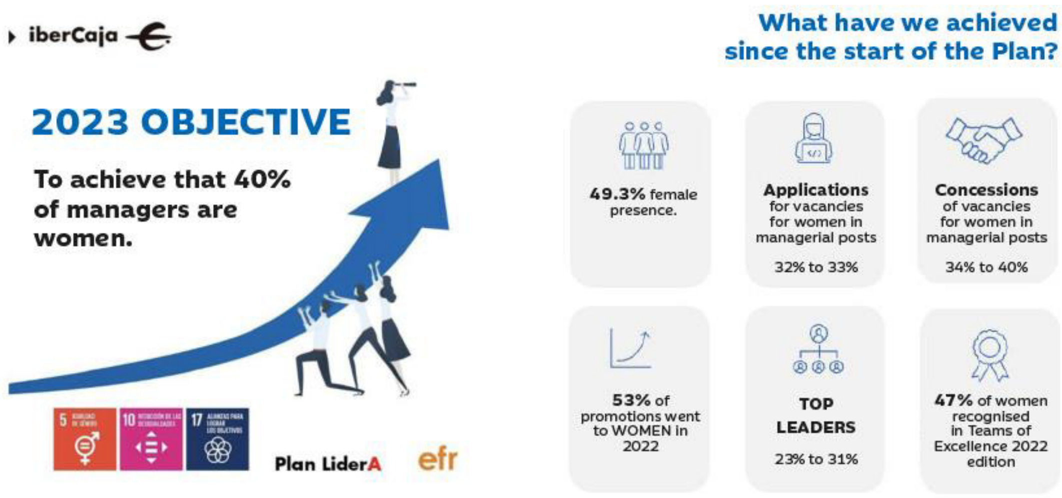
Time and Space Flexibility

The **new ways of working** involve a transformational approach to the traditional work system. For this reason, in this first certification cycle we included this line of action in our **EFR Plan** with the aim of implementing measures linked to flexible working hours and spatial flexibility at Ibercaja.

Given their impact, in 2022 we reached an **agreement with the entire RLT to implement actions in the areas of flexible working hours, remote work, digital disconnection and good practices in the management of working time**, thus reflecting the commitment of both parties to the reconciliation of work, family and personal life of the workforce.

Throughout 2022, **flexible working hours was the measure most highly valued** by the Bank's employees, according to the study analysing the effectiveness of EFR measures and employee interviews. **Its implementation has improved the working conditions of more than 280 people**, who have gone from requesting a reduction in working hours (with an impact on their pay) to enjoying flexible working hours.

With regard to **digital disconnection and time management measures**, the agreement includes a series of **"good practices" as set out in the Collective Bargaining Agreement**, which regulate compliance and **guarantee the digital rights of** Ibercaja's staff.



EFR space

We have a specific site where we collect all the information related to the **EFR project**, **Plan LiderA** and the activities developed during the third "**enFemenino Week**": Interviews with LiderA ambassadors, videos of workers and their particular cases, conversations, Suggestions box, articles, Presentations, etc.

We have created a "Family-Responsible Company" email address (efr@ibercaja.es), where people in the Bank can send us their queries, suggestions or complaints regarding work-life balance, joint responsibility, equality, diversity, flexibility, etc. We also carry out a materiality analysis with each Strategic Plan in which our stakeholders are consulted on the relevance of these issues. The methodology and the material aspects for the Bank are detailed in **chapter 3** of this document.

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, 47 people with disabilities work in the Bank, and increasing their number is one of the main objectives of our EFR management model.

The Bank has protocols in place for dealing with any type of discrimination, including cases of sexual harassment and harassment for reasons of gender.

> Our goal is to continue advancing towards talent without labels, for a future where you decide where you want to go and at Ibercaja we will accompany you.

Application of Redundancy Proceedings 2022

On 20 December 2020, an Agreement was reached to Apply 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 FOR THE APPLICATION OF WORKFORCE ADJUSTMENT PLAN

750
Max. no. of affected workers

30/06/2022
plan deadline

199
maximum number of branch offices affected by closure

The implementation of the aforementioned redundancy programme ended on 30 June 2022, with the dismissal of 750 employees.

MAIN REDUNDANCY PROCEEDINGS INDICATORS		
Total voluntary accessions	811	
Separations 2021	525	70%
Separations 2022	225	30%

REDUNDANCIES BY AGE RANGE

AGE RANGES	MEN	WOMEN	TOTAL
31 - 40 YEARS OLD	0	0	0
41 - 50 YEARS OLD	1	3	4
51 - 60 YEARS OLD	134	84	218
61 - 70 YEARS OLD	3		3
TOTAL	**138**	**87**	**225**

REDUNDANCIES BY PROFESSIONAL CATEGORY

CATEGORIES	MEN	WOMEN	TOTAL
EXECUTIVES	25	6	31
MIDDLE MANAGERS	18	14	32
TECHNICIANS	30	26	56
CLERICAL STAFF	65	41	106
TOTAL	**138**	**87**	**225**

REDUNDANCIES BY AREA

AREAS	MEN	WOMEN	TOTAL
TERR. DIV. OF ARAGON	39	23	62
TERR. DIV. OF MEDITERRANEAN COAST	15	7	22
TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN	12	4	16
TERR. DIV. MADRID AND NORTH-WEST SPAIN	18	12	30
TERR. DIV. RIOJA, BURGOS AND GUADALAJARA	20	14	34
MANGT. CORPORATE BANKING AREA	5		5
BRANCH NETWORK AREA MANAGEMENT		2	2
CENTRAL SERVICES	29	25	54
TOTAL	**138**	**87**	**225**

Other lines of action

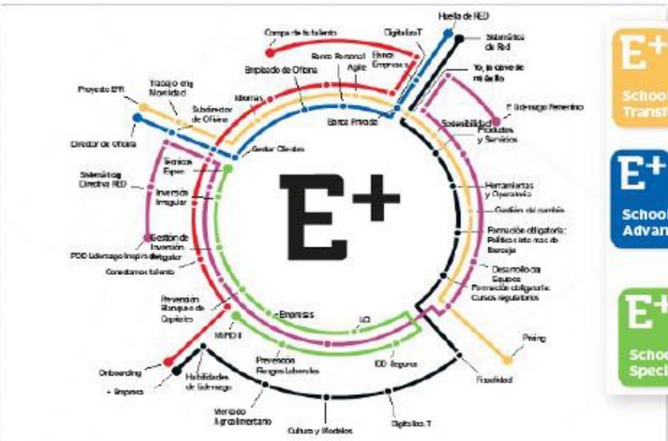
Cultivating talent

> Ibercaja considers the **professional and personal development** of employees as a **strategic objective** within the framework of People Management.

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

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 the transmission of our culture, values, knowledge and experience.

Talent cycle



The Bank encourages **talent development** through training programs and internal promotion for the highest number of employees possible. In **2022, 782 people** received professional promotions through the application of the criteria defined in each of the professional career plans, 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. There are a total of **1,209 professionals** pertaining to these promotion plans.

The aim of the training programmes is to **promote professional development,** meeting the needs that arise in an environment as dynamic environment as banking. Among the main training programs 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.

In addition to **transversal training**, with the promotion of training webinars, it has been possible to reach all the bank's profiles with various topics (taxation, products, economic situation...) so that all the staff can choose what to train in and when, thus promoting self-development.

We continue to make progress in 2022 on the **Talent Transmitter Model**. New tools to facilitate the work of the TT and boost recognition by managers by providing them with information on the work of their TTs.

In addition, in 2022, the TT team continued to be trained so that they have the necessary pedagogical and digital tools to transfer the Bank's internal talent.

Lastly, the **first edition of the Master's Degree in Financial and Wealth Advice and Digital Banking**, aimed at STEM profiles, was completed in 2022. Its objective is to train this group in the knowledge of the banking business, thus improving their integration/immersion in our company/comprehension or understanding of their day-to-day life in relation to our business. In this first edition, 19 colleagues have participated and they will defend their final Master's degree project in January 2023 before the heads of the Area Managements involved in their work, Marketing and Digital Strategy and Brand, Reputation and Sustainability.

The number of training hours in 2022 amounted to **383,057**, of which **114,001** were classroom-based training and **269,056** were distance learning, broken down by professional category as follows:

JOB CATEGORY	TRAINING HOURS 2022	TRAINING HOURS 2021	TRAINING HOURS 2020
EXECUTIVES	76,375	54,732	77,194
MIDDLE MANAGERS	69,278	70,579	97,264
TECHNICIANS	122,244	99,880	124,164
CLERICAL STAFF	115,160	69,915	98,099
TOTAL	**383,057**	**295,106**	**396,720**

The average number of training hours per employee in 2022 was 86 hours (33% more than in 2021).

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:	
SOMOS IBERCAJA INTERNAL PORTAL	One of the main channels for transmitting culture and values to the workforce, encouraging participation and the flow of information upwards, downwards and across the board.
REGULATORY-DAILY INFORMATION	Main downstream communication channels that provide information at all times on the regulations in force in the different areas of the organisation.
EMPLOYEE EXPERIENCE SURVEYS	Upward communication channel that allows us to find out how employees experience and feel about their relationship with Ibercaja at key moments in their personal and professional lives.
EFR INTERNAL CHANNEL	The email address efr@ibercaja.es has been created so that the Bank's employees can send in their proposals or suggestions for improvement and/or send in their complaints or claims related to EFR.
EFR EXTERNAL CHANNEL	As a Family-Responsible Company, Ibercaja's employees have a confidential communication channel with Fundación Másfamilia regarding the EFR model. www.masfamilia.org
IBERCAJA ACTIVA	A cultural and recreational group that promotes activities that encourage participation and social relations through sport.
IMPULSO PLATFORM	Participation channel based on a system of challenges that aims to involve staff in the search for ideas and solutions to the challenges that are proposed periodically. There are two types of challenges: Solidarity and Innovation.

MECHANISMS AND PROCEDURES THAT THE COMPANY HAS IN PLACE TO PROMOTE EMPLOYEE INVOLVEMENT	We have mechanisms and procedures in place to promote the involvement of workers in the management of the organisation, in terms of information, consultation and participation, such as:
	• EFR email address; For suggestions, doubts and complaints regarding work-life balance and equality.
	• Impulso Ibercaja project, has two lines of action, which are
	    ◦ Impulso solidario (Solidarity drive), linked to CSR
	    ◦ Impulso innovador (Innovative drive), linked to actions of a strategic nature
	• Ideamos Juntos channel, for improvement ideas related to the Bank's processes and tools.
	• Somos Portal, where our people can make suggestions.
	• Pulse surveys,
	• EFR effectiveness analysis
	• Employee Experience Measurement,
	• Focus group with employees on various topics.
	• Women's breakfasts

Special plan “At Christmas, we are more Ibercaja than ever”.

Within the plans for participation, internal communication and solidarity and volunteering that we implement within the Bank, the Internal Communication campaign that Ibercaja carried out during the Christmas period stands out.

Under the slogan “At Christmas we ARE more Ibercaja than ever”, we have shared, as a team or with our families, different Christmas initiatives that have made us feel and live with pride the values represented by the Ibercaja culture, making our corporate purpose a reality:

“Help people build their life story because it will be our story”

We have teamed up and smiled with the TikTok competition; we have lovingly cooked Christmas recipes with our families and friends; with the Drawing Competition we have learned through the eyes of our children how we are at Ibercaja and what makes us different; and of course we have contributed to making Christmas a better time for other people with actions such as We are capable of anything, I invite you to dinner, the Unicef Blue Gift, The Real Three Wise Men or A Smile for Christmas.

And that is the true essence of our Christmas at Ibercaja.

From 25 November 2022 to 8 January 2023, a total of 15 participation initiatives were carried out so that Ibercaja's professionals could join, together with their families, in the different initiatives proposed:

- **Great Food Collection**: 56 volunteers participating in 6 different cities.
- **Circlassica Zaragoza**: The circus as a family, with 982 attendees.
- **Draw Ibercaja in Your Christmas**, with 294 drawings and more than 1,900 votes cast, which represents 294 Unicef Blue Gift kits and the **Christmas Gala** at which the details of the winning drawings were handed out to more than 150 people.
- **I Invite You To Dinner Initiative**: 20 Ibercaja volunteers in Madrid, helping to serve more than 1,000 menus to people without resources.
- **A Smile for Christmas**: 440 gifts collected in cities such as Badajoz, Barcelona, Burgos, Guadalajara, Logroño, Madrid, Mérida, Sevilla, Valencia, Zafra, Zaragoza and online gifts.
- **The Real Three Wise Men**: Participation of colleagues who acted as royal pages for 160 boys and girls.
- **Christmas TikTok competition** with more than 200 entries and 38 greetings received, **a Christmas quiz** with more than 400 visits, the **concert by Los Infanticos del Pilar** with more than 220 attendees (in person and online) and two hybrid cooking workshops, with Christmas biscuits and king cake, which had 103 attendees in person and more than 300 online views.
- **We can do anything initiative, milk collection campaign** by the staff for the soup kitchens of Banco de Alimentos de España and border areas of Ukraine, **with a donation of more than 5,000 litres**.

People management

Since 2017, Ibercaja has had a network of People Management Managers covering all the Territorial Divisions and 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.

To this end, these people managers rely on a number of tools to help deploy this project: management protocols for support at key moments; employee records to support management and a new method for assessing their professional skills and expectations.

Our **relationship model with the employee** replicates the **Commercial Management Model with customers**.

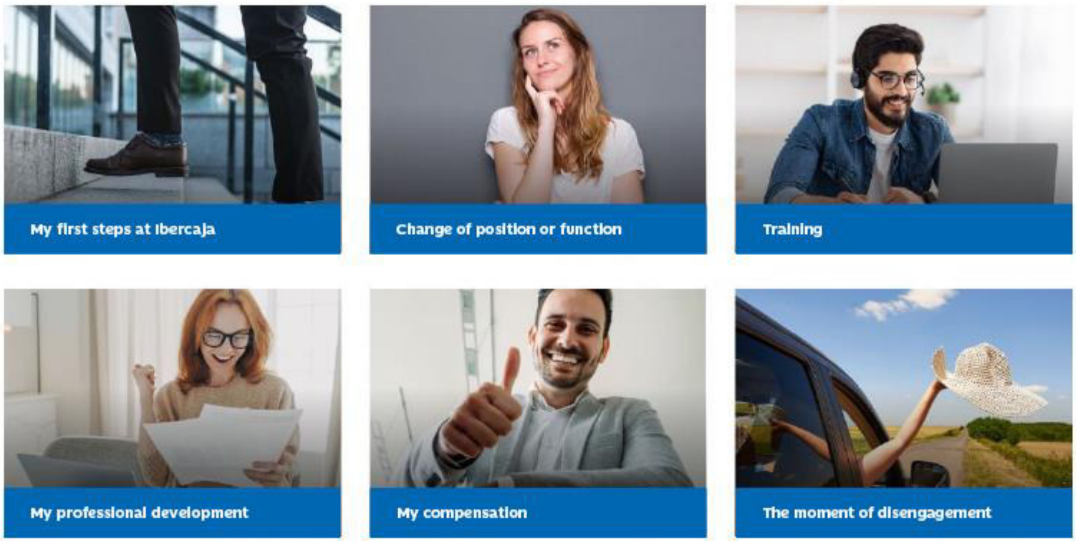
Remuneration policy

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.

Through the Somos Ibercaja Internal Portal, employees have access to a digital and interactive environment that, with a modern, friendly and familiar image, shows the advantages and benefits that they can enjoy at different times in their personal and professional lives, as a result of belonging to the Ibercaja family.

With you in your professional life



With you in your personal life

I have changed marital status

I have just had a child

The education of my children

The education of my children

Buying my home

Funding for my projects

All benefits apply to all employees regardless of their type of contract, with the exception of 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 **2022**. These remunerations are made up of fixed remuneration, salary complements and variable remuneration received in 2022.

AVERAGE TOTAL REMUNERATION BY GENDER (IN EUROS):

GENDER	FIXED SAL + BONUS 2022	INCR. RESP. 2021	FIXED SAL + BONUS 2021
M	52,713	-0.24%	52,840
F	46,860	0.85%	46,463
Total	**49,826**	**0.19%**	**49,730**

AVERAGE TOTAL REMUNERATION BY GENDER (IN EUROS):

GENDER	FIXED SAL + BONUS 2021	INCR. RESP. 2020	FIXED SAL + 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 AGE RANGE (IN EUROS):

AGE RANGES	FIXED SAL + BONUS 2022	INCR. RESP. 2021	FIXED SAL + BONUS 2021
21 - 30 YEARS OLD	24,385	2.52%	23,787
31 - 40 YEARS OLD	42,963	0.20%	42,877
41 - 50 YEARS OLD	49,413	0.15%	49,340
51 - 60 YEARS OLD	56,832	1.47%	56,011
61 - 70 YEARS OLD	83,511	-8.08%	90,852
TOTAL	**49,826**	**0.19%**	**49,730**

AVERAGE TOTAL REMUNERATION BY AGE RANGE (IN EUROS):

AGE RANGES	FIXED SAL + BONUS 2021	INCR. RESP. 2020	FIXED SAL + 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**	**-1.13%**	**50,300**

AVERAGE TOTAL REMUNERATION BY JOB CATEGORY (IN EUROS):

JOB GROUPING	FIXED SAL + BONUS 2022	INCR. RESP. 2021	FIXED SAL + BONUS 2021
1-EXECUTIVES	61,868	-5.28%	65,317
2 - MIDDLE MANAGERS	55,892	4.64%	53,415
3-TECHNICIANS	46,750	-0.69%	46,430
4 - CLERICAL STAFF	39,268	-3.00%	40,483
Total	**49,826**	**0.19%**	**49,730**

AVERAGE TOTAL REMUNERATION BY JOB CATEGORY (IN EUROS):

JOB GROUPING	FIXED SAL + BONUS 2021	INCR. RESP. 2020	FIXED SAL + 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 OF EXECUTIVES BY GENDER (IN EUROS):

GENDER	FIXED SAL + BONUS 2022	INCR. RESP. 2021	FIXED SAL + BONUS 2021
M	64,179	-4.84%	67,441
F	57,450	-5.28%	60,653
Total	**61,868**	**-5.28%**	**65,317**

AVERAGE TOTAL REMUNERATION OF EXECUTIVES BY GENDER (IN EUROS):

GENDER	FIXED SAL + BONUS 2021	INCR. RESP. 2020	FIXED SAL + BONUS 2020
M	67,441	0.80%	66,904
F	60,653	0.62%	60,280
Total	**65,317**	**0.63%**	**64,908**

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 in which significant transactions are performed is 114% both for men and women.

Analysing this information weighted by job grouping (executives, middle management, technical and clerical), a salary gap of 6.86% was determined in 2022.

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 of men compared to women. The evidence for this is the **reduction of the gap** with **respect to 2021 by 8.00%, from 12.1% to 11.1%**.

This calculation takes into account fixed remuneration, wage complements and variable remuneration received in 2022.

This trend is partly due to the measures implemented to reduce it:

- **Increase in the representation of women in** management positions.
- **53%** of promotions in 2022 corresponded to **women**.

Aspects relating to the remuneration of directors

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Articles of Association. 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 Articles of Association. 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).

Information on directors' remuneration is disclosed on the Bank's **corporate website** (www.ibercaja.com, in the Corporate governance and remuneration policy section and in the Annual Corporate Governance Report.

Aspects relating to the remuneration of senior management

The members of the Bank's Management Committee, made up of 11 people (8 men and 3 women) at 31 December 2022, are considered senior management. Information on senior management remuneration includes both fixed and variable remuneration, long-term pension systems and any other payments. The average remuneration is 213 thousand euros (average remuneration of executives of 216 thousand euros and 206 thousand euros in the case of executives, which is mainly affected by the length of service of the officials in the Bank).

Health and industrial relations

100% of Ibercaja Banco employees are covered by Collective Bargaining Agreements and are 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 the years 2019-2023 establishes an annual working time of 1,680 hours of effective work. Respecting said working day, and without prejudice to the irregular distribution thereof, in accordance with the provisions of current legislation and applicable industry regulations, the **working hours** are as follows:

- From 1 May to 30 September, the schedule is from Monday to Friday: 08.00 to 15.00.
- From 1 October to 30 April, the schedule is, on Monday, Tuesday, Wednesday and Friday: 08.00 to 15.00 and Thursdays: 08.00 to 14.00 and 16.00 to 19.00.

In Ibercaja there are 479 employees subject to tailored schedules, requested on a voluntary basis. Of these, 85% requested three afternoons, 3% two afternoons and 13% one afternoon.

Also, the new Agreement, for the first time, enacts the right to digital disconnection in the workplace. This regulation contributes to the health of workers by reducing, among others, technological fatigue or stress, thereby improving their working environment and work quality.

Labour relations are based on **open and transparent dialogue with employee representatives**. The Bank's union representation comprises 228 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 2022:

- Ibercaja Equality Plan
- Agreement on flexitime, remote work in work-life balance, digital disconnection and time management
- Agreement on the conduct of the trade union election process 2023

Occupational health and prevention

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 resources that are necessary 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 Internal Portal Somos Ibercaja (We are Healthy) where recommendations for health care are included, such as how to prevent colds, good heart-healthy habits or information on the importance of a healthy diet.

The Bank has its **own prevention service**, as it is a company with more than 500 workers. The company's own Prevention Service is a specific organisational unit that covers two of the four preventive disciplines ("Health Surveillance" and "Ergonomics and applied psychosociology") provided for in Chapter III of Royal Decree 39/1997, of 17 January, approving the Regulations on prevention services. The preventive specialties of "Occupational Safety" and "Industrial Hygiene" are contracted with an external prevention service: MORE PREVENTION.

The Bank has implemented an **occupational risk prevention plan**, with the aim of integrating 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 2022, there were **25 accidents at work** (10 men and 15 women), **22% less than in the previous year** (and 20% less if we take into account days not worked due to accidents at work).

The total number of absence hours is 314,708 (359,410 in 2021). As is the case every year, the hours of absenteeism include common illness, occupational accidents and maternity and paternity leave. This year, as in the previous year, COVID hours were also included, amounting to 40,348 hours. Absenteeism has decreased in all 5 items compared to the previous year.

2022	TOTAL	MEN	WOMEN
FREQUENCY INDEX	1.1733	1.1529	1.1944
SEVERITY INDEX	0.1277	0.1169	0.1388

2021	TOTAL	MEN	WOMEN
FREQUENCY INDEX	1.1764	0.8228	1.5593
SEVERITY INDEX	0.1454	0.0961	0.1989

(**) IdF= Number of accidents with time off work *10^6
Total number of hours actually worked

(**) IdG= Number of days not worked due to an accident at work, with leave *10^3
Total number of hours actually worked

6.5 Commitment to the environment

2-12, 2-13, 2-23, 2-29, 3-3, 201-2, 301-1, 301-2, 302-1, 302-4, 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

Ibercaja uses the objectives of the Paris Agreement on Climate Change as a reference, and moves forward in the implementation of the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD)[19].

The Sustainability Policy, approved by Ibercaja's Board of Directors in December 2020, includes **Ibercaja'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, 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 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.

[19] For more information, see chapter 6.12 of this report.

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, in order 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 bring it in line with the principles of action that govern the Sustainability Policy and extend its scope to include the Bank's financial activity.*
Environment Committee	*At 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 rules **voluntarily assumed**, 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.**
- **Raise awareness among the people** who make up Ibercaja, fostering a sense of environmental responsibility in their actions, the dissemination of good practices and involvement and participation.
- **Disseminate its Environmental Policy** and all information considered relevant 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 2022 AENOR conducted the **Certification Renewal 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 of 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 (EMS) in the **business units** and the inclusion of environmental criteria in the design of the organisation's financial products.
- **Reduction of carbon footprint and offsetting of emissions, achieving carbon neutrality (scopes 1 and 2).**
- **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 and **improved recycling** in branches.
- **Coordinated management with the company in charge of the maintenance of the facilities**.

Main lines of action in 2022:

Resource management:

Optimisation

The Bank has implemented initiatives aimed at **optimising** the **consumption of resources**

TOTAL CONSUMPTION	2020	2021	2022
Water consumption (m3)	37,028	38,934	39,004,91
Energy consumption (Gj)**	129,780,7	128,138,24	122,231,55
Paper consumption in Tm *	367,05	347,3***	283,18

* 98% of DIN A4 paper is recycled. In 2021, the envelope consumption for 2019 and 2020 was revised and updated with the actual amount in tonnes.
**The electricity consumption of Red de Oficinas for 2020 was calculated from the electricity invoices of the different companies for the period between 1 December of the previous year and 30 November of the current year. This is because real calendar year data are not available until March of the following year. The study of electricity consumption of branches in 2021 and 2022 was carried out in the period between October 2021 and September 2022, due to Endesa's irregular billing in both years.
***In 2021, the envelope consumption for 2019 and 2020 was revised and updated with the actual amount in tonnes.

In 2022, 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 this vein, we continue to promote initiatives to raise awareness of environmental protection. Focusing on the continuous improvement of energy saving and efficiency policies, every year the branches are sent information on electricity consumption and expenditure data and reminded of important aspects to consider in order to make the branches more sustainable from an environmental point of view.

In the case of paper, Ibercaja promotes actions aimed at improving the management of paper use, managing to maintain a trend of reducing its consumption. Thus, in 2022, an 18% reduction in A4 paper consumption was achieved compared to 2021 and a 23% reduction in paper used for customer communications (envelopes and documents sent).

Circular economy and waste management

Through its internal management, Ibercaja makes a substantial contribution to the circular economy, in particular to the prevention, reuse and recycling of waste.

In 2022 the **Aragon Circular Seal was obtained.** This Seal, awarded for the first time by the Government of Aragon, is a recognition to companies, self-employed and local entities for their commitment to the circular economy model.

In order to obtain this Seal, the incorporation of **sustainable criteria** in the design of the branches has been taken into account, prioritising the **choice of raw materials** from more sustainable sources, **high energy efficiency criteria** in air conditioning equipment and installations, **waste**management, life cycle analysis, contribution throughout the **value chain, good practices, personnel** of the Bank involved, **training and awareness**, reduction of **energy consumption**, etc.

The correct segregation of waste and its selective collection is a constant commitment of the Bank, ensuring the correct destination of each one of them in order to reduce their environmental impact and maintaining a correct monitoring and documentary control management, with the help of a waste management coordinator.

In this line, the focus is on **extending good** environmental practices to the branch network. Thus, all new branches systematically incorporate specific bins for recycling (paper/cardboard, plastics and waste), accompanied by informative posters to raise awareness.

Awareness-raising campaigns and training help to promote the best environmental practices and to gain awareness to minimise waste generation. In this respect, in 2022, efforts were 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 specific training in the Principles and tools of the Circular Economy-Zero Waste, for all the members of the Environment Committee and Environmental Teams.

Moreover, as part of its firm commitment to the circular economy and environmental protection, Ibercaja has set itself the objective of gradually implementing the issuance of sustainable cards made from recycled plastic. Thus, by 2022, 70% of all cards issued will be made from recycled PVC.

Issues

Ibercaja began calculating its carbon footprint in 2016, including Scope 1, 2 and partially Scope 3 emissions, specifically those produced by employees travelling by car for work purposes and those associated with sending documentation by courier.

The Bank has registered its carbon footprint in the Registry of Carbon Footprint, compensation and absorption projects of the MITERD's Climate Change Office and for three consecutive years has obtained the "Calculo-Reduzco" seal, which accredits its work in calculating its carbon footprint and the efforts made to reduce it.

The Carbon Footprint Report, which is published on the Bank's corporate website, includes the monitoring of the actions set out in the **Emission reduction plan** and its development since 2016.

The key indicator when monitoring the Plan is the percentage of CO_2 emissions reduction achieved, in%. Thus, a reduction of almost 90% compared to 2016 was achieved in 2022. 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.

Furthermore, all the Bank's vehicles are being replaced by more sustainable vehicles, with ZERO and ECO labels, achieving a reduction in the emission factors of the vehicle fleet (gCO_2/km).

The CO_2 emissions that could not be avoided in the previous year were offset in 2022 through the Procuenca forestry project as part of the ECODES ZeroCO_2 offsetting model.

Committed

The Bank's commitment to the environment is embodied in its **Carbon Neutral Objective**

Having achieved this objective, as reflected in the Sustainability Policy, Ibercaja must move towards a low-carbon economy. Our commitment to the Net Zero Banking Alliance entails working towards the goal of achieving emissions neutrality in the financed emissions (lending portfolio) by 2050.

In response to this commitment, Ibercaja has defined decarbonisation targets in three carbon-intensive sectors, relevant to the Bank's business model: Residential Real Estate, Power Generation and Iron and Steel Production[20].

During 2022, the carbon footprint of the Bank's portfolio of productive activities was calculated for the scope 3 carbon footprint of financed emissions. For this purpose, the PCAF methodology was followed[21] and resulted in 1.53 MtCO_2eq.

[20]See further details in chapter 6.12 of this report.
[21] Partnership for Carbon Accounting Financials

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**, aligned also 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, SOMOS Internal Portal, social media, etc.).

Highlights during the year included the staging of the **2nd Planet Week**, initiative held around 24 October, coinciding with the celebration of the International Day for Combating Climate Change. The aim was to accompany customers, employees and society on the road to sustainability. This project embodies the commitment of the entire Ibercaja Group: Bank, Foundation and Financial Group. In this second edition, with a focus on social aspects, various business conferences, round tables, volunteering actions, sustainability blog publications, competitions, eco-advice, etc. were organised with a national scope, achieving wide dissemination and repercussion in the media.

Various **Environmental Volunteering** actions were also carried out during 2022, open not only to Ibercaja employees, but also to customers and society in general.

This year, a new **Guide to Good Housekeeping Practices** was drawn up as a tool to promote actions that encourage the implementation of the principles of circular economy

In November, **Sustainable Tuesdays** were held, an initiative aimed at Ibercaja Group employees and their families, in which talks were held with experts on topics such as the circular economy and the Sustainable Development Goals.

For yet another year, 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** includes Ibercaja's sustainability and environmental commitment in a specific section. Meanwhile, the **commercial website** now features a blog devoted to sustainability, with the aim of supporting and accompanying our customers on the necessary path towards decarbonisation.

The Ibercaja Foundation has continued its support for the **Zaragozan Forest**, an initiative of Zaragoza City Council, with the collaboration of almost forty entities, whose objective is to plant 700,000 trees and bushes in Zaragoza and its surroundings over the next few years. The **Ibercaja Forest** was also launched, a reforestation project that will plant more than 38,000 trees in Zaragoza.

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.

> **Committed**
>
> The **Environment Team** proposes, champions and implements **environmental protection** actions.

With the aim of reducing and optimising 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. These good practices, based on circularity principles, 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 2022, as part of the sustainability line of the **Professional Development Plan**, various **training activities** related to sustainability and the environment were carried out:

- **Sustainable finance**: several training sessions were held in different areas (risks, ESG-Green MiFID advice, internal audit, etc.).
- Course on sustainability focused on **environmental protection**, available to all Bank employees through an internal platform.

Also during the year, several training sessions on sustainability were held for the people in the areas most directly involved in the management of ESG aspects, and training was provided for the entire workforce on the most relevant aspects of the integration of 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

Ibercaja is 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**, with the commitment to achieve neutrality of their own and their portfolios' CO_2 emissions by 2050 at the latest.

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 CO_2 Revolution, whose objective is to plant millions of trees throughout the country. Hence the Ibercaja Foundation joined the movement that brings together mayor firms, citizens and institutions to combat climate change, absorbing the CO_2 surplus into the atmosphere through the reforestation of trees.

6.6. Commitment to shareholders and investors

2-29

The Bank continues to pledge for transparency

In our relationship with current and potential shareholders and investors, it is crucial to carry out meaningful action and provide adequate information for the assessment of 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 so that they can 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**: Protect, in the terms envisaged, the confidentiality of the data that may be contributed by shareholders and investors

IPO process and provisioning of the reserve fund

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, on 31 January 2022 the Board of Directors decided 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 financial statements for the year ended 31 December 2021.

On 24 June 2022, Fundación Bancaria Ibercaja, the main shareholder of Ibercaja Banco, S.A. received approval from the Bank of Spain for its 2022 Financial Plan, which included the provisioning of a Reserve Fund equivalent to 1.75% of the Bank's risk-weighted assets, which must be met by the end of 2025 at the latest. As at December 2022, the amount endowed to the Reserve Fund was 155.5 million euros. Thus, Fundación Bancaria Ibercaja is no longer subject to the previous deadline, 31 December 2022, to comply with the reduction of its stake in the Bank to below 50% of the capital (it currently holds 88.04%) provided for in the Law on Savings Banks and Banking Foundations.

Fundación Bancaria Ibercaja and Ibercaja Banco, S.A. are committed to listing the Bank on the Stock Exchange, once market conditions are more favourable.

The most significant milestones for investors during 2022 were:

A clear improvement in the income statement thanks to the increase in recurrent revenues due to the good performance of the interest margin, driven by the progressive repricing of the loan portfolio which more than offset a less favourable increase in fees; as well as a decrease in recurrent expenses due to the reduction in staff costs in the year as a result of the redundancy programme and a fall in the cost of risk because of the good performance of non-performing loans. Ibercaja thus achieves a ROTE of 7.6% in 2022.

Strong 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 2022, while at the same time having one of the highest coverage ratios.

In 2022, Ibercaja continued to maintain throughout 2022 one of the highest capital ratios of the total system and one of the highest levels of surplus capital versus ECB requirements. In addition, on 9 June 2022, Ibercaja successfully executed a senior preferred bond issue for a nominal amount of 500 million euros, which was deemed eligible for MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements.

This improvement in the Bank's fundamentals has translated into an upgrade of the Bank's credit ratings to investment grade by the three credit rating agencies.

As a result of the continuous improvement in asset quality ratios, the improvement in profitability and the high solvency ratios, the Bank maintains its commitment within the framework of the “Challenge 2023” Strategic Plan to distribute 60% of the net profit in 2022 in the form of a dividend to its shareholders.

Finally, both shareholders and investors have the guarantee that Ibercaja is seeking the most sustainable solution in accordance with the Principles of Responsible Investment, and that the Institution is a clear promoter of sustainable development, considering in its strategic decisions the impact of its operations on the environment, on the social and economic situation of society, as well as on the governance model of companies and institutions.

6.7 Commitment to suppliers

2-6, 2-29, 3-3

> 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.

In its **relationship with suppliers**, Ibercaja demands 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.
- Oversee economic relationships which**, respecting the interests of both parties**, make it possible to obtain the maximum level of quality and commitment in the products served and in the services provided.
- Encourage its suppliers to follow sustainable practices and guarantee 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 assume: 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, in order 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**, making their best efforts 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,** facilitating the Bank's relations and active listening with suppliers. The portal includes, within the documentation requirements, standards related to sustainability, both social and environmental (ISO14001, ISO 45001, ISO 26001, ISO 50001, EMAS), as well as aspects related to corporate social responsibility.

As to the transparency of non-financial information, suppliers are consulted as to whether they make an annual publication in this area, whether it follows any international reporting standards (e.g. GRI) and whether such information is verified by an independent external expert.

In 2022, **the supplier risk assessment**underwent further improvements to reinforce and enhance the existing approval process. **The most relevant suppliers were assessed, numbering 227** (188 in 2021 and 168 in 2020) and accounting for **89% of the total** volume (87% in 2021 and 85% in 2020) of total procurement processes. Of these, **158** (135 in 2021 and 123 in 2020) were renewed and **64** (52 in 2021 and 41 in 2020) 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.

In addition, during 2022, the implementation of new functionalities of the Supplier Portal has continued, such as: the development of supplier risk management (in accordance with regulatory requirements), the adaptation of the request for information from suppliers with respect to the Group's Sustainability Policy and the incorporation of supplier risk into the assessment of the most relevant risks.

> The Suppliers Portal improves relations and ensures active listening between the Bank and its suppliers

Furthermore, within the framework of the Bank's Environmental Management System, the supervision of suppliers assigned to it is also carried out from an environmental point of view, which is carried out in the corresponding external audits (AENOR) for the monitoring and/or renewal of ISO 14001, which the Organisation has had since 2007.

Average supplier payment period

The average payment period for suppliers in 2022 was 26 days, well within the legal maximum of 60 days established by Law 15/2010, of 5 July, which establishes measures to combat against late payments in commercial transactions.

6.8 Contribution to society

2-29, 3-3

> 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 makes our commitments to society explicit:

- 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 2022, 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 groups in a situation or at risk of exclusion, are the beneficiaries of the **Ibercaja Call for Social Projects** of the Ibercaja Foundation, which in its seventeenth edition, 397 projects were presented and 308 initiatives from all over Spain were selected, which will benefit **246,428 people.**

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, 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 2022: 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, Good Citizen Practices Award with Ebrópolis, Comunicación Capaz with CADIS Huesca, the 10th ASPACE Huesca Walk or the 7th Aragonese Congress of people with cancer and their families.

Call for international cooperation

In 2022, 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.

Ukraine solidarity campaign

In order to respond to the needs of the Ukrainian people after the outbreak of war in their country, the Ibercaja Foundation launched an initiative in collaboration with Zaragoza City Council to provide humanitarian aid and collect refugees in the city. The aid was channelled through Aldeas Infantiles, an organisation that has been on the ground for 20 years supporting the delivery of aid in the conflict zone and border areas.

Furthermore, all the Ibercaja Foundation centres joined forces with different NGOs such as the Red Cross, Accem, Apip Acam, Coopera, the Ukraine-Rioja collective, Cáritas Diocesana and the Rey Ardid Foundation, to facilitate the arrival of the refugees, as well as organising language and literacy workshops, providing computer classrooms to enable contact with their families and collecting basic necessities.

Monte de Piedad de Fundación Ibercaja also participated in the charity auction "Art for Peace in Ukraine" promoted by the Spanish Pawnbrokers Association, donating works by different Aragonese artists.

Seur Foundation Tapones Para Una Nueva Vida (Plugs for a New Life) project

Since 2016, Ibercaja has been collaborating with this initiative promoted by Fundación Seur **"Caps for a new life",** with which we have contributed to improving the health of children, as well as caring for the environment and mitigating climate change.

Currently, in addition to the headquarters, there are more than 20 branches spread throughout all the territories in which Ibercaja is present that collaborate with the Seur Foundation. During 2022 we have collected more than half a million caps and avoided the emission of more than 1,500 kq of CO_2 into the atmosphere, the main deceased cause of climate change.

@JuntosHacemosMás Platform

The **#JuntosHacemosMás** digital platform, which was created with the aim of developing Corporate Social Responsibility and promoting sustainable values for the progress of society, has turned 2022 to the emerging aid to Ukraine, with the aim of meeting the needs of the displaced population. It also offers companies and individuals the possibility to collaborate with fourteen other projects aligned with the 2030 Agenda and the Sustainable Development Goals: nine for social action and six for education, 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 the workers themselves propose and select with their votes the social projects to support, and then become their best ambassadors. This is an open call to all the people who are part of Ibercaja: employees of the bank, financial group and foundation with solidarity concerns, who can present social projects with which they are particularly sensitive or involved, explaining what they consist of and why they consider it important to support them.

Cycle of conferences on Social Action

Throughout this year, the Ibercaja Foundation has organised cycles of conferences in collaboration with associations that support and help groups that fight for their social and labour integration. The main objective of this programme is to raise the visibility of all these people and the endemic problems that society carries with it.

Cancer research, neuromuscular diseases, dystonia, Parkinson's and gait disorders, neurological complications of Covid-19, stress, autism, Alzheimer's disease, eating disorders and child poverty are some of the topics that have been addressed.

Special attention should be given to the series of conferences on “Child and adolescent mental health” organised in collaboration with the Aragonese Association for Mental Health (ASAPME), which presented the latest research, evidence and ways of proceeding for mental health and education professionals in the face of the main challenges of upbringing in the 21st century. Ten face-to-face and online lectures, given by recognised experts in this field and the ASAPME team of specialists.

Labour market entry and diversity:

Ibercaja supports the labour integration of people with disabilities to **achieve a more equal and inclusive society**. The Bank has 47 employees with some form of recognised disability. In 2022, it allocated more than 800,000 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 2022, Ibercaja continued its intense activity of transmitting and disseminating economic, business and financial knowledge for 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, with the **aim of improving 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, with the **Ecosystem+ Enterprise** 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 the challenges facing society. The Foundation has incorporated the 2030 Agenda into its strategy, thus acquiring a double commitment. Also, at internal level, **the Bank has aligned all its activities and programmes with the SDGs** and their corresponding objectives. 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

RSA + SEAL

In 2022, Ibercaja obtained, for the fifth 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 four areas defined, hence receiving the recognition of the Aragon Government:

- **Reconciliation of personal, family and working life**, in line with the guidelines promoted by the General Equality and Family Division
- **Boosting equality** in all manner of organisations, granting precedence to equal opportunities and the principle of non-discrimination
- **Volunteer work and social action**, promoting cooperation between businesses and not-for-profit organisations, to ensure a stable relationship between both and encourage 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.

SOLIDARITY CERTIFICATE

Since 2017, Ibercaja has held the Solidar Certificate, awarded by the Solidarity Business Association of Aragon, for its management to promote the integration of people with disabilities into the labour market.

In 2022, the Bank renewed its commitment to the employment of people with

6.8.4 Sponsorships

Ibercaja promotes, through its sponsorships, wellbeing and healthy habits. We focus on sport, activities for young people and companies, leisure and culture as a vehicle for transmitting our values. In 2022, 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 living.

We pursue our sponsorship strategy both internally and externally:

Internal action

Internal activation promotes sports practice, camaraderie, a sense of belonging and the importance of maintaining healthy habits among employees: more and more staff members are joining this lifestyle. Among other actions, it is worth highlighting its participation in Cross Internacional de Atapuerca, where more than 100 employees ran in a special “Ibercaja Interprovincial Championship” category, living the experience of running in the “best cross country race in the world”.

Ibercaja team photo in the International Atapuerca Cross Country Race

After several editions marked by the cancellation and the pandemic, in 2022, we recovered the internal activation in one of our main sponsorships, the Ibercaja Quebrantahuesos by Total Energies cycling race. Fifty employees from all over Spain participated with the Ibercaja team in one of the two distances proposed by the event, and we also shared moments before and after the race in the Ibercaja Premium Zone installed in the EXPO QH Zone.

Once again this year we took part in the Carrera de las Empresas by ESIC (Zaragoza and Seville editions) with a high level of participation that made us repeat as one of the most participative companies in the case of the Aragonese edition.

Ibercaja team photo at the Carrera de las Empresas by ESIC (Zaragoza)

In the cultural sphere, employees from the entire network were able to enjoy the premieres at the Espacio Ibercaja Delicias (Madrid) as well as an exclusive session for the staff of “Circlassica 2, el sueño de Miliki” (Zaragoza) and vouchers for the MUWI Festival (Logroño).

Ibercaja colleagues at MUWI Festival

External action

External activation seeks to accompany people at important moments in their lives beyond the financial environment. We accompany them in different environments:

SPORT

We maintain responsible activation by using sustainable elements and eliminating disposable plastic from our materials in race assemblies.

Key sporting events:

- **10K Valencia Ibercaja:** After the pandemic, what is considered to be the best 10K road race of all time, regained its splendour with a high level of participation. On this occasion, the proceeds from the charity bib were donated to AMES (Asociación Miastenia de España).

Representatives of the organisation and sponsors present the cheque to AMES officials.

- **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**: the Madrid event returned to its April date with a great response from the public that brought participation back to pre-pandemic levels. In this edition, the Solidarity cheque for 10,000 euros was given to the NIPACE Foundation dedicated to the inclusion of children with psychomotor problems and cerebral palsy. The aim was to buy an exoskeleton that will help the children to walk. The cheque was handed over by the Provincial Director of Ibercaja in Madrid to the president of the Foundation.

- **Quebrantahuesos**: The heat wave in June meant that the march had to be postponed to September. This meant that participation was much lower than in the pre-pandemic editions, but the non-suspension also meant that the participants were rewarded for their training. This year's honoree was Juan Carlos Unzúe, who served as an example of self-improvement and courage in the face of adversity thanks to the values that sport brings. Once again this year, one of the most applauded actions by the public was the Ibercaja runner's bag, made of fabric, sustainable and reusable. In addition, in order for participants to take home a souvenir of their stay, we offered their QH photo printed and in digital version free of charge.

Runner's bag

- **Sponsorships of sporting entities**: Ibercaja, aware of the difficulties that many sports organisations and entities are enduring as a result of Covid-19, has made a clear commitment to stand by their side and help them overcome the situation by strengthening mutual trust. Therefore, we renewed our commitments with numerous sports federations, clubs and associations and continued to focus on grassroots sport, lower categories and schools. Hence, we help to continue promoting sports among youngsters, ensuring that they acquire healthy habits from a very young age.

- **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 until 2023.

YOUNG PEOPLE

We continue our commitment in 2022 to the **European Youth Card in Aragon and the School of Leadership of the Regional Government of Extremadura**.

CULTURE AND LEISURE

Ibercaja collaborates in the dissemination of culture through involvement in events and its ticketing service, consolidating itself as the leading company in ticket sales in Aragón. The main lines of action were:

Sponsorship of Espacio Ibercaja Delicias: venue in Madrid that brings together various proposals for family entertainment and has democratised access to culture by offering high quality shows at more affordable prices than in traditional theatres. 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.

MUWI (Music and Wine Festival of La Rioja): by sponsoring this festival (which takes place in August in Logroño), Ibercaja promotes the event and the dissemination of the culture of Rioja wine and gastronomy through music. In addition to the paid festival held in the Franco Españolas wineries, "Escenario Ibercaja" was set up in the street so that anyone who wanted to could enjoy free concerts the afternoon before the start of the festival.

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, to 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.

This year Ibercaja has participated, among other actions, in:

- The Companies Solidarity Day, in different locations throughout the country.
- The Great Food Collection Campaign, with the Federation of Food Banks.
- Conecta tu banca (bring your banking online) programme, offering financial training and new digital tools to the over 65s.
- “I'll buy you dinner for Christmas” for people in vulnerable situations.
- Environmental volunteering actions.
- Solidarity Vermouth with Nipace, Guadalajara.

6.8.6 Financial literacy and other educational programmes

Financial literacy

The **Financial Literacy** Programme entered its ninth edition in 2022, 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 the Ibercaja Foundation, the programme has, since 2013, fulfilled the Ibercaja Banco's commitment to the National Financial Education Plan, led by the Bank of Spain and the Spanish National Securities Market Commission (CNMV). Its objective is to promote basic financial literacy for 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 focused on **secure finance** in 2022. With the aim of bringing the concepts of finance and secure investment closer to different groups, the Foundation scheduled various activities at its centres to raise awareness of the importance of finance in daily life.

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.

"Educate for the Future" celebrated its eleventh anniversary this year. "Well-being and happiness: socio-emotional competences in a digital world" was the theme for 2022, in which 6 conferences, 3 online workshops and a round table were held. This edition took a look back at the issues and challenges addressed over the past ten years, as well as assessing the programme and setting out its new direction.

SCHOOLS 2030. RESCUERS OF THE PLANET

In 2022 Ibercaja Foundation launched the second edition of: "Schools 2030: Rescuers of the Planet", in collaboration with Santillana **and as part of its commitment to implementing the Sustainable Development Goals.** The initiative is aimed at secondary school students so that they can 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. Fifteen schools participated in the first edition.

LEARNING TO BE AN ENTREPRENEUR

In 2022, the Learning to be an Entrepreneur programme has completed 11 editions. This programme, aimed at 5th and 6th grade primary schoolchildren, aims to help them understand how the entrepreneurial world works from school, encouraging their entrepreneurial spirit, autonomy and personal initiative.

A total of 48 schools have participated in the 2021-2022 school year in Aragon and La Rioja: public, subsidised, private and special education.

EDUCATIONAL PROGRAMMES

This initiative aims to complement the curricular content in an entertaining way and represents a resource for teachers. Of particular note are the programmes carried out at our Cultural Centres, at Ibercaja Patio de la Infanta and at the Goya Museum, which were attended by more than 13,000 schoolchildren.

REPORTERS ON THE WEB

In 2022, the Reporters competition reached its 23rd edition. A benchmark initiative in its field, it is aimed at students of ESO, Bachillerato and Vocational Training and aims to promote the learning of the following competences: science and technology, mobility, and financial literacy. Last year, around 450 schoolchildren from 66 schools from all over Spain took part.

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 debate on 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.**

2022 was a key year as the Ibercaja Foundation received the adapted bridge from the Government of Aragon in September, following the completion of works that allowed the structure to be enclosed and its conservation to be improved.

The **Mobility City** Chair, created at the end of 2018 by the Ibercaja Foundation and the University of Zaragoza, focused its activity this year on the promotion of R&D&I and the application of ICT technologies in the analysis of behavioural patterns and their application to the intelligent management of services, infrastructures and improvements in the security of services and processes.

The Ibercaja Foundation has also continued its collaboration with the "**Mobility Experience**" chair in collaboration with the University of San Jorge with the aim of carrying out activities related to research and prototyping of technological solutions in computer applications and video games in the exhibition facilities of the Bridge Pavilion. This year the book "Mobility Experience. Research, Innovation and Dissemination in Mobility", in which the main results achieved during the last three years in the Chair are presented.

Mobility City has established the trajectory of actively participating in different forums, conferences and initiatives related to the field of mobility. Highlights include the European Mobility Week, the 9th Congress of the Walking Cities Network, the GR-Ex Global Robot Expo and the European Light Congress, among others. It has also continued to organise an intensive programme of conferences on road safety education and smart cities.

The Ibercaja Foundation's Mobility City organised together with Faconauto, Sernauto and Anfac the **Mobility and Automotive Night** the second edition of the first **"Impulso Awards for Innovation in Sustainable Mobility"** to Umiles Next, Consejo Insular de Energía de Gran Canaria, Universidad Politécnica de Madrid (UPM) and Zelestium. The event was presided over by His Majesty the King of Spain and attended by the Minister of Transport, Mobility and the Urban Agenda, Raquel Sánchez.

The **3rd Sustainable Mobility Observatory** brought together leading figures from the automotive sector in 2022 to analyse the impact of the SDGs in the field of sustainable mobility, its technological and environmental development and the consequent adaptation to the transformation of large cities.

6.8.8 Development of territories and digitalisation

Network of centres

Fundación Ibercaja is open to the public through its different cultural centres, which are a sounding board for theirs proposals and a visible face for the people who make the work of the social work possible everywhere the Bank is present. In addition to integrating 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.

Special mention should be made of the Ibercaja Youth Space, which opened its doors in March 2022 after a complete renovation, both of its structure and its image and contents offered, articulated under three pillars: arts and culture, health and well-being, and professional competences and life skills. All of them, in line with two transversal lines that were present in each of the initiatives that were developed in the centre: sustainability and digitalisation.

Digital services

Ibercaja Orienta

Ibercaja Orienta is a digital service of academic and professional guidance aimed at young people and educators, where they can find the necessary information for the correct choice of training and professional itineraries. In 2022, the “Choose your future” cycle of conferences was held, covering topics such as the world of work, university and vocational education and training options and artistic education.

Ibercaja Aula en Red (Online Classroom)

The Ibercaja Aula en Red platform offers didactic resources and applications aimed at making the most of classroom work. In 2022, new learning content related to Chance and Statistics, Active Mobility, Shared Intelligent Mobility, Air Quality and Mobility was published. Access is also provided to all the conferences related to the Educate for the Future Programme and the “Choose your Future” academic guidance cycle, as well as to all the winning entries of the nationwide Reporters on the Net competition. It also provides information on the Ibercaja Foundation's programmes and activities aimed at the educational community.

Ibercaja Digital Challenge

The Ibercaja Digital Challenge Programme commenced at the end of 2017 with the firm purpose of **reducing the digital gap between generations** and extending 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 media to improve business results or technology as an educational tool.

6.8.9 Employment and companies

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. Its main objective is **to promote the economic and social development of our territory**, being the engine of cultural change towards a more sustainable company throughout its value chain, aligning its training offer with the SDGs of the 2030 Agenda. All its work is carried out through collaborative management through alliances with institutions, entities, companies and professionals to offer training programmes and services that translate into improved economic and social results.

Employability

There are several programmes that promote employability, such as Come2Industry, a project in collaboration with the Aragon Automotive Cluster (CAAR) that brings companies and the education system closer together; or Soy Futuro (I am the Future), which aims to inspire young people and raise the profile of female managers and professionals. It is designed for schools, contributing to effective equality between men and women in society from the moment in which decision-making marks the professional future of young people, in collaboration with the Association of Women Managers.

Entrepreneurship

The Ibercaja Foundation supports entrepreneurs on the road to making their business project a reality and, among others, the following projects were undertaken throughout 2022:

Salta (Leap): in collaboration with Zaragoza City Council and the Zaragoza City of Knowledge Foundation, aims to help entrepreneurial projects to launch themselves onto the market in one of the following verticals: mobility, trade/market and smartcity solutions.

Rural Entrepreneurship Awards: A new feature in 2022 is that the Ibercaja Foundation launched, in collaboration with UNIZAR, an initiative that aims to reward business ideas to be applied in rural areas in order to contribute to their economic development. This proposal is framed in line with the **2030 Agenda and the Sustainable Development Goals to** address challenges such as the demographic challenge. The programme consists of 4 parts: the “Ideathon” and the “Hackathon”, where solutions to existing problems will be identified and a prototype of an innovative business model will be generated, the “Bootcamp” which includes training for several weeks, the “Pitchday” where the finalists will present their proposals, and, finally, the “mentoring” of the 3 selected projects for a year.

In addition, the Ibercaja Foundation participates in the Entrepreneurship Week, in collaboration with the Government of Aragon and Fundación Emprende, which brings together different organisations and activities, with regard to the attention to entrepreneurs and the dynamisation and promotion of the entrepreneurial spirit in Aragon.

Digital training

TicVolución is a programme together with Fundación Híberus whose objective is to awaken the interest of young people in technology and to reduce the digital divide between children, adults and the elderly. At the same time, it aims to train teachers to facilitate the integration of new technologies in the classroom and promote the digital transformation of professionals. In short, to educate, train and entertain by promoting ICT knowledge in a practical, agile and effective way, facilitating access to work in technology companies for students and professionals.

6.8.10 Culture

The objective of Ibercaja and Fundación Ibercaja is to promote culture across all territories.

Final touch to the year of Goya

To round off the year of Goya, which commemorated the 275th anniversary of the birth of the Aragonese painter, the Ibercaja Foundation presented a bust of Francisco de Goya, by the sculptor Iñaki Rodríguez, in the courtyard of its headquarters. Since March, the fibreglass sculpture, measuring 3.5 metres in height, has been on permanent display on one of its sides, forming part of the museum's heritage collection.

Goya Museum - Permanent Collection

The Ibercaja Foundation's Goya Museum is a place of reference for lovers of art and the work of Francisco de Goya. The first-class temporary exhibitions on the great masters of universal art merge with the 25 original pieces by the Aragonese painter and all the series of his engravings from 1779 to 1828, as well as the works of earlier, contemporary and later artists related to the genius of painting.

In addition, this space hosted various temporary exhibitions:

- El Greco. The steps of a genius.
- Infinite reality. Antonio López
- Fernando Botero. Sensuality and melancholy.

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

In 2022, the Museum added seven new works including a previously unpublished portrait by the Aragonese artist of the *Young Duke of Alba* and *11th Marquis of Villafranca* and the portrait of *Miguel de Múzquiz, Count of Gausa*; *Odalisca and Penitente*, by Francisco Pradilla; the *portrait of the Marquise of Luján*, by Pedro Kuntz y Valentini; *Fiesta de Disfraces* by Emilio Sala; Sol y luna by Mariano Alonso Pérez y Villagrosa, and *El paso de Roncesvalles*, by Mariano Barbasán.

Ibercaja Patio de la Infanta

The Ibercaja Foundation's exhibition and congress centre, Ibercaja Patio de la Infanta, is a space open to citizens, organisations and companies interested in the fields of 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. Throughout this year, the exhibition hall held various painting and photography exhibitions such as “Urban symphony. José Miguel Palacio” and “Zaragoza in the centenary gaze of Thomas”.

Permanent exhibition titled “Tapestries for the Patio de la Infanta”

The exhibition, which opened on 10 December 2020, displays a carefully curated selection of mythological and religious tapestries from the Ibercaja Foundation's 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

"Book Tuesday"

"Book Tuesday" has continued this year with its activity in person and online, with the aim of reviewing the latest literary novelties and the trajectory of the authors, thus encouraging reading, reflection and a critical spirit based on the most prestigious writers on the national scene. More than 4,600 people have attended these meetings, in face-to-face (more than 1,200) and digital (more than 3,300) format, with the participation of Ayanta Barilli, Julia Navarro, Agustín Sánchez Vidal, Reyes Calderón, Inés Martín, Boticaria García and Gema Herrerías, Máximo Huerta, Juan Eslava and Víctor Amela.

"Aragoneses in history".

In collaboration with the Royal Academy of History, this programme presented six key Aragonese figures for their contribution to Spanish and world history. All of them travelled through different periods and different fields of activity such as ecclesiastical, scientific, military, artistic and intellectual. In the different talks, and with the voices of renowned historians, the figures of Pope Luna, Miguel Servet, Francisco de Goya, José de Palafox, Joaquín Costa and Luis Buñuel were discussed.

"An Aragon of novels"

For the second consecutive year, the Ibercaja Foundation has promoted this series of conferences that combine history and literature to bring the public closer to Aragon's past through historical novels. In the five conferences and with the voices of relevant experts and novelists, characters and events that have been a source of inspiration for researching and writing about the past of our community were discussed.

"Dialogue with El Greco"

Running parallel to the exhibition, this cycle consisted of three lectures given in the Patio de la Infanta by experts on the painter, such as the curators of the exhibition, Palma Martínez-Burgos and Juan Antonio García de Castro, as well as the director of the Royal Collections of National Heritage, Leticia Ruiz, and the professor of Art History, Carmen Morte. Guided tours, workshops and dramatised visits for families, as well as educational programmes for schoolchildren, have also been organised in parallel to the exhibition.

6.8.11 Tax information

3-3, 201-4, 207-2, 207-4

The Group reported a **pre-tax profit of** 283,220 thousand euros in the period (214,773 thousand euros in 2021 and 53,470 thousand euros in 2020). Corporation tax amounted to 81,100 euros thousand (63,788 thousand euros in 2021 and 29,868 thousand euros in 2020).

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 in which Ibercaja Banco acquired control over Banco Grupo Cajatres, as 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 2018 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2018 onwards.

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.

In 2021, the Bank's Board of Directors approved, at a meeting held on 29 April 2021, 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 the promotion of a suitable compliance culture is one of the Bank's core values and that, consequently, all tax-related actions must comply fully with applicable law 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-compliances 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.

In addition, in 2022 we **continued to promote knowledge of new developments and tax culture** with a multitude of talks and webinars, in collaboration with professional firms, professional associations and business organisations such as the Círculo de Actualidad Empresarial de Burgos and various Chambers of Commerce, on various subjects such as employment plans, family businesses, end-of-year tax recommendations and tax planning for seniors, which were published on social media along with other articles on taxation. In 2022, Ibercaja Banco was the organiser of the CECA Tax Commission in Zaragoza, a forum for the exchange of knowledge and experiences of the tax departments of the former savings banks.

In 2022, 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.**

During the year Ibercaja Banco and the Group companies did not receive any public subsidies or aid.

6.9 Human rights

2-23, 2-27, 3-3, 406-1, 407-1,408-1, 409-1

> 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 **adhered to the United Nations Global Compact** since 2006, so that its activity is carried out in accordance with the principles established in this initiative, which promote and defend respect for human rights by companies, and this is reflected in the Global Compact Progress Report (Chapter 6.13), from this initiative, which the Bank completes on an annual basis.

One of the guiding principles of the **Ibercaja Sustainability Policy** approved in 2020 by the Board of Directors is the defence of human rights; a principle that covers the entire Ibercaja Group and all of its members. This is reflected also 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)** for reporting any breach of this Code. The corporate website **www.ibercaja.com** also includes an **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 the Principles of Responsible Banking.

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.

During 2022, the Institution was not subject to any sanctions or involved in any criminal proceedings or similar incidents that could infringe on human rights.

6.10 Fight against corruption and bribery

2-23, 2-27, 3-3

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.

During the year, there were no communications nor were any conducts detected that could constitute the crime of corruption or bribery.

The Bank has a **criminal risk prevention system** in place, which seeks to minimise the risk of any member of the organisation 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. Appropriate 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 functioning of the system.

v. The criminal risk prevention model is reviewed in **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 notification** of possible breaches or violations of conduct, which allows the Bank to be aware of and react to any illegal situations (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 criminal risk 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 Bank 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 Bank that are connected with conduct which, if it were to occur, could constitute a criminal offence.

The criminal risk monitoring system is based on the three lines of 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 line** of risk prevention and management is the internal audit function. All of them, within the scope of their respective activities and functions, 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**” with the commission of 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, 166 files were opened for the analysis of transactions suspected of being related to money laundering or the financing of terrorism. SEPBLAC was informed of 160 cases where specific analysis suggested there was evidence to be further examined.

Ibercaja Banco has the status of "**reporting Bank**" under anti-money laundering and counter-terrorism financing regulation (AML/CTF) and, therefore, it must apply the measures to prevent the Bank from being used for this purpose. To this end, it has adequate internal control and communication procedures and bodies in order to uncover, impede and prevent the carrying out of transactions that may be 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 is wishing 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, in addition to 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, so that in cases in which 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 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

2-1, 2-5, 2-12, 2-23, 3-1, 3-3, 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 not only enable economic growth, but also address and help to 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. From 2020, the report following the signing of these Principles will be included in the Directors' Report, in accordance with the model established by UNEP-FI. In this Directors' Report 2022, we present the third report in which we transparently discuss the progress made in the third year of their implementation.

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.

Business model

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 across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Ibercaja Banco, S.A., is a national banking institution belonging to the financial sector and specialising in the business of individuals and companies, whose objective is to generate value for its customers, shareholders and society in general, guided by its corporate purpose: "Help people build their life story because it will be our story." Ibercaja Banco's head office is located in Zaragoza.

It upholds its social and territorial commitment in its genes, seeking to maximise the benefit 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%).

With around 5,000 employees and more than 2.5 million customers, it undertakes 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 investment funds, savings and pension plans, bancassurance and leasing/renting.

The Ibercaja Group, with a balance of more than 54 thousand 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, 3.5% in the individual house purchases segment, and 2.6% in household and corporate deposits[1]. The Bank has a leading position in its traditional area of activity (Aragon, La Rioja, Guadalajara, Burgos and Badajoz) and has a significant presence in other areas of great economic importance such as Madrid and the Mediterranean Coast.

The Ibercaja Group's main business is banking intermediation, representing approximately 45% of total revenues, the rest being generated by other Group businesses with a relevant weight in asset management and insurance.

Links and references

Chapter 4 of this Directors' Report.

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[1]. Source: Bank of Spain

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Guiding Principles on Business and Human Rights

☐ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk – please specify which ones: TCFD

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery – please specify which ones: ------------------------

☐ None of the above

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. It is therefore firmly committed to the Sustainable Development Goals of the 2030 Agenda and is a signatory to the United Nations Global Compact and the United Nations Principles for Responsible Banking.

Links and references

Chapters 4.5, 6.1, 6.2, 6.3, 6.4, 6.5, 6.8, 6.9, 6.12, 6.14 and 7 of this Directors' Report.

Ibercaja Corporate Website

Ibercaja is aware that financial action serves as a lever for sustainable and inclusive development, reducing the negative impacts of environmental, social and governance factors.

In 2018, it carried out a materiality analysis of the SDGs with the aim of detecting those where it has the greatest capacity to expand its impact and to launch new projects. Establishing the purpose of each SDG for the Bank, in 2022 the actions already underway in the Bank were analysed, and their progress and scope were assessed. As a result, we continue to prioritise 7 SDGs to focus on their progress and align our business strategy: 3, 4, 5, 8, 9, 13 and 17.

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 (NZBA). In this regard, it continues to make progress in the analysis to measure the carbon footprint of its portfolio and reduce the climate impact of its financial activity, which is why the Bank joined the Partnership for Carbon Accounting Financials (PCAF) in 2022 to work on its commitment to achieve emission neutrality of its loan books and investment portfolios by 2050 or earlier. Ibercaja also adhered to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), with the aim of disclosing climate risks in a consistent, clear and comparable manner.

The 2021-2023 Strategic Plan, which includes a transversal enabling initiative IN02 Purpose and Sustainability, is based on the objective of "creating a corporate culture aligned with our Purpose and helping to achieve a better world, integrating sustainability in the business (risks and opportunities) and in the way we do banking".

Ibercaja focuses on climate change, following supervisory expectations, financial inclusion and the promotion of diversity, focusing efforts on gender equality and access to the labour market for people with disabilities.

Thus, as part of its EFR (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. Ibercaja carries out extensive social action through both its own programmes and through its shareholder Foundations. Among them:

- Contribution to programmes that promote the employability of young people, especially women.
- Promoting the integration of people with disabilities into the labour market.
- The promotion of volunteer actions among its employees and the sponsorship of activities that promote well-being and healthy habits.
- The response to the needs of the Ukrainian people after the explosion of the war in their country.
- Collaboration with solidarity initiatives within the "Tu Dinero con Corazón" (Your Money with Heart) project, supported by the Sustainable and Solidarity products (investment fund and pension plan).
- Collaboration with NGOs to promote development in the most disadvantaged areas of the world.

Furthermore, Ibercaja's commitment to caring for the environment is embodied in:

- The development of specific products to facilitate the transition towards a more sustainable economy.
- An internal Environmental Management System that minimises Ibercaja's negative impact on the environment and transfers this commitment to its stakeholders.
- The development of environmental actions that favour the preservation of the environment and the fight against climate change. In 2022, it is worth highlighting the celebration of the 2nd Planet Week, volunteer actions open to employees and society in general, the preparation of a new Guide to Good Environmental Practices, the internal initiative Sustainable Tuesdays or the collaboration in planting trees.
- Signing the Net Zero Banking Alliance to achieve the decarbonisation of our portfolios by 2050 and joining the PCAF initiative, as the international benchmark to facilitate the financial industry's alignment with the Paris Agreement and transmit transparency in the calculation of greenhouse gas (GHG) emissions.

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 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 (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[2] and fulfil the following requirements/elements (a-d)[3]:
a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

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 their approval in 2015, Ibercaja has been closely watching the Sustainable Development Goals. The main contributions that the Bank can make to the goals were therefore identified, taking into account all 169 targets. Ibercaja has set social and environmental objectives that are part of the EFR work-life balance plan, its Environmental Management System, as well as the 2021-2023 Strategic Plan, within the Purpose and Sustainability initiative; objectives that help to boost positive impacts and reduce negative ones.

Coinciding with the strategic cycle, in 2021 Ibercaja carried out a materiality study, consulting its main stakeholders (customers, employees, society, suppliers, opinion leaders, etc.) on the most relevant aspects that could influence Ibercaja's capacity to create economic, social and environmental value. During 2022, Ibercaja updated the 2021 financial year, advancing in the requirements of the new "GRI 3 - Material issues 2021", for which it has carried out an analysis and assessment of the importance of the impacts of the Bank.

Based on these questionnaires, Ibercaja was able to classify the material issues according to their importance for stakeholders and for the Institution, differentiating between environmental, social and governance aspects. The "very high priority" topics are in line with the Bank's strategic objectives, and among them, ESG risk management, in particular climate risk management, is identified as a priority topic.

Aware of and sensitive to the environmental impact that all business activity generates in its surroundings, Ibercaja acquires the commitment to protect the environment and fight against climate change, taking into account both the environmental impact of its own facilities and that of its financial activity. Thus, the Bank identifies on a preliminary basis the climatic events that could have a greater impact on its facilities and on the performance of its activity.

The analysis carried out on the predisposition to the risks derived from climate change has been divided between the retail segment (mortgage portfolio) and the productive activities segment (corporate portfolio) of the credit portfolio, given that they account for a significant percentage of the Bank's loan portfolio:

- The retail segment is the most relevant in the bank's financing business with a volume that represents more than 66% of this portfolio and, within this, the mortgage portfolio stands out.
- The financing of productive activity is the second largest segment, accounting for more than 28% of the loan portfolio volume.

Links and references

Chapters 6.1, 6.3 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

[2]. That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

[3]. Further guidance can be found in the Interactive Guidance on impact analysis and target setting.

The retail segment is the most relevant for Ibercaja's business, with a distinction being made between: Mortgages and Consumer Affairs and others. The assessment of the impact of climate risks in this segment focuses on the mortgage portfolio, which, due to the type of financing and average maturity, is considered relevant for the purposes of exposure to climate risks, which manifest themselves more intensely in the medium and long term.

With regard to the business segment, financing for property development is outside the scope of this impact analysis, as financing operations usually have a repayment period of less than three years and the new regulations on the quality of construction and energy efficiency of housing ensure a gradual reduction in the climate and transition risks of these operations. Likewise, financing to public bodies, such as municipalities, states or provincial councils, financial institutions or credit institutions are not included in this analysis.

Considering the above, the transitional risk appetite of the corporate and mortgage portfolios has been assessed, as well as the possibility of both portfolios being impacted by acute and chronic physical risks.

b) Portfolio composition: Has your bank considered the composition of its portfolio (in%) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries[4] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in%), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.
If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

The analysis of impacts on Ibercaja's credit portfolio in 2022 focuses on the banking business, focusing on the geographical areas and segments that account for the majority of revenues and assets in this business.

The Ibercaja Group's portfolio is national and its classification by purpose is shown in the following table:

	31/12/2022
Loans to households	62.32%
Home loans	57.02%
Consumer loans and other	5.30%
Corporate loans	26.66%
Non-real estate productive activities	23.60%
Real estate development	3.06%
Public sector and other	4.29%
Gross loans, ex impairment and reverse repos	93.27%
Reverse repurchase agreements	5.15%
Impaired assets	1.58%
Gross loans and advances to customers	100.00%
Impairment losses and others	-
Loans and advances to customers	-

As regards the retail segment, the geographies with the highest volume of financing with respect to the total portfolio are Madrid (27.21%), Zaragoza (16.83%), Barcelona (6.78%), Valencia (6.00%), Guadalajara (4.19%) and Huesca (3.78%), representing together almost 65% of total financing.

In relation to the business segment, Ibercaja's portfolio of productive activities is distributed among the twenty-one economic sectors of the NACE-2009 national classification. Of these, the Bank's portfolio exposure is mainly in two sectors of activity, which together account for around 53% of the total portfolio risk:

- Group C: Manufacturing industry (27.16%).
- Group G: Wholesale and retail trade; repair of motor vehicles and motorbikes (24.94%).

Links and references

Chapters 6.1, 6.3 and 6.12 of this Directors' Report.

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[4]. Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[5] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Ibercaja's activity is carried out entirely in Spain and its portfolio of Ibercaja customers covers approximately 6% of the national population. The dual materiality analysis carried out in 2021 on its main stakeholders (customers, ownership and investors, employees, suppliers, society, competitors and reference entities, Public Administrations, media and opinion leaders) is therefore considered to be representative of the company and the geographical area in which Ibercaja operates.

In this context, climate risk management is one of the priority issues and is therefore considered a significant aspect of Ibercaja's strategic planning. In 2022, the Bank developed an analysis of climate impacts on the mortgage portfolio and productive activities and analysed its exposure to physical and transition risks, while identifying business opportunities to address climate change.

Analysis of the geographical distribution of the mortgage portfolio shows that the vast majority of the Bank's assets are not predisposed to physical risks related to climatic or environmental events. The assessment of the areas where the Bank's real estate collateral is located has verified that they are not at high risk of being damaged by flooding, river or coastal risk, fire, seismic activity, volcanic risk and desertification. The Bank has real estate collateral primarily in urban or wet areas, where physical risks are not associated with a substantial impact.

As a result of this analysis, and of proper management of the possible impacts that may be caused by climate risks, business opportunities have been identified for the Bank that may be related, among other examples, to the possibility of Ibercaja financing flood prevention infrastructures and offering insurance ranges that cover the risk of damage to properties as a result of natural disasters, which, although they do not represent a significant risk for the Bank, could occasionally occur.

In the analysis of the retail segment, it is important to highlight the contribution to the achievement of Sustainable Development Goals that customers can make by directing their savings towards companies that have integrated sustainability into their business strategy. In this respect, investment funds and pension plans are the critical vehicle and in which the Ibercaja Group has a very good competitive position.

Regarding the corporate segment, activities that are linked to a predisposition to climate risks are identified as business opportunities to accompany them in the sustainable transformation of their businesses and supply chains, through investments in CapEx.

Links and references

Chapters 3, 6.1, 6.3, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

[5]. Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

At the sectoral level, considering the volume of exposure they represent with respect to the total portfolio and their potential predisposition to climate risks, the three most relevant sectors are:

- Agriculture, livestock, forestry and fisheries: Most of the opportunities related to this sector are concentrated in the agricultural sector, with investments in efficient irrigation systems, the use of waste as biogas and the development of new products to combat drought. Furthermore, livestock companies can identify opportunities in financing facilities such as barns and greenhouses that protect production or offering insurance ranges that minimise farm risk.

- Manufacturing industry: The main opportunities identified in this sector arise from the financing of the investment necessary for the improvement of the energy efficiency of machinery and installations; in addition to investments in projects for the installation and transformation of new production plants.

- Energy supply: The Bank focuses on supporting the sector's transition to a more decarbonised economy, identifying clear financing opportunities for companies involved in energy production seeking to change their business model to renewable energy generation, with loans for the establishment of photovoltaic or wind power facilities or investment in the development of new clean energy technologies.

Likewise, the provision of quality services has a positive impact and high importance for Ibercaja's stakeholders, who value not only professional skills, but also the promotion of equality, diversity and work-life balance of its employees. Since its origins, Ibercaja has considered the people who work in the organisation to be the key to success, and their talent a differential value and the essential pillar on which the business project is based.

As a Bank aware of the value of people and with the aim of configuring an efficient organisation with the capacity to respond to the challenges ahead, Ibercaja assumed a series of commitments with its people, making them public and explicit through its Sustainability Policy, promoted and approved by the Board of Directors.

The Bank's express desire to improve the quality of life and well-being of its employees is also reflected in the strategic orientation that the Bank's People Management Model gives to the element of work-life balance, providing a response, in the form of specific actions, to the commitments acquired.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)[6]? Please disclose.

Links and references

Chapters 3, 6.1, 6.3, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

The impact analysis developed taking into account the analysis of dual materiality on Ibercaja's stakeholders shows that climate change is a key impact area for Ibercaja, along with other environmental, social and governance (ESG) risks.

Two of the potential positive impacts are reducing exposure to climate change risks and supporting and accompanying customers to achieve a transition to a low-carbon economy. Ibercaja continues to make progress in identifying these risks (for example, by drawing up a climate risk map based on the three scenarios proposed by the Network for Greening the Financial System (NGFS)) and measuring, managing and monitoring them. Ibercaja also has a wide range of products with ESG characteristics that adapt to the financing and investment needs, as well as to the risk profiles of current and potential customers of the Bank.

The impact analysis carried out in 2021 identifies inefficient management of environmental risks as a potential negative impact. Ibercaja therefore has an ambitious, robust and transversal climate risk management plan and integrates environmental aspects, with a special focus on climate factors, into the Group's strategy. This commitment is endorsed in the Sustainability Policy, approved in 2020.

Consequently, in 2022, the carbon emissions financed were assessed, according to the PCAF methodology, with the aim of using this calculation as a basis for target setting. Ibercaja has identified the mortgage portfolio and the energy sector as two of its priority sectors when establishing decarbonisation paths and targets for 2030 and 2050. Likewise, it identifies the iron and steel production subsector, within the manufacturing industry, as a priority in the establishment of decarbonisation targets for 2030.

In line with the impact analysis carried out in 2021, as a sign of the Bank's commitment to balance the personal, family and work life of its employees, Ibercaja raised aspects such as diversity, equality and work-life balance to a strategic level in order to respond to the material issue of excellence, professionalism and customer support.

Ibercaja established within its Challenge 2023 Strategic Plan, a commitment to strategic planning for people and a corporate culture based on corporate purpose and sustainability, in order to respond to stakeholder expectations. For this reason, in 2019 Ibercaja obtained EFR certification (family-friendly company), thus reinforcing its commitment to the people who form part of the organisation, in accordance with its corporate purpose and values and guaranteeing its continuous development, through a standardised management model.

As a result of the above, the EFR Plan is defined for the first certification cycle (2019/2021) with a clear line of work that actively promotes equal opportunities through the definition of the Plan LiderA project, whose main objective is to increase the number of women in management positions, accompanying women in their professional development and making female talent visible.

Women currently represent 49.3% of the workforce (50.4% in age brackets below 50 years) and the share of women in management positions is 34.4%.

In parallel, in 2022 the Equality Plan was updated to guarantee equal treatment and opportunities, through 25 specific objectives and 77 measures to which Ibercaja is committed

[6]. To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.
In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Appendix.
If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

CLIMATE CHANGE MITIGATION:

In 2021, Ibercaja joined the NZBA in 2021 as one of its founding members, pursuing its goal of increasing its climate ambition and in line with one of the highest priority material issues for its stakeholders. Thus, the Bank committed to achieve its own and its portfolio's emission neutrality by 2050 at the latest.

The NZBA has identified the most carbon-intensive sectors where decarbonisation efforts should be concentrated to facilitate alignment with scenarios that meet the NZBA's objectives. In addition, PACTA has identified those stages of the value chain with the greatest impact on climate change in each of these sectors.

In this context, an analysis of Ibercaja's portfolio of productive activities was carried out in 2022 with the aim of identifying those priority sectors for the definition of decarbonisation targets and to comply with the NZBA guidelines.

The PCAF methodology (specifically SBTi's SDA) was used to obtain the most intensive sectors in terms of greenhouse gas emissions in order to establish decarbonisation pathways. Ibercaja has developed, and published in October 2022, its 2030 decarbonisation targets for three of the most emissions-intensive sectors. These sectors were identified following an assessment of the following criteria:

- NZBA's top sectors contributing to global warming by volume of GHG emissions worldwide
- The sectors with the greatest relative weight in the selected perimeter of the Bank's credit portfolio, in order to ensure the relevance of the sectors to be decarbonised at the outset.
- The availability, quality and granularity of data as far as possible on the prioritised sectors.

It should be noted that Ibercaja has been neutral in own issues since 2020.

GENDER EQUALITY:

Furthermore, among the priority areas for achieving the 40% of women in management positions, Ibercaja has identified some internal processes of the organisation that contribute to the impact produced. These processes include the number of applications from women for vacant managerial positions, the number of awards to women by the organisation for managerial positions, monitoring of female representation globally and by age group, monitoring of promotions to women regardless of position, the percentage of female top leaders and recognition of women for achieving objectives or for the achievement of strategic milestones in the organisation.

What have we achieved since the start of the Plan?

[7]. You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

Links and references

Chapters 6.1, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[7]

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	☒ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

Mitigación del cambio climático e igualdad de género

How recent is the data used for and disclosed in the impact analysis?

☒ Up to 6 months prior to publication
☐ Up to 12 months prior to publication
☐ Up to 18 months prior to publication
☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.
The targets[8] have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with[9] have you identified as relevant? Show that the selected indicators and 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. You can build upon the context items under 2.1.

CLIMATE CHANGE MITIGATION:

In its strong commitment to sustainability, Ibercaja joined the NZBA initiative as a founding member in 2021, which aims to build a zero net emissions global economy and meet the goals of the Paris Agreement. The Bank also carries out its activities in line with the Sustainable Development Goals of the 2030 Agenda, also supporting their internal and external dissemination and the European Green Pact.

Ibercaja is committed to achieving its own and its portfolio's emissions neutrality. In 2022 it has managed, for the second year in a row, to offset its own emissions from the previous year and, this year, it has started with the calculation of its financed carbon footprint and defined interim decarbonisation targets for 2030 in three of the most carbon intensive sectors, according to the identification published by the NZBA.

In this regard, the Bank joined PCAF in 2022 to work on its commitment to achieve emission neutrality of its loan book and investment portfolios by 2050 or earlier. PCAF is the international benchmark to facilitate the financial industry's alignment with the Paris Agreement and to convey transparency in the calculation of greenhouse gas (GHG) emissions.

Ibercaja works to be one of the leading institutions in helping its customers to succeed in their transition to zero net emissions, collaborating with the most intensive companies to jointly achieve a common goal. In line with the Paris Agreement, this effort contributes to SDG 13: Climate Action.

The 2030 decarbonisation targets have been defined taking into account the portfolio of productive activities and the most GHG-intensive sectors worldwide according to the NZBA, as well as those with the greatest relative weight on the selected perimeter of the Bank's credit portfolio and the availability, quality and granularity of data as far as possible on the prioritised sectors:

- Electricity generation
- Iron and steel production
- Residential Real Estate

GENDER EQUALITY:

In the more social sphere, and specifically gender equality, Ibercaja aligns and links certain actions aimed at employees with the Sustainable Development Goals of the 2030 Agenda, contributing more actively to SDG 3 "Health and Well-being", SDG 5 "Gender Equality" and SDG 8 "Decent work and economic growth".

As part of its commitment to equal opportunities and diversity, in 2020 the Bank joined the CEO's For Diversity initiative, which aims to lead and promote diversity and inclusion strategies from top management.

In this respect, Ibercaja is working to be one of the best positioned companies in the financial sector in terms of female leadership, integrating its EFR objective in the bank's 2021/2023 Strategic Plan. By 2022, the number of women in managerial positions reached almost 35%.

Links and references

Chapters 6.1, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

[8]. Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

[9]. Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.
You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.
A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	*Indicator code*	*Response*
Climate change mitigation	...	
	...	
	...	

Impact area	*Indicator code*	*Response*
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

CLIMATE CHANGE MITIGATION:

In compliance with the NZBA alliance agreement, Ibercaja has developed and published in October 2022 its decarbonisation targets for 2030 in three of the most GHG-intensive sectors with weight in the selected perimeter of the Bank's credit portfolio, with the aim of ensuring the relevance of the sectors to be decarbonised in the first phase. To develop the sectoral decarbonisation targets, the Bank opted for SBTi's SDA methodology.

The decarbonisation targets have been defined taking into account the sectoral intensity metrics, obtained in the carbon footprint calculation for the December 2021 portfolio, as a starting point. The base year chosen to start the decarbonisation process in the priority sectors is 2021, in line with the calculation of the loan portfolio footprint.

This starting point should be compared with the value of the chosen sectoral reference scenarios for 2021:

- Power generation and iron and steel sectors: Net Zero 2050 scenario of the IEA at global level.

- Residential Real Estate sector: The IEA's "Net Zero 2050" scenarios at global level and CRREM's "Global Decarbonisation Pathway 1.5°C" for Spain.

The decarbonisation pathways for each sector are constructed by drawing a graphical line between the starting point in 2022, the intermediate decarbonisation target in 2030 and the final emission neutrality target in 2050 (2040 for electricity generation).

The 2030 and 2050 targets are drawn considering the alignment with the reference scenario, as well as other factors specific to each sector, such as the presence of decarbonisation opportunities (existence of alternative clean technologies, commitments made by the sector, etc.).

The table describes the sectors and the chosen base year:

Sector	Scenario	Scope emissions[1]	Metric	Base year (2021)
Electricity Generation	NZE 2050 (IEA)	1+2	kg CO2eq./ MWh	**164** (2021)
Iron and Steel Production	NZE 2050 (IEA)	1+2	kg CO2eq./ t	**576** (2021)
Residential Real Estate	NZE 2050 (IEA) and CRREM 1.5°	1+2	kg CO2/ m2	**42** (2021)

1 Ibercaja has not calculated Scope 3 funded emissions as the availability of information and existing methodologies are limited. The Bank has planned to work on improving climate and environmental reporting during 2023 to improve its analysis for reporting in 2024.

Links and references

Chapters 6.1, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

As the interim decarbonisation targets were published in October 2022, reporting on progress and the level of alignment achieved will start in the 2023 Directors' Report.

GENDER EQUALITY:

With the implementation of the strategic plan 2021/2023 Ibercaja published in April 2021 its objective to increase the percentage of women in management positions. This objective has been defined by firstly identifying the positions that the organisation considers to be managerial and secondly by analysing the distribution of the workforce, taking into account elements such as the monitoring of the workforce by territories and areas (target workforce) as well as different hypotheses based on internal rotation, incorporation of new profiles, etc.

The base year taken into account for this process is the headcount data at the close of the corresponding financial year, in this case the base year is 2022, whose percentage of representation of women in management positions on 31 December is 34.4%. However, Ibercaja carries out constant monitoring through Human Resource's BSC. The analysis and monitoring of this objective is done on a monthly basis at the operational level.

c) SMART targets: (incl. key performance indicators (KPIs)[10]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

CLIMATE CHANGE MITIGATION:

The sectors with the highest relevance and priority for implementing the decarbonisation targets within the priority impact area, "Climate change mitigation" are Electricity generation, Iron and steel production and Residential real estate, with the targets defined by the Bank in 2030 for each sector as follows:

Sector	Scenario	Scope emissions[1]	Metric	Base year (2021)	2030 Objective
Electricity Generation	NZE 2050 (IEA)	1+2	kg CO2eq./ MWh	**164** (2021)	**103** (-37%)
Iron and Steel Production	NZE 2050 (IEA)	1+2	kg CO2eq./ t	**576** (2021)	**518** (-10%)
Residential Real Estate	NZE 2050 (IEA) and CRREM 1.5°	1+2	kg CO2/ m2	**42** (2021)	**36** (-16%)

1 Ibercaja has not calculated Scope 3 funded emissions as the availability of information and existing methodologies are limited. The Bank has planned to work on improving climate and environmental reporting during 2023 to improve its analysis for reporting in 2024.

In line with the table above, Ibercaja is committed to reducing by 37% the intensity of emissions financed by the Bank in the electricity generation sector (one of the most carbon-intensive industries at present). Given that there is a wide presence of clean technologies in electricity generation, which will increase in the coming years, the Bank expects to reach emission neutrality in 2040, 10 years earlier than in the rest of the sectors, as its decarbonisation will also act as a lever for other productive sectors.

Ibercaja will also work to achieve a 10% reduction in emissions financed in the iron and steel production sector by 2030. The sector is currently working on the development of new, less emission-intensive iron and steel smelting and processing technologies, some of which are based on the electrification of production and the use of green hydrogen. As a result, the decarbonisation of industry is expected to accelerate in the decades between 2030 and 2050.

Links and references

Chapters 6.1, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

[10]. Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

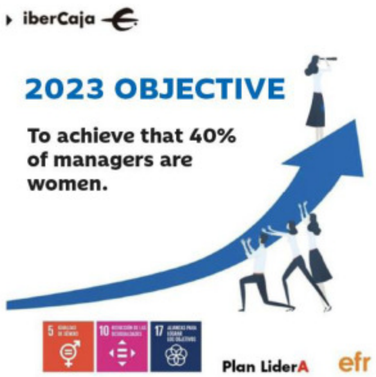
Lastly, the Bank is committed to reducing the emissions intensity of the residential real estate sector by 16% between 2021 and 2030 by improving the energy efficiency of housing and electrifying the energy demand of homes. By 2050, the emission neutrality target for the sector will be reached.
These objectives have been jointly defined by the Credit Risk, Corporate Banking and Sustainability Areas and are to be reviewed and, if necessary, revised at least every five years to ensure consistency with the latest scientific developments. Ibercaja will define its Action Plan in 2023 in line with the decarbonisation commitments adopted for 2030.

As mentioned above, it should be noted that Ibercaja has been neutral in its own emissions since 2020: 100% of the Bank's electricity consumption is from renewable sources and it invests in offsetting direct emissions (Scope 1) through ZeroCO_2 projects.

GENDER EQUALITY:

Regarding the objective "Positioning of women in management positions", Ibercaja has adopted the commitment to reach 40% of women managers by the end of its strategic cycle (2023) and it has been included as one of the KPIs of the Bank's strategy whose monitoring, at a high level, is carried out on a quarterly basis. The strategic initiatives covered by this KPI are "Purpose and Sustainability" and "Strategic People Planning".

This objective has also been included in the EFR 2022/2024 plan and in the Ibercaja Equality Plan agreed in 2022, integrating it into different internal processes of the people area, such as the internal appointments and vacancies system.



d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.
Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

CLIMATE CHANGE MITIGATION:

The decarbonisation targets defined for the Power Generation, Iron and Steel Production and Residential Real Estate sectors, selected taking into account the NZBA's list of the most intensive sectors, the relative weight of the productive activities of the Bank's loan portfolio and the availability, quality and granularity of data, were published in October 2022.

In order to achieve the defined objectives, Ibercaja collaborates with its customers and tries to provide them with advice and financial solutions that enable them to make progress in decarbonisation:

- Ibercaja is aware that the energy sector is a key industry in the fight against climate change. About two-thirds of global greenhouse gas emissions are linked to the burning of fossil fuels used for heating, electricity, transport and industry. In Spain, too, energy processes are the main contributors to greenhouse gas emissions. This industry is key to the decarbonisation of the economy, with a global transition to renewable energies and a progressive limitation of conventional energy generation.

- In the iron and steel production portfolio, the Bank already finances steel industries based largely on metal recycling, which require much lower energy consumption than the processing of mined iron ore.

- In the residential real estate sector, Ibercaja considers that promoting the improvement of the energy efficiency of its housing financing portfolio is not only a business opportunity, but also a means to reduce its vulnerability and the carbon footprint of its activity. In relation to business opportunities, energy efficiency is identified as an avenue to be explored in the financing of home renovations to improve their efficiency, together with the potential public aid already announced by the Spanish Government for this purpose.

In order to make progress in achieving its objectives, the Bank already has a wide range of investment and financing products. In the financing products, aimed at the business segment, there is a wide range of products aimed at supporting accessibility and improving energy efficiency in housing, sustainable mobility and access to Next Generation EU aid. Recently, the Hipoteca +Sostenible has been added to this offer, aimed at financing homes with an A or B energy rating and, therefore, further away from the climate transition risks. With the aim of achieving an ideal investment proposal for each customer, whatever their investment profile, five new ESG investment funds, a new sustainable pension plan and a PIAS Link savings insurance that also follows sustainable criteria in the selection of its investments were added in 2022.

Links and references

Chapters 6.1, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

Ibercaja will continue to work during 2023 on defining the actions to be undertaken to meet the objectives set for 2030, also involving the business and risk management areas. In 2024, the Bank will seek to define new interim decarbonisation targets, with the ultimate goal of achieving net zero emissions by 2050.

GENDER EQUALITY:

In 2020, Ibercaja defined the LiderA Plan as one of the areas of improvement of the EFR plan, the aim of which is to continue to make progress in women's access to management positions and whose strategic orientation includes 3 essential lines of work:

- LISTEN to the real needs of women and the organisation in order to implement measures that respond to them.
- PROMOTE a business culture based on equal opportunities, labour flexibility and co-responsibility.
- ACHIEVE effective equality between men and women at Ibercaja.

Each line of work includes specific actions carried out by Ibercaja:

- LISTEN: "EnFemenino" breakfasts, pulse and mailbox surveys efr@ibercaja.es.
- DRIVE: Awareness-raising campaigns, enFemenino Week, Update of the equality plan.
- ACHIEVE: BSC, Diversity Map and Territory Targets for Women's Leadership

On the occasion of the first enFemenino Week held in March 2020, Ibercaja informed the entire organisation of the goal of achieving 40% of female managers at the presentation of the LiderA Plan.

Subsequently, and due to the integration of this objective into the organisation's strategy, it was communicated externally in 2021, thus demonstrating the Bank's commitment to areas such as equality, diversity and work-life balance.

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	… first area of most significant impact: … *Mitigación del Cambio climático*	… second area of most significant impact: … *Igualdad de género*	*(If you are setting targets in more impact areas)* …your third (and subsequent) area(s) of impact: … *(please name it)*
Alignment	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Baseline	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
SMART targets	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No
Action plan	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☐ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:
Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

CLIMATE CHANGE MITIGATION:

In order to measure Ibercaja's progress and define future action plans with respect to the decarbonisation objectives established for the three priority sectors, the emission factors established by the PCAF for the different sectors of economic activity have been considered, associating them with the counterparties of the Bank's credit portfolio.

Ibercaja is also 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, its admission policies include a reference to the consideration of ESG risks in the assessment of customers and transactions at credit risk, and work is underway to develop exclusion policies for certain sectors with controversial activities and to incorporate qualitative questionnaires with ESG aspects.

Ibercaja's approach to segmenting its portfolio of productive activities according to their predisposition to transitional climate risk is being developed on the basis of a sectoral concentration metric that is planned to be included in the Bank's Risk Appetite Framework. At the end of December 2022, Ibercaja identified that it has a 12% exposure, with respect to its total portfolio of productive activities, to customers associated with sectors with high emissions intensity.

The climate targets defined have been approved by the Management Committee and the Sustainability Committee. Subsequently, they are submitted to the Governing Board and their progress will be monitored accordingly.

GENDER EQUALITY:

Ibercaja has included in its selection and promotion policies actions and KPIs associated with the monitoring of women in management positions, as well as through the Bank's strategy. At the end of 2022, the percentage of women in management positions will be around 35%, having increased by 4% during that year (the baseline figure was 31%). For this reason, throughout 2023, we will actively work with the different territories to achieve the target by the end of 2023. The detailed objective is part of the strategic plan monitoring scorecard (IN02 Purpose and Sustainability / IN01 Strategic People Planning).

Links and references

Chapters 6.1, 6.4 and 6.12 of this Directors' Report.

Ibercaja Corporate Website

Principle 3: Clients and Customers

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 Client engagement

Does your bank have a policy or engagement process with clients and customers1 in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities2). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Ibercaja's sustainable business strategy is based on reducing the negative impact of its environment, both of the Institution and its customers, through a strategy that allows Ibercaja to continue growing, improving its profitability and positioning and being recognised as an organisation that contributes value and improves the future of its social and environmental surroundings.

Based on this dual vision, a strategy differentiated by customer segments, needs and proposed solutions is proposed, leading to the identification of necessary capabilities. In this way, the strategy to be followed ends up being configured:

- Environmental Impact: Promoting energy efficiency, circular economy and responsible consumption to reduce the impact on the environment and contribute to its recovery.
- Social Impact: Support to the most vulnerable people and territories with the aim of helping them to take advantage of the opportunities of sustainable development.
- Good Governance: Promoting responsible company behaviour in accordance with ethical principles that pursue development and well-being, with support in the training actions for the company of the Ibercaja Foundation.

In addition, the customer communication plan consists of four phases:

1. Information: Explaining the meaning of the SDGs and their relevance to sustainable development to all the Bank's customers with the aim of raising their awareness in order to achieve joint collaboration and progress. This communication was initiated internally in coordination with the training area, in order to ensure a complete and adequate transfer of information to the customers. Significant actions this year:

- Existence of a space devoted to sustainability within the internal regulations of the Bank that gathers all the necessary information for the employee.
- Holding information and awareness-raising days for employees.
- Participation in various specialised media.

Links and references

Chapter 6.3 of this Directors' Report

Ibercaja Corporate Website

[11]. A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

[12]. Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

- Existence of a space on the Bank's corporate website dedicated to sustainability, which brings together different articles of interest to help customers improve the energy efficiency of their way of life, and Ibercaja's sustainable financing products.

- Existence of a space on the corporate website devoted to investors, which includes articles to understand how each customer can contribute to sustainable development according to the investments they choose.

- Dissemination of energy efficiency newsletters to ±500m customers per mailing.

2. Detection of needs and opportunities: Ibercaja collaborates with its customers, especially productive activities, by assessing their energy efficiency and analysing their exposure to climate risks. It also has agreements with specialised companies to facilitate the improvement of the energy efficiency of buildings, the management of public aid and the execution of works, both for private individuals and for productive activities.

3. Proposed solutions: Ibercaja has a wide range of commercial, investment and financing products that enable it to respond to the needs detected by its customers in general, and in relation to sustainable development in particular.

4. Sharing results, involvement and commitment: In 2023 Ibercaja will provide information on its sustainability targets to all its customers, while at the same time working to provide them with sufficient means to offset their carbon footprint.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a% of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Encourage the improvement of the energy efficiency of the housing financing portfolio is not only a business opportunity, but also a means to reduce its vulnerability to transitional climate risks and the carbon footprint of the Bank's activity. In this regard, Ibercaja aims to increase the percentage of A and B-rated homes in its portfolio by developing projects to improve the energy efficiency of homes and boosting its commercial offer of sustainable mortgages.

To this end, Ibercaja has integrated the results of this impact analysis into its business model, identifying a series of opportunities that will enable it to achieve the decarbonisation of its mortgage portfolio.

- Firstly, the Bank is committed to new specific financing products to facilitate the improvement of energy efficiency and accessibility in private homes and homeowners' associations, requiring the presentation of an energy assessment of the property before and after the execution of the project, thus ensuring the sustainable purpose of the operation: Edificio + Sostenible (More Sustainable Building) (for homeowners' associations), Vivienda +Sostenible (More Sustainable Housing) (for private individuals). Both projects had a combined formalised volume of 1.73 million euros in 2021, rising to more than 16 million euros in 2022.

- Secondly, Ibercaja is working to incorporate the analysis of the climate risk of properties in its management processes, for which it will continue to analyse the energy efficiency certificates of its guarantees and request them in its credit risk admission processes, among others.

- Likewise, in order to facilitate customer access to public aid programmes for energy efficiency, Ibercaja has also reached agreements with various institutions such as IDAE and agreements with autonomous communities to develop specific financing products, as has been the case in Extremadura and Catalonia.

Links and references

Chapter 6.3 of this Directors' Report

Ibercaja Corporate Website

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[13]) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Ibercaja works very actively on SDG 17: Partnerships.

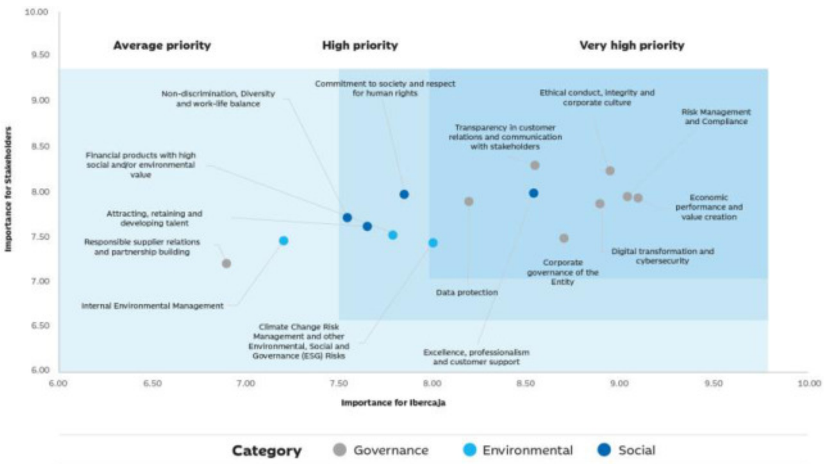
The Bank has a stakeholder map, which identifies those stakeholders that are its priority: customers, employees, investors and shareholders, suppliers and society. In addition, special attention is paid to the impact of its activity on the environment. This stakeholder map analyses the expectations and interests of each of them, classifies them and priorities them to help the institution to actively listen to and engage with them.

In 2021, Ibercaja carried out a materiality study, consulting with the 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. During 2022, Ibercaja updated the 2021 financial year, advancing in the requirements of the new "GRI 3 - Material issues 2021", for which it has carried out an analysis and assessment of the importance of the impacts of the Bank. The results of the stakeholder assessments were structured in a materiality matrix reflecting the priority of the 15 previously identified relevant topics. This matrix highlights those aspects that are of high importance to both the Bank and its stakeholders.

Links and references

Chapters 3, 6.1 and 6.14 of this Directors' Report.

Ibercaja Corporate Website



[13]. Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

Taking into account this dual materiality, in 2022 Ibercaja has assessed the potential positive or negative impacts of these priority issues, as well as the actions it is undertaking to manage them.

Likewise, aware of the importance of communication and institutional relations with the various stakeholders, Ibercaja maintains continuous coordination and alignment in the dissemination of content with them, which is carried out through the Bank's different communication channels, both externally and internally: social media, suggestion boxes and telephone assistance.

As part of the commitments that Ibercaja has adopted to achieve sustainable development, Ibercaja is part of UNEP-FI, the United Nations Environment Programme Finance Initiative, which seeks to mobilise private sector financing for sustainable development by fostering a financial sector that generates positive impacts for people and the planet.

In 2019, Ibercaja adhered to the recommendations of the TCFD and in 2021 to the NZBA as a founding member, with the aim of achieving emissions neutrality in its portfolios by 2050. In order to achieve zero emissions on its portfolio by 2050, Ibercaja is aware that the calculation of the carbon footprint, specifically, of the scope 3 category 15 emissions and the respective intensity metrics, is an essential input to be able to set its decarbonisation targets. As a result, the Bank joined PCAF in 2022.

In turn, Ibercaja Gestión and Ibercaja Pensión have signed up to the Net Zero Asset Managers initiative, also with the commitment to achieve CO_2 neutrality of their own and their portfolios by 2050. As a sign of the Group's commitment to sustainable investment, since 2021 Ibercaja Gestión has subscribed 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. The fund managers have continued to collaborate during 2022 with other engagement platforms such as Climate Action 100+ or Access to Medicine Foundation.

In 2022, Ibercaja continued its intense activity of transmitting and disseminating economic, business and financial knowledge for 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, with the aim of improving 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, with the Ecosystem+ Enterprise platform.

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ Yes ☐ In progress ☐ No

Please 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 the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The Ibercaja Group's commitment to sustainable growth was endorsed with the approval, in December 2020 by the Ibercaja Bank 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.

The Board of Directors is conferred as the highest level body in the Bank's governance model, whose task is to promote Ibercaja's positioning in sustainable development.

In this way, Ibercaja has a governance structure that allows it to adequately carry out sustainability management and support the effective implementation of the PRBs to which it is a signatory:

- 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.

- Reputation and Sustainability Committee, at management level and chaired by the CEO, in charge of validating and supervising the Bank's Sustainability Strategy, as well as monitoring and approving the measures necessary to advance in the integration of sustainability in Ibercaja. This committee is also tasked with monitoring the implementation of the Principles of Responsible Banking.

- 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.

Links and references

Chapters 4.2, 6.1, 6.4, 6.5, 6.7, 6.12 and 7 of this Directors' Report.

Ibercaja Corporate Website

Within the Purpose and Sustainability Initiative, Ibercaja counts on the Management Committee as a sponsor to integrate Corporate Purpose into its culture and sustainability into the organisation's strategy. Ensuring their commitment to the PRBs requires the design of an effective governance structure and the promotion of a responsible banking culture. Therefore, the Bank is working with transversal and multidisciplinary teams, with the above Committees and the following Working Groups:

- Sustainability work team, a transversal team made up of different areas of the Bank for the development of the global strategic sustainability project, which is developed through six specific challenges.

- Environment Committee, responsible for oversight and compliance with the Bank's environmental management system and promoting environmental awareness and protection initiatives.

- The EFR Committee is responsible for promoting work-life balance management, which promotes a balance between personal, family and working life.

- Editorial Committee, of a transversal nature, aims to define messages, plan contents and channels, in order to achieve greater reach and effectiveness of communication, including everything related to Sustainability.

Based on this allocation of tasks and responsibilities, the sustainability governance framework is based on the work of all areas of the Bank and the various working groups. Specifically, the Marketing area has a specialist unit, the Sustainable Finance Unit in the Marketing and Digital Strategy Division, to drive the ESG business strategy. These are coordinated by the Brand, Reputation and Sustainability Division, which in turn reports progress and proposals to the Reputation and Sustainability Committee. Approval of the proposed strategies, policies and roadmaps is the responsibility of the Strategy Committee, with the Board of Directors being ultimately responsible for approving and promoting the Bank's Sustainability Policy.

Through its Sustainability Policy, the Bank responds to its commitment to sustainable and inclusive growth through gradually carrying out various courses of action.

The following elements guide the sustainability lines of action and action planning:

- Sustainability Policy (2020): it is considered the framework for the development of the sustainability strategy as it defines the sustainability principles and the Bank's commitments to its main stakeholders.

- Environmental Policy (2021): identifies the Bank's environmental commitments and promotes good practices, in accordance with the principles set out in the Sustainability Policy.

- Ibercaja has been a signatory of the United Nations Global Compact since 2006, ratifying that its activity is carried out in accordance with these principles.

- Corporate Purpose, as the reason for the Bank's existence and the basis of its corporate strategy, which aligns efforts, inspires and mobilises action. It follows a humanistic approach and is focused on people and on generating social value.

- Ethics Management Model, comprising the Bank's Code of Ethics, the Ethics Management Manual, with the structure and functions necessary in the bank to put the Code into practice, and the Ethics Channel, as an independent communication channel for reporting possible breaches of the Code (approved by the Board of Directors).

- Code of Conduct for suppliers, with the aim of conveying our commitment to sustainability and involving them in its progress.

- EFR work-life balance plan, which contains the actions to be performed to promote a balance between personal, family and professional life, in accordance with the proactive management and continuous improvement that defines the Socially Responsible Company seal.

During 2021 and 2022, and within the areas of credit, operational, liquidity, market and reputational risk, ESG aspects were incorporated into the management frameworks and procedures of these risks, in which the will to take them into account in the sphere of management and control activities is expressed.

With regard to the remuneration system, Ibercaja's Remuneration Policy is consistent with the Sustainability Policy and with the principles and values of the Bank in the management of environmental, social and corporate governance risks and complies with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on the disclosure of information relating to sustainability in the financial services sector, establishing a remuneration system based on equal opportunities and non-discrimination. The Remuneration Policy is based on the principle of equality between men and women, with no type of wage differentiation between genders.

In 2022, specific sustainability-related targets have been set in the corporate objectives. Thus, in the assessment of the Strategic Plan, greater weight is given to meeting the milestones of the strategic sustainability initiative, related to risk management and the ESG business strategy.

The Bank currently defines a long-term incentive, with the objective of aligning the interests of certain key executives of the Bank with corporate strategy and long-term value creation. Multi-annual objectives include:

- Percentage of female executives.
- CO_2 emissions.
- Achievement of the major sustainability milestones contained in the “Challenge 2023” Strategic Plan.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g. capacity building, e-learning, sustainability trainings for customer-facing roles, 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.

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 is being led by the People Department. 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.

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".

The sustainability project and the implementation of the PRBs is accompanied by a substantial employee training strategy. For this reason, a specific line of sustainability training has been developed as part of the Bank's Professional Development Plan. In 2022, sustainability training was provided to all Bank employees on Sustainable Finance, the SDGs and the role of the financial sector in the transition to a sustainable economy. In addition, the training itinerary on sustainability for the Audit Area has been developed.

Links and references

Chapters 4.2, 6.1 and 6.4 of this Directors' Report.

Ibercaja Corporate Website

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[14] Please describe.
Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

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.

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.

During 2022, Ibercaja has made progress in the management of ESG risks in all its phases (identification, measurement, management and monitoring), prioritising environmental factors and, specifically, climate risk.

Firstly, Ibercaja identifies ESG risks, and especially climate and environmental risks, as risk factors that are likely to impact prudential risks through its counterparties and/or invested assets via certain transmission channels.

In order to guide its actions to prevent or avoid damage to the environment, the Bank has made progress in understanding the impact of different climatic events on prudential risks by developing a risk map for three time horizons (short, medium and long term). In 2022, this exercise was updated and enriched by considering the three climate scenarios proposed by the Network for Greening the Financial System (NFGS): orderly transition scenario (used as the baseline scenario), disorderly transition scenario and Hot House World (HHW) scenario. In addition, in 2022 the Bank has incorporated the assessment of climate impacts on business risk and underwriting risk, and has added the consideration of dispute and litigation events on reputational risk.

Likewise, in 2022, the operational risk map was updated and Ibercaja's reputational risk map was developed. Both maps allow assessing the potential impact of climate events and greenwashing risk management on the Bank's business continuity and reputation for its stakeholders.

With regard to the measurement of ESG risks, in 2022 Ibercaja participated in the ECB's climate stress test exercise, as a first step towards integrating climate factors into the Bank's stress test framework. The overall results obtained by Ibercaja show how the ECB has categorised the Bank's CST framework with a "medium-advanced" degree of progress, higher than the average score of the banks analysed.

It has also assessed the Bank's exposure to the most carbon-intensive industries in its credit and financial portfolio and has defined intermediate decarbonisation targets for 2030 for three of the most carbon-intensive sectors, according to the list published by the NZBA and based on the calculation of its carbon footprint financed on the portfolio of productive activities, in response to its commitment to the Net Zero Banking Alliance (NZBA).

Links and references

Chapters 6.1, 6.12 and 7 of this Directors' Report

Ibercaja Corporate Website

[14]. Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

It also analysed the development of the potential impact of climate, physical and transition risks on the Bank's mortgage portfolio.

In relation to ESG risk management, Ibercaja is working on including ESG factors in the credit risk admission and monitoring processes, in line with the EBA Guide on Loan Origination and Monitoring, which defines the internal governance mechanisms and procedures of financial institutions in relation to credit operations and concessions.

Along these lines, Ibercaja is developing an Exclusion Policy that limits the impact of ESG factors on the Bank's own credit and investment risk, by defining general and sectorial exclusion criteria that avoid any investment or financing operation that may be considered inappropriate due to its high environmental, social, ethical or reputational risk. It is also working on aligning credit risk approval procedures with the requirements of the new EBA Guidelines on Loan Origination and Monitoring based on the development of an ESG questionnaire for assessing customers and transactions.

The asset managers of the Ibercaja 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 management of non-financial risks that is being incorporated into the traditional critical analysis. In 2021, a number of policies were developed in relation to ESG risk integration, which were updated in 2022.

Liquidity risk management, both in the financial market portfolios and in Ibercaja Vida, continues to apply an additional liquid asset write-down for non-ESG assets (including climate and environmental risks), within the main risk typologies, in the liquidity self-assessment exercise, with the aim of integrating climate risks into this prudential 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.

Finally, to monitor climate risks, Ibercaja has developed two sector concentration metrics defined according to Ibercaja's exposure to productive activities with high emissions intensity and is studying their incorporation into the Risk Appetite Framework. These metrics have been developed on the portfolio of productive activities and the securities portfolio, with the aim of

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

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 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☒ Yes ☐ Partially ☐ No

If applicable, please include the link or description of the assurance statement.

The information disclosed in sections Impact analysis [2.1], Target setting [2.2], Target implementation and monitoring [2.3] and Governance Structure for Implementation of the Principles [5.1] has been verified by Ernst & Young Auditores, S. L., as an independent provider of verification services, to the extent indicated in its Verification Report.

Links and references

Chapter 3 of this Directors' Report.

Ibercaja Corporate Website

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI
☐ SASB
☐ CDP
☐ IFRS Sustainability Disclosure Standards (to be published)
☒ TCFD
☒ Other: UN Global Compact

1. The Directors' Report has been prepared in accordance with the GRI Standards for the period from 1 January to 31 December 2022.

2. It includes, in chapter 6.12, the TCFD Report, with the objective of disclosing in a consistent, comparable and clear way the effect that an economic activity has on the climate, in order to facilitate investors' decision making.

3. It records the Organisation's annual progress in implementing the ten principles of the UN Global Compact in the areas of human and labour rights, environment and anti-corruption. In this way, it responds to the requirements established for the preparation of the COP Progress

Links and references

Chapter 6.12 and Appendices B and C of this Directors' Report.

Ibercaja Corporate Website

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[15], target setting[16] and governance structure for implementing the PRB)? Please describe briefly.

Ibercaja continues to take relevant steps towards the effective implementation of the Principles of Responsible Banking: it has built a strong position for itself by developing the Purpose and Sustainability initiative within the 2021-2023 Strategic Plan. This is a firm commitment by the Bank, which has laid the foundations for governance and engaging the entire organisation, under the leadership of the Board of Directors, the Chief Executive Officer and the Management Committee. We are working intensively on climate and environmental risk management, responsible business strategy, capture and improvement of ESG data and its integration into systems, staff training and internal and external communication, as the main axes for the integration of sustainability.

The next steps in 2023 include:

- Deepening the impact analysis, analysing specific sectors in line with the decarbonisation targets set.
- Action plan for achieving the objectives of decarbonisation of the credit portfolio and the promotion of sustainable financing.
- Development of the ESG data strategy, prioritisation and integration into the Bank's data architecture, and definition of the corporate ESG information model.
- ESG communication strategy: deepening and reinforcing the ESG communication strategy with customers, society and investors to increase the impact of the Ibercaja Group's commitment to sustainability in its environmental, social and good governance aspects on these stakeholders.

Links and references

N/A

Ibercaja Corporate Website

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☒ Embedding PRB oversight into governance

☐ Gaining or maintaining momentum in the bank

☐ Getting started: where to start and what to focus on in the beginning

☐ Conducting an impact analysis

☐ Assessing negative environmental and social impacts

☐ Choosing the right performance measurement methodology/ies

☒ Setting targets

☐ Other: ...

☒ Customer engagement

☐ Stakeholder engagement

☒ Data availability

☐ Data quality

☐ Access to resources

☐ Reporting

☐ Assurance

☐ Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

[15]. For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

[16]. For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.12 TCFD Report

2-12, 2-13, 2-23, 3-3, 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 so as to facilitate decision-making among investors.

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, so as to achieve progress towards a carbon-free economy.

The Ibercaja Group, **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 an economic activity has on the climate so as to facilitate investors' decision making.

Four areas to report

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 with the aim of building a global economy of zero net emissions and meet the objectives of the Paris Agreement.

In this respect, in 2022, the Bank joined the **Partnership for Carbon Accounting in the Financial Industry** (PCAF) to work towards its commitment to achieve emission neutrality of its loan book and investment portfolios by 2050 or earlier. PCAF is the international benchmark to facilitate the financial industry's alignment with the Paris Agreement and to convey transparency in the calculation of greenhouse gas (GHG) emissions.

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.

Ibercaja is aware of the long road ahead, which is why it continues to work and move towards a sustainable future. It is aware 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.

In 2022, in pursuit of the objective of advancing climate risk identification and management, the Bank joined the Partnership for Carbon Accounting Financials: PCAF). This initiative aims to establish an international methodology for measuring and disclosing greenhouse gas emissions financed by financial and investment institutions. Along these lines, Ibercaja calculated its financed carbon footprint following the PCAF methodology (specifically, SBTi's SDA), with the ultimate goal of establishing decarbonisation pathways to achieve zero emissions by 2050 and comply with NZBA guidelines. To this end, it commits to transition all operational and attributable GHG emissions from its loan book and investment portfolios to align with pathways towards net zero emissions by 2050.

6.12.3 Definition of environmental and climate-related risks

In recent years, there has been an unprecedented institutional, social and business mobilisation to respond to major sustainability challenges and, in particular, to identify and manage environmental, social and governance (ESG) risks.

Environmental risks fall under ESG risks and should be understood as the financial risks posed by an institution's exposures to counterparties or invested assets. In this regard, they 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 are those that 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.

The challenge that Ibercaja has taken on is to ensure that the business objectives promote sustainable development, preserving natural resources. To this end, it is making progress in integrating environmental aspects into its strategy, business model and risk management.

Ibercaja considers environmental risks, and specifically climate risks, as risk factors in the prudential risk categories currently managed at the Bank. Due to the relevance of climate events, Ibercaja has made progress in assessing climate risks on its business model.

In accordance with TCFD indications, they are defined and categorised as follows:

Transition risks.

Transition risks are those 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 CO_2 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 from 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 actions that contribute to the adverse effects of climate change.
    - Policy actions that seek to promote adaptation to climate change.

- **Technological 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, largely due to the fact that both the market and consumers are increasingly shifting their preferences towards options viewed as being more sustainable.
- **Reputational risk.** Climate change has been identified as a potential source of reputation risk tied to changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy. Greenwashing activities that the Bank or its counterparties may engage in are also linked to reputational risk. The Bank's reputational risk could also be affected by customers or suppliers who fail to comply with the ESG commitments adopted, as well as misleading advertising in this regard.

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 can have direct financial impacts directly and through our credit exposures, e.g. direct damage to assets or indirect impacts caused by interruptions in the production chain.

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 Bank'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 Bank: 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: “Help people 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 to 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 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.

> “We are a **different bank**, it's **our raison d'être**”.

The **Strategy Committee** has a special involvement in the definition and approval of the Strategic Plan, placing sustainability as one of its key enabling initiatives, and ensuring that there is a precise organisation for its implementation.

The Sustainability Policy is deployed through six strategic challenges, in which operational plans and annual milestones are defined, one of them being the management of climate and environmental risks. It defends a clear position on the importance of differentiating ourselves as a sustainable Bank, from three points of view: financially, socially, and environmentally.

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:**

Board of Directors	Approve and promote the Sustainability Policy.
Strategy Committee	Oversee the Sustainability Policy. Report to the Board.
Reputation and Sustainability Committee	Approve the Sustainability Strategy and Policy. Approve and Promote the Roadmap. Track deployment.
Brand, Reputation and Sustainability Department	Define, develop, coordinate and propose Sustainability Policy and Strategy to the R&S Committee. Support departments in launching.

All areas of the Bank

It works to implement the Sustainability Strategy aligned with the UNEF FI Principles of Responsible Banking signed by Ibercaja Banco and which responds to supervisory expectations.

ESG Committee

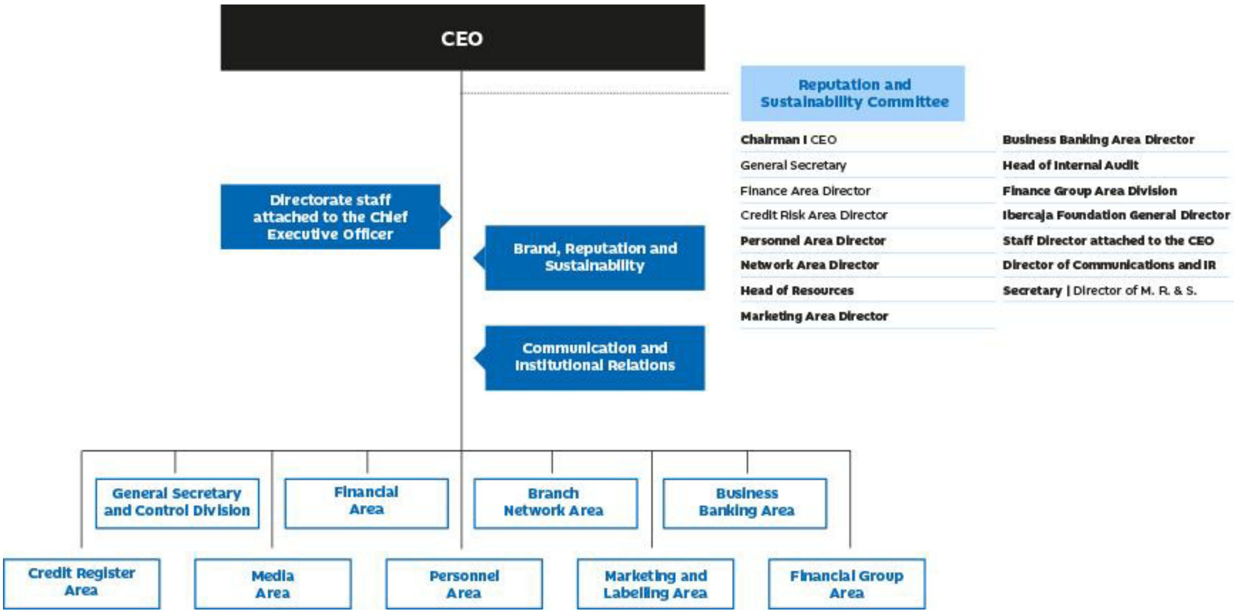
Monitoring of ESG investment mandate.

Promoting SRI.

Environment committee

Cross-cutting committee that oversees compliance with Ibercaja's Environmental Policy. For more information, see chapter 6.5 of this report.

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 tacking the challenges of the Purpose and Sustainability initiative of the new Challenge 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[22]

> "Business objectives must drive sustainable development, integrating ESG aspects into strategy and decision making"

Main lines of action
Sustainability Policy

1 **ESG RISK MANAGEMENT**
Identify, manage, integrate

2 **SUSTAINABLE BUSINESS DEVELOPMENT**
Accompanying clients, integrating ESG into commercial strategy

3 **EMPLOYEES**
Training, efr, conciliation

4 **TRANSPARENCY AND GOVERNANCE**
Governance model, responsibilities, data and non-financial information

5 **ENVIRONMENT AND SOCIETY**
Environmental objectives, value chain, listening to social needs

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, in order to respond to the challenges of its implementation.

In 2021, the **Challenge 2023 Strategic Plan** was launched, which includes a cross-cutting initiative, **IN02 Purpose and Sustainability**, aimed at activating the Corporate Purpose and integrating ESG aspects into 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.

In response to the commitment to align business strategy with the Principles for Responsible Banking and to meet the ECB's climate and environmental risk management expectations, the Bank has updated in 2022 the **analysis of the impacts that climatic factors** could have on Ibercaja's business, realised in 2021.

[22] For more information, see chapter 6.2 of this report

Climate impact analysis:

Focusing this analysis on its main areas of activity and on those economic sectors in which it has a greater presence. This analysis concentrates on two main segments of the Ibercaja portfolio: retail segment (mortgage portfolio) and productive activities segment (corporate portfolio) of the credit portfolio, with the **objective** of:

- Determining the **climatic factors** that could have a greater impact on Ibercaja's activity.
- Identifying **sectors and geographical areas** more vulnerable to the effects of climate change.
- Identifying **new climate change** adaptation needs; with special emphasis on how climate risks impact on the credit portfolio.
- Identifying potential **emerging risks**.
- Identifying **business opportunities** for both segments.

RISKS > **IMPACT** > **CONSEQUENCE** > **NECESSITY**

The update of the climate impact analysis was based on three exercises to measure the potential impact of climate risks, which were carried out throughout 2022. Firstly, the Bank proposed a metric of transition risk concentration[23], considering the exposure of the segment of productive activities in sectors of activity with high CO_2 emissions intensity (measured as $tCO_2eq./€$ sales); secondly, a qualitative analysis of the potential impact of physical risks on the portfolio of productive activities was carried out, taking as a reference those sectors considered as relevant by the EBA[24]; and finally, the analysis of climate, physical and transition risks in the real estate collateral portfolio was updated, again using information provided by Sociedad de Tasación (SOTASA).[25].

[23] Based on the Partnership for Carbon Accounting Financials (PCAF) methodology and using the PCAF database to identify the most emission-intensive sectors. For more information, see section 6.12.6 of this report

[24] As provided for in: The Implementing Technical Standards (ITS) on Pillar 3 disclosures on Environmental, Social and Governance (ESG) risks. For more information, see section 6.12.6 of this report.

[25] For more information, see section 6.12.6 of this report.

The Bank is aware of its role as a facilitator of the decarbonisation of the economy and therefore aims to support its customers in the transition to a low-carbon economy.

The analysis of the portfolio of productive activities has allowed for a preliminary segmentation of the portfolio based on its predisposition to be impacted by transitional or physical shocks. The results of the analysis show that more than 80% of Ibercaja's portfolio of productive activities has a low predisposition to transition risks, as it is associated with sectors with low emissions intensity. In this regard, the Bank has set interim decarbonisation targets for 2030, with the aim of achieving emissions neutrality of its entire portfolio by 2050 at the latest, in line with the commitments adopted after joining the NZBA.

Regarding exposure to physical risks, the impact analysis developed in 2022 concludes that more than 85% of the portfolio of productive activities is not sensitive to extreme weather events, depending on the nature of each economic activity.

Analysis of the geographical distribution of the mortgage portfolio shows that the vast majority of the Bank's assets are not predisposed to physical risks related to climatic or environmental events. Furthermore, in the analysis of transition risk, it is observed that the ratings of the properties in Ibercaja's mortgage guarantee portfolio are slightly better than the national housing stock, with a higher percentage of homes rated as sustainable (categories A and B) standing out in the Bank's portfolio, so it is considered that the impact of transition risks on the mortgage portfolio is also limited.

The main business opportunities arising in the most carbon-intensive industries are the financing of CapEx investments needed to improve the energy efficiency of machinery and installations. Also noteworthy are the financing opportunities that promote renewable energy sources or alternative sources, with loans for the establishment of photovoltaic or wind installations or for the development of new clean energy technologies, and sustainable mobility, as well as the offer of insurance ranges that minimise the risk of farms or production plants.

Lastly, as a result of the analysis of climatic factors on Ibercaja's retail portfolio, business opportunities continue to be identified for the Bank in relation to physical risks, in particular the offer of insurance ranges that cover the risk of damage to properties as a result of natural disasters, which, although they do not represent a significant risk for the Bank, could occasionally occur. Among the opportunities arising from the risk of transition, the financing of housing renovations to improve their efficiency is identified as an avenue to be explored, together with the potential public aid already announced by the Spanish government for this purpose.

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, the use of ECO vehicles, the energy refurbishment of homes and the use of** low-consumption appliances.
- Offering **sustainable means of payment**, such as the use of **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.
- Development of **mobile applications** that can offer the customer the measurement of the carbon footprint of the purchases made.

In addition, in response to the identification of these opportunities, during 2022 Ibercaja continues to work on the ESG business strategy, in which a series of short- and medium-term initiatives were developed, grouped into different blocks according to their subject matter. Examples of the blocks of sustainability initiatives are the promotion of mobility and sustainable buildings, aimed at the retail segment; support for the energy transition or minimisation of the use of limited natural resources, advice and access to specific financing lines for the Next Generation EU Funds, for the corporate segment; or sustainable investment for customers 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[26].

For succeed in this task, a **Working Group coordinated by Risk Control** was 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

[26] For more information on the risk management framework, see chapter 7 of this report.

- Risk Control Department. Operational risk
- Regulatory Compliance Department.
- Financial Group Area Department. Specific risks of the Financial Group (e.g. risk underwriting).
- Brand, Reputation and Sustainability Department. Reputational risk.

This Group has worked on the **identification of potential climate risks**, their channels of transmission to prudential risks and the qualitative assessment of their impact.

During 2021 and 2022, and within the areas of credit, operational, liquidity, market and reputational risk, ESG aspects were incorporated into the management frameworks and procedures of these risks, in which the will to take them into account in the sphere of management and control activities is expressed. This work will be further developed during 2023 with the aim of fully incorporating these concerns into our existing processes and governance structure.

Another milestone in 2022 was the definition of two concentration metrics in carbon-intensive sectors, as well as the Bank's participation in the ECB's climate stress exercise.

Ibercaja was heavily involved in the proper identification and measurement of climate-related risks, their management and, finally, their monitoring or follow-up in 2022, as shown in the figure below. This chapter describes the progress made by the Bank in 2022 in each of these four phases.

Figure 2. Main phases of climate risk management
Source: prepared in-house.

Identification of climate-related risks

The development of the climate risk map is a first step in achieving a greater understanding of climate and environmental risks and their transmission channels to prudential risks.

Objectives:

- Advance understanding and appreciation of the characteristics and particularities of climate 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[27].

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.

[27] For more information on the risk management model, see Note 3 of the Ibercaja Banco Group's Annual Report for the 2022 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
	Regulatory changes that force the closure or restructuring of industries due to their location in protected areas due to environmental and reputational implications
	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.

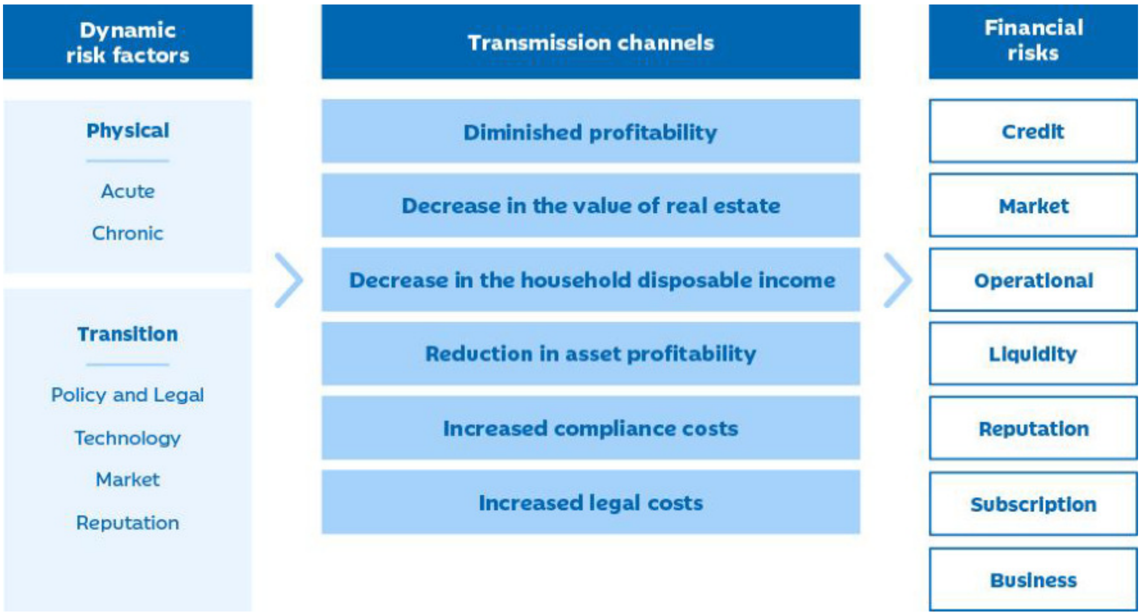


Figure 3. Non-exhaustive summary of climate risks, main transmission channels and financial risks impacted
Source: In-house adaptation of the EBA report on management and supervision of ESG risks for credit institutions and investment firms. European Banking Authority (EBA), 2021.

Based on the events identified in the inventory, Ibercaja has carried out a qualitative assessment of the materiality of climate risks and their potential impact on traditional risks (credit, liquidity, market, operational, reputational, business and underwriting) 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 on 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 both extreme and chronic weather events, the value of real estate assets financed and/or used as collateral could be reduced if they are damaged.
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 have an impact on 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 higher cost of funding. The withdrawal of deposits by customers who need to repair damage caused by these weather events could also have an impact on 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 from climate change on the Bank's assets such as real estate, branches, etc. can cause material damage and business interruption, both to a company's own premises and supply chains. However, it is considered low in terms of expected losses in the short, medium and long term.
Underwriting risk	Changes in mortality and health trends in different population groups due to climate change, e.g. rising temperatures, may lead to an unforeseen increase in claims, both for the mortality and disability risk of the company's policyholders. An impact on mortality risk results in an increase in the Bank's underwriting risk.
Business risk	Given the characteristics of business risk, the impact of physical risk on business risk is not considered material.

Source: prepared in-house.

Table 3. Expected potential impact of transition risks on prudential risks.

Transition risks	
TYPE OF RISK	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.
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. The creditworthiness and payment capacity of customers in these unsustainable sectors may also be affected.
Operational risk	No potential financial impacts on Ibercaja's operational risk as a result of transition risks have been observed
Underwriting risk	Given the characteristics of underwriting risk, the impact of transition risk on underwriting risk is not considered material.
Business risk	Increased regulation, reporting and transparency obligations in the area of sustainability may generate a number of additional costs for the Bank, impacting its cost structure. Furthermore, a loss of reputation with the effect of losing customers and positioning the Bank as a result of not meeting stakeholder expectations could lead to a significant loss of brand value.

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).

In 2021, Ibercaja prepared an inventory of climatic events that could have an impact on prudential risks through its counterparties and/or assets invested through certain transmission channels, and made a first approximation of their materiality and potential impact on prudential risks.

In 2022, this exercise was updated and enriched by considering the three climate scenarios proposed by the Network for Greening the Financial System (NFGS)[28]: orderly transition scenario (used as the baseline scenario), disorderly transition scenario and Hot House World (HHW) scenario.

ORDERLY TRANSITION SCENARIO

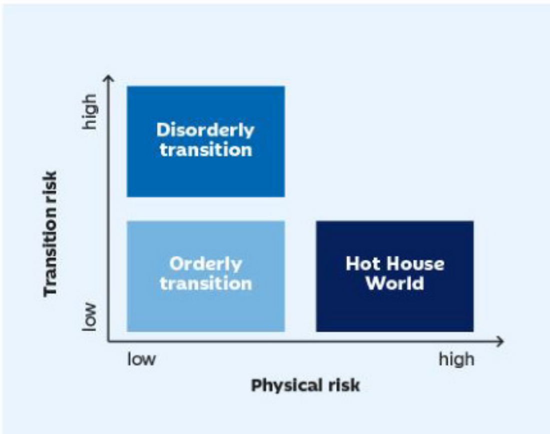
Climate policies are introduced early and gradually tightened, leading to a steady fall in all GHG emissions and limited to the emergence of physical and transitional risks in the medium to long term. This scenario has been selected as the baseline.

DISORDERLY TRANSITION SCENARIO

Climate policies are introduced later and more abruptly from 2030 onwards. Emission reductions are more pronounced, leading to a higher transition risk in the medium and long term.

HOT HOUSE WORLD (HHW) SCENARIO

Scenario where no additional policies or measures are adopted in addition to existing ones, leading to a high temperature increase and causing an increase in physical risks in the medium and long term.

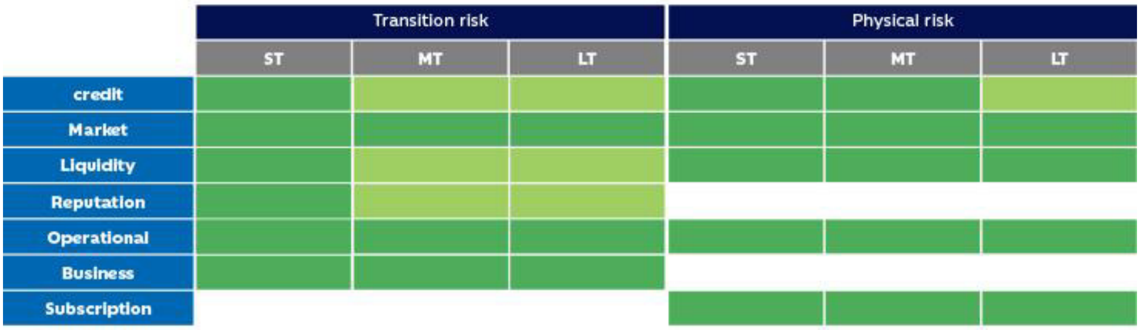


In addition, the Bank has incorporated the assessment of climate impacts on business risk and underwriting risk, and has added the consideration of dispute and litigation events on reputational risk.

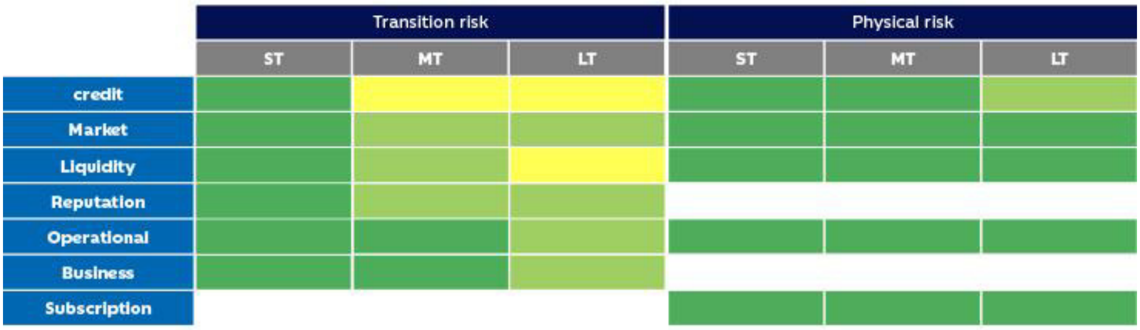
[28] Network for Greening the Financial System is a network of 83 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for the role of central banks in climate change.

As a result, in 2022, three climate risk maps were produced, one for each scenario analysed. In the orderly transition scenario (which is taken as the baseline scenario) the main impacts are concentrated on credit, liquidity and reputational risk, 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 on credit risk. The disorderly transition scenario is notable for an increase in transition risk impacts in the medium and long term. In addition, the Hot House World scenario is characterised by an increase in the impacts of physical risks also in the medium and, above all, in the long term.

A. Orderly transition scenario



B. Disorderly transition scenario



C. Hot House World Scenario

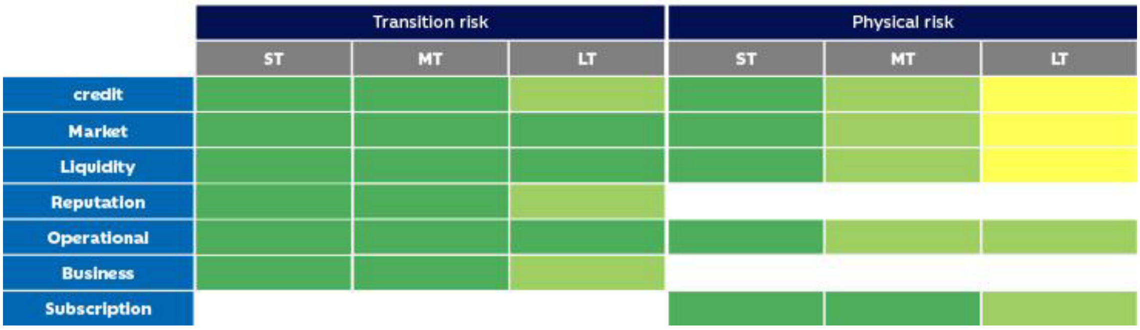


Figure 4. Expected potential impact of climate-related risks on prudential risks in the short, medium and long term for the scenarios defined by the NGFS.
Source: prepared in-house based on the consolidated results of the risk assessment questionnaires.

Likewise, in 2022, the reputational risk map was drawn up using a qualitative methodology, aligned with that defined for the Bank's operational risk management. Thus, the reputational risk map consists of the identification of reputational risks classified by their nature as follows: risks arising from operational risk and pure reputational risks (including reputational risks arising from climatic and environmental events, as well as greenwashing risk assessment). This map identifies risk managers and mitigating factors.

Furthermore, in 2022, the Bank continued to develop the operational risk map, incorporating, in addition to physical risks in the area of climate and environmental risks, also those related to transition risk, such as bad greenwashing practices, also incorporating them in the assessment tools.

In 2022, Ibercaja began to analyse the impact of physical risks on its own-use properties based on the data provided by Sociedad de Tasación (SOTASA) in order to contribute to the definition of the bank's continuity plan. The methodology defined by SOTASA for assessing flood risks in the Spanish provinces is based on the SNCZI definition of flood zones, to generate hazard maps, and on the evaluation of the potential adverse consequences associated with floods, with the aim of obtaining risk maps [29].

[29] Seismic and fire risks are not considered material as they do not offer conclusive results, as well as the risk of desertification as it is not considered relevant to the Bank's operations.

MEASUREMENT OF CLIMATE-RELATED RISKS

In 2022, Ibercaja carried out various exercises that have allowed it to make further progress in the measurement of climate risks.

A highlight of 2022 was that Ibercaja participated in the ECB's climate stress test (CST) exercise, as a first step towards integrating climate factors into the Bank's internal stress test framework. This exercise is not about capital adequacy, but it has been carried out for learning purposes, both for financial institutions and supervisors.

The Bank has responded to the qualitative questionnaire on the Bank's CST framework, management and modelling practices and calculated KPIs according to the Bank's exposure to transition risks and, in particular, the most carbon-intensive sectors. The overall results obtained show that the ECB has rated the Bank's climate stress test framework with a “medium-advanced” degree of progress, higher than the average score of the banks analysed.

The Bank has also carried out other climate risk measurement exercises:

Measuring climate risks in the business segment:

Firstly, as mentioned above, the Bank's exposure to the most carbon-intensive industries has been assessed, based on the sectoral emissions data calculated and provided by PCAF, with the aim of segmenting Ibercaja's credit and securities portfolio according to its CO_2 emissions intensity[30].

This analysis has made it possible to develop two **transition risk concentration metrics**, which can be incorporated into the Risk Appetite Framework, allowing the Bank's portfolio of productive activities or securities to be segmented into five levels according to the intensity of issues in the economic sectors to which Ibercaja is exposed (very low, low, medium, high, high, very high). This segmentation has been carried out considering the real activity of the holding companies and head offices on the basis of their associated Analytical NACE[31].

In addition, the Bank, committed to achieving zero emissions by 2050, has calculated its financed carbon footprint, prioritising the most intensive sectors in order to define medium-term decarbonisation targets. This calculation has been developed using the methodology and emission factors by economic activity sector provided by PCAF.

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[30] Database that identifies the emissions intensity, in the form tCO2eq./€M turnover, of the sectors of economic activity, according to the NACE national classification system, in Europe.

[31] The methodological approach of the Analytical NACE associated with Ibercaja's holding companies and headquarters is based on the activity and relevance (according to volume of assets) of its subsidiaries.

This industry-standard methodology allows emissions financed to financial institutions to be measured and enables transparent reporting on their exposure to GHG emissions, and thus to climate-related transition risks.

Ibercaja has also assessed the exposure of its portfolio of productive activities to physical, acute or chronic risks, considering the most vulnerable sectors of activity, according to the EBA. The assessment is made, according to the average maturity of the operations contracted per customer, based on a heat map that determines the sensitivity to severe climate impacts in the short, medium and long term by NACE economic sectors. This heat map has been designed after the qualitative analysis of the assessment of potential physical risks in the usual functions of each economic activity published by various official sources in reports of national or international relevance[32].

Measuring climate risks in the retail segment:

The Bank has also updated 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).[33]. Firstly, the development of the potential physical climate impacts in the most relevant geographical areas for the real estate portfolio as a result of forest fires, river or coastal flooding, desertification, volcanic or seismic activity was analysed; secondly, the development of the energy certification ratings of the homes in this portfolio was analysed in order to determine the predisposition to transition risks of the Bank's mortgage portfolio.

MANAGEMENT OF CLIMATE-RELATED RISKS

Ibercaja is working to **include 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. In this regard, its admission policies include a reference to the consideration of ESG risks in the assessment of customers and transactions at credit risk.

[32] For example: United States Environmental Protection Agency, MITECO, PNACC, European Environment Agency, etc.

[33] 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.

In addition, the Bank is developing an Exclusions Policy to limit the impact of ESG factors on the Bank's own credit and investment risk. Ibercaja's objective is to avoid any investment or financing operation that could be considered controversial due to its high environmental, social, ethical or reputational risk. Ibercaja is also working on developing ESG questionnaires to collect information from its customers on environmental, social and good governance issues.

In addition, the Bank, in collaboration with external data providers and relying on internal data sources, collects information on the evaluation of training capabilities, aspects of shareholder continuity, aspects linked to the governing bodies and their commitments, etc. of its client portfolio.

With regard to liquidity risk management, both in the financial markets and Ibercaja Vida portfolios, a depreciation of non-sustainable bonds (analysing the difference in spreads between a green bond and a brown bond of the same equivalent issuer) continues to be applied in the liquidity self-assessment exercise, with the aim of integrating climate risks into this prudential risk.

Additionally, 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.

MONITORING

In order to properly monitor the climate risks and opportunities identified, the Bank has developed two sector concentration metrics defined according to Ibercaja's exposure to productive activities with high emissions intensity and is considering incorporating them into the Risk Appetite Framework in order to limit exposure to transition risks (see the Measurement section of this chapter).

These metrics have been developed on the portfolio of productive activities and the securities portfolio, with the aim of segmenting the Bank's exposure to climate factors, considering the emissions intensity of the sectors in which it has exposure.

Ibercaja is working on establishing risk limits, which make it possible to monitor the concentration in intensive sectors, for three possible scenarios: appetite, tolerance and capacity.

6.12.7 Metrics and targets

Metrics

As mentioned in chapter 6.12.6 of this report, as part of the monitoring phase of the risk management process, the Bank has worked on defining two climate metrics that could be included in the Risk Appetite Framework for the credit and securities portfolios.

ESG data

Ibercaja is aware of the **importance of non-financial data** in making progress in the metrics and targets needed to assess and manage climate-related risks and opportunities.

The lack of homogeneous standards and the volume of external and internal requirements have led Ibercaja to generate an inventory of priority ESG data, built from internal or external ESG data (depending on the source of information of each one), as part of a specific line within the Strategic Sustainability Initiative to work on non-financial data. The ESG data to be prioritised have been determined according to their need for implementation for external reporting, internal process development, response to regulatory requirements and implementation of supervisory expectations. In addition, a strategic approach to integrating ESG data into the Bank's information systems will be pursued during 2023.

The availability of these data is relevant for the integration of climate factors in the business and in decision-making, so the Bank is working with external data providers to collect this non-financial information from its customers and incorporate it into its systems, as well as assessing its availability, transparency, quality and the external verifications to which it is subjected.

By way of example, some of this non-financial data, extracted from data providers and implemented in the Bank's systems, is related to the environment, such as the availability of environmental policies, waste management plan and breakdown of waste, pollutant emissions, water and energy consumption or ISO14001 certification, among others. In the social area, fields such as the wage gap, work-life balance measures, job creation, training, percentage of male and female employees, etc. stand out. Finally, fields related to the governance of its customers are included, such as number of directors, independent directors, remuneration of the Board or number of men and women on the Board, among others.

We currently receive a total of 102 pieces of information from our customers who are obliged to publish ESG information, which will increase in line with regulatory requirements. Such non-financial information will be available for consultation in internal tools for the last three years for which information is available.

Furthermore, the data provided by SOTASA on Ibercaja's real estate guarantees are deposited in an information environment that allows this information to be exploited in processes. At the same time, work is being done on including the Energy Efficiency Certificate at the admission and credit risk monitoring level.

Ibercaja intends to progressively integrate counterparty corporate governance information (as well as other non-financial information) into its credit risk analyses as a complement to traditional economic-financial analyses.

In this respect, 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 under way at the Bank.

Progress made: definition of stages to be undertaken

1. **Identification of non-financial data** 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) on the basis of 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 to make purchasing and investment decisions that generate positive impacts on 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.[34]
- **Complete the financing offer with products with sustainable features** (especially climate change mitigation), thus meeting the needs of the environment and customers.

The new Challenge 2023 Strategic Plan incorporates specific targets for sustainability and the fight against climate change, as well as indicators to monitor and evaluate them. In particular, it has set a target of achieving Scope 1 and 2 emission neutrality, which is being 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, to extend our environmental commitment to our suppliers and to promote the circular economy while improving levels of recycling.

Promote the circular economy through internal environmental management:

In line with its strong commitment to protecting the planet, Ibercaja's environmental objective is to **promote the circular economy** through its own internal environmental management and **throughout the value chain**.

[34] For more information, see Chapter 6.3 of this report

In this respect, Ibercaja obtained the **Aragon Circular Seal** in 2022. This Seal, awarded for the first time by the **Government of Aragon**, recognises the work carried out by companies, self-employed and local entities in favour of the circular economy, assessing the degree of implementation of circular economy principles within the management of the Bank, the impact on the value chain and its contribution to achieving a sustainable, decarbonised, resource-efficient and competitive economy in Aragon.

In particular, the **involvement of the Bank's staff** in this management; **training** and information for staff in this area; the incorporation of **eco-design** criteria; **waste management**; **life cycle** analysis, product certifications and circularity **indicators** communication and **awareness-raising** in the value chain.

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 Bank 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 law 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 is in line with the principles of action that govern the Sustainability Policy and extend its scope to include the Bank's financial activity.

This policy was updated in 2022 to bring it in line 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 its commitment to meeting its environmental objectives, in 2022 it renewed its registration in the Registry of Footprint, Offsets and CO_2 Absorption Projects of the Ministry for Ecological Transition and the Demographic Challenge and obtained, for the third consecutive year, the “Calculo/Reduzco” (I calculate, I reduce) seal for 2021, which accredits its work in calculating its carbon footprint and the efforts made to reduce it. To this end, Ibercaja has an emissions reduction plan, which identifies those measures that can be most effective in achieving this objective.

As described in chapter 6.5 of this Directors' Report, Ibercaja has achieved Carbon Neutral status (scopes 1 and 2) for the second consecutive year by offsetting emissions.

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 or before.

In compliance with the agreement signed between Ibercaja and the NZBA, Ibercaja has developed and published in October 2022 its 2030 decarbonisation targets for three emission-intensive sectors. These sectors were identified following an assessment of the following criteria:

- NZBA's top sectors contributing to global warming by volume of GHG emissions worldwide.[35]
- The sectors with the greatest relative weight in the selected perimeter of the Bank's credit portfolio, in order to ensure the relevance of the sectors to be decarbonised at the outset.
- The availability, quality and granularity of data as far as possible on the prioritised sectors.

Thus, decarbonisation targets were defined in the "Electricity generation", "Iron and steel production" and "Residential real estate" sectors. The objectives defined by the Bank in 2030 for each sector are as follows:

Sector	Scenario	Scope of emissions[1]	Metric	Base year (2021)	2030 objective
Electricity Generation	NZE 2050 (IEA)	1+2	kg CO_2 eq. / MWh	**164** (2021)	**103** (-37%)
Iron and Steel Production	NZE 2050 (IEA)	1+2	kg CO_2 eq. / t	**576** (2021)	**518** (-10%)
Residential Real Estate	NZE 2050 (IEA) and CRREM 1, 5°	1+2	kg CO_2 / m^2	**42** (2021)	**36** (-16%)

1 Ibercaja has not calculated Scope 3 funded issues as the availability of information, as well as existing methodologies, is limited. The Bank has planned to work on improving climate and environmental reporting during 2023 to improve its analysis for reporting in 2024.

In line with the table above, Ibercaja is committed to reducing by 37% the intensity of emissions financed by the Bank in the electricity generation sector (one of the most carbon-intensive industries at present). Given that there is a wide presence of clean technologies in electricity generation, which will increase in the coming years, the Bank expects to reach emission neutrality in 2040, 10 years earlier than in the rest of the sectors, as its decarbonisation will also act as a lever for other productive sectors.

[35] Top 9 intensive sectors according to the NZBA: Agriculture, Aluminium, Coal, Cement, Power Generation, Iron & Steel, Oil & Gas, Real Estate and Transport.

Ibercaja will also work to achieve a 10% reduction in emissions financed in the iron and steel production sector by 2030. The sector is currently working on the development of new, less emission-intensive iron and steel smelting and processing technologies, some of which are based on the electrification of production and the use of green hydrogen. As a result, the decarbonisation of industry is expected to accelerate in the decades between 2030 and 2050.

Lastly, the Bank is committed to reducing the emissions intensity of the residential real estate sector by 16% between 2021 and 2030 by improving the energy efficiency of housing and electrifying the energy demand of homes. By 2050, the emission neutrality target for the sector will be reached.

These objectives have been jointly defined by the Credit Risk, Corporate Banking and Sustainability Areas and are to be reviewed and, if necessary, revised at least every five years to ensure consistency with the latest scientific developments. Ibercaja will define its Action Plan in 2023 in line with the decarbonisation commitments adopted for 2030.

It should be noted that Ibercaja will be neutral in own emissions from 2020: 100% of the Bank's electricity consumption is from renewable sources and it invests in offsetting direct emissions (Scope 1) through ZeroCO_2 projects.

6.13 Global Compact Progress Report

Ibercaja's **2022 Directors' Report** describes the **Bank's annual progress** in implementing the ten principles of the UN Global Compact in terms of governance, human and employment rights, the environment and the fight against corruption.

> **Shares**
>
> The 2022 Directors' Report describes the actions carried out during the year in the task of implementing these Ten Principles

In line with the new requirements established for the preparation of the Global Compact Progress Report, Ibercaja highlights five key aspects to be reported:

- **Governance**: 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[36].
- **Human Rights**: the Bank takes into account in all its strategy the respect and defence of Human Rights, a principle of action that extends to the entire Ibercaja Group and its members. More details can be found in Chapter 6.9 "Human Rights".
- **Employment rules and standards**: The Bank is strongly committed to the welfare of its employees and to strict compliance with labour rights. Ibercaja is part of many initiatives such as the Principles of Responsible Banking and has a Code of Ethics and different Codes of Conduct that support this commitment. More details can be found in chapter 6.4 "Commitment to our employees".

[36] For more information, see chapter 6.1 of this report

- **Environment**: 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. Chapters 6.1 “Sustainability strategy” and 6.5 “Commitment to the environment” provide details of the initiatives carried out by the Bank.

- **Fight against corruption**: the Bank, by its nature, has strict protocols and procedures in place to combat corruption and bribery, as well as any unethical activity in connection with its business. Further details of the measures implemented by Ibercaja can be found in chapter 6.10 “Fight against corruption and bribery”.

In addition, work has continued on the alignment of the Strategy with sustainability, the commitment to the SDGs and the proper disclosure of progress in the implementation of the ten principles of the Global Compact.

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. In addition, in 2022, the implementation of the 2021-23 Strategic Plan continued, which includes ambitious and specific objectives to advance the integration of sustainability in the business.

- **Sustainable Development Goals** of the United Nations: Chapter 6.2 of this report also includes information on the Bank's positioning in relation to the SDGs and the most significant actions carried out, contributing to their achievement.

- **Implementation of the Ten Principles** in strategies and operations in the areas of human rights, labour, environment and anti-corruption. Appendix B contains a Table with 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.

6.14 Communication: listening to and dialogue with our stakeholders

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> For Ibercaja, active listening and dialogue with stakeholders is key to developing its business model and 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 and working together, through partnerships, and joining forces.

> **Dialogue and proximity**
>
> It is necessary **to foster dialogue and proximity with stakeholders**, to know their expectations and to 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 for the Bank.

Stakeholders are persons or groups that have an impact on the Bank and are influenced, directly or indirectly, by its activities, products or services.

IDENTIFICATION	ANALYSIS	CLASSIFICATION
Stakeholders	of expectations and interests	and prioritisation of stakeholders

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.

There is therefore continuous coordination and alignment in the dissemination of content through the Bank's various communication channels, both externally and internally.

Communications criteria

Transparency, veracity, diligence and neutrality are key criteria present in all the information flows generated by the Bank, both internally and externally. These flows are systematised through a communication model based on these four key criteria.

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 make use of to their maximum benefit.

NEUTRALITY

All stakeholders are entitled to information generated by Ibercaja in equal conditions.

Transparency, veracity, diligence and neutrality are key criteria present in all the information flows generated by the Bank, both internally and externally. These flows are systematised through a communication model based on these four key criteria.

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 highlights this year was the internal convention held by the Bank in October and November to share with the entire staff the Bank's financial condition, the progress made in the first part of the "Challenge 2023" Strategic Plan, the projects and goals to be completed in the second half of 2022 and throughout 2023, and to make a medium-term forecast of the challenges facing the Spanish banking sector.

In 2022, Ibercaja continued to deploy its **Internal Sustainability Communication Agenda**, which was launched the previous year with the aim of **accompanying** the Bank's Sustainability project and helping to ensure that Ibercaja's objectives in this area are **known and internalised**, thus helping to foster a new **culture of sustainability.**

Thus, this year for the first time, at the beginning of 2022, the **Sustainable Impact on the Bank's People,** report that compiles data reflecting the most significant actions carried out in the organisation in this area in 2021, thereby contributing to meeting the Sustainable Development Goals:

External communication

External Communication in 2022 has continued to be deployed within the framework of the new Challenge 2023 Strategic Plan. The Bank focused 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 around 26,000 impacts in 2022.

The main external communication actions include:

Seven press conferences and 149 press releases: in which information was provided to the media on the Bank's achievements and procedures deemed to be significant for the its various stakeholders.

In the area of institutional communication, the media impact of the **announcement of the start of the process of going public by the Bank; its subsequent suspension, as a result of the turmoil of the markets at the beginning of the war in Ukraine; and the constitution of the reserve fund by the Ibercaja Banking Foundation.** These three outstanding Ibercaja news items had more than 300 impacts in the economic, generalist and local media throughout the country.

Also noteworthy in this area was the media interest, with 140 news items, obtained by the **change in the Bank's chairmanship**, which took place at the end of March with the **appointment of Francisco Serrano as new chairman to replace José Luis Aguirre; the announcement of a new organisational structure for the Bank following the change in the chairmanship; and the change in the Bank's board of directors with the appointment of three new female directors to replace three other members of the board who were stepping down from their posts.**

In addition to these events, in particular, the press conference held in Madrid to inform about the **new agreement with Microsoft, in which the CEO of Ibercaja, Víctor Iglesias, and the president of Microsoft Spain, Alberto Granados,** took part, was attended by 18 media outlets and generated 74 impacts in different written and digital newspapers, both economic and technological.

Also noteworthy was the press conference to present the **balance sheet of Banca de Empresas in 2022, as well as its business prospects for 2023.** It also took place in Madrid and was attended by 18 media outlets and had 32 impacts in the main national economic media, both in print and digital.

As in previous years, **Ibercaja Gestión, the Bank's investment fund manager, organised the usual press conference to share data on the development of the activity of this company of the Bank during the year, as well as its prospects for the development of this activity and the markets for 2023.** This press conference, attended by 15 specialised media, was held in Zaragoza with digital broadcasting and obtained a media coverage of 37 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", with the aim of conveying 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 57 press releases, as well as collaborations with the media, articles, events, etc. during the year, with **969 impacts in the media and 399,000 impressions in the dissemination of information on social media through the Bank's channels.**

Your Money with Heart communication plan: a specific communication plan has been deployed to give greater publicity to the solidarity **nature of the Ibercaja Sustainable and Solidarity investment fund and pension plan, which is materialised in donating part of the management fees paid by the unitholders to solidarity and environmental projects of non-profit associations and institutions.** Thus, among the most important actions for the dissemination of these products, three round tables were held in collaboration with the media, with the participation of representatives of Ibercaja and some of the projects of associations and institutions that have benefited from this aid. A solidarity dinner was also held in Zaragoza, which was attended by more than 200 people.

Dissemination of Next Generation Funds: A series of communication actions have been carried out to disseminate Ibercaja's positioning as a facilitator of European funds to customer companies through press releases distributed to the media on the launch of the advisory service for European funds, the availability of the Ibercaja Next assistant. The agreement with Acierta Asistencia and the sectoral and territorial meetings with companies. Events have also been held with customers and potential customers interested in applying for Next Generation funding.

Dissemination of Más Empresa ecosystem actions: a meeting point for more than 4,000 entrepreneurs, professionals and managers who interact through an open innovation platform throughout the country. This year, the Ecosystem has started a new stage with an approach adapted to the new needs of companies, which has been duly communicated to the media, as well as the most relevant activities that have been carried out throughout the year in this Ibercaja initiative. Three press calls were made and 14 press releases were sent out.

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. This year, more than 300 collaborations were managed.

Boosting presence in social media, broadcasting news related to the Bank, participation in events, sponsorship, partnerships, etc.

Preparation and dissemination of the four-monthly issues of Economía Aragonesa and the half-yearly issues of the journal Economía Riojana, which include forecasts of economic and employment growth in Spain and Aragon prepared by the Bank's Economic and Financial Studies unit; analyses of the international, national and regional economic situation also prepared by this unit, as well as monographic articles on regional socio-economic issues. Press conferences were held for the presentation of these issues.

Institutional projection agenda.

The aim of this agenda is to position Ibercaja as a benchmark in the Spanish banking system in the eyes of public and private institutions, shareholders, Ibercaja employees, customers and society at large. To this end, we participate in the main economic and sectoral forums and meetings; we collaborate with different general and specialised media; we work in collaboration with institutions, sectoral and management associations; and we organise our own events.

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 European and national level. Therefore, on almost all issues, Ibercaja channels its lobbying strategy through CECA.

The coronavirus pandemic in March 2020 was a turning point in the organisation of corporate events and thus in the Bank's corporate outreach plan. The restrictions imposed led to face-to-face meetings stopping and events being adapted to new digital formats; and hybrids with the easing of restrictions.

In 2022, the number of face-to-face events without capacity limitations has gradually increased and the activity of events promoted by Ibercaja has increased exponentially, almost doubling the activity of 2020 and even surpassing pre-pandemic levels. In many cases, hybrid formats are still maintained to take advantage of the benefits they bring: to broaden the dissemination in terms of the number of participants and geographically.

The First Solidarity Dinner “Your money with a heart” held in Zaragoza is an example of an innovative external event and institutional projection. A novel format that we designed to meet the objective set by Ibercaja Gestión and Ibercaja Pensión to raise awareness of the initiative and which also provided an added bonus of solidarity by allowing us to raise additional funds that were donated to a soup kitchen. The event had a huge impact internally (getting the staff involved in the organisation and attendance) and externally (repercussion in the media and involvement of the Aragonese business community).

In addition to external projection actions, the Communication and Institutional Relations Department also organises internal events for the bank's employees. Between October and November 2022 we have deployed “Our Exciting Challenge”. A roadshow which, for the first time in the Bank's history, brought together the Bank's entire staff.

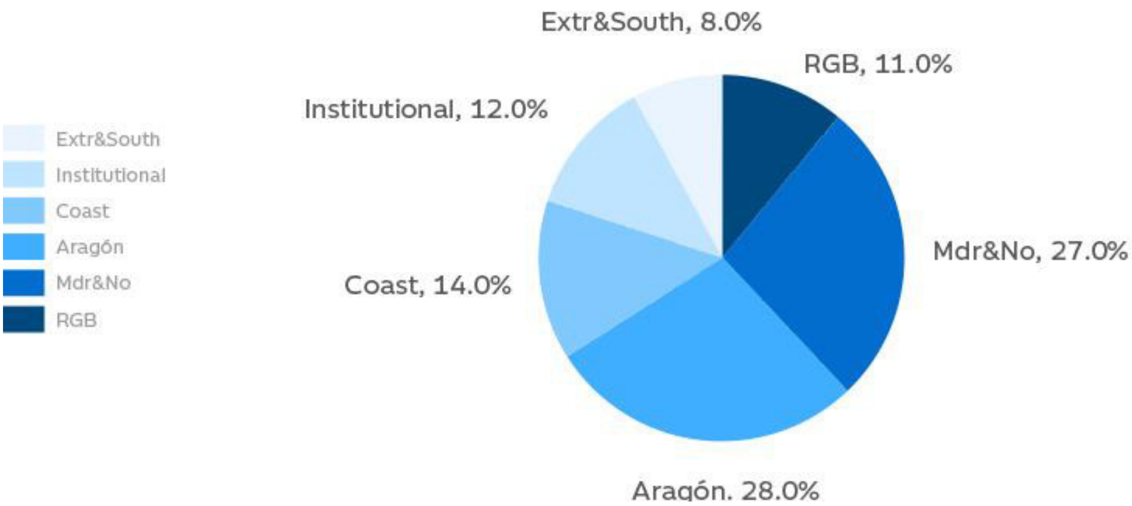
Through this event with national scope, the CEO, Víctor Iglesias, and the members of the Management Committee participated in eight sessions that took place in Madrid, Logroño, Valencia, Badajoz, Guadalajara, Barcelona and two in Zaragoza (Territorial Management of Aragón and Central Services - Financial Group).

“Our Exciting Challenge” has achieved a **90% response rate from the workforce.** 70% attended in person and the sessions broadcast by streaming have accumulated nearly 3,000 views.

In summary, in 2022, **525 workshops, events, meetings and webinars were held throughout the country.** These actions were attended by **46,683 people in person.**

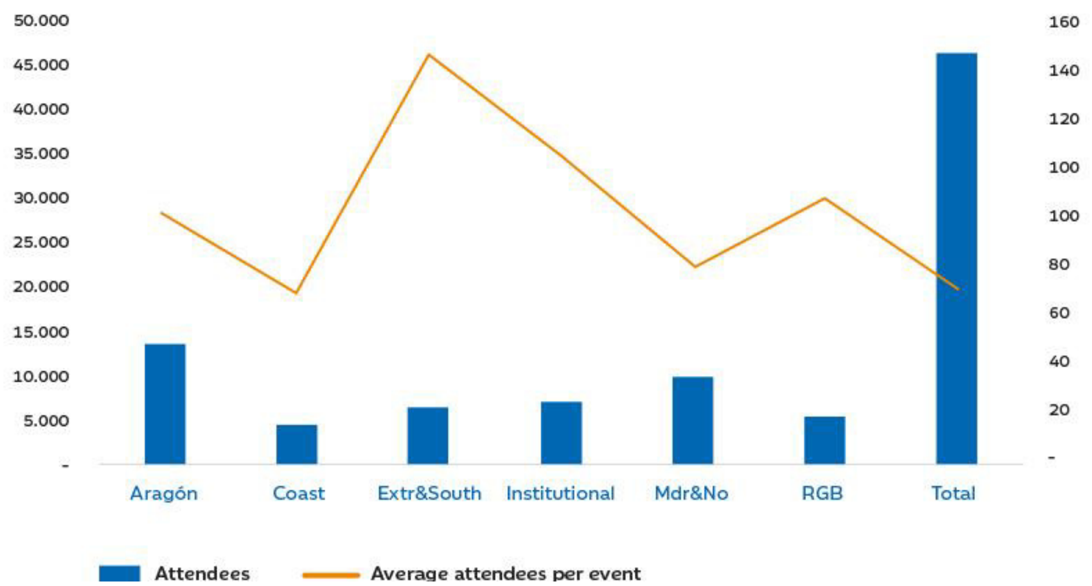
By territory, 28% were in Aragon, 27% in Madrid (Mdr&No), 14% in the coastal area, 12% Institutional, 11% in Rioja, Burgos and Guadalajara (RBG), and 8% in Extremadura and South (Extr&Sur).

DISTRIBUTION BY NUMBER OF EVENTS



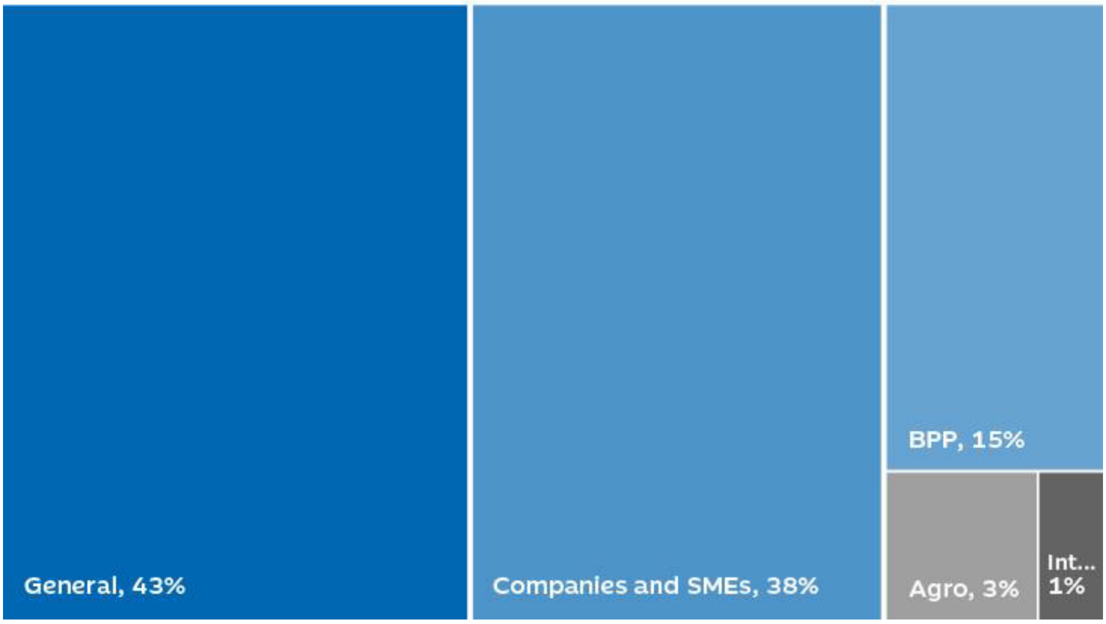
The average number of attendees per event was 89 people. The highest was in Extremadura with 149, followed by the institutional ones with 111.

TOTAL AND AVERAGE NUMBER OF ATTENDEES PER TERRITORY



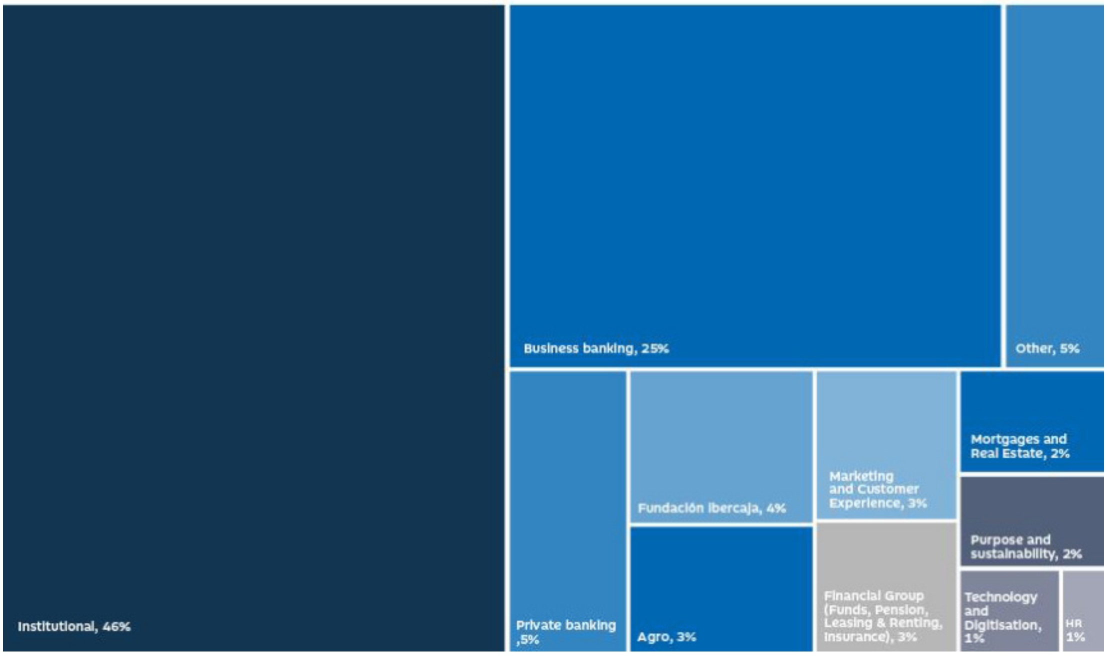
43% of the events were aimed at the general public and the rest at specific segments: 38% to Corporates and SMEs, 15% to Personal and Private Banking, 3% to Agribusiness and 1% were internal.

% EVENTS BY TARGET AUDIENCE



In terms of the distribution of events by theme, Institutional events dominated with 46%, followed by corporate events with 25%. The remainder was divided between Personal and Private Banking, Foundation and Agro.

THEMATIC DISTRIBUTION



The most significant communication routes include:

	Customer service
	Corporate website and commercial website
	Suppliers Portal
	Active listening on social media
	Customer satisfaction surveys Employee satisfaction surveys Reputation measurement surveys Brand awareness surveys
	Free telephone numbers and email addresses
	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 2022 Commitments and 2023 Challenges

The attached tables provide information on the degree of achievement of the targets set for 2022, as well as the new challenges for 2023.

2022 Commitments

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
Customers	**Customer experience:** Post-interaction advice: Achieve 90% of satisfied or very satisfied customers in post-interaction counselling surveys. Omnichannel Relationship Customer Experience: TOP3 in the sector (source: BMKS – Global Satisfaction).	More than 98% of customers are satisfied or very satisfied. TOP 3.	100%
	Digitisation: Users of Ibercaja apps: Exceed 1 million active users of the app and Ibercaja Pay.	Users of Ibercaja apps: 1,064,359.	100%
	Marketing and sales: 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 in terms of sustainability.	Five new investment funds, one pension plan and one PIAS Link savings insurance were added.	100%

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
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. Update NPS employee experience index.	The measurement was carried out at the beginning of 2022. During 2022, work was done on the results of this measurement, establishing action plans to try to improve the ENPS in the next Experience measurement.	100%
	Recertification of the **Family-friendly business (EFR) Model**.	We went through all the formalities and were recertified in September 2022. We obtained a very positive assessment, increasing our classification in the EFR model from C to B.	100%
	Update of the **Equality Plan**.	Work is underway to update the Equality Plan, which is expected to be completed in the first quarter of 2023.	

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
Environment	**Emissions neutrality**: Offset the total carbon footprint (Scopes 1 and 2) through CO_2 absorption projects.	In 2022, the direct emissions that could not be avoided in 2021 were offset through the **Procuenca forestry project**, the ECODES ZeroCO_2 offset model. The electricity consumed by the Bank is 100% green energy, with a guarantee of origin.	100%
	Obtaining the **Circular Aragón Seal** from the Government of Aragón	In 2022 the **Aragon Circular Seal was obtained.** This Seal, awarded for the first time by the Government of Aragon, is a recognition to companies, self-employed and local entities for their commitment to the circular economy model.	100%
	Make progress in measuring the carbon footprint of the loan portfolio, for subsequent analysis and definition of reduction targets.	Intermediate decarbonisation **targets** for 2030 have been set for 2022 for three relevant sectors in the fight against climate change: **electricity generation, iron and steel production and residential mortgage portfolio**. The PCAF methodology has been used to measure the carbon footprint.	100%

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
Suppliers	**Review of procurement and supplier risk management policies**, including ESG criteria	ESG criteria have been included in the supplier risk assessment processes.	100%
	Standardise the approval and review of supplier risk at all Ibercaja Group companies	The suppliers of Ibercaja Banco Group companies have been included in the supplier risk approval and review processes.	100%

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
Company	**In collaboration with the Ibercaja Foundation, development of a comprehensive environmental action**: reforestation activity, alliance with companies and participation of environmental volunteers.	Partnership agreement with LG Spain in collaboration with CO_2 Revolution, the SMART GREEN project, which aims to plant millions of trees across the country. In addition, the Group participated in Zaragoza City Council's initiative **El Bosque de los Zaragozanos** (The Forest of the Zaragozans) and in the Oxygen Foundation's **environmental volunteering** programme.	100%
	Launch of the 2022 Volunteering Plan: visibility, encouraging participation and enhancing the volunteer experience.	Visibility of Ibercaja volunteers through the new SOMOS portal, achieving greater impact and participation in volunteer actions in the different territories.	75%
	Renewal of the RSA+ seal from the Government of Aragon	Renewal for the fifth consecutive year of the RSA+ seal Ibercaja maintains its commitment to sustainable development.	100%
	Raising public awareness of the relevance of sustainability and the importance of moving towards a decarbonised economy: Internal and external communication actions.	Celebration of the 2nd Planet Week. The Bank's commitment to being a benchmark institution in sustainability was reflected in the 969 impacts in the media and 399,000 impressions in the dissemination on social media through the Bank's channels.	100%

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
Shareholders and investors	**Continue increasing the visibility of Ibercaja among institutional investors** by increasing the number of events, meetings and telephone conferences.	Numerous contacts have been made with major institutional investors in view of the June debt issue, meetings with analysts, as well as with rating agencies for the annual review process of our rating.	100%
	Enhance communication of Ibercaja's ESG commitment among investors and rating agencies.	Information on ESG strategy and progress continued to be included in investor presentations and specific meetings with rating agencies for the Bank's ESG credit rating.	75%
	Development of a communication policy for shareholders, investors and proxy advisors once the Bank is listed on the stock exchange	As a result of the outbreak of the Russian-Ukrainian conflict, the IPO process had to be halted and Ibercaja remains an unlisted bank. Despite this, regular meetings with investors have continued to take place.	75%

STAKEHOLDER	2022 COMMITMENTS	RESULTS	%
Other commitments	**Development of an Action Plan to integrate climate and environmental risks** in response to supervisory expectations	Ibercaja has defined an Action Plan to respond to supervisory expectations regarding the management and communication of climate and environmental risks. This plan has been approved by the Bank's management bodies and has been assessed as adequate by the supervisor.	100%

2023 challenges

STAKEHOLDER	2023 CHALLENGES
Customers	**Customer experience:** • Post-interaction advice: Achieve 90% of satisfied or very satisfied customers in post-interaction counselling surveys. • Omnichannel Relationship Customer Experience: TOP3 in the sector. **Digitisation**: • Users of Ibercaja apps: Exceed 1.1 million active users of the app and Ibercaja Pay. **Marketing and sales:** • Market specific financing products for more sustainable mortgages that encourage increasingly energy-efficient housing stock. • Expand the range of sustainable investment products to ensure that we can provide advisory and portfolio management services with a wider range of products to adapt to each risk profile and preferences in terms of sustainability.

STAKEHOLDER	2023 CHALLENGES
Human resources	• 2nd Measurement of Employee Experience. • Healthy Organisation Management System (SIGOS). • Update of the Equality Plan. • New ways of working.

STAKEHOLDER	2023 CHALLENGES
Environment	• Emissions neutrality: Offset the total direct emissions, measured in t CO_2 e, that could not be avoided in 2022 through offset projects, achieving emission neutrality by 2022. • Continue to **improve recycling in branches** by installing new selective waste collection points. • Development of an action plan to meet NZBA's decarbonisation targets.

STAKEHOLDER	2023 CHALLENGES
Suppliers	• Incorporation of sustainability criteria in decision-making in some procurement processes. • Implementation of new developments in the Procurement and Contract Management tool to improve and streamline processes and management of contracts and suppliers.

STAKEHOLDER	2023 CHALLENGES
Company	• Making Ibercaja's Purpose visible through behaviours and the corporate portfolio, to "help people build their life story". • Promoting diversity by advancing women's leadership.

STAKEHOLDER	2023 CHALLENGES
Shareholders and investors	• **Continue increasing the visibility of Ibercaja** among institutional investors, increasing the number of events, meetings and telephone conferences. • **- Complete the MREL requirements** and maintain an **efficient capital structure**. • Continue to **improve the Bank's credit rating**.

STAKEHOLDER	2023 CHALLENGES
Other commitments	• Advance the ESG data strategy and the definition of the Bank's ESG reporting model.

07

Risk management

7. Risk management

2-12, 2-25, 3-3

> Risk management, both financial and non-financial, including sustainability, is key to Ibercaja's business development strategy.

The Group's risk management is organised through the Risk Appetite Framework (RAF). The main objective of this tool is to establish a set of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein. The Risk Appetite Framework forms a consistent management framework integrated into **existing risk management processes** and is approved and reviewed at least annually by the Board of Directors.

The Group's governing bodies and management are constantly monitoring the situation of the business and of risk management, both of which functioned normally during 2022.

Liquidity Risk

Normalised liquidity position, which at year-end stood at more than 13.3 billion euros. In the context of efficient liquidity management, it should be noted that the Bank has carried out the early redemption of a total of 5,959 million euros obtained in June 2020 and March 2021 in the ECB's liquidity auctions under the TLTRO III programme.

Market Risk

In the area of financial risks, 2022 was conditioned by the triggering of the armed conflict in Ukraine, which has caused a rise in the prices of energy and other raw materials, resulting in a sharp increase in inflation rates worldwide. This has led to a rapid reaction by central banks, which have changed the stance of monetary policy, resulting in a significant steepening of the interest rate curve, generating strong volatility in the financial markets with widening credit spreads and declining prices of both fixed income assets and stock markets. In view of the continued fall in share prices during the year, which led to a lower valuation of the Group's financial investments exposed to market risk with an impact on equity, the Bank has shown prudent management of the financial markets, promoting hedging actions to limit the effects of the fall in the markets. The directors and management continuously monitor the main metrics associated with this risk in the Group's investment portfolio in order to anticipate potential impacts based on market variations.

Operational Risk

The Group monitors the progress of its operations at all times, in order to minimise the possible impact of events that could generate operational risk, which developed normally during the year.

Credit Risk

During 2022, credit risk improved due to lower levels of non-performing assets, non-performing assets and low cost of risk, and there were no material events that significantly affected the risk profile of the Bank.

Likewise, based on exhaustive risk monitoring, the Bank actively and continuously implements the most appropriate measures, including an analysis of its loan portfolio taking into account the different types and segmentation of customers affected by the economic situation, their characteristics (companies, individuals, self-employed, etc.) as well as the sector to which each borrower belongs (NACE), in order to adapt the accounting classification of the sectors most affected by the current macroeconomic situation.

In addition, in view of the uncertain macroeconomic outlook, the Bank has supplemented the expected loss estimated by its credit risk models with an additional allowance to cover the exposures of those customers for whom a significant increase in credit risk is expected in the short to medium term.

Reputational Risk

In 2022, the Group took a further step in integrating reputational risk into the Bank's overall risk management by developing the Reputational Risk Management Framework, approved by the Board of Directors. This defines the possible risks that may affect the Ibercaja Group, as well as the processes and procedures adopted for their management, mitigation, control and subsequent monitoring. In addition, as an important part of the management process, a reputational risk map has been drawn up using a qualitative methodology, in line with that defined in the Bank's operational risk management framework.

Note 3 to the Ibercaja Banco Group's 2022 consolidated financial statements provides more extensive and detailed **information on the management of each type of risk**.

ESG Risks

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).

The Bank, committed to integrating ESG risks, is making progress in analysing the risks arising from climate change and environmental deterioration, their impact on customers and on its financial activity, for gradual integration into risk management procedures, in compliance with supervisory expectations. In this regard, Ibercaja has an **Action Plan**, which is updated and approved annually by the Board of Directors, to respond to the **expectations of the European Central Bank's guide on climate-related and environmental risks**. This plan is developed within the framework of the “Purpose and Sustainability” Strategic Initiative, which is integrated into the Challenge 2023 Strategic Plan and assessed by the ECB in regular thematic review exercises.

Ibercaja, aware of the potential impact that ESG factors may have on prudential risks through the various transmission channels, as well as on the Bank's business model, strategy and activity, continues to make progress in the development of procedures to identify its most sensitive exposures to environmental, social and governance risks. Integrating these risks into the Bank's framework of action enables progress to be made in quantifying and monitoring them in order to minimise their impact.

Ibercaja's sustainability strategy includes among its priorities the identification, measurement, management and monitoring of ESG risks for their progressive incorporation into the Bank's global risk framework, committing itself to contributing to the decarbonisation of the economy and promoting sustainable activities, in line with the Paris Agreement and the European Green Pact.

Within the areas of operational, liquidity, market and reputational risk, ESG aspects have been incorporated into the management frameworks and procedures for these risks, which reflect the desire to take them into account in management and control activities.

In addition, asset managers in the **Grupo Ibercaja, Ibercaja Gestión and Ibercaja Pensión**, committed to the development of society and the care and protection of the environment through investment, firstly, and inherent to their fiduciary duty, risk mitigation and the creation/preservation of value for the shareholder in the long term; secondly, to serve as a lever to encourage and promote companies to have a positive impact on the environment, the well-being of their employees and the communities in which they operate, as well as on their governance systems, contributing, through the investment process, to the improvement of society as a whole.

There is a cross-cutting and consolidated working group[37], coordinated by Risk Control, with the aim of meeting all the objectives defined in the Strategic Sustainability Initiative, which is involved in the development of all the phases necessary for proper ESG risk management, currently prioritising climate factors[38].

1. Identification of ESG risks

Ibercaja identifies ESG risks, especially climate and environmental risks, as risk factors that are likely to have an impact on prudential risks through its counterparties and/or invested assets by means of certain transmission channels (decrease in profitability, decrease in the value of real estate, decrease in the return on assets, among others), which represent the chain of causality by which an ESG factor and/or its inefficient management have a negative impact on the Bank.

In 2022, the Bank updated the climate risk map drawn up in 2021 in order to analyse the development of the potential impacts of physical and transition risks on prudential, strategic and underwriting risks. This analysis was developed on the basis of the three climate scenarios defined by the Network for Greening the Financial System (NGFS): orderly, disorderly and Hot House World.

[37] For more information on the Working Group, see chapter 6.12.6 of this report.

[38] See the full details of the exercises carried out during 2022 in chapter 6.12.6 of this Report.

Likewise, in 2022, the operational risk map was updated and Ibercaja's reputational risk map was developed. Both maps allow assessing the potential impact of climate events and greenwashing risk management on the Bank's business continuity and reputation for its stakeholders.

2. ESG risk measurement

In relation to climate risks, one of the milestones in 2022 is Ibercaja's participation in the ECB's climate stress test exercise as a first step towards integrating climate factors into the Bank's internal stress test framework. The overall results obtained by Ibercaja show how the ECB has categorised the Bank's CST framework with a "medium-advanced" degree of progress, higher than the average score of the banks analysed.

In line with the commitment to work towards the decarbonisation of the economy, in 2022 the Bank's exposure to the most carbon-intensive industries was assessed, with the aim of segmenting Ibercaja's credit and securities portfolio according to its CO_2 emissions intensity. Likewise, as a first step towards the Net Zero emissions commitment in 2050, it has defined intermediate decarbonisation targets for three intensive sectors based on the calculation of their carbon footprint financed on the portfolio of productive activities.

In relation to the mortgage portfolio, the 2021 exercise on the potential impact of physical risks on the Bank's real estate collateral was updated. In addition, the portfolio's sensitivity to transition risks was assessed according to the energy performance certificate of the homes.

3. ESG Risk Management

Ibercaja is working to include 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. In this regard, its admission policies include a reference to the consideration of ESG risks in the assessment of customers and transactions at credit risk.

In addition, the Bank is developing an Exclusions Policy to limit the impact of ESG factors on the Bank's own credit and investment risk. Ibercaja's objective is to avoid any investment or financing operation that could be considered controversial due to its high environmental, social, ethical or reputational risk. Ibercaja is also working on developing ESG questionnaires to collect information from its customers on environmental, social and good governance issues.

In addition, the Bank, in collaboration with external data providers and relying on internal data sources, collects information on the evaluation of training capabilities, aspects of shareholder continuity, aspects linked to the governing bodies and their commitments, etc. of its client portfolio.

With regard to liquidity risk management, both in the financial markets and Ibercaja Vida portfolios, a depreciation of non-sustainable bonds (analysing the difference in spreads between a green bond and a brown bond of the same equivalent issuer) continues to be applied in the liquidity self-assessment exercise, with the aim of integrating climate risks into this prudential risk.

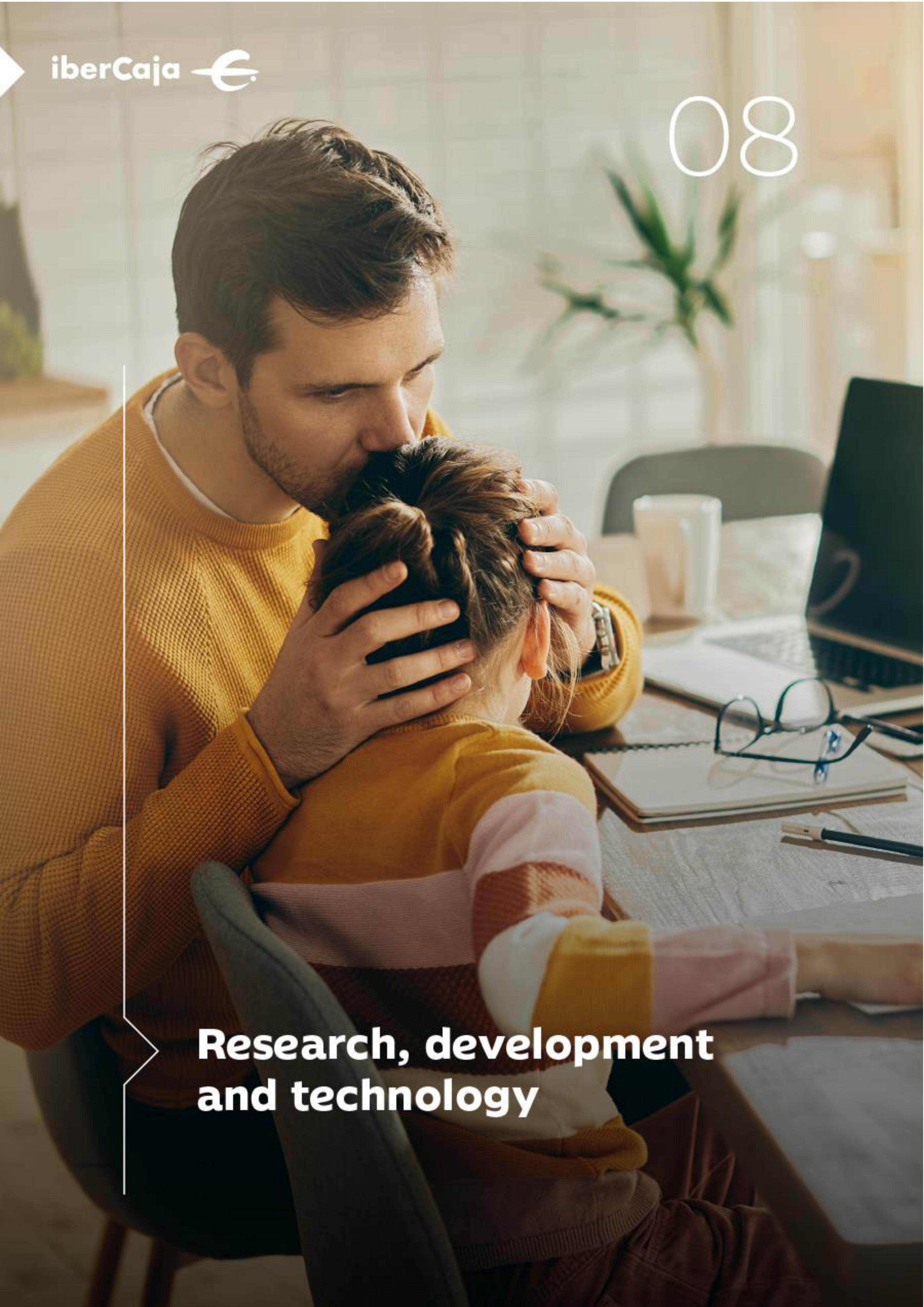
Additionally, and in relation to market risk management, work was carried out in the sphere of portfolio management, through the monitoring of indicators that define ESG criteria (which include aspects related to climate and environmental risks) and certain asset selection criteria that enable private fixed income and equity portfolios to be characterised.

4. ESG risk monitoring

In order to properly monitor the climate risks and opportunities identified, the Bank has developed two sector concentration metrics defined according to Ibercaja's exposure to productive activities with high emissions intensity and is considering incorporating them into the Risk Appetite Framework in order to limit exposure to transition risks (see the Measurement section of this chapter).

These metrics have been developed on the portfolio of productive activities and the securities portfolio, with the aim of segmenting the Bank's exposure to climate factors, considering the emissions intensity of the sectors in which it has exposure.

Ibercaja is working on establishing risk limits, which make it possible to monitor the concentration in intensive sectors, for three possible scenarios: appetite, tolerance and capacity.



08

Research, development and technology

8 Research, development and technology

2-6

> Ibercaja, within the framework of the Challenge 2023 Plan, is committed to accelerating the Bank's transformation with technology as a decisive lever to underpin the competitive advantages of our operating and commercial model.

Innovation plays an essential role for Ibercaja as it allows the Bank to adapt to an increasingly competitive market environment and to the significant changes in consumer habits.

To further drive digital transformation and as a confirmation of the success of the previous strategic plan, **Ibercaja has signed a new strategic partnership agreement with Microsoft**.

During 2022, several important transformation projects were carried out along the lines set out in the Challenge 2023 Strategic Plan, with the objectives of providing the bank with **new capabilities** that drive value creation, accelerating the **digitalisation of customer relations and the operating model** complying with regulatory guidelines in terms of governance, cybersecurity and risks in line with the best practices in the sector

These projects include the following:

- **Implementation of a new corporate process automation platform**: in 2022, work was carried out to improve efficiency through intelligent automation and the digitalisation of processes in both the technological and operational spheres with the implementation of a new process and robotisation platform based on AuraQuantic and UIPath, as well as the incorporation of new artificial intelligence services based on IBM Watson and Microsoft Azure and the deployment of technological processes on ServiceNow. It should be noted that in the first two years of the Challenge 2023 Plan, the automation plan has freed up more than 100,000 working hours. In addition, more than 1 million documents with more than 20 million processed fields have been reviewed by artificial intelligence.

- **Data management and cloud model**: Work has continued on the deployment of new technological and operational information management capabilities with the aim of advancing towards a data-oriented organisational model as a lever for generating value. Ibercaja is working on the implementation of its cloud model with a private platform, IberCloud, and the gradual deployment of capabilities ("journey to cloud").

- **Business Intelligence Developments**: During 2022 Ibercaja has continued to develop its business intelligence and consumer propensity models by incorporating behavioural analysis of customers in order to achieve greater efficiency in commercial activity.

- **Digital Challenge Project In 2022,** the entire workforce was equipped with new mobile devices with the Windows 365 collaborative platform, which has enabled us to modernise and standardise all our equipment, increasing our technological capacity and facilitating collaborative work with our colleagues and our relationship with our customers.

- Ibercaja and Pensumo's "**Consumer Pension System**": The Pensumo project is one of the few projects in the process of implementation in the first call of the Spanish Financial Sandbox, and it is also the most transformative project of the Sandbox as it aims to be a pioneer in Europe in the construction of the Fourth Pillar of Pension Savings. Ibercaja aims to launch this service to the market in the coming months.

09

Business outlook and expected performance

9. Business prospects and projections.

Macroeconomic scenario

In 2023, the slowdown in growth suggested by the data for the second half of 2022 is expected to be confirmed. In addition to inflation-induced damage to household disposable income, there is the impact of tighter monetary policy and the maturity of the US cycle. **IMF expects a 2.9% increase in global GDP in 2023,** five tenths of a percentage point less than in 2022. The slowdown would come from advanced countries (1.2% from 2.7%), while there would be greater stability in the expansion of emerging countries (4.0% from 3.9%). Within the advanced economies, data would be particularly weak in Europe, with growth of 0.7% in the Eurozone and a fall of -0.6% in the UK. For the United States, the IMF forecasts an increase of 1.4%.

The slowdown in economic dynamism was already noticeable in **Spain** in the second half of 2022 as the momentum from the reopening of the economic sectors most affected by the pandemic runs out and the effects of inflation on consumption in real terms worsen. In 2023 this inertia may become more acute and we could see some negative data, although for the year as a whole **the IMF forecasts GDP growth of 1.1%**, higher than the 0.7% of the Eurozone. The performance of the labour market will be key, which was resilient in 2022 but is often late to react to cyclical downturns. Once this period of sluggishness is over, as inflationary pressures ease (a process which, if there are no further negative surprises in the gas market, seems to have already started), the economy may experience a rapid recovery, helped by improved confidence, the availability of excess savings and cash generated by households and companies in recent years, investment projects linked to European funds and the revival of long-term trends that have been reflected in the strong expansion of sectors such as information and communications, business services, healthcare, logistics and the energy sector, which will require new investments to increase reliability and independence of supply.

Overview and prospects of the Ibercaja Group

Ibercaja reiterates its medium-term objectives of asset quality, solvency and profitability in the second year of its Challenge 2023 strategic plan

2022 was a particularly complex year due to the invasion of Ukraine, which has had important macroeconomic consequences such as a spike in inflation and the economic slowdown, which has negatively affected the main variables of the banking business, such as the lower accumulation of disposable income by households, lower investment by the corporate sector and increased volatility in the financial markets. Despite these uncertainties, the balance of Ibercaja's progress in the second year of its Challenge 2023 Strategic Plan is very satisfactory.

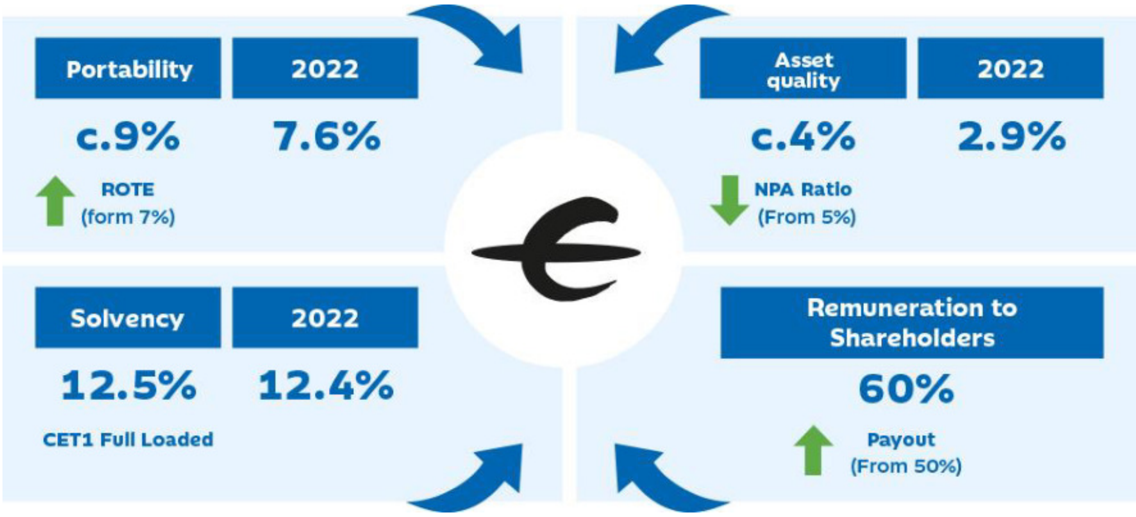
The Bank continued to make progress in achieving the demanding commercial objectives set in the strategic segments defined in the plan (corporate banking, personal banking and asset management and insurance), gaining market share in corporate loans, investment funds, pension plans and life insurance in a very competitive market environment. In addition, the Bank continues to make progress in its digital transformation process and at the end of the year, the number of the Bank's digital customers stood at 914,000 and the number of users of the mobile banking app stood at 676,000 customers. Digital sales account for 40.5% of the total.

As regards financial targets, the quality of the balance sheet has continued to improve with a further reduction in the volume of non-performing assets despite the slowdown in economic activity over the last 12 months. In terms of solvency, Ibercaja continues to maintain one of the highest excess solvency ratios in the Spanish financial system in relation to ECB requirements. In terms of profitability, ROTE 2022 improved by 1.9 p.p. to 7.6% thanks to improved recurrent revenues, lower operating costs and lower cost of risk. Thanks to this strong balance sheet and improved profitability, the Bank expects to distribute 60% of its 2022 profit in the form of dividends to its shareholders.

All these commercial and financial advances are being achieved without neglecting the Bank's historical social sensitivity, which is reflected, among other things, in the decalogue of specific measures to strengthen the financial service and care for the elderly and in adherence to the new Code of Good Mortgage Practices. Furthermore, the Bank also continues to make progress in its commitment to sustainability, as evidenced by the milestones recorded in the areas of Governance (having reached the 40% ratio of female representation in non-executive director positions on the Board of Directors) and integration in the management of climate risks (the ECB has rated Ibercaja's climate stress test framework with a “medium-advanced” degree of progress, higher than the average score of the banks analysed in the first stress test on climate risks).

On the basis of a successful 2022 and despite the high macroeconomic and financial uncertainties, Ibercaja reiterates its medium-term financial objectives defined in its Challenge 2023 Strategic Plan, which are to achieve a ROTE of 9%, a gross non-performing assets ratio of around 4% and a CET 1 Fully Loaded of 12.5%, distributing 60% of profits in the form of dividends.

Ibercaja's Medium-term objectives



10

Events after the reporting period

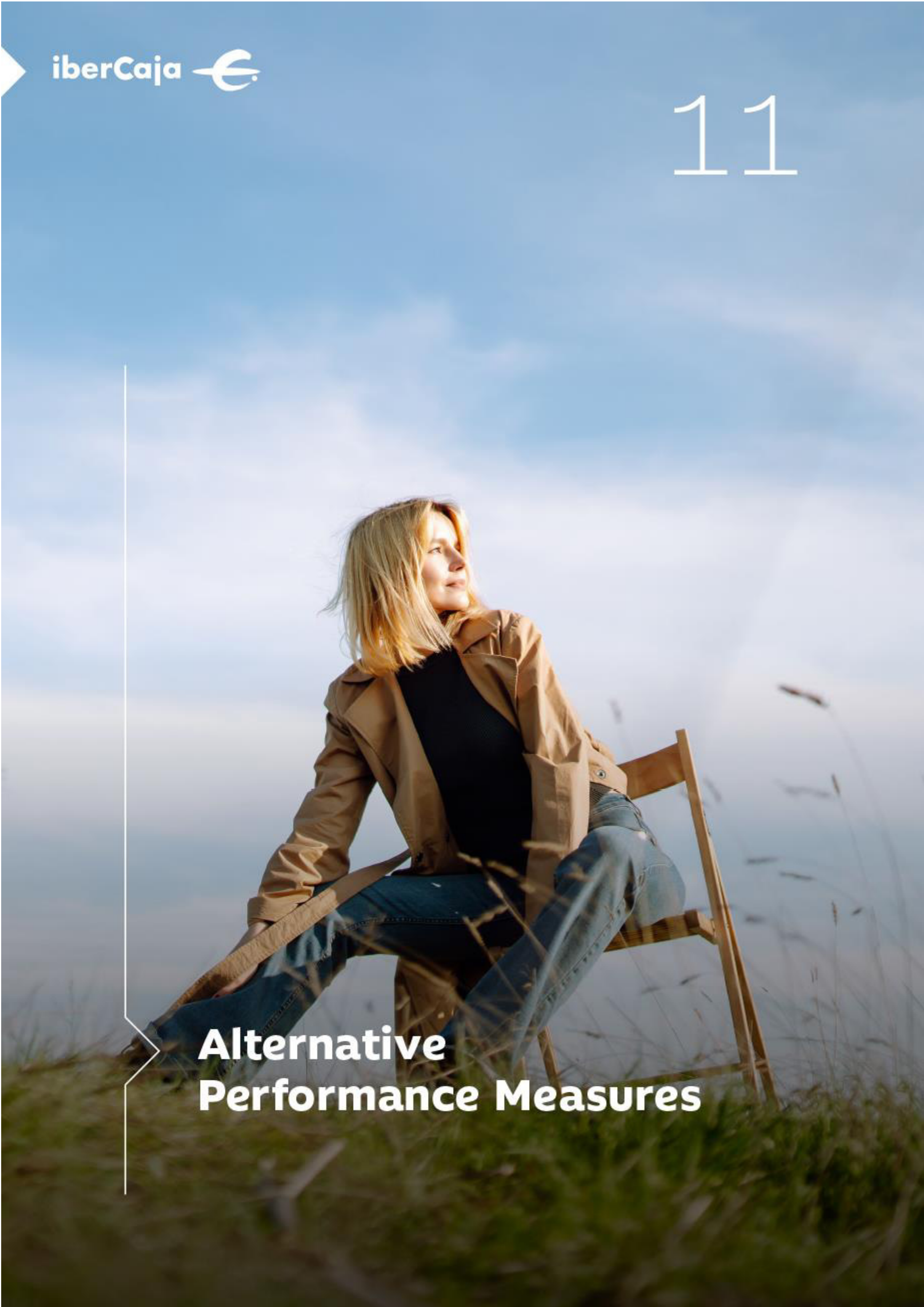
10. Events after the reporting period

On 1 January 2023, Ibercaja Banco recorded under “Other operating expenses” in the consolidated income statement an impact of 28,466 thousand euros for the temporary levy on credit institutions.

This tax has been regulated by Law 38/2022 of 27 December for the establishment of temporary energy taxes and taxes on credit institutions and financial credit establishments and which creates the temporary solidarity tax on large fortunes and amends certain tax regulations, which makes it compulsory for credit institutions operating in Spanish territory whose total interest and fee income for 2019 is equal to or greater than 800 million euros to pay a non-tax public benefit during 2023 and 2024, which is payable on the first day of the calendar year of those years. The amount of the benefit to be paid will be the result of applying the percentage of 4.8% to the sum of the interest margin and the income and expenses from commissions derived from the activity carried out in Spain and which appear in the income statement of the tax consolidation group to which the credit institution belongs for the calendar year prior to the year in which the obligation to pay arose.

On 18 January 2023, Ibercaja, S.A. set the economic terms of an issue of preference shares with a principal reduction mechanism (Perpetual Non-Cumulative Additional Tier 1 Preferred Securities) for a nominal amount of 350 million euros. The preference shares were issued at par value and will carry remuneration, to be paid on a quarterly basis, of 9.125% a year up to 24 July 2028. From that moment onwards, the remuneration will be revised on that date every five years with application of a margin of 6.833% at the five-year mid-swap rate.

The issue was disbursed and closed on 25 January 2023 and was listed for trading in the AIAF fixed income market. This issue of preference shares will count as Tier 1 capital. Likewise, in February 2023, Ibercaja Banco received authorisation from the corresponding Supervisor to redeem early, at 6 April 2023, the preference shares that were on the Group's consolidated balance sheet at 31 December 2022 (Note 23.1) and which were included as Tier 1 capital.



11

Alternative Performance Measures

11. 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)	31/12/2022	31/12/2021
+	Interest margin (1)	558,244	492,826
+	Net fees and commissions and exchange differences (2)	438,065	438,543
=	**Recurrent revenues**	**996,309**	**931,369**

(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)	31/12/2022	31/12/2021
+	Fee and commission income	457,575	457,495
-	Fee and commission expenses	19,236	19,509
+	Net exchange differences	(274)	557
=	**Net fees and commissions and exchange differences**	**438,065**	**438,543**

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 recurrent revenue.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
+	Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	4,519	46,108
+	Gains/(losses) on financial assets and liabilities held for trading	9,843	645
+	Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit or loss	(1,516)	103
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	22	—
+	Gains/(losses) from hedge accounting	945	(194)
=	**Gains/(losses) on financial transactions**	**13,813**	**46,662**

Source: consolidated income statement in the financial statements.

OTHER OPERATING INCOME AND EXPENSE:

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 expense that are not wholly derived from financial activity but that are related to our business.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
+	Other operating income	46,772	37,944
—	Other operating expenses	89,890	78,553
+	Income from assets covered by insurance and reinsurance contracts	1,117,710	904,463
—	Liability expenses covered by insurance or reinsurance contracts	1,117,974	904,756
=	**Other operating income and expense**	**(43,382)**	**(40,902)**

Source: consolidated income statement in the financial statements.

OPERATING EXPENSES:

Definition: sum of staff costs, other administration expenses and depreciation/amortisation.

Relevance: indicator of expenses incurred from our activities.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
+	Staff costs	331,869	375,183
+	Other administration expenses	166,042	169,066
+	Amortisation/Depreciation	74,997	66,973
=	**Operating expenses**	**572,908**	**611,222**

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)	31/12/2022	31/12/2021
+	Operating expenses (1)	572,908	611,222
—	Non-recurring expenses (2)	-	12,842
=	**Recurring operating expenses**	**572,908**	**598,380**

(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)	31/12/2022	31/12/2021
+	Gross income	976,589	952,260
—	Administration expenses	497,911	544,249
—	Amortisation/Depreciation	74,997	66,973
=	**Profit/(loss) before write-downs**	**403,681**	**341,038**

Source: consolidated income statement in the financial statements.

RECURRING INCOME BEFORE WRITE-DOWNS:

Definition: difference between recurrent 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)	31/12/2022	31/12/2021
+	Recurrent revenues (1)	996,309	931,369
—	Recurring operating expenses (1)	572,908	598,380
=	**Recurring income before write-downs**	**423,401**	**332,989**

(1) APM. See definition and calculation above.

PROVISIONS, IMPAIRMENT AND OTHER WRITE-DOWNS:

Definition: The following items are included under the item “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 item “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)	31/12/2022	31/12/2021
+	Provisions or (-) reversal of provisions	18,995	5,722
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	65,234	78,009
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	—	128
+	Impairment or (-) reversal of impairment on non-financial assets	18,281	11,927
+	Impairment losses on other non-current assets for sale	25,823	31,166
=	**Provisions, impairment and other write-downs**	**128,333**	**126,952**

Source: consolidated income statement and Note 42 to the financial statements

OTHER GAINS/(LOSSES):

Definition: sum of gains/(losses) on the disposal 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 of the derecognition/disposal of assets not related to ordinary activity.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	5,720	(5,199)
+	Gains/(losses) on disposal of other non-current assets for sale (2)	2,152	5,885
=	**Other gains/(losses)**	**7,872**	**686**

(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.

Importance of its use: profitability indicator of our retail business.

	(%)	31/12/2022	31/12/2021
+	Yields from consumer loans	1.39%	1.19%
	Interest revenue from the portfolio of registered loans		
	in the year divided by the average customer loan balance		
-	Cost of retail deposits	(0.01)%	(0.02)%
	Interest expense on retail deposits recognised in the balance sheet		
	in the year divided by the average retail deposit balance		
=	Customer spread (%)	1.40%	1.21%

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)	31/12/2022	31/12/2021
Numerator	Recurring operating expenses (1)	572,908	598,380
Denominator	Gross income (2)	976,589	952,260
=	**Cost-to-income ratio (%)**	**58.66%**	**62.84%**

(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 recurrent revenues (MARs as defined and calculated above).

Relevance: to measure the efficiency of our recurring activity.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	Recurring operating expenses (1)	572,908	598,380
Denominator	Recurrent revenues (1)	996,309	931,369
=	**Recurring cost-to-income ratio (%)**	**57.50%**	**64.25%**

(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)	31/12/2022	31/12/2021
Numerator	Profit/(loss) attributed to the parent (1)	202,120	150,985
Denominator	Total average consolidated assets (2)	58,226,729	57,864,629
=	**ROA (%)**	**0.35%**	**0.26%**

(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)	31/12/2022	31/12/2021
Numerator	Profit/(loss) attributed to the parent (1)	202,120	150,985
Denominator	Risk-weighted assets phased in (2)	18,045,437	18,051,935
=	**RORWA (%)**	**1.12%**	**0.84%**

(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 euros recorded as equity.

Relevance: to measure profitability in relation to shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	Profit/(loss) attributed to the parent (1)	202,120	150,985
Denominator	Average consolidated shareholders' equity (2)	2,926,841	2,893,921
=	**ROE (%)**	**6.91%**	**5.22%**

(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 euros recorded as equity.

Relevance: to measure profitability in relation to tangible equity.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	Profit/(loss) attributed to the parent (1)	202,120	150,985
Denominator	Average tangible consolidated shareholders' equity (2)	2,650,540	2,651,490
=	**ROTE (%)**	**7.63%**	**5.69%**

(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)	31/12/2022	31/12/2021
Numerator	Risk-weighted assets phased in (1)	18,045,437	18,051,935
Denominator	Total consolidated assets(2)	54,360,706	58,631,409
=	**Density of RWAs**	**33.20%**	**30.79%**

(1) Source: Note 1.7.2 to the financial statements.
(2) Source: consolidated balance sheet in the financial statements.

PAY-OUT 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)	31/12/2022	31/12/2021
Numerator	Distribution of dividends (1)	121,272	98,140
Denominator	Profit/(loss) attributed to the parent (2)	202,120	150,985
=	**Pay-out ratio (%)**	**60.00%**	**65.00%**

(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)	31/12/2022	31/12/2021
+	Impaired assets – loans and advances to customers (1)	495,623	717,621
+	Gross value of foreclosed assets (2)	416,924	542,241
=	**Distressed assets**	**912,547**	**1,259,862**

(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)	31/12/2022	31/12/2021
Numerator	Impaired assets – loans and advances to customers (1)	495,623	717,621
Denominator	Gross loans and advances to customers (2)	31,346,411	31,195,451
=	**Ratio of non-performing loans and advances to customers (%)**	**1.58%**	**2.30%**

(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 value of the exposure.

Relevance: to evaluate the size of our portfolio of non-performing assets in relative terms.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	Distressed assets (1)	912,547	1,259,862
Denominator	(a) Gross loans and advances to customers (2)	31,346,411	31,195,451
	(b) Gross value of foreclosed assets (3)	416,924	542,241
	(a) + (b) Value of exposure	31,763,335	31,737,692
=	**Distressed asset ratio (%)**	**2.87%**	**3.97%**

(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)	31/12/2022	31/12/2021
Numerator	Write-downs of loans and foreclosed properties (1)	95,647	113,904
Denominator	Average exposure (gross credit and real estate) (2)	31,986,204	32,086,135
=	**Cost of risk (%)**	**0.30%**	**0.35%**

(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 negative cumulative 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 non-performing loans.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
+	Impairment losses on loans and advances to customers (1)	443,063	539,189
+	Accumulated negative changes in fair value of non-performing exposures (2)	2,896	1,278
=	**Coverage of non-performing exposures**	**445,959**	**540,467**

(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 non-performing loans.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	Coverage of non-performing exposures (1)	445,959	540,467
Denominator	Impaired assets – loans and advances to customers (2)	495,623	717,621
=	**Coverage of non-performing exposures (%)**	**89.98%**	**75.31%**

(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)	31/12/2022	31/12/2021
Numerator	Impairment adjustments of foreclosed assets (1)	250,804	326,197
Denominator	Gross value of foreclosed assets (1)	416,924	542,241
=	**Coverage of foreclosed assets (%)**	**60.16%**	**60.16%**

(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 land.

Relevance: to monitor the extent to which provisions associated with land cover the gross value of these assets.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	Land value adjustments (1)	149,000	226,627
Denominator	Gross value of land (1)	219,511	331,192
=	**Foreclosed land coverage ratio (%)**	**67.88%**	**68.43%**

(1) Source: Note 3.5.6.2 to the financial statements.

COVERAGE RATIO OF DISTRESSED ASSETS:

Definition: ratio between allowances for non-performing risks and foreclosed assets to problem 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)	31/12/2022	31/12/2021
Numerator	(a) Coverage of non-performing exposures (2)	445,959	540,467
	(b) Impairment adjustments of foreclosed assets (1)	250,804	326,197
	(a) + (b) Coverage of problem assets	696,763	866,664
Denominator	Distressed assets (2)	912,547	1,259,862
=	**Coverage rate of distressed assets (%)**	**76.35%**	**68.79%**

(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 problem assets, after deducting the provisions linked to those assets, on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2022	31/12/2021
Numerator	(a) Problem assets (1)	912,547	1,259,862
	(b) Coverage of problem assets (1)	696,763	866,664
	(a) - (b) Problem assets net of coverage	215,784	393,198
Denominator	Total assets (2)	54,360,706	58,631,409
=	**Net distressed assets to total assets (%)**	**0.40%**	**0.67%**

(1) Source: APM. See definition and calculation above.
(2) Source: consolidated balance sheet in the financial statements.

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)	31/12/2022	31/12/2021
+	Demand deposits (1)	35,575,488	34,673,081
+	Term deposits (1)	2,813,720	3,485,694
-	Mortgage-backed bonds (including nominal amount and share premium)	1,014,436	1,027,605
	Nominal value of mortgage covered bonds (1)	1,081,026	1,100,470
	Mortgage-backed bond issue premium (2)	(66,590)	(72,865)
	Term deposits (excluding mortgage-backed bonds)	1,799,284	2,458,089
=	**Retail deposits**	**37,374,772**	**37,131,170**

(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 total 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)	31/12/2022	31/12/2021
+	Investment companies and funds (1)	19,064,189	19,600,522
+	Pension funds (1)	5,790,240	6,562,703
+	Insurance products (2)	6,786,701	6,868,109
=	**Asset management and insurance**	**31,641,130**	**33,031,334**

(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)	31/12/2022	31/12/2021
+	Retail deposits (1)	37,374,772	37,131,170
+	Asset management and insurance (2)	31,641,130	33,031,334
=	**Total retail funds**	**69,015,902**	**70,162,504**

(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)	31/12/2022	31/12/2021
+	Loans and advances to customers ex impaired assets and reverse repos (1)	29,237,441	28,862,436
+	Total retail funds (2)	69,015,902	70,162,504
=	**Retail business volume**	**98,253,343**	**99,024,940**

(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)	31/12/2022	31/12/2021
Numerator	(a) Net loans and advances to customers (1)	30,900,520	30,655,026
	(b) Reverse repurchase agreements (2)	1,613,345	1,615,394
	(a) – (b) Net loans ex reverse repos	29,287,175	29,039,633
Denominator	Retail deposits (3)	37,374,772	37,131,171
=	**LTD (%)**	**78.36%**	**78.21%**

(1) Source: consolidated balance sheet in the financial statements.
(2) Source: 11.4 in the financial statements.
(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)	31/12/2022	31/12/2021
+	Cash and central banks	1,351,694	6,183,416
+	Available in policy	5,798,903	1,050,679
+	Eligible assets not included in the policy	5,838,121	7,590,280
+	Other marketable assets not eligible by the Central Bank	356,274	425,796
=	**Available liquidity**	**13,344,992**	**15,250,171**

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)	31/12/2022	31/12/2021
Numerator	Available liquidity (1)	13,344,992	15,250,171
Denominator	Total assets (2)	54,360,706	58,631,409
=	**Available liquidity**	**24.55%**	**26.01%**

(1) Source: APM. See its definition and calculation explained above.
(2) Source: consolidated balance sheet in the financial statements.

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)	31/12/2022	31/12/2021
+	Available liquidity (1)	13,344,992	15,250,171
+	Mortgage bond issuance capacity (2)	6,880,460	8,776,402
=	**Available liquidity**	**20,225,452**	**24,026,573**

(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
GENERAL	Reporting framework Materiality analysis		Ibercaja Banco Group (*)	3-1/3-2/3-3	3. Key points of this document	
BUSINESS MODEL	Brief description of the group's business model, including: 1) its business environment, 2) its organisation and structure, 3) the markets in which it operates, 4) its objectives and strategies, 5) the main factors and trends that may affect its future performance.	–	Ibercaja Banco Group (*)	2-1 / 2-6	4.3. Economic and financial environment 4.5. Business Model and Strategic Plan 2021-2023 9. Business outlook and projections.	
POLICIES	A description of the group's policies with respect to such issues, including 1.) the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts 2.) the verification and control procedures, including what measures have been taken.		Ibercaja Banco Group (*)	2-23	3. Key points of this document 6.1. Sustainability strategy. 6.5 Commitment to the environment. 6.4 Commitment to our people. 6.9 Human Rights 6.10 Fighting corruption and bribery 6.8 Commitment to	

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/ PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
ST, MT and LT RISKS	The main risks related to aspects linked to the group's activities, including, where relevant and proportionate, its business relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them in accordance with the national, European or international reference frameworks for each topic. It must include information on the impacts that have been detected and a breakdown of these, in particular on the main short-, medium- and long-term risks.		Ibercaja Banco Group (*)	3-3	7. Risk management 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. 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. Key points of this document 6.1. Sustainability strategy Appendix D 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; 2) Resources dedicated to the prevention of environmental risks; 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 (*)	2-23 / 3-3 Note 27.1 financial statements	6.5. Commitment to the environment 6.11. Implementation of the Principles for Responsible Banking – UNEP-FI 6.12 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	
	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 (*)	306-2	Appendix D. 6.5. Commitment to the environment	
	Actions to combat food waste.	NO				
	Sustainable use of resources The consumption of water and water supply according to local constraints.	NO				
	Consumption of raw materials and measures taken to improve the efficiency of their use.	YES	Ibercaja Banco Group (*)	301-1 301-2	6.5. Commitment to the environment / Resource management Appendix D	
	Consumption, direct and indirect, of energy, measures taken to improve energy efficiency and use of renewable energies.	YES			6.5 Commitment to the environment Appendix D	

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/ PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
ENVIRONMENTAL MATTERS	**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 (*)	305-1 / 305-2 / 305-3 / 305-5	6.5. Commitment to the environment Appendix D	
	Measures adopted to adapt to the consequences of climate change.	YES		3-3	6.5 Commitment to the environment 6.12 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	
	Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to for that purpose.	YES		3-3	6.5 Commitment to the environment Appendix D	
	Protection of biodiversity Measures taken to preserve or restore biodiversity. 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		2-7 / 405-1	6.4 Commitment to our people Appendix D	
	Total number and distribution of employment contract types.	YES		2-7		
	Annual breakdown of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational category.	YES		2-7 / 405-1	Appendix D	
	Number of dismissals by gender, age and occupational category.	YES	Ibercaja Banco S.A. (accounts for 96% of the Group's total workforce)	401-1	6.4 Commitment to our people Appendix D	
	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			4.4. Corporate governance 6.4. Commitment to our people	
	Implementation of digital disconnect policies.	YES				
	Employees with some form of disability.	YES		405-1		
	Organisation at work					
	Organisation of working time	YES				
	Number of hours of absenteeism.	YES		403-2	6.4 Commitment to our people	
	Measures aimed at facilitating a work-life balance and encouraging co-responsible exercise of these rights by both parents.	YES		401-3		

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/ PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
SOCIAL AND PERSONNEL ASPECTS	**Social relations**					
	Organisation of social dialogue, including procedures for informing, consulting and negotiating with them	YES			6.4. Commitment to our people	
	Confidentiality of employee complaints/disclosures.	YES	Ibercaja Banco S.A. (accounts for 96% of the Group's total workforce)	404-1	4.2. Purpose, Mission, Vision, values and Code of Ethics	
	Percentage of employees covered by collective bargaining agreements by country;			2-30		
	The balance of collective agreements, particularly in the field of health and safety at work.	YES			6.4. Commitment to our people	
	Mechanisms and procedures that the company has in place to promote the involvement of workers in the management of the company, in terms of information, consultation and participation.	YES				
	Training Policies implemented in training.	YES	Ibercaja Banco S.A. (accounts for 96% of the Group's total workforce)	404- 1 / 404-2	6.4. Commitment to our people	The average number of training hours per employee in 2022 is 86 hours, 33% more than in 2021. 100% of permanent employees receive regular performance appraisals and professional development.
	The total number of training hours by occupational category.					
	Average hours of training by gender and occupational category Average hours of training by gender and employee category GRI 404-1 Universal accessibility for persons with disability			404-1		

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/ PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
SOCIAL AND PERSONNEL ASPECTS	**Equality**					
	Measures adopted to foster equal treatment and opportunities between women and men.	YES	Ibercaja Banco S.A. (accounts for 96% of the Group's total workforce)		6.4. Commitment to our people	
	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 diligence procedures Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and redress possible abuses.	YES		2-23	6.9. Human Rights	Although the risk of human rights violations in Ibercaja's activities is low, the Bank has various mechanisms in place to prevent and mitigate the possible risk in this area. During 2022 the Institution was not subject to any sanctions or involved in any criminal proceedings or similar incidents that could infringe on human rights.
	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		406-1		
	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 (*)	2-23 / 2-27	6.10. Fight against corruption and bribery	
	Measures to combat money laundering.	YES				
	Contributions to foundations and not-for-profit entities.	YES				

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 (*)		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		2-29		
	Partnership or sponsorship actions.	YES				
	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 (*)	2-6	6.7. Commitment to suppliers	
	Systems of supervision and audits and results thereof.	YES				
	Consumers					
	Measures for consumer health and safety		Ibercaja Banco Group (*)		6.3 Commitment to customers	
	Complaint systems, complaints received and their resolution.					
	Tax information					
	Profits country by country.	YES		207-1	6.8.11. Tax information	
	Income tax paid.	YES		207-4		
	Public grants received.	YES		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 CORRESPONDEN
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	2-7.2-8, 2-30, 205-1, 205-2, 205-3, 401-1, 401-2, 402-1, 403-1, 403-2, 408-1, 409-1
	2. Companies must ensure that their firms are not accomplices to a breach of Human Rights.	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	2-23, 2-27, 205-1, 205-2, 205-3, 408-1, 409-1, 416-2
Employment rules and standards	**3. Companies must support freedom of affiliation and the effective recognition of collective bargaining rights.**	Commitment to our Employees; Dialogue with employees.	6.4.	2-30, 402-1, 407-1
	4. Companies must support the elimination of all forms of forced or coerced 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 in developing countries. 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 in developing countries. 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	2-7, 2-8, 2-30.403-1, 403-2, 401-1, 404-1, 404-3

	PRINCIPLE OF THE GLOBAL COMPACT	RELATED REPORT CONTENTS	REPORT CHAPTERS	GRI CORRESPONDEN
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.	2-27, 301-1, 302-4, 305-1, 305-2, 305-3, 305-5, 306-2
Environment	**8. Companies must encourage initiatives that promote greater environmental responsibility.**	Ibercaja does not perform its activities in spaces or places that affect natural ecosystems. 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	2-27, 301-1, 302-4, 305-1, 305-2, 305-3, 305-5, 306-2
Environment	**9. Companies must favour the development and proliferation of technologies that respect the environment.**	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	2-27, 301-1, 302-4, 305-1, 305-2, 305-3, 306-2
	10. Entities must work against corruption in all its forms, including extorsion and bribery.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Omnichannels, Financial Group, Model aimed at Excellence, Brand and Reputation, Transparency and Strategic Communications, Commitment to Sustainability, CSR Policy, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	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,	2-23, 2-26 205-1, 205-2, 205-3

Appendix C – GRI Table of contents

1, 2-7

GRI STANDARD	CONTENT	CHAPTER OR DIRECT RESPONSE
GRI 1: Foundation 2021.		Ibercaja has presented the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 using the GRI Standards as a reference.
GRI 2: General Disclosures 2021	**2-1 Organisational details**	1, 4.1, 4.5.1, 4.5.4, 4.5.5, 6.11 See Note 1.1 of the Consolidated financial statements at 31 December 2022.
	2-2 Entities included in the organisation's sustainability reporting	3, 4.1, 4.5.5 See Consolidated Financial Statements at 31 December 2022
	2-3 Reporting period, frequency and contact point	Ibercaja has presented the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 using the GRI Standards as a reference. This report is annual. For any further information on this report, please contact Ibercaja's corporate responsibility department at rsc@bercaja.es This report is expected to be published in the first quarter of 2023.
	2-4 Restatements 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.
	2-5 External assurance	3, 6.11, Appendix E
	2-6 Activities, value chain and other business relationships	1, 4.1, 4.2, 4.5.1, 4.5.2, 4.5.4, 5.1, 5.2, 6.3, 6.4, 6.7, 8
	2-7 Employees	6.4, Appendix C, Appendix D
	2-8 Workers who are not employees	Ibercaja Banco carries out most of its activities using its own staff, with investees that collaborate in maintenance, editing, logistics and other works. There were no significant changes in the organisation's workforce.
	2-11 Chair of the highest governance body	4.4 In 2022, the Chairman of Ibercaja Banco did not have any executive functions
	2-12 Role of the highest governing body in overseeing the management of impacts	6.1, 6.5, 6.11, 6.12, 4.4, 7
	2-13 Delegation of responsibility for managing impacts	3, 4.4, 6.5, 6.12
	2-14 Role of the highest governing body in sustainability reporting	3, 4.4
	2-16 Communication of critical concerns	4.2, 6.3
	2-19 Remuneration policies	4.4, 6.4
	2-20 Process to determine remuneration	4.4, 6.4
	2-22 Statement on sustainable development strategy	1
	2-23 Policy commitments	4.2, 4.4, 6.1, 6.5, 6.9, 6.10, 6.11, 6.12
	2-24 Embedding policy commitments	6.1, 6.3
	2-25 Processes to remediate negative impacts	3, 7

GRI STANDARD	CONTENT	CHAPTER OR DIRECT RESPONSE
	2-26 Mechanisms for seeking advice and raising concerns	Ibercaja has a specific and independent ethical channel for reporting possible breaches of the Code and queries on its interpretation. Also included on the corporate website is an email address (rsc@ibercaja.es) to which anyone can send queries about the Bank's Code of Ethics. 4.4, 6.3
	2-27 Compliance with laws and regulations	In 2022, 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. 6.9, 6.10
	2-28 Membership of associations	2, 6.2
	2-29 Approach to stakeholder engagement	3, 4.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.14
	2-30 Collective bargaining agreements	100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees.
GRI 3: Material Topics 2022	**3-1 Process to determine material topics**	3, 6.11
	3-2 List of material topics	3
	3-3 Management of material topics	3

Ethical conduct, integrity and culture

GRI 3: Material Topics 2022	**3-3 Management of material topics**	4.4, 6.10, 6.14, 7
GRI 206: Anti-competitive Behaviour 2016	**206-1: Legal action related with unfair competition and monopolistic practices and against free competition**	In 2022, 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.
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, all suppliers, when doing business with us, accept the Bank's Code of Ethics and Supplier Code of Conduct, which explicitly states zero tolerance for incidents of child exploitation. 6.9
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, all suppliers, when entering into business with us, accept the Bank's Code of Ethics and Supplier Code of Conduct, which explicitly states zero tolerance for forced labour. 6.9
GRI 415: Public Policy 2016	**415-1 Political contributions**	Ibercaja does not accept or offer contributions to political parties and/or representatives.

Transparency in customer relations and communication with the GDIs		
GRI 3: Material Topics 2022	**3-3 Management of material topics**	4.4. Internal rules and control bodies, 4.5.4
GRI 417: Marketing and labelling	**417-1: Requirements for product and service information and labelling**	4.4. Internal rules and control bodies, 4.5.4
	417-2: Cases of breaches related with information and the labelling of products and services	In 2022, 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
	417-3: Cases of breaches related with marketing notifications	In 2022, 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.

Excellence, professionalism and customer support		
GRI 3: Material Topics 2022	**3-3 Management of material topics**	4.5.4, 6.3 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
GRI 416 Customer Health and Safety 2016	**416-2: Cases of non-compliance related to the health and safety impacts of the product and services categories**	During 2022 no significant penalties or fines were received relating to the health and safety impacts of the product and service categories

Digital transformation and cybersecurity		
GRI 3: Material Topics 2022	**3-3 Management of material topics**	3, 4.5.2 Goals and Strategies

Risk management and Regulatory Compliance		
GRI 3: Material Topics 2022	**3-3 Management of material topics**	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 in this realm with the aim of reporting tax information on a cash basis, through the CECA Total Tax Contribution report and a specific report by Ibercaja.
	207-4 Country-by-country reporting	6.8.11 The Company does not currently have any permanent establishments in other countries and is therefore not required to issue this report.

Economic performance and value creation		
GRI 3-3 Management of material topics	3-3 Management of material topics	5.1, 5.3, 6.1, 6.3, 6.5, 6.11, 6.12, Appendix D
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 Ibercaja did not receive any type of aid from the
	FS6: Breakdown of the portfolio for each line of business, by specific region, size (microenterprise, SME, large company) and sector.	4.5.4, 4.5.5
	FS 8: Monetary value of products and services designed to offer a specific environmental benefit for each line of business broken down by objectives.	Appendix D
	FS14: Initiatives to improve access to financial services to disadvantaged people.	4.5.4, Appendix D
	FS13: Accessibility in unpopulated areas or in marginalised zones	In 2022, Ibercaja provided services in 100 towns as the only company present and 23% of branches provides service in towns with fewer than 1,000 inhabitants.

Data Protection		
GRI 3-3 Management of material topics	3-3 Management of material topics	4.4. Internal rules and control bodies, 6.3
GRI 418: Customer privacy 2016	418-1: Claims based on violations of customer privacy and loss of customer data	In 2022, there were 428 case files relating to GDPR and 3,224 online advertising unsubscribes. During 2022, no significant penalties or fines were received of a definitive nature with regard to data protection.

The Bank's Corporate Governance policy		
GRI 3: Material Topics 2022	3-3 Management of material topics	4.4, 6.1, 6.14, 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	98.32% 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	During 2022, no cases of corruption arose.

Responsible supplier relations and partnership building		
GRI 3: Material Topics 2022	3-3 Management of material topics	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. 6.9

Risk Management of Climate Change and other ESG risks		
GRI 3: Material Topics 2022	3-3 Management of material topics	6.1, 6.5, 7
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	Appendix D
	305-2: Energy indirect (Scope 2) GHG emissions.	Appendix D
	305-3: Other indirect (Scope 3) GHG emissions	Appendix D
	305-5 Reduction of GHG emissions	6.5, Appendix D

Financial products with high social and/or environmental value		
GRI 3: Material Topics 2022	3-3 Management of material topics	4.5.4, 4.5.5
	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

Internal Environmental Management		
GRI 3: Material Topics 2022	3-3 Management of material topics	6.1, 6.5
GRI 301: Materials 2016	301-1: Materials used by weight or volume	6.5, Appendix D
	301-2: Recycled input materials used	6.5, Appendix D
GRI 302: Energy	302-1: Energy consumption within the organisation	6.5, Appendix D
	302-4 Reduction of energy consumption	6.5, Appendix D
	302-3: Energy intensity	Appendix D
306: Waste 2020	306-3: Waste generated	Appendix D

Non-discrimination, Diversity and work-life balance

GRI 3: Material Topics 2022	3-3 Management of material topics	4.4, 6.4. Diversity, equality and work-life balance, 6.9
GRI 401: Employment 2016	401-3 Parental leave	6.4.
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees	6.4. Diversity, equality and work-life balance, Appendix D
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 2022. 6.9

Attracting, retaining and developing talent

GRI 3: Material Topics 2022	3-3 Management of material topics	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
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.
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 The information reported relates to Ibercaja Banco's own personnel. In relation with the workers of the investees that 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 The information reported relates to Ibercaja Banco's own personnel. There are currently no external workers linked with commercial relations.
	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.
GRI 404: Training and education 2016	404-1: Average training hours per year per employee	6.4. Cultivating talent The average number of training hours per employee in 2022 was 86 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.

Commitment to society and respect for human rights		
GRI 3: Material Topics 2022	**3-3 Management of material topics**	1, 4.3, 4.5.1. 4.5.4, 6.4, 6.8. 6.9
GRI 202: Market Presence 2016	**202-1: Ratios of standard entry level wage by gender compared to local minimum wage**	The range of the relationships between the standard initial salary and the minimum local salary in places in which significant activities are performed: 114%
	202-2: Proportion of senior executives recruited in the local community.	Ibercaja Banco recruits 100% of its employees in Spain and 100% of senior executives are Spanish nationals.
GRI 203: Indirect economic impacts 2016	**203-1: Infrastructure investments and services supported**	Appendix D

Appendix D – Additional non-financial information, GRI content and Taxonomy information

2-7, 3-3, 201-1, 203-1, 205-1, 305-1, 305-2, 305-3, 305-5, 301-1, 301-2, 302-1, 302-4, 401-1, FS8, FS10, FS11, FS14, 302-3, 306-3

GRI 201-1

THOUSANDS OF EUROS	2020	2021	2022
Gross income	1,001,822	952,260	976,589
Net profit/(loss) discontinued operations	0	0	0
Gains or (-) losses on the derecognition of net non-financial assets and equity interests	(3,047)	(5,199)	(5,720)
Gains/(losses) non-current assets held for sale	(969)	5,885	2,152
Economic value generated	**997,806**	**952,946**	**973,021**
Dividends	3,849	98,140	121,272
Other general administrative expenses	132,799	150,896	147,794
Staff costs	502,568	375,183	331,869
Corporation tax and contributions and other taxes	50,089	81,958	99,348
Economic value distributed	689,305	706,177	700,283
Economic value withheld (VEG-VED)	308,501	246,769	272,738

GRI 205-1

SUMMARY OF REVIEWS CONDUCTED	2020	2021	2022
Distribution Network Audit	289	274 (*)	143 (*)
Credit Risk Audit and Modelling	13	13	37
Financial Auditing and Regulatory Reporting Auditor (**)	30	33	27
Systems Audit	22	32	15
TOTAL	**354**	**352**	**222**

BRANCH AUDITS	2020	2021	2022
Revised branches	265	254 (*)	127 (*)
Percentage of the average number of branches	24.33%	24.42%	13.76%

(*) Continuous audit process across the entire Branch Network.
(**) Including the reviews carried out in 2020 and 2021 by the Technical Supervision and Quality Unit, which in 2022 was integrated into the Financial Audit and Regulatory Reporting Unit.

2-7, 405-1

The following tables present the distribution of Ibercaja Banco's workforce at 31 December 2022 according to gender, professional category, age, location and type of contract.

2022 JOB CATEGORY	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	602	315	917	47
Middle managers	444	444	888	48
Technicians	705	853	1,558	47
Clerical staff	512	590	1,102	45
TOTAL	**2,263**	**2,202**	**4,465**	**47**

2021 JOB CATEGORY	MEN	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 JOB CATEGORY	MEN	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**

** 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

2022 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS OLD	177	167	344
31 - 40 YEARS OLD	213	204	417
41 - 50 YEARS OLD	973	1,013	1,986
51 - 60 YEARS OLD	888	815	1,703
61 - 70 YEARS OLD	12	3	15
TOTAL	**2,263**	**2,202**	**4,465**

2021 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS OLD	132	132	264
31 - 40 YEARS OLD	279	265	544
41 - 50 YEARS OLD	1,005	1,051	2,056
51 - 60 YEARS OLD	920	787	1,707
61 - 70 YEARS OLD	14	2	16
TOTAL	**2,350**	**2,237**	**4,587**

2020 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS OLD	105	102	207
31 - 40 YEARS OLD	359	361	720
41 - 50 YEARS OLD	1,036	1,086	2,122
51 - 60 YEARS OLD	1,157	840	1,997
61 - 70 YEARS OLD	8	1	9
TOTAL	**2,665**	**2,390**	**5,055**

** Age classification is defined in 10-year bands.

2022 - GENDER	PERMANENT	TEMPORARY	TOTAL
MEN	2,170	93	2,263
WOMEN	2,109	93	2,202
TOTAL	**4,279**	**186**	**4,465**

2021 - GENDER	PERMANENT	TEMPORARY	TOTAL
MEN	2,258	92	2,350
WOMEN	2,158	79	2,237
TOTAL	**4,416**	**171**	**4,587**

2020 - GENDER	PERMANENT	TEMPORARY	TOTAL
MEN	2,590	75	2,665
WOMEN	2,329	61	2,390
TOTAL	**4,919**	**136**	**5,055**

** The classification by type of contract is the one in which the employee was on 31 December.
P:permanent contracts
T: temporary contracts

2022 PROFESSIONAL LEVEL	GENDER		TOTAL
	MEN	WOMEN	
GR.1 LEVEL I	15	4	19
GR.1 LEVEL II	24	12	36
GR.1 LEVEL III	302	124	426
GR.1 LEVEL IV	452	249	701
GR.1 LEVEL V	375	322	697
GR.1 LEVEL VI	238	302	540
GR.1 LEVEL VII	224	263	487
GR.1 LEVEL VIII	324	556	880
GR.1 LEVEL IX	104	183	287
GR.1 LEVEL X	32	40	72
GR.1 LEVEL XI	20	19	39
GR.1 LEVEL XII	69	47	116
GR.1 LEVEL XIII	72	80	152
GR.1 LEVEL XIV			
GR.2 LEVEL I	1		1
GR.2 LEVEL II	10	1	11
GR.2 LEVEL IV	1		1
TOTAL	2,263	2,202	4,465

2021 PROFESSIONAL LEVEL	GENDER		TOTAL
	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

2020 PROFESSIONAL LEVEL	GENDER		TOTAL
	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 IV	1		1
TOTAL	2,665	2,390	5,055

** The classification is according to the professional categories of the agreement.

2022 – AREAS	GENDER		TOTAL
	MEN	WOMEN	
BRANCH NETWORK DEPARTMENT	11	10	21
TERR. DIV. ARAGON	608	573	1,181
TERR. DIV. MEDITERRANEAN COAST	270	264	534
TERR. DIV. EXTREMADURA AND SOUTHERN	178	188	366
TERR. DIV. MADRID AND NORTH-WEST SPAIN	352	432	784
TERR. DIV. RIOJA, BURGOS AND GUADALAJARA	263	270	533
CENTRAL UNITS	394	362	756
CORPORATE BANKING DEPARTMENT	187	103	290
TOTAL	2,263	2,202	4,465

2021 – AREAS	GENDER		TOTAL
	MEN	WOMEN	
BRANCH NETWORK DEPARTMENT	11	12	23
TERR. DIV. ARAGON	638	589	1,227
TERR. DIV. MEDITERRANEAN COAST	290	268	558
TERR. DIV. EXTREMADURA AND SOUTHERN	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

2020 – AREAS	GENDER		TOTAL
	MEN	WOMEN	
BRANCH NETWORK DEPARTMENT	16	19	35
TERR. DIV. ARAGON	805	638	1,443
TERR. DIV. MEDITERRANEAN COAST	351	291	642
TERR. DIV. EXTREMADURA AND SOUTHERN	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**

** Classification by location is the organisation by Territorial Divisions of the Bank.

- TERRITORIAL DIVISION OF ARAGON; AUTONOMOUS COMMUNITY OF ARAGON
- TERRITORIAL DIVISION OF MEDITERRANEAN COAST; AUTONOMOUS COMMUNITY OF ANDALUCIA, BALEARIC ISLANDS, CASTILLA LA MANCHA, CATALONIA, VALENCIA AND REGION OF MURCIA
- TERRITORIAL DIVISION EXTREMADURA AND SOUTH; AUTONOMOUS COMMUNITY OF ANDALUCIA, CANARY ISLANDS AND EXTREMADURA
- TERRITORIAL DIVISION OF MADRID AND NORTH-WEST; AUTONOMOUS COMMUNITIES OF CASTILLA LA MANCHA, CASTILLA Y LEON, GALICIA, MADRID AND PRINCIPALITY OF ASTURIAS

TERRITORIAL DIVISION OF RIOJA, BURGOS AND GUADALAJAR; AUTONOMOUS COMMUNITIES OF CANTABRIA, CASTILLA LA MANCHA, CASTILLA LEON, LA RIOJA, FORAL DE NAVARRA AND PAIS VASCO.

The following tables present the distribution of the workforce of Ibercaja in 2022 by gender, job category, age, location and type of contract in terms of average number of days.

AVERAGE NUMBER OF DAYS WORKED BY GENDER, TYPE OF CONTRACT AND OCCUPATIONAL CATEGORY

2022	PERMANENT			TEMPORARY		
	M	F	TOTAL	M	F	TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	100.00%	100%	100.00%	0%	0%	0%
Clerical staff	80.58%	85.83%	83.38%	19.42%	14.17%	16.62%
TOTAL	**95.60%**	**96.17%**	**95.88%**	**4.40%**	**3.83%**	**4.12%**

2021	PERMANENT			TEMPORARY		
	M	F	TOTAL	M	F	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%**

2020	PERMANENT			TEMPORARY		
	M	F	TOTAL	M	F	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%**

** 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

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND AGE RANGE

2022	PERMANENT		TOTAL	TEMPORARY		TOTAL
	M	F		M	F	
21 - 30 YEARS OLD	40.87%	46.38%	43.53%	59.13%	53.62%	56.47%
31 - 40 YEARS OLD	98.14%	98.82%	98.47%	1.86%	1.18%	1.53%
41 - 50 YEARS OLD	100.00%	99.88%	99.90%	0%	0.12%	0.10%
51 - 60 YEARS OLD	99.94%	100.00%	99.97%	0.06%	0%	0.03%
61 - 70 YEARS OLD	100.00%	100.00%	100.00%	0%	0%	0%
Total	**95.60%**	**96.17%**	**95.88%**	**4.40%**	**3.83%**	**4.12%**

2021	PERMANENT		TOTAL	TEMPORARY		TOTAL
	M	F		M	F	
21 - 30 YEARS OLD	32.37%	35.96%	34.20%	67.63%	64.04%	65.80%
31 - 40 YEARS OLD	98.10%	98.41%	98.25%	1.90%	1.59%	1.75%
41 - 50 YEARS OLD	100.00%	99.94%	99.95%	0%	0.06%	0.05%
51 - 60 YEARS OLD	99.91%	100.00%	99.95%	0.09%	0%	0.05%
61 - 70 YEARS OLD	100.00%	100.00%	100.00%	0%	0%	0%
Total	**96.26%**	**96.07%**	**96.17%**	**3.74%**	**3.93%**	**3.83%**

2020	PERMANENT		TOTAL	TEMPORARY		TOTAL
	M	F		M	F	
21 - 30 YEARS OLD	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 OLD	100.00%	99.86%	99.93%	0%	0.14%	0.07%
51 - 60 YEARS OLD	99.92%	100.00%	99.95%	0.08%	0%	0.05%
61 - 70 YEARS OLD	100.00%	100.00%	100.00%	0%	0%	0%
Total	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

** Age classification is defined in 10-year bands.

In 2022, the **permanent workforce** decreased by 137 employees. The **churn rate** of permanent employees was 9.93% in 2022.

CHURN NUMBER AND RATE (INCOMING AND OUTGOING EMPLOYEES)

2022	MEN		WOMEN		TOTAL	
	M	F	M	F	TOTAL	RATE
21 - 30 YEARS OLD	55	2.53%	43	2.04%	98	2.29%
31 - 40 YEARS OLD	13	0.60%	15	0.71%	28	0.65%
41 - 50 YEARS OLD	22	1.01%	26	1.23%	48	1.12%
51 - 60 YEARS OLD	150	6.91%	95	4.50%	245	5.73%
61 - 70 YEARS OLD	6	0.28%		0.00%	6	0.14%
Total	**246**	**11.34%**	**179**	**8.49%**	**425**	**9.93%**

2021	MEN		WOMEN		TOTAL	
	M	F	M	F	TOTAL	RATE
21 - 30 YEARS OLD	27	1.20%	18	0.83%	45	1.02%
31 - 40 YEARS OLD	12	0.53%	22	1.02%	34	0.77%
41 - 50 YEARS OLD	24	1.06%	29	1.34%	53	1.20%
51 - 60 YEARS OLD	345	15.28%	176	8.16%	521	11.80%
61 - 70 YEARS OLD	2	0.09%	2	0.09%	4	0.09%
Total	**410**	**18.16%**	**247**	**11.45%**	**657**	**14.88%**

2020	MEN		WOMEN		TOTAL	
	M	F	M	F	TOTAL	RATE
21 - 30 YEARS OLD	10	0.39%	9	0.39%	19	0.39%
31 - 40 YEARS OLD	17	0.66%	22	0.94%	39	0.79%
41 - 50 YEARS OLD	20	0.77%	27	1.16%	47	0.96%
51 - 60 YEARS OLD	21	0.81%	12	0.52%	33	0.67%
61 - 70 YEARS OLD	2	0.08%		0.00%	2	0.04%
Total	**70**	**2.70%**	**70**	**3.01%**	**140**	**2.85%**

The **hiring rate** of permanent employees was 3.37% in 2022.

NUMBER AND RATE OF NEW HIRES (INCOMING EMPLOYEES)

2022	MEN		WOMEN		TOTAL	
	M	F	M	F	TOTAL	RATE
21 - 30 YEARS OLD	52	2.40%	38	1.80%	90	2.10%
31 - 40 YEARS OLD	10	0.46%	11	0.52%	21	0.49%
41 - 50 YEARS OLD	11	0.51%	13	0.62%	24	0.56%
51 - 60 YEARS OLD	6	0.28%	3	0.14%	9	0.21%
61 - 70 YEARS OLD		0.00%		0.00%	0	0
Total	**79**	**3.64%**	**65**	**3.08%**	**144**	**3.37%**

2021	MEN		WOMEN		TOTAL	
	M	F	M	F	TOTAL	RATE
21 - 30 YEARS OLD	24	1.06%	17	0.79%	41	0.93%
31 - 40 YEARS OLD	4	0.18%	8	0.37%	12	0.27%
41 - 50 YEARS OLD	8	0.35%	10	0.46%	18	0.41%
51 - 60 YEARS OLD	3	0.13%	2	0.09%	5	0.11%
61 - 70 YEARS OLD		0.00%	1	0.05%	1	0.02%
Total	**39**	**1.73%**	**38**	**1.76%**	**77**	**1.74%**

2020	MEN		WOMEN		TOTAL	
	M	F	M	F	TOTAL	RATE
21 - 30 YEARS OLD	9	0.35%	7	0.30%	16	0.33%
31 - 40 YEARS OLD	13	0.50%	7	0.30%	20	0.41%
41 - 50 YEARS OLD	10	0.39%	14	0.60%	24	0.49%
51 - 60 YEARS OLD	7	0.27%	7	0.30%	14	0.28%
61 - 70 YEARS OLD	1	0.04%		0.00%	1	0.02%
Total	**40**	**1.54%**	**35**	**1.50%**	**75**	**1.52%**

233 people were laid off due to dismissal or termination of contract, with an average age of 57, and none of them is under 35 nor has children under 12.

2022 JOB CATEGORY	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	26	7	33	57
Middle managers	18	14	32	57
Technicians	30	30	60	57
Clerical staff	65	43	108	56
Total	**139**	**94**	**233**	**57**

2021 JOB CATEGORY	MEN	WOMEN	TOTAL	AVERAGE AGE
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 JOB CATEGORY	MEN	WOMEN	TOTAL	AVERAGE AGE
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**

301-1, 301-2, 302-1, 302-3

CONSUMPTION

WATER CONSUMPTION (m3)	2022	2021	2020
Water consumption (headquarters)	13,104	12,515	8,210
Water consumption (branch network)	25,900,91	26,419,47	28,818
Average water consumption per employee and year (Bank)	8.69	7.92	7.18

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.

General remarks:

ENERGY CONSUMPTION (Gj)	2022	2021	2020
Electricity (headquarters)	27,438,48	28,850,71	28,455,83
Electricity (branch network)(*)	88,238,04	92,132,6	93,390,28
Average electricity consumption per employee and year (Bank)	25.78	24.64	23.65
Diesel (central building)	73.85	73.85	41.54
Diesel (branch network)	2,489,18	3,017,86	3,427,11
Natural Gas (branch network)	3,992,00	4,063,22	4,466,00
Average consumption of diesel and natural gas per employee and year (Bank)	1.46	1.46	1.54

PAPER CONSUMPTION Tm	2022	2021	2020
Type DIN A4 white (Bank)	4.5	9.03	9.64
Recycled DIN A4 type (Bank)	188,15	224,92	211,57
Total type DIN A4 (Bank)	192,65	233,95	221,21
Type DIN A3 (Bank)	0.28	0.33	0.27
Envelopes	42.82	54.25	54.25
Bovine (insert)	47.43	59.10	88.03
Average total paper consumption per employee (Bank)	0.04	0.05	0.06
Total paper consumption	**283,18**	**347,3**	**367,05**

Specific observations on envelopes: Indicator based on the most commonly used envelope size (115x225)

(*) Remarks on branch network electricity consumption:

The study of electricity consumption of branches in 2021 and 2022 was carried out in the period between October 2021 and September 2022, due to Endesa's irregular billing. In 2022, a total of 21,355 non-billing days with an estimated total consumption of 3,669,346.17 kW.
In 2021, the envelope consumption for 2019 and 2020 was revised and updated with the actual amount in tonnes.

305-1, 305-2, 305-3

CO_2 EMISSIONS LEVEL*	2022	2021	2020
Emissions from diesel consumption, in Tn of CO_{2e} (total Bank)	187,88	236,92	269,22
Emissions from natural gas consumption, in Tn of CO_{2e} (total Bank)	202,31	205,92	203,43
Emissions for electricity consumption, in Tn of CO_{2e} (Central Building)	–	–	–
Emissions for electrical consumption, in Tn of CO_{2e} (Branch network)	–	–	–
Emissions in Tn of CO_{2e} by displacement of employees by car	768,55	687,06	607,42
Emissions in CO_{2e} by vehicle displacement (Total Bank)	72.92	58.31	44.98
missions in Tn of CO_{2e} by messaging service (Total Bank)	56.22	58.65	69.16
Emissions in Tn of CO_{2e} by leakage of fluorinated gases (Total Bank)	494,33	346,99	763,77
Emissions in Tn of CO_{2e} by leakage of fluorinated gases (Central Building)	–	–	–
Total emissions, in Tn of CO_{2e} “	**1,782,21**	**1,593,85**	**1,957,98**
Emissions in Tn of CO_2e by leakage of fluorinated gases (Central Building)	0.40	0.32	0.38

Specific observations: The carbon footprint calculation tool of the Ministry for Ecological Transition (MITERD), Scopes 1-2, is used to calculate emissions. The sources of the emission factors for the calculation of the CO_2 emissions produced in the displacements are: The GHG Protocol (Greenhouse Gas Protocol) and IDAE (Institute for Energy Diversification and Saving)

Remarks: 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.
Remarks: only those journeys arising from work-related activities have been taken into consideration.

TABLE OF CO_2 EMISSIONS – SCOPES 1, 2 and 3

SCOPE	EMITTING SOURCE	EMISSIONS (Tn $CO_{2\ eq}$)		
		2022	2021	2020
1	**Fuel consumption in buildings**	472,65	442,84	390,19
	Leakage of fluorinated gases	763,77	346,99	494,33
	Fuel consumption of own vehicles	44.98	58.31	72.92
2	**Electricity consumption**	–	–	–
TOTAL EMISSIONS, SCOPE 1+2 (Tn $CO_{2\ eq}$)		**1,281,38**	**848,15**	**957,44**

SCOPE	EMITTING SOURCE	EMISSIONS (Tn CO_2 eq)		
		2022	2021	2020
3	**Commuting of employees by car for work purposes**	607,42	687,06	768,55
	Delivery and distribution by courier service	69.16	58.65	56.22
TOTAL EMISSIONS, SCOPE 3 (Tn CO_2 eq)		**676,57**	**745,71**	**824,77**

SCOPES	EMISSIONS (Tn CO_2 eq)		
	2022	2021	2020
SCOPE 1 ($tCO_{2\ e}$)	1,281,38	848,15	957,44
SCOPE 2 ($tCO_{2\ e}$)	–	–	–
SCOPE 3 ($tCO_{2\ e}$)	676,57	745,71	824,77
TOTAL EMISSIONS ($tCO_{2\ e}$)	**1,957, 95**	**1,593,86**	**1,782,21**

Note: the CO_2 emissions data for 2021 are updated with the emission factors published by MITERD

306-3

	2022	2021	2020
TOTAL NON-HAZARDOUS WASTE (tn)	205	251,56	209,79
TOTAL HAZARDOUS WASTE (tn)	5.99	10.09	7.51
CONFIDENTIALLY DESTROYED PAPER (tn) (*)	216,471	242,921	213,828

(*) The amount of documentation officially destroyed in each year corresponds to the amount in custody in the previous year.
Confidential Destruction is certified according to UNE-EN 15713 - Secure destruction of confidential material.

FS14

CHANNEL OF RELATIONSHIP WITH CUSTOMERS	2019	2020	2021	2022
% over-the-counter transactions	12.78%	9.53%	10.01%	8.49%
% transactions performed via distance banking	72.03%	75.96%	74.27%	73.96%
% transactions carried out at ATM	4.18%	2.98%	2.76%	2.72%
% transactions carried out at POS	10.86%	11.33%	12.97%	14.83%
% operations performed on updater	0.15%	0.03%	—	—
Active digital banking users per month	765,585	842,486	878,818	914,418
Active mobile banking users per month	432,211	521,551	603,409	675,562
Active mobile payment users per month	86,040	213,765	322,975	388,797
Total visits to ibercaja.es homepage	26,375,480	28,008,266	25,779,055	34,729,503

FS8

PARTICIPATED COMPANY	ENVIRONMENTAL PROJECT	INVESTMENT IBERCAJA			QUANTITATIVE INDICATOR
		2020	2021	2022	
Rioja Nueva Economía, S.A.	Bio-diesel plant in Calahorra and wind farm	5,592	5,592	4,627	Biodiesel plant with a capacity of 250,000 tonnes/year).
Solavanti	Photovoltaic projects	6,030	6,030	-	Total installed capacity of 44.46 Mw
Foresta Project	Forest plantations in Extremadura	4,773	5,000	5,226	Forest plantation of 640 ha. (reservoir of 232,545 trees)
Energías Alternativas de Teruel	Promotion and exploitation of wind power	26	-	-	Projects under development (power 159 Mw)
Total investment Ibercaja		**16,421**	**16,622**	**9,853**	

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.

FS10, FS11

IBERCAJA'S INVESTMENTS IN COMPANIES IN WHICH CSR IS SIGNIFICANT (THOUSANDS OF EUROS)	2020	2021	2022
Amounts	103,336	103,646	96,699
Companies	19	20	19
% of total equity interests	45%	45%	45%

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	2020			2021			2022		
BUSINESS SHARE-HOLDINGS	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION
	Thousands of euros	Thousands of euros	Direct and indirect	Thousands of euros	Thousands of euros	Direct and indirect	Thousands of euros	Thousands of euros	Direct and indirect
Tourism sector	66,647	29,873	13,634	67,463	1,331	13,603	67,463	41,326	13,941
Food and agriculture industry	1,306	9,984	1,154	1,306	9,127	1,057	1,306	4,677	1,139
Other sectors	6,602	873	5,803	8,523	3,403	26,446	8,523	3,494	38,514
Totals	**74,555**	**40,731**	**20,591**	**77,292**	**13,861**	**41,106**	**77,292**	**49,497**	**53,593**

Investment in strategic sectors (thousands of euros)	2020	2021	2022
% over-the-counter transactions	75,481	74,911	74,733

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 in an equitable way, 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 the environmental performance or sustainability of an activity 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 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 the provision of investment and auxiliary services.

In this regard, below is a breakdown of the quantitative information at 31 December 2021 and 31 December 2022, following the recommendations published by the European Commission in its FAQs documents of December 2021 and February 2022, which establish that banks should report **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	31/12/2021 (%)	31/12/2022 (%)	Description of content
A.	A. Percentage (%) of total assets exposed to **Central Governments, Central Banks and Supranational Issuers**	28.06%	22.12%	Exposures to Central Governments, Central Banks and Supranational Issuers divided by total on-balance sheet assets (1)
B.	% of total assets corresponding to the **trading book**	0.01%	0.05%	Trading book exposures divided by total on-balance sheet assets (1)
C.	Percentage (%) of **assets covered** within the perimeter of the GAR calculation	71.94%	77.83%	On-balance sheet exposures excluding those exposures to Central Governments, Central Banks, Supranational Issuers and the Trading Book (2)
	Total balance sheet assets (A+B+C) (1)	**100%**	**100%**	
C1.	% of total assets exposed to Taxonomy-**eligible** economic activities	48.70%	47.45%	Activities with entities subject to the NFRD, households and local governments covered by the Taxonomy Regulation divided by the total assets covered (2) and (3)
C2.	% of total assets exposed to Taxonomy-**non-eligible** economic activities	27.25%	26.57%	Activities with entities subject to the NFRD, households and local governments not covered by the Taxonomy Regulation divided by the total assets covered (2) and (3)
C3.	% of total assets exposed to **banks not subject to NFRD** and therefore not obliged to publish non-financial information	23.85%	25.39%	Exposures to entities not required to report under NFRD divided by total assets covered (2) and (3)
C4.	% of total assets exposed to **derivatives**	0.19%	0.60%	Derivative exposures divided by total hedged assets (2)
C5.	% of total assets corresponding to **overnight interbank loans**	–	–	Exposures to overnight interbank lending divided by total hedged assets (2)
	Total hedged assets (C,1+C,2+C,3+C,4) (2)	**100%**	**100%**	

(1): "Total balance sheet assets" is the total amount of assets considering the prudential consolidation perimeter at year-end.

(2): "Total hedged assets" includes assets within the perimeter of the GAR calculation: total on-balance sheet exposures, following the prudential consolidation perimeter, excluding those exposures to Central Governments, Central Banks, Supranational Issuers and the Trading Book, including cash equivalent balances held with these counterparties and the Trading Book.

(3): The information published in the 2021 directors' report concerning ratios C.1., C.2. and C.3. was reported considering in the denominator only certain economic accounting categories of financial assets, as indicated in Appendix V - Key Performance Indicators of Credit Institutions of Delegated Regulation 2021/2178/EU: 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. Following industry publications and clarifications made in Appendix VI, the volume of "total hedged assets" has been expanded in accordance with footnote (2). In this regard, at 31 December 2021, 55.03% of total assets exposed to Taxonomy-eligible economic activities; 18.30% of total assets exposed to non-taxonomy-eligible economic activities; and 26.67% of total assets exposed to entities not required to publish non-financial information were reported

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, as well as in the Delegated Regulation (EU) 2022/1214, which includes activities related to nuclear energy and fossil gas in the Taxonomy. Ibercaja will include the information required in this latest Delegated Regulation at the end of the next financial year together with all reporting of assets exposed to activities aligned with the Taxonomy.

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 counterparties. In this regard, in line with the Bank's commitment to improving data quality and making data more widely available, Ibercaja is conducting a pilot analysis exercise on the eligibility data of some counterparties during 2022 and expects to continue working with its data providers to be able to include data on the alignment of exposures to financial and non-financial institutions in the future.

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: “Help people build their life 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 the design of products and services with sustainable characteristics. During the year, it made progress in identifying and integrating sustainability risks and in 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

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Independent Assurance Report on the Consolidated Non-Financial Information Statement for the year ended December 31, 2022

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

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INDEPENDENT ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.

To the shareholders of Ibercaja Banco, S.A.:

Pursuant to Article 49 of the Spanish Code of Commerce, we have performed a verification, with a limited assurance scope, of the attached Consolidated Non-Financial Information Statement (hereinafter, NFS) for the year ended December 31, 2022 of Ibercaja Banco, S.A. (hereinafter, "the Bank") and subsidiaries that comprise, together with the Bank, Ibercaja Group (hereinafter, "the Group"), which is part of the Group's accompanying consolidated management Report for the year 2022.

The content of the consolidated management Report includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our assignment has been exclusively limited to the verification of the information shown in Annex A "Requirements of Law 11/2018 on non-financial reporting and diversity", Annex C "GRI Content Index" and in principles 2.1, 2.2, 2.3 and 5.1 of chapter 6.11 "Implementation of the UNEP-FI Responsible Banking Principles"., of the accompanying consolidated management Report.

Responsibility of the Board of Directors

The preparation of the NFS included in the consolidated management Report and its content is the responsibility of the Board of Directors of the Bank. The NFS was prepared in accordance with prevailing mercantile legislation and following, as a reference, the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards), as well as other criteria, including the "Financial Services sector supplement to the GRI Guidelines version G4" and the "United Nations Principles for Responsible Banking", described in accordance with that described for each subject in Annex A "Requirements of Law 11/2018 regarding non-financial information and diversity", in Annex C "Index of GRI contents" and in Chapter 6. 11 "Implementation of the UNEP-FI Responsible Banking Principles", of the aforementioned attached Consolidated Management Report.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Accountants (including international standards on independence) issued by the International Ethics Standards Board for Accountants (IESBA) that is based on the fundamental principles of professional integrity, objectivity, competence, diligence as well as confidentiality and professional behaviour.

Our Firm complies with current international quality standards and thus maintains a quality system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about 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. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 “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), the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts and the Guidance for assurance limited assurance providers for reporting on the Principles of 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 of execution, and are less extensive, than those carried out in a reasonable assurance engagement, and therefore, the level of assurance provided is also lower.

Our work consisted in requesting information from Management, as well as of the various Group units involved in the preparation of the NFS, reviewing the processes for gathering and validating the information included in the NFS, and applying certain analytical procedures and sample review tests as described below:

- Meeting with Group personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.

- Analyzing the scope, relevance and integrity of the content included in the NFS for the year 2022 based on the materiality analysis made by the Group's Management and described in section 3 "Keys points of this document", considering the contents required by current mercantile regulations.

- Analyzing the processes for gathering and validating the data included in the 2022 Non-Financial Statement.

- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2022 NFS.

- Checking, through tests, based on a selection of a sample, the information related to the content of the 2022 NFS and its correct compilation from the data provided by the Group´s information sources.

- Obtaining a representation letter from the Board of 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 investments establishes the obligation to disclose information on how and to what extent the entity's investments are associated with eligible economic activities in accordance with to the Taxonomy. For such purposes, the Board of Directors of the Bank have included information on the criteria which, in their opinion, best allow them to comply with this obligation and which are those defined in Annex D “Information of the Taxonomy Regulation (EU) 2020/852” of the accompanying consolidated management Report. Our conclusion is not modified in respect of this matter.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that NFS of the Ibercaja Group for the year ended December 31, 2022 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and following, as a reference, the criteria of the GRI standards, as well as other criteria, including the "Financial Services sector supplement to the GRI Guidelines version G4" and the "United Nations Principles for Responsible Banking", described in accordance with that described for each subject in Annex A "Requirements of Law 11/2018 regarding non-financial information and diversity", in Annex C "Index of GRI contents" and in Chapter 6. 11 "Implementation of the UNEP-FI Responsible Banking Principles", of the aforementioned attached Consolidated Management Report.

Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

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José Carlos Hernández Barrasús

March 3th, 2023

CORPORATE GOVERNANCE REPORT

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 2022

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

(Ibercaja Banco Group)

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
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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 December 15, 2022, 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 2022 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)

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José Carlos Hernández Barrasús

March 3, 2023

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